PRELIMINARY OFFICIAL STATEMENT DATED JULY 21, 2014

NEW ISSUES-BOOK ENTRY ONLY

RATINGS: Standard & Poor's Rating Services: AA
Moody's Investors Service, Inc.: Aa2
(See "RATINGS" herein)

Under existing law, interest on the Bonds and profit realized from their sale or exchange will be exempt from State of Maryland income taxation. No opinion is expressed as to estate of inheritance taxes, or any other taxes not levied or assessed directly on the Bonds, their transfer or interest therefrom. Assuming compliance with certain covenants described herein, under existing statutes, regulations and decisions, interest on the Tax-Exempt Bonds will be excludible from gross income for federal income tax purposes and is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment; however, interest on the Tax-Exempt Bonds may be taken into account in determining a corporation's "adjusted current earnings" for purposes of computing the alternative minimum taxable income for federal income tax purposes and certain foreign corporations engaged in a trade or business in the United States will be subject to the branch profits tax. Interest on the Taxable Bonds will be includible in gross income for federal income tax purposes.

$63,655,000*
MAYOR AND CITY COUNCIL OF BALTIMORE
City of Baltimore, Maryland
General Obligation Bonds

$42,855,000*
Consolidated Public Improvement Bonds
Series 2014A (Tax-Exempt)

$20,800,000*
Consolidated Public Improvement Bonds
Series 2014B (Taxable)

Dated: Date of Delivery **Due: October 15, see inside front cover**

Security: The Bonds are general obligations of the Mayor and City Council of Baltimore (the "City") for the payment of which the City's full faith and credit and taxing power are irrevocably pledged to the timely payment of principal and interest when due. See "The Bonds -- Security."

Redemption: Series 2014A Bonds maturing on and after October 15, 2023 are subject to optional redemption, in whole or in part, on or after October 15, 2022. See "The Bonds -- Optional Redemption."

Series 2014B Bonds maturing on and after October 15, 2025 are subject to optional redemption, in whole or in part, on or after October 15, 2024. See "The Bonds -- Optional Redemption."

Interest Payment Dates: October 15 and April 15, beginning October 15, 2014.

Closing: On or about August 13, 2014.

Denominations: Integral multiples of $5,000.

Purpose: The proceeds of the Bonds will be used to (i) finance or refinance various public improvements of the City, and (ii) pay the costs of issuance of the Bonds and (iii) to the extent there are sufficient proceeds, to fund debt service.

Book-Entry Only: The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository. The City shall make required payments on the Bonds to DTC which in turn will provide for payment to the beneficial owners of the Bonds. Purchases of the Bonds will be in book-entry form only, and beneficial owners will not receive certificates representing their interests. The City will act as Bond Registrar on the Bonds. See Appendix F --"Description of the Book-Only Entry System."

FOR AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIPS, SEE INSIDE COVER

The Bonds are offered for delivery when, as and if issued by the City, subject to the approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, as Bond Counsel to the City, and other conditions specified in the official Notices of Sale for the Series 2014A Bonds and the Series 2014B Bonds, copies of which is attached as Appendix C-1 and Appendix C-2, respectively. Certain legal matters will be passed upon for the City by the City Solicitor. It is anticipated that the Bonds will be available for delivery on or about August 13, 2014.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

* Preliminary, subject to change.

$63,655,000*
MAYOR AND CITY COUNCIL OF BALTIMORE
(City of Baltimore, Maryland)
General Obligation Bonds
Consolidated Public Improvement Bonds
$42,855,000* Series 2014A (Tax-Exempt)
$20,800,000* Series 2014B (Taxable)

Series 2014A Bonds (Tax-Exempt)

Maturity Date* (Oct. 15)	Amount Maturing*	Interest Rate	Yield	CUSIP No.	Maturity Date* (Oct. 15)	Amount Maturing*	Interest Rate	Yield	CUSIP No.
2015	$1,390,000				2025	$2,180,000			
2016	1,460,000				2026	2,245,000			
2017	1,535,000				2027	2,310,000			
2018	1,615,000				2028	2,385,000			
2019	1,695,000				2029	2,460,000			
2020	1,785,000				2030	2,550,000			
2021	1,875,000				2031	2,655,000			
2022	1,970,000				2032	2,765,000			
2023	2,050,000				2033	2,865,000			
2024	2,115,000				2034	2,950,000			

Series 2014B Bonds (Taxable)

Maturity Date* (Oct. 15)	Amount Maturing*	Interest Rate	Yield	CUSIP No.	Maturity Date* (Oct. 15)	Amount Maturing*	Interest Rate	Yield	CUSIP No.
2015	$820,000				2025	$1,015,000			
2016	825,000				2026	1,050,000			
2017	830,000				2027	1,085,000			
2018	840,000				2028	1,125,000			
2019	860,000				2029	1,165,000			
2020	875,000				2030	1,210,000			
2021	900,000				2031	1,255,000			
2022	925,000				2032	1,305,000			
2023	955,000				2033	1,360,000			
2024	985,000				2034	1,415,000			

* Preliminary, subject to change.

The rates shown above are the interest rates payable by the City resulting from the successful bids for the Bonds at public sale on July 30, 2014. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidders and not from the City.

The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by Standard & Poor's CUSIP Service Bureau, division of The McGraw-Hill Companies, Inc. that is not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth above.

No dealer, broker, salesman or other person has been authorized by the City or the successful bidders to give any information or to make any representations, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations and summaries and explanations of provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose. The information set forth herein has been obtained from the City and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City as to information from sources other than the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Furthermore, this Official Statement does not contain any investment advice for purchasers or holders of any of the Bonds. Such persons should consult their own financial advisors regarding possible financial consequences of ownership of the Bonds.

THE OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE FORWARD-LOOKING STATEMENTS, AS SUCH TERM IS DEFINED IN SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, IN THIS RESPECT, SUCH FORWARD-LOOKING STATEMENTS ARE IDENTIFIED BY THE USE OF THE WORDS ESTIMATE, PROJECT, ANTICIPATE, EXPECT, FORECAST, INTEND OR BELIEVE OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARBLE TERMINOLOGY, SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD RESULT IN THE ACTUAL INFORMATION BEING SIGNIFICANTLY DIFFERENT FROM THAT EXPRESSED IN THIS OFFICIAL STATEMENT, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS, SUCH FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE CITY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED, HEREIN TO REFLECT ANY CHANGES IN THE CITY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933. AS AMENDED, AND HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT, ANY REPRENSENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND THE INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES AND THE INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIREY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

MAYOR AND CITY COUNCIL OF BALTIMORE
ELECTED AND CERTAIN APPOINTED OFFICIALS

MAYOR

Stephanie Rawlings-Blake

CITY COUNCIL

President (elected City-Wide):	Bernard C. "Jack" Young
First District Councilperson:	James B. Kraft
Second District Councilperson:	Brandon M. Scott
Third District Councilperson:	Robert W. Curran
Fourth District Councilperson:	William B. Henry
Fifth District Councilperson:	Rochelle "Rikki" Spector
Sixth District Councilperson:	Sharon Green Middleton
Seventh District Councilperson:	Nick J. Mosby
Eighth District Councilperson:	Helen L. Holton
Ninth District Councilperson:	William "Pete" Welch
Tenth District Councilperson:	Edward L. Reisinger
Eleventh District Councilperson:	William H. Cole, IV
Twelfth District Councilperson:	Carl Stokes
Thirteenth District Councilperson:	Warren M. Branch
Fourteenth District Councilperson:	Mary Pat Clarke

BOARD OF ESTIMATES

Bernard C. "Jack" Young	President
Stephanie Rawlings-Blake	Mayor
Joan M. Pratt	Comptroller
Rudolph S. Chow	Director of Public Works
George A. Nilson, Esquire	City Solicitor

BOARD OF FINANCE

Stephanie Rawlings-Blake (President)	Mayor
Joan M. Pratt	Comptroller
Larry I. Silverstein (Vice President)	Member
Dana C. Moulden	Member
Frederick W. Meier, Jr.	Member

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OFFICIAL STATEMENT

$63,655,000*
MAYOR AND CITY COUNCIL OF BALTIMORE
(City of Baltimore, Maryland)
General Obligation Bonds

$42,855,000*	**$20,800,000***
Consolidated Public Improvement Bonds	**Consolidated Public Improvement Bonds**
Series 2014A	**Series 2014B**
(Tax-Exempt)	**(Taxable)**

INTRODUCTION

This introduction is only a brief description of this Official Statement and a full review of the entire Official Statement should be made by any prospective purchaser.

This Official Statement, together with the Appendices, provides certain information relating to the Mayor and City Council of Baltimore (the "City") in connection with the issuance and sale of its $42,855,000* General Obligation Bonds, Consolidated Public Improvement Bonds, Series 2014A (Tax-Exempt) (the "Series 2014A Bonds" or the "Tax-Exempt Bonds") and its $20,800,000* General Obligation Bonds, Series 2014B (Taxable) (the "Series 2014B Bonds" or the "Taxable Bonds" and, together with the Series 2014A Bonds, the "Bonds").

Purpose of the Bonds

The proceeds of the Bonds will be used to (i) finance or refinance various public improvements of the City, (ii) pay for the cost of issuance of the Bonds and, to the extent there are sufficient proceeds, (iii) fund debt service with respect to the Bonds to the extent there are sufficient proceeds.

Appendices

Appendix A of this Official Statement provides certain information relating to the condition, affairs and operations of the City. Appendix B of this Official Statement provides financial and statistical statements of the City as contained in the Comprehensive Annual Financial Report for the year ended June 30, 2013. Appendix C-1 is the form of Official Notice of Sale with respect to the Series 2014A Bonds and Appendix C-2 is the form of Official Notice of Sale with respect to the Series 2014B Bonds. The forms of Bond Counsel Opinions are set forth in Appendix D. The form of the Continuing Disclosure Certificate is set forth in Appendix E. The description of the book-entry only system is set forth in Appendix F.

THE BONDS

General

The Bonds will be dated the date of their delivery and will mature as set forth on the inside cover page of this Official Statement, subject to earlier redemption as set forth below under "Redemption of Bonds." The Bonds will bear interest from the date of their delivery. Interest on the Bonds is payable on each April 15 and October 15, commencing on October 15, 2014.

The Bonds will be issued in book-entry only form as fully registered bonds without coupons. The Bonds will initially be registered in the name of Cede & Co., the partnership nominee of DTC. So long as Cede & Co. is the registered owner of the Bonds, interest payments due on such Bonds will be made to Cede & Co.

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*Preliminary, subject to change.

Optional Redemption

The Series 2014A Bonds maturing on or after October 15, 2023 are subject to redemption prior to maturity, at the option of the City, on or after October 15, 2022, in whole or in part at any time, at the principal amount thereof (without premium), plus accrued interest on such principal amount to the date of redemption.

The Series 2014B Bonds maturing on or after October 15, 2025 are subject to redemption prior to maturity, at the option of the City, on or after October 15, 2024, in whole or in part at any time, at the principal amount thereof (without premium), plus accrued interest on such principal amount to the date of redemption.

Mandatory Sinking Fund Redemption

The Series 2014A Bonds maturing on October 15, 20__ shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on October 15 of each of the years set forth below and in the principal amount indicated:

$_________ Term Bond due October 15, 20__

Year	Principal Amount

The Series 2014B Bonds maturing on October 15, 20__ shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on October 15 of each of the years set forth below and in the principal amount indicated:

$_________ Term Bond due October 15, 20__

Year	Principal Amount

Selection of Bonds for Redemption

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar. When less than all of a Bond in a denomination in excess of $5,000 shall be so redeemed, then, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charges, for the unredeemed balance of the principal amount of such Bond, at the option of such owner, Bonds in any of the authorized denominations, the aggregate face amount of such Bonds not to exceed the unredeemed balance of the principal amount of such Bond.

Notice of Redemption

The Bond Registrar on behalf of the City will give notice of the redemption of the Bonds by mailing a copy of the redemption notice by first class mail postage prepaid, at least 30 days prior to the date fixed for redemption, to the owner of each Bond subject to redemption in whole or in part at the owner's address shown on the Bond Register. When the Bonds are not held in a book-entry only system, a second notice shall be sent in the same manner described above not more than 90 days after the redemption date to the owner of any redeemed Bond which was not presented for payment on the redemption date. Failure to receive notice as described in this paragraph, or any defect in that notice, as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond.

So long as the book-entry only system is in effect, the Bond Registrar will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Bonds under the book-entry only system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

The notice of the call for redemption of the Bonds shall state (i) whether such Bonds are redeemed in whole or in part, (ii) the Bonds or portion thereof to be redeemed by designation, letters, CUSIP numbers or other distinguishing marks, interest rate, maturity date and principal amount, (iii) the redemption price to be paid, (iv) the date fixed for redemption, (v) that interest shall cease to accrue after the date fixed for redemption, (vi) the place or places, by name and address, where the Bonds must be presented for redemption and payment, and (vii) the name and telephone number of the person to whom inquiries regarding the redemption may be directed; provided, however, that the failure to identify a CUSIP number for said Bonds in the redemption notice, or the inclusion of an incorrect CUSIP number, shall not affect the validity of such redemption notice; and provided further that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in such notice.

Authorization

The Bonds are issued under the authority of the Constitution of Maryland, the Charter of the City (the "Charter"), a resolution of the Board of Finance of the City, the Consolidating Act (as hereinafter defined) and certain ordinances of the City (the "City Ordinances") which have been approved by the City Council of the City (the "City Council") and the Mayor of the City (the "Mayor"). The debt authorized by the City Ordinances was approved by voters of the City and by either resolutions of the Baltimore City Delegation to the General Assembly of Maryland (the "General Assembly") or the Acts of the General Assembly.

The Bonds are issued under the authority of Section 7 of Article XI of the Constitution of Maryland, as amended; Article II, Section 33 of the Charter; Article VII, Section 21 of the Charter; a resolution of the Board of Finance adopted on April 28, 2014 (the "Resolution"); and the City Ordinances which were approved by the City Council and the Mayor.

The Bonds are consolidated for sale under the provisions of Section 19-101 of the Local Government Article of the Annotated Code of Maryland (2013 Volume) (the "Consolidating Act").

The debt authorized by the Ordinances with respect to the Bonds was presented to and approved by a majority of the members of the General Assembly representing the City (the "City Delegation") and was submitted to the legal voters of the City and approved by a majority of the votes cast as set forth below.

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Loan Name	Authorization Amount	Date	Ordinance Number	Legislative Authority
1st Cultural Institution	$3,600,000	08/15/06	06-299	Res. I
1st Public Building	7,580,000	06/23/04	04-799	Res. IX
1st Waxter Center	1,000,000	07/01/02	02-374	Res. XI
2nd Enoch Pratt Library	1,000,000	06/30/99	99-482	Rex. IV
3rd Enoch Pratt Library	7,500,000	06/08/00	00-0036	Res. V
3rd Police Department	1,000,000	06/24/98	98-344	Res. V
3rd Public Building	12,500,000	05/27/08	08-021	Res. XV
4th Enoch Pratt Library	2,350,000	07/02/02	02-376	Res. IV
5th Maryland Science Center	200,000	06/18/12	12-21	Res. VI
5th Public Building	16,200,000	06/17/10	10-293	Res. V
6th Baltimore Museum of Art	500,000	06/23/04	04-712	Res. I
6th Enoch Pratt Library	3,000,000	08/15/06	06-300	Res. II
6th Housing Development	10,000,000	08/15/06	06-303	Res. VI
6th Public Building	17,000,000	06/18/12	12-23	Res. V
7th Baltimore Museum of Art	750,000	06/09/08	08-023	Res. II
7th Enoch Pratt Library	3,000,000	06/09-08	08-020	Res. X
9th Aquarium	1,000,000	05/27/10	10-285	Res. VI
9th Baltimore Art Museum	500,000	06/18/12	12-19	Res. VIII
22nd Economic Development	15,300,000	05/27/08	08-019	Res. XIV
23rd Community Development	13,000,000	06/24/98	98-341	Res. VIII
23rd Economic Development	16,775,000	06/17/10	10-292	Res. IV
23rd Recreation and Parks	6,945,000	06/23/04	04-719	Res. X
24th Economic Development	15,800,000	06/18/12	12-20	Res. IV
24th Recreation and Parks	9,000,000	08/15/06	06-252	Res. IV
25th Community Development	26,000,000	06/12/00	00-0059	Res. III
25th Recreation and Parks	16,000,000	06/09/08	08-030	Res. XII
26th Community Development	43,500,000	07/01/02	02-381	Res. II
26th Recreation and Parks	12,897,000	05/27/10	10-286	Res. II
27th Community Development	33,500,000	06/23/04	04-713	Res. VI
27th Recreation and Parks	8,000,000	06/18/12	12-24	Res. II
28th Community Development	32,000,000	08/15/06	06-302	Res. V
29th Community Development	30,500,000	05/27/08	08-018	Res. XIII
30th Community Development	18,050,000	06/17/10	10-291	Res. III
31st Community Development	24,000,000	06/18/12	12-18	Res. III
43rd Schools	43,000,000	06/09/08	08-031	Res. XI
44th Schools	33,378,000	05/27/10	10-287	Res. I

Security

The Bonds will be valid and legally binding general obligations of the City for which its faith and credit are pledged. The Bonds are payable as to principal and interest from *ad valorem* taxes which the City is empowered, obligated and directed by law to levy, without limitation, upon all assessable property within the corporate boundaries of the City, in each year in rate and amount sufficient for such purpose until all of the Bonds and the interest thereon shall have been paid or provision shall have been made for such payment. Payment of the Bonds is not guaranteed by the State or any other governmental entity, except the City.

The Bonds shall be unconditional general obligations of the City, for which the faith and credit of the City are pledged. The Bonds are payable as to principal and interest from *ad valorem* taxes which the City is empowered, obligated and directed by law to levy, without limitation, upon all assessable property within the corporate boundaries of the City, in each year in rate and amount sufficient for such purpose until all of the Bonds and the interest thereon shall have been paid or provision shall have been made for such payment.

Bondholder Remedies

It is the opinion of Bond Counsel that the City may be sued in the event that it fails to perform its obligations under the Bonds to the registered owners thereof, and that any judgment resulting from such suits would be enforceable against the City. Nevertheless, a registered owner of a Bond who has obtained any such judgment may be required to seek additional relief to compel the City to assess, levy and collect such taxes as may be necessary to provide funds from which such judgment may be paid. Although there is no State law directly on point, it is the opinion of Bond Counsel that the appropriate courts of the State have jurisdiction to entertain proceedings and power to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to bondholders and while the general obligation bonds of the City are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies may not be absolute. Maryland does not at this time have any statue that authorizes municipalities to file under Chapter 9 of the Federal Bankruptcy Code. However enforcement of a claim for payment of the principal of or the interest on the Bonds could be made subject to the provisions of Chapter 9 of the Federal Bankruptcy Code or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the General Assembly extending the time of payment or imposing other constraints upon enforcement

Book-Entry Only System

Principal of and interest on the Bonds are payable, so long as the Bonds are in book-entry only form, through a securities depository, as described in Appendix F. DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Beneficial ownership interests in the Bonds will be available in book-entry only form. Purchasers of beneficial ownership interests will not receive certificates representing their interests in the Bonds purchased. See Appendix F -- "Description of the Book-Entry Only System."

Termination of Book-Entry Only System

In the event that the book-entry only system is discontinued, the Bonds will be delivered by DTC to the Bond Registrar (defined herein) and such Bonds will be exchanged for Bonds registered in the names of the Direct or Indirect Participants or the Beneficial Owners (each as defined in Appendix F) identified to the Bond Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below. Interest on the Bonds will be payable by check mailed by the City (the "Bond Registrar") to the persons in whose names the Bonds are registered as of the close of business on the Regular Record Date (defined herein) at the addresses shown on the registration books of the City maintained by the Bond Registrar. The principal or redemption price of and premium, if any, on the Bonds will be payable at the office of the Bureau of Treasury Management in Baltimore, Maryland. The City may designate another entity as Bond Registrar pursuant to the Resolution.

Registration, Transfer and Exchange

The City shall cause a Bond Register (the "Bond Register") for the Bonds to be kept at the designated office of the Bond Registrar. The City may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

Subject to the limitations set forth above with respect to the Bonds held in a book-entry only system, upon surrender for transfer of any Bond at such office, the City shall execute and the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds in the same series and authorized denomination or denominations in the aggregate principal amount which the transferee is entitled to receive. All Bonds presented for transfer, exchange or redemption (if so required by the City) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or by his duly authorized attorney. No service charge shall be made for any exchange, transfer, registration or discharge from registration of the Bonds, but the City may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto. Neither the City nor any other Bond Registrar on behalf of the City shall be required (a) to register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of such mailing or (b) to register the transfer of or exchange any Bond so selected for redemption in whole or in part.

THE CITY

The City is a body politic and corporate and a political subdivision of the State of Maryland (the "State") and has had a charter form of government since 1797 and home rule powers since 1918. All local government functions are performed by the City. For more information regarding the City, see Appendix A.

Debt Service Schedule for Outstanding General Obligation Debt

The following table sets forth the debt service for the Bonds and all other currently outstanding general obligation bonds of the City on a fiscal year basis (amounts expressed in thousands).

	Existing General Obligation Debt Service			The Bonds Debt Service		Total
Fiscal Year	Principal	Interest[(1)]	SWAP[(2)]	Principal	Interest[(1)]	Debt Service
2014	$41,098,769	$23,558,142	$1,178,430			
2015	34,957,209	22,444,554	1,094,605			
2016	36,035,955	21,166,694	999,624			
2017	36,270,016	19,789,001	916,102			
2018	30,610,000	18,410,826	867,858			
2019-2023	206,640,000	67,941,080	2,835,599			
2024-2028	126,780,000	28,258,043				
2029-2033	56,705,000	4,620,363				
Total	$569,096,949	$206,178,704	$7,892,217			

(1) With respect to outstanding general obligation bonds bearing interest at a variable rate, interest is calculated on the applicable variable rate for each such series of bonds as of June 30, 2013.

(2) Swap debt service represents estimated payments for additional interest resulting from Swap Agreements. Additional payments were computed using rates as of June 30, 2013, assuming interest rates remain the same for the term of the Swap Agreements.

PLAN OF FINANCE

The following table outlines the estimated sources and uses of funds for the Bonds.

	Series 2014A Bonds	Series 2014B Bonds	Total
Sources of Funds:			
Par Amount of Bonds			
Premium			
Total Sources of Funds:			
Uses of Funds:			
Deposit to Project Fund			
Tax-Exempt Projects			
Taxable Projects			
Total Project Fund Uses			
Costs of Issuance*			
Total Sources of Funds:			

* Costs of issuance include, among other items, the underwriters' discount and Bond Counsel and Financial Advisor fees.

DEBT SERVICE SCHEDULES

Debt Service Schedules for the Bonds

The following table sets forth the annual debt service requirements for the Bonds.

	Series 2014A Bonds		Series 2014B Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Total

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APPLICATION OF PROCEEDS OF THE BONDS

The proceeds of the Bonds will be used to finance or refinance certain capital projects of the City as approved by voters of the City and by either resolutions of the City Delegation to the General Assembly or the Acts of the General Assembly. A portion of the proceeds of the Bonds will finance indebtedness or reimburse expenditures incurred for such authorized public improvement projects (the "Projects"), as set forth below.

Loan Projects	Series 2014A Bonds*	Series 2014B Bonds*	Amount*
1st Cultural Institution	$ 662,418.90	$ --	$ 662,418.90
1st Public Building	--	81,139.99	81,139.99
1st Waxter Center	24,137.70	--	24,137.70
2nd Enoch Pratt Library	2,762.41	--	2,762.41
3rd Police Department	739.54	--	739.54
3rd Public Building	561,653.75	--	561,653.75
4th Enoch Pratt Library	4,143.82	444,207.96	448,351.78
5th Maryland Science Center	100,000.00	--	100,000.00
5th Public Buildings	781,356.95	497,626.11	1,278,983.06
6th Baltimore Museum of Art	327,012.01	--	327,012.01
6th Enoch Pratt Library	222,046.88	--	222,046.88
6th Housing Development	--	970,761.18	970,761.18
6th Public Building	126,014.57	--	126,014.57
7th Baltimore Museum of Art	490,515.55	--	490,515.55
7th Enoch Pratt Library	309,747.37	--	309,747.37
8th Baltimore Museum of Art	392,416.40	--	392,416.40
8th Baltimore Zoo	100,000.00	--	100,000.00
9th Aquarium	500,000.00	--	500,000.00
9th Baltimore Art Museum	233,782.28	--	233,782.28
22nd Economic Development	680,830.52	499,566.38	1,180,396.90
23rd Community Development	--	47,182.58	47,182.58
23rd Economic Development	3,505,313.32	1,158,791.03	4,664,104.35
23rd Recreation and Parks	757,352.76	177,714.70	935,067.46
24th Economic Development	50,000.00	270,637.86	320,637.86
24th Recreation & Parks	1,816,978.38	--	1,816,978.38
25th Community Development	--	210,487.96	210,487.96
25th Recreation and Parks	1,659,520.92	191.48	1,659,712.40
26th Community Development	--	543,778.67	543,778.67
26th Recreation & Parks	1,351,261.43	--	1,351,261.43
27th Community Development	811.40	184,054.74	184,866.14
27th Recreation & Parks	30,047.17	--	30,047.17
28th Community Development	64,288.08	1,023,861.88	1,088,149.96
29th Community Development	218,111.61	3,137,502.43	3,355,614.04
30th Community Development	711,693.25	6,162,759.59	6,874,452.84
31st Community Development	114,460.85	5,389,735.46	5,504,196.31
43rd Schools	14,016,703.84	--	14,016,703.84
44th Schools	13,038,878.34	--	13,038,878.34
Total	$42,855,000.00	$20,800,000.00	$63,655,000.00

* Preliminary, subject to change.

CERTAIN INFORMATION REGARDING CITY OF BALTIMORE

Statement of General Obligation Debt and Other Financing Arrangements

	After 2014 Bond Sale*	As of June 30th 2014*	2013	2012	2011	2010
General Obligation Bonds:						
Education		$176,329,704	$186,640,763	$190,486,136	$199,894,585	$198,989,260
Highways		5,344,140	6,012,916	6,937,948	8,213,407	10,156,511
Parking		6,537,807	7,011,907	10,273,469	12,411,094	15,064,957
Public Buildings & Facilities		61,026,131	65,237,455	60,436,922	63,781,321	55,640,871
Public Health		2,579,817	2,800,421	3,048,436	3,237,241	3,339,300
Public Safety		4,115,202	4,877,871	6,165,423	7,687,830	9,247,556
Recreation & Parks		24,862,151	26,764,808	21,439,502	23,260,245	22,991,136
Storm Water		-	-	-	445,787	1,708,213
Unallocated		6,576,825	7,327,105	9,156,000	15,829,022	17,167,022
Urban Renewal & Development		240,626,403	262,423,703	262,203,736	284,383,358	279,601,077
Waste Disposal		-	-	-	28,111	139,457
Wastewater		-	-	-	-	255,206
Water		-	-	-	-	65,821
Total General Obligation Bonds		$527,998,180	$569,096,949	$570,147,571	$619,172,001	$614,366,387
Other General Obligation Debt						
Capital Appreciation Bonds	-	-	-	-	$11,785,205	$18,203,629
Total Other General Obligation Debt	-	-	-	-	$11,785,205	$18,203,629
Total General Obligation Debt		$527,998,180	$569,096,949	$570,147,571	$630,957,206	$632,570,016
Revenue Obligations - City Facilities:						
Convention Center Revenue Bonds		$320,000,000	$325,680,000	$330,840,000	$333,775,000	$336,545,000
County Transportation Bonds		94,930,000	101,685,000	82,945,000	83,115,000	93,210,000
Parking Facilities Revenue Bonds		154,130,000	163,410,000	171,820,000	180,215,000	157,960,000
Stormwater Special Revenue Bonds		2,894,732	3,253,922	3,611,681	5,120,475	5,475,389
Wastewater Utility Revenue Bonds		859,672,757	717,549,287	708,380,975	730,975,967	647,282,109
Water Utility Revenue Bonds		619,683,629	509,023,481	519,366,959	524,179,140	479,154,887
Total Revenue Obligations - City Facilities		$2,051,311,118	$1,820,601,690	$1,816,964,615	$1,857,380,582	$1,719,627,385
Special Obligation Bonds						
Tax Increment Financing		$149,823,973	$114,434,997	$114,992,990	$115,600,000	$116,205,000
Tax Special Obligation Bonds		$149,823,973	$114,434,997	$114,992,990	$115,600,000	$116,205,000
Financings with State of Maryland:						
Urban Renewal & Development (a)		$384,166	$567,762	$762,653	$925,766	$1,243,595
Wastewater (b)		-	-	19,122	60,643	142,536
Total Financings with State of Maryland		$384,166	$567,762	$781,775	$986,409	$1,386,131
Financings with the Federal Government:						
Urban Renewal & Development		33,461,000	36,461,000	$39,355,000	$42,151,000	$45,436,000
Total Federal Government Financings:		$33,461,000	$36,461,000	$39,355,000	$42,151,000	$45,436,000
Conditional Purchase Agreements:						
Certificates of Participation		$23,845,385	$34,405,000	$43,305,000	$51,765,000	$57,515,000
Other		143,249,198	128,608,760	97,302,958	76,927,829	72,806,915
CPA's Financed by I.D.A.		24,745,000	32,981,895	$41,556,332	32,047,286	38,545,209
Total Conditional Purchase Agreements		$191,839,583	$195,995,655	$182,164,290	$160,740,115	$168,867,124
Total - All Financing Obligations		$2,954,818,020	$2,737,158,053	$2,724,406,241	$2,807,815,312	$2,684,091,656

* **Unaudited**

a. Represents borrowing from the State for (i) Maryland Industrial Land Act (MILA) loans for industrial parks owned by the City or industrial facilities financed for private enterprises; and (ii) Maryland Industrial and Commercial Redevelopment Fund (MICRF) loans for industrial and commercial development.
b. Represents borrowing to finance various wastewater projects. The City's full faith and credit or taxing power are NOT pledged to support such issues.

Source: Bureau of Treasury Management, Department of Finance.

GENERAL OBLIGATION LOANS AUTHORIZED, NOT ISSUED

As described under the heading "DEBT OF THE CITY" in Appendix A of this Official Statement, the City's ability to incur general obligation debt requires a three-step procedure: State legislative authorization, enactment of a City loan ordinance and approval by the voters of the City. Thereafter, the loan authorization must be appropriated through the City's capital budget process before the loan funds can be expended. As a result of these required procedures, the City usually has a backlog of authorized loans which have not been funded by issuance of either general obligation bonds or general obligation bond anticipation notes. As of June 30, 2014, the amount of such loans authorized and unissued is set forth below:

General Purpose	Number of Authorizations	Amount
Education	3	$81,394,704
Finance	1	20,000,000
Highways	1	219,861
Parking	2	345,000
Public Buildings & Facilities	32	52,194,927
Public Health	4	4,070,611
Public Safety	2	147,975
Recreation & Parks	5	36,712,208
Urban Renewal & Development	23	93,608,141
TOTAL	73	$287,693,426

FUTURE GENERAL OBLIGATION ISSUES

The City's capital improvement program is an ongoing undertaking which requires periodic issuances of the City's general obligation bonds to fund the portion of such program which was appropriated to be paid. The City expects to issue its next general obligation offering in the fourth quarter of fiscal year 2015.

TAX MATTERS

The following is only a general summary of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

State of Maryland Taxation

In the opinion of Bond Counsel, under existing law, interest on the Bonds and profit realized from their sale or exchange will be exempt from State of Maryland income taxation. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Purchasers of the Bonds should consult their own tax advisors with respect to the taxable status of the Bonds in jurisdictions other than the State of Maryland.

Tax-Exempt Bonds

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, the interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions.

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Tax-Exempt Bonds, including restrictions that must be complied with throughout the term of the Tax-Exempt Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Tax-Exempt Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Tax-Exempt Bonds; and (iii) other requirements applicable to the use of the proceeds of the Tax-Exempt Bonds and the facilities financed with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Tax-Exempt Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The City has made certain covenants to regulate the investment of the proceeds of the Tax-Exempt Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

Further, Bond Counsel is of the opinion that under existing statutes, regulations and decisions, interest on the Tax-Exempt Bonds is not included in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax may be required to increase its alternative minimum taxable income by seventy-five percent (75%) of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" may include, among other items, interest income from the Tax-Exempt Bonds. In addition, interest income on the Tax-Exempt Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in trade or business in the United States.

In rendering its opinion with respect to the Bonds, Bond Counsel will rely without investigation on certifications provided by the City with respect to certain material facts within the knowledge of the City relevant to the tax-exempt status of interest on the Bonds.

Tax Accounting Treatment of Tax-Exempt Discount Bonds

Certain maturities of the Tax-Exempt Bonds may be issued at an initial public offering price which is less than the amount payable on such Tax-Exempt Bonds at maturity (the "Tax-Exempt Discount Bonds"). The difference between the initial offering price (including accrued interest) at which a substantial amount of the Tax-Exempt Discount Bonds of each maturity was sold and the principal amount of such Tax-Exempt Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Tax-Exempt Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Tax-Exempt Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (a) any holder of a Tax-Exempt Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder's original cost basis in such Tax-Exempt Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Tax-Exempt Discount Bond, and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

Original issue discount on Tax-Exempt Discount Bonds will be attributed to permissible compounding periods during the life of any Tax-Exempt Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Tax-Exempt Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Tax-Exempt Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Tax-Exempt Discount Bond for any particular compounding period is equal to the excess of (a) the product of (i) the yield for the Tax-Exempt Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (ii) the amount that would be the tax basis of such Tax-Exempt Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (b) the amount actually payable as interest on such Tax-Exempt Discount Bond during such period. For purposes of the preceding sentence the tax basis of a Tax-Exempt Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Tax-Exempt Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Tax-Exempt Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Tax-Exempt Discount Bonds should note that, under the tax regulations, the yield and maturity of a Tax-Exempt Discount Bond is determined without regard to commercially reasonable sinking fund payments, and any original issue discount remaining unaccrued at the time that a Tax-Exempt Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The prices or yields furnished by the successful bidder for the Tax-Exempt Bonds as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Tax-Exempt Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Tax-Exempt Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Tax-Exempt Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Tax-Exempt Discount Bonds under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Tax-Exempt Discount Bonds should consult their tax advisors.

Additional Federal Income Tax Considerations

Certain Federal Tax Consequences of Ownership

There are other federal income tax consequences of ownership of obligations such as the Tax-Exempt Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Tax-Exempt Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; and (v) net gain realized upon the sale or other disposition of the Tax-Exempt Bonds must be taken into account when computing the 3.8% Medicare tax with respect to investment income imposed on certain higher income individuals and specified trusts and estates.

Purchase, Sale and Retirement of Tax-Exempt Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Tax-Exempt Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Tax-Exempt Bond will be its cost. Upon the sale or retirement of a Tax-Exempt Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such Tax-Exempt Bond (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Tax-Exempt Bond, determined by adding to the original cost basis in such Tax-Exempt Bond the amount of original issue discount that is treated as having accrued as described above under "Tax Accounting Treatment of Tax-Exempt Discount Bonds." Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Tax-Exempt Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rate applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

If a holder acquires a Tax-Exempt Bond after its original issuance at a discount below its principal amount (or in the case of a Tax-Exempt Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such Tax-Exempt Bond was first issued), the holder will be deemed to have acquired the Tax-Exempt Bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Tax-Exempt Bond with market discount subsequently realizes a gain upon the disposition of the Tax-Exempt Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Tax-Exempt Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Tax-Exempt Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of such Tax-Exempt Bond's stated redemption price at maturity over the holder's cost of acquiring such Tax-Exempt Bond is less than 0.25% of the stated redemption or purchase price at maturity multiplied by the number of complete years between the date the holder acquires such Tax-Exempt Bond and its maturity date. In the case of a Tax-Exempt Bond issued with original issue discount, market discount will be *de minimis* if the excess of such Tax-Exempt Bond's revised issue price over the holder's cost of acquiring such Tax-Exempt Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires such Tax-Exempt Bond and its stated maturity date. For this purpose, a Tax-Exempt Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to such Tax-Exempt Bond during the period between its original issue date and the date of acquisition by the holder.

Tax Accounting Treatment of Premium Bonds

A Tax-Exempt Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in such Tax-Exempt Bond exceeds the amount payable at maturity (or, in the case of a Tax-Exempt Bond callable prior to maturity, the amount payable on the earlier call date). Under regulations applicable to the Tax-Exempt Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Tax-Exempt Bond. The holder will be required to reduce his tax basis in the Tax-Exempt Bond for purposes of determining gain or loss upon disposition of such Tax-Exempt Bond by the amount of amortizable bond premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Tax-Exempt Bonds.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Tax-Exempt Bonds in light of such holder's particular circumstances and income tax situation. Each holder of the Tax-Exempt Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Tax-Exempt Bonds, including the application of state, local, foreign and other tax laws.

Legislative Developments

Legislative proposals currently under consideration or proposed after issuance and delivery of the Tax-Exempt Bonds could adversely affect the market value of the Tax-Exempt Bonds. Further, if enacted into law, any such proposal could cause the interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors as to the status and potential effect of proposed legislative proposals, as to which Bond Counsel expresses no opinion.

See Appendix D hereto for the proposed form of opinion of Bond Counsel with respect to the Tax-Exempt Bonds.

Taxable Bonds

General

Many factors may impact the application of federal income tax laws pertaining to the Taxable Bonds and the receipt of interest on Taxable Bonds, including the status of the beneficial owner of the Taxable Bonds as a United States holder or non-United States holder under the Code, whether Taxable Bonds are held as capital assets or in some other context and whether the status of the beneficial owner or the financial context in which it is operating represents a special tax situation, such as an S corporation, insurance company, tax-exempt organization, financial institution, regulated investment company, real estate investment trust or broker-dealer or trader in securities. Persons considering the purchase of the Taxable Bonds should consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences arising from the federal alternative minimum tax or the federal estate tax.

The following is a summary of certain federal income tax consequences of the ownership of Taxable Bonds held as capital assets by United States holders. The discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions as of the date of this Official Statement. Those provisions may be changed, in some cases retroactively, so as to result in federal income tax consequences different from those discussed below.

As used herein, "United States holder" means a beneficial owner of a Taxable Bond who or that, for United States federal income tax purposes, is (i) a citizen or resident of the United States, (ii) an entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision of the United States, (iii) an estate, the income of which is subject to federal income taxation regardless of its source or (iv) a trust, if it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or if it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership, or other entity classified as a partnership for federal income tax purposes, holds Taxable Bonds, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership holding Taxable Bonds should consult its tax advisor.

Payment of Interest

Interest on a Taxable Bond will be taxable to a United States holder as ordinary income at the times accrued or paid in accordance with the United States holder's method of accounting for federal income tax purposes.

Tax Accounting Treatment of Taxable Discount Bonds

Certain maturities of the Taxable Bonds may be issued at an initial public offering price which is less than the stated redemption price at maturity of such Taxable Bonds (the "Taxable Discount Bonds"). If the stated redemption price at maturity of Taxable Discount Bonds of a particular maturity exceeds the first price at which a substantial amount of such Bonds was sold for money (excluding sales to bond houses, brokers or similar persons acting as underwriters, placement agents or wholesalers) by more than a *de minimis* amount, the Taxable Discount Bonds will be treated as having original issue discount. A holder of Taxable Discount Bonds (whether a cash or accrual method taxpayer) is required to include in gross income as interest the amount of such original issue discount which is treated as having accrued during a taxable year with respect to such Bonds, in advance of the receipt of some or all of the related cash payments. Accrued original issue discount is added to the original cost basis of the holder in determining, for federal income tax purpose, gain or loss upon disposition (including sale, early redemption or repayment at maturity).

Original issue discount on Taxable Discount Bonds will be attributed to permissible compounding periods during the life of any Taxable Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Taxable Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Taxable Discount Bonds and must begin or end on the date of such payments. The amount of original issue discount allocable to any compounding period is equal to the excess, if any, of (a) the Taxable Discount Bond's adjusted issue price at the beginning of the compounding period multiplied by its yield to maturity, determined on the basis of compounding at the close of each compounding period and properly adjusted for the length of the compounding period, over (b) the aggregate of all qualified stated interest allocable to the compounding period. Original issue discount allocable to a final compounding period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final compounding period. Special rules apply for calculating original issue discount for an initial short compounding period. The "adjusted issue price" of a Taxable Discount Bond at the beginning of any compounding period is equal to its issue price increased by the accrued original issue discount for each prior compounding period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments made on the Taxable Discount Bond (other than qualified stated interest) on or before the first day of the compounding period. Under these rules, a holder of a Taxable Discount Bond will have to include in income increasingly greater amounts of original issue discount in successive compounding periods. The amount of original issue discount accrued on Taxable Discount Bonds held of record by persons other than corporations and other exempt holders will be reported to the IRS. If a Taxable Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, if the interest to be paid is payable at least once per year, is payable over the entire term of the Taxable Discount Bond and is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

Holders of Taxable Discount Bonds should note that, under applicable regulations, the yield and maturity of a Taxable Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Taxable Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The prices or yields furnished by the successful bidder for the Taxable Bonds as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Taxable Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Taxable Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Taxable Discount Bonds. In addition, prospective foreign corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Bonds under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Taxable Discount Bonds should consult their tax advisors.

Purchase, Sale and Retirement of Taxable Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Taxable Bond will normally result in capital gain or loss. A United States holder's initial tax basis in a Taxable Bond will be its cost. Upon the sale, redemption or retirement of a Taxable Bond, for federal income tax purposes, a United States holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition (less an amount equal to any accrued qualified stated interest, which will be treated as a payment of interest) and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of any original issue discount and any market discount previously included in such holder's income, and by subtracting any amortized premium and any cash payments on the Taxable Bond other than qualified stated interest, as more fully described above under "Tax Accounting Treatment of Taxable Discount Bonds." Such gain or loss will be long-term capital gain or loss if at the time of the sale, redemption or retirement, the Taxable Bond has been held for more than one year. Under present law, both long and short-term capital gains of corporations are taxed at the rates applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

Market Discount

If a United States holder acquires a Taxable Bond after its original issuance at a cost which is less than its stated redemption price at maturity (or, in the case of a Taxable Bond having original issue discount, its revised issue price) by more than a certain *de minimis* amount, such holder will be deemed to have acquired the Taxable Bond at "market discount." The amount of market discount treated as having accrued will be determined either on a ratable basis, or, if the holder so elects, on a constant interest method. Upon any subsequent disposition (including a gift, redemption or payment at maturity) of such Taxable Bond (other than in connection with certain nonrecognition transactions), the lesser of any gain on such disposition (or appreciation, in the case of a gift) or the portion of the market discount that accrued while the Taxable Bond was held by such holder will be treated as ordinary income at the time of the disposition. In lieu of including accrued market discount in income at the time of disposition, a holder may elect to include market discount in income currently. Unless a holder so elects, a holder may be required to defer deductions for a portion of such holder's interest expense with respect to any indebtedness incurred or maintained to purchase or carry such Bond until the holder disposes of the Taxable Bond. The election to include market discount in income currently, once made, is irrevocable and applies to all market discount obligations acquired on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

Acquisition Premium

A subsequent United States holder of a Taxable Bond is generally subject to rules for accruing original issue discount described above. However, if such holder's purchase price for the Taxable Bond exceeds the adjusted issue price (the sum of the issue price of the Taxable Bond and the aggregate amount of the original issue discount includable in the gross income of all holders for periods before the acquisition of the Taxable Bond by such holder and reduced by any payments previously made on the Taxable Bond other than payments of qualified stated interest, the excess (referred to as "acquisition premium") is offset ratably against the amount of original issue discount otherwise includable in such holder's taxable income (*i.e.*, such holder may reduce the daily portion of original issue discount by a fraction, the numerator of which is the excess of such holder's purchase price for the Taxable Bond over the adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Taxable Bond after the purchase date other than qualified stated interest over the Taxable Bond's adjusted price).

Amortizable Bond Premium

If a United States holder's basis in a Taxable Bond exceeds the sum of all amounts payable on the Taxable Bond after the date on which the holder acquires it other than qualified stated interest, such excess will constitute amortizable bond premium with respect to the Taxable Bond and, in the case of a Taxable Discount Bond, such holder will not have to account for original issue discount with respect to such Bond. The holder of a Taxable Bond having amortizable bond premium generally may elect to amortize the premium over the remaining term of the Taxable Bond on a constant yield method as an offset to interest when includable in income under its regular accounting method. In the case of instruments that provide for alternative payment schedules, bond premium amortization is calculated by assuming that (a) the holder will exercise or not exercise options in a manner that maximizes its yield and (b) the issuer will exercise or not exercise options in a manner that minimizes the holder's yield (except that the issuer will be assumed to exercise call options in a manner that maximizes the holder's yield). In addition, bond premium amortization is calculated without regard to commercially reasonable sinking fund payments. If the holder does not elect to amortize bond premium, that premium will decrease the gain or increase the loss that would otherwise be recognized on disposition of the Taxable Bond. An election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by the holder on or after the first day of the first taxable year to which the election applies. The holder may not revoke the election without the consent of the Internal Revenue Service. Holders of Taxable Bonds having amortizable bond premium should consult with their own tax advisors before making this election.

Election to Use Original Discount Method with Respect to a Taxable Bond

The holder of a Taxable Bond may elect to treat all interest on the Taxable Bond as original issue discount and calculate the amount includable in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. The holder must make this election for the taxable year in which the Taxable Bond is acquired and may not revoke the election without the consent of the Internal Revenue Service. Holders of Taxable Bonds should consult with their own tax advisors about this election.

Medicare Tax

Interest income from the Taxable Bonds (including accrued original issue discount and market discount) and net gain realized on the sale or other disposition of property such as the Taxable Bonds generally must be taken into account when computing the 3.8% Medicare tax with respect to net investment income imposed on certain high income individuals and specified trusts and estates.

U.S. Federal Information Reporting and Backup Withholding

Under current United States federal income tax law, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Taxable Bonds. In addition, certain persons making such payments are required to submit information returns (*i.e.*, Internal Revenue Service Form 1099) to the Internal Revenue Service with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients, such as corporations or certain exempt entities.

Foreign Investors

Payments with respect to the Taxable Bonds to a non-United States holder that has no connection with the United States other than holding its Taxable Bond generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements.

The foregoing discussion does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Taxable Bonds in light of his or her particular circumstances and income tax situation. Each holder of Taxable Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Taxable Bonds, including the application of state, local, foreign and other tax laws.

See Appendix D hereto for the proposed form of opinion of Bond Counsel with respect to the Taxable Bonds.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, which will be furnished upon delivery of the Bonds. The approving opinions of Bond Counsel to the City are expected to be in substantially the forms attached as set forth in Appendix D. Certain legal matters will be passed upon for the City by George A. Nilson, Esquire, City Solicitor.

RATINGS

Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned municipal bond ratings of "Aa2" and "AA", respectively, to the Bonds. Moody's and S&P have assigned ratings of "Aa2" and "AA", respectively, to the outstanding general obligation bonds of the City without consideration of bond insurance or other credit enhancement. These ratings reflect only the views of Moody's and S&P. An explanation of the significance of these ratings may be obtained from Moody's and S&P. The City furnished to the rating agencies certain materials and information with respect to the Bonds and itself. Generally, the rating agencies base their ratings on such materials and information and on investigations, studies and assumptions by the ratings agencies. No assurance can be given that such ratings will remain in effect for any given period of time or that they may not be reduced or withdrawn by Moody's and S&P, if in the judgment of such rating agencies circumstances so warrant. Any downward change in or withdrawal of such ratings could adversely affect the market price of the Bonds. The City has undertaken no responsibility after the issuance of the Bonds to ensure the maintenance of the ratings or to oppose any proposed or threatened change or withdrawal of such ratings.

CONTINUING DISCLOSURE

The City has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule") adopted by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to provide or cause to be provided to the continuing disclosure service established by the Municipal Securities Rulemaking Board (the "MSRB") known as the Electronic Municipal Market Access System (together with any successor system, "EMMA"), as designated by the SEC in accordance with the Rule, when and if available, but in any event within 245 days after the end of each fiscal year of the City, annual financial information and operating data (commencing with the fiscal year ending June 30, 2014). In accordance with the City's continuing disclosure agreements, it filed with EMMA within the nine-month period following the end of the fiscal year ended June 30, 2013, a copy of the City's unaudited annual financial statements with respect to such fiscal year. The City filed the audited financial statements with EMMA as soon as they became available on June 25, 2014.

The City also has agreed to provide notice to EMMA of certain events with respect to any of the Bonds in a timely manner not in excess of ten business days after the occurrence of such event. Such undertaking requires the City to provide only limited information at specified times and does not require it to disclose all information that may affect the value of the Bonds. The City may choose to make additional information available from time to time, but has no obligation to do so. For more specific information regarding the City's continuing disclosure undertaking, see Appendix E -- "Form of Continuing Disclosure Certificate."

The undertakings by the City set forth in the preceding paragraph, and any claim made with respect to the performance by the City of these undertakings, shall be governed by, subject to, and construed according to the laws of the State. The City shall be given written notice at the address set forth below of any claimed failure by the City to perform any such undertaking, and the City shall be given 15 days to remedy such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the City must be filed in the Circuit Court for Baltimore City, Maryland, and any party maintaining such suit or other proceeding shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Any bondholder may take steps to enforce the obligation of the City to provide continuing disclosure, but any failure by the City under its obligation will not result in an event of default under the Bonds.

The City failed to comply with some of its obligations under certain of its continuing disclosure undertakings within the last five years. In particular, the City's Comprehensive Annual Financial Reports for the fiscal years ended June 30, 2010 and June 30, 2011, which were required by the City's continuing disclosure undertakings with respect to certain of its general obligation bonds to have been filed with EMMA on or before March 1, 2011 and March 2, 2012, respectively, were filed with EMMA as soon as they became available on December 7, 2012. Similarly, the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, which was required to have been filed with EMMA on or before March 2, 2013, was filed with EMMA as soon as it became available on August 20, 2013. In addition, the City's annual financial and operating data filings for the fiscal years ended June 30, 2009 and June 30, 2010 and the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009 were filed within one month after the respective dates when they were required to be filed and the City's annual financial and operating data filings for the fiscal years ended June 30, 2009 and June 30, 2010 were filed within six months after the respective dates on which they were due with respect to certain of the City's water and wastewater bond issues. Delays in the receipt of the City's Comprehensive Annual Financial Reports, as described above, caused delayed filings with respect to certain continuing disclosure undertakings relating to the City's parking facilities bonds, convention center revenue bonds and certificates of participation.

When filing information with the EMMA system, the City inadvertently failed to index properly certain filings with each relevant outstanding debt issue. To the extent a filing was made without all of the associated CUSIP numbers, the filing was otherwise available on EMMA in connection with another City debt issue. The City has made supplemental filings with EMMA to provide information to correct these filings. As a result, the City is in material compliance with its continuing disclosure obligations. The City is committed to complying with its continuing disclosure obligations and in connection with such commitment, is establishing written policies and procedures with respect to such obligations and will provide training for City personnel responsible for carrying out the City's continuing disclosure undertakings.

FINANCIAL ADVISOR

Public Financial Management, Philadelphia, Pennsylvania (the "Financial Advisor") serves as the financial advisor to the City for debt management and certain other financial matters. The Financial Advisor has provided certain services to the City in connection with the issuance of the Bonds and has assisted with the preparation of this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The Financial Advisor has not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

INDEPENDENT AUDITORS

The financial statements of the City for the fiscal year ended June 30, 2013, together with the report of KPMG LLP, independent certified public accountants, are included in Appendix B to this Official Statement and should be read in their entirety.

LITIGATION

There is no litigation presently pending against the City in which the potential liability is such a degree that the City's ability to pay its obligations is threatened.

NO-LITIGATION CERTIFICATE

At the time of original delivery of the Bonds, the City will deliver a certificate of certain officers of the City stating that there is no litigation then pending, or to their knowledge threatened, affecting the validity of the Bonds, or the power of the City to levy and collect taxes to pay debt service on the Bonds.

The execution of this Official Statement and its delivery has been approved by the Mayor and City Council of Baltimore. At the time of original delivery of the Bonds, Stephen M. Kraus, Chief, Bureau of Treasury Management, will execute and deliver a certificate to the effect that this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

MISCELLANEOUS

Financial data presented in this Official Statement which are so identified have been furnished by the City from its records and, unless otherwise stated, reflect data prepared from the City's official records, which are public documents, and which are believed to be accurate and reliable. Other data have been prepared by or furnished by sources (identified herein) which the City believes to be accurate and reliable, but the City does not guarantee the accuracy of such data. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. Any statement made in the Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The City will provide its annual financial statements and other information included in its comprehensive annual financial report to any prospective purchaser of the Bonds upon request. Any questions regarding the City's annual financial statements, this Official Statement or the Bonds should be directed to: Chief, Bureau of Treasury Management, Department of Finance, City of Baltimore, 200 Holliday Street, Room 7, Baltimore, Maryland 21202, Telephone: 410.396.4752.

MAYOR AND CITY COUNCIL OF BALTIMORE

By: ______________________________

Stephanie Rawlings-Blake
Mayor

By: ______________________________

Harry E. Black
Director of Finance

By: ______________________________

Stephen M. Kraus, Chief
Bureau of Treasury Management
Department of Finance

APPENDIX A

CERTAIN INFORMATION REGARDING MAYOR AND CITY COUNCIL OF BALTIMORE

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APPENDIX A

CITY GOVERNMENT AND ADMINISTRATION

Introduction

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 as of July 1, 2010, the U.S. Census Bureau estimates its population to be 620,961. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay. It is served by Thurgood Marshall/Baltimore-Washington International 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 also adjoins the City on its southern border.

Services provided or paid for by the City from local, State or Federal sources include police, fire and emergency services, education, various welfare programs, public works, storm water management and court and correctional services. The City is also responsible for the adoption and maintenance of building codes and the regulation of licenses and permits, the collection of certain taxes and revenues, the maintenance of public records, the conducting of elections, and the collection and disposal of refuse. There are no overlapping local governmental entities or taxing jurisdictions. Accordingly, there is no local government overlapping indebtedness of the City.

Moody's Investors Service, Inc. has confirmed the City's "Aa2" general obligation rating. Additionally, Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AA" to the City's general obligation rating, an upgrade from the prior S&P rating of "AA-". See "Ratings" in the front part of this Official Statement.

The City's executive offices are located at City Hall, 100 N. Holliday Street, Baltimore, Maryland 21202, and can be reached by telephone at 410.396.3100.

History

The founding of the City dates back to 1729 when the Maryland General Assembly (the "General Assembly") authorized the construction of Baltimore town on the north side of the Patapsco River. Three land additions in 1816, 1888 and 1918 and separation in 1851 from Baltimore County brought the City to its present size. Since 1918, the City's boundaries have remained unchanged.

In 1797, the City became an incorporated city when the General Assembly granted a charter to the City of Baltimore. One hundred years later, the City appointed a commission to draft a new charter. The product of their efforts, known as the "New Charter" (also referred to herein as the "Charter"), was adopted by the General Assembly in 1898. The New Charter placed the power of appointing most of the heads of the City departments in the hands of the Mayor, subject to confirmation by the City Council.

In 1918, the Charter was amended to provide for a municipal civil service system based on merit and to provide for Home Rule. Home Rule allows the Mayor and City Council to pass all local laws affecting the City, subject to the State Constitution and public general laws of the State (as defined by the State Constitution). The Charter has been revised many times since its adoption.

Organizational Structure

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 as Mayor 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 latter two members hold their positions on the Board through appointments by the Mayor. The Board of Estimates formulates and determines fiscal policy through its recommendation of the City's annual budget, known as the "Ordinance of Estimates."

The Board of Estimates also awards contracts for public works, supplies, materials, equipment and services, subject to certain limited exceptions, fixes the salary or wage scales of City employees in the Classified Civil Service, and adopts such rules as it deems appropriate to ensure, so far as practicable, like working conditions for employees in the several municipal agencies, including vacation and sick leave.

The Board of Finance was established by the Charter to, among other things, issue and sell certificates of indebtedness of the City, including bonds, notes and other forms of indebtedness, to determine all matters pertaining to their issuance and sale and to regulate, monitor, or advise with regard to a number of treasury functions. The Charter provides that the Board of Finance is composed of the Mayor, who serves as President of the Board, the Comptroller, and three members appointed by the Mayor. Current appointees to the Board of Finance are: Frederick W. Meier, Jr., President, Lord Baltimore Capital Corporation; Dana C. Moulden, Financial Consultant and Larry I. Silverstein, President, Union Box Company.

The Comptroller is an elected official who has, among other duties and responsibilities, the authority to appoint the City Auditor, subject to the Charter provisions relative to the Classified Civil Service. He or she also has responsibility for the Department of Real Estate, the Department of Audits, the Insurance Manager, the Municipal Telephone Service, the Municipal Post Office and the Harbormaster. The Comptroller serves as a member of the board of trustees of the City's three actuarially funded retirement systems and other boards, committees and commissions.

The City Council consists of fifteen members. There are fourteen councilman districts and one member is elected from each district. The President of the City Council is elected on a citywide basis. There is no limitation as to the number of terms that may be served by any member of the City Council. Legislation is passed by the City Council by simple majority vote, except in certain instances, which require a favorable vote of three-fourths of all members, such as a suspension of rules or an override to the Mayor's veto.

Certain Elected and Appointed Officials

STEPHANIE RAWLINGS-BLAKE, Mayor, was sworn in as Baltimore's 49^{th} Mayor on February 4, 2010. After her first year in office, in November 2011, Mayor Rawlings-Blake was elected a full four-year term. Prior to her election as Mayor, she had served as Baltimore City Council President since November 2007. Mayor Rawlings-Blake was first elected to the City Council in 1995 at age 25, the youngest person ever elected to the City Council. She represented the Council's District 5 from 1995 to 2004 and District 6 from 2004 to 2007, serving communities throughout West and Northwest Baltimore. In 1992 she earned a Bachelor of Arts degree in Political Science from Oberlin College in Oberlin, Ohio, and in 1995 she received her Juris Doctor from the University of Maryland, School of Law. Mayor Rawlings-Blake was an attorney with the Baltimore Office of the Public Defender from 1998 to 2006. She is a member of the Federal Bar Association and the Maryland State Bar Association.

BERNARD C. "JACK" YOUNG, President of the City Council, was elected to his first full term as President in November 2011. Prior to his election, Mr. Young was unanimously selected by the City Council to fill the unexpired term of the former Council President, Mayor Stephanie Rawlings-Blake, on February 8, 2010. Mr. Young, a native East Baltimorean, served as chairman of the City Council's Public Safety and Health Committees from 2007 to 2010. Mr. Young, a 14-year veteran of the City Council, has played a major role in passing legislation that has increased funding for education and crime prevention. He also played a role in the development of the Biotech Park in East Baltimore, the Charles North Urban Renewal Program and funding for city swimming pools. Mr. Young has spent all of his time on the City Council representing the interests of the citizens of the District 12.

JOAN M. PRATT, CPA, Comptroller, was re-elected to a fourth term in November 2011. Ms. Pratt is the second female as well as the second African-American to hold the position of Comptroller. Ms. Pratt received her undergraduate degree in accounting from Hampton University and received her Masters of Science degree in taxation from the University of Baltimore. Ms. Pratt started her career at the accounting firm of Price Waterhouse Coopers LLP. Prior to her election, she served as Comptroller of the Baltimore Legal Aid Bureau, Inc. for 13 years.

RUDOLPH S. CHOW, P.E., Director of Public Works, was appointed Acting Director in January 2014 by Mayor Stephanie Rawlings-Blake and subsequently confirmed as Director by the Baltimore City Council on February 3, 2014. Mr. Chow is a graduate of George Washington University and the University of Maryland, where he earned a Master of Science, and is a registered Professional Engineer in Maryland and Delaware. He most recently served as Head of the Bureau of Water and Wastewater, which provides the highest quality drinking water to 1.8 million people, wastewater conveyance and treatment for 1.6 million people, as well as flood prevention and stream protection. Previously, he served as Interim Deputy General Manager of the Washington Suburban Sanitary Commission.

GEORGE A. NILSON, City Solicitor, was appointed on February 14, 2007. Prior to becoming the City Solicitor, Mr. Nilson was a partner with the law firm of DLA Piper, where he focused on public and consumer law. Mr. Nilson also is a former Deputy Attorney General of Maryland. Mr. Nilson received his B.A. and L.L.B. from Yale University. He was admitted to the Maryland Bar in 1967.

HARRY E. BLACK, Director of Finance, was appointed to this position in February 2012. Mr. Black earned his Bachelor of Science from Virginia State University and Master's degree in Public Administration from the University of Virginia. Before joining the City, he served as Executive Vice President Chief Operating Officer of Global Commerce Solutions, Inc., a government services firm based in the District of Columbia, providing program and project management support services to the public sector. He has also served as the Deputy Chief Administrative Officer/Chief Financial Officer for the

City of Richmond, Virginia, Assistant Director of the New York City Mayor's Office of Contracts, and Director of Budget and Finance for the City Council of the District of Columbia.

ANDREW W. KLEINE, Chief, Bureau of the Budget and Management Research, was appointed March 26, 2008. Mr. Kleine holds a Bachelor's degree from Washington University in St. Louis and a Master of Public Policy degree from the University of Michigan. Prior to his work with Baltimore City he served as the Acting CFO and Deputy CFO for Planning and Program Management at the Corporation for National and Community Service, a federal agency. Mr. Kleine started his federal career as a Presidential Management Intern in the U.S. Department of Transportation. He has also worked as a Program Examiner in the White House Office of Management and Budget and as CFO of the Bureau of Transportation Statistics.

STEPHEN M. KRAUS, Chief, Bureau of Treasury Management, was appointed June 2, 2008. Mr. Kraus holds a degree in Economics from the Virginia Military Institute, and a Master of Business Administration from Fairleigh Dickinson University. Prior to his appointment as Chief, he served as Manager of the City of Baltimore's Treasury Division. Before joining the City in 2003, he served as Director of the Maryland Water Quality Financing Administration as well as other public finance positions at the Maryland Department of Transportation and the Maryland Department of Housing and Community Development.

ROBERT L. MCCARTY, JR., CPA, City Auditor, earned both his Bachelor of Science degree in Business Administration/Accounting and his Master of Science degree in Taxation from the University of Baltimore. He became a CPA in 1979 and has over 28 years of government auditing experience. Mr. McCarty is also a Certified Fraud Examiner (CFE) and a Certified Government Financial Manager (CGFM).

Descriptions of Certain Departments and Agencies

The Charter establishes the following executive departments: Civil Service Commission, Development Commission, Board of Ethics, Department of Finance, Fire Department, Department of Health, Department of Law, Department of Legislative Reference, Department of Municipal and Zoning Appeals, Department of Human Resources, Department of Planning, Department of Public Works, Department of Recreation and Parks, Department of Transportation, and the Department of General Services. Descriptions of certain departments and other City boards, commissions, and agencies follow.

Baltimore City Public School System. In 1997, the Governor of Maryland, the Mayor of Baltimore City, the city's legislative leadership, the State Superintendent of Schools and student advocates entered into a historic accord, known as the City-State Partnership (Senate Bill 795). The accord created an independent Baltimore City public school district—Baltimore City Public Schools ("City Schools")—under the direction of the Baltimore City Board of School Commissioners, a 10-member body jointly appointed by the Mayor and the Governor. The Board sets and oversees policy and implementation of regulations for the district. The City Schools' chief executive officer reports to the Board.

The original City-State Partnership, which was in effect for Fiscal Years 1998 through 2002, was modified and reenacted (House Bill 853) during the 2002 General Assembly. The City-State Partnership has among its goals the improvement of student achievement and the establishment and maintenance of efficient management structures and practices in support of quality instruction.

In support of efficient management structures and to maximize instructional services to students, City Schools has put into place effective cost containment measures, as well as budget development and accounting procedures. In 2013, the General Assembly passed the Baltimore City Public Schools Construction and Revitalization Act of 2013, which provides the necessary governance and funding structure for the City to modernize its entire portfolio of school buildings through renovation or replacement over several years. The Act allows for a Phase I investment of approximately $1 billion. The design process for the first set of schools that are part of Phase I is underway. Phase I will be funded by a combination of State, City and City Schools' contributions. The City's funding source will include proceeds from a beverage container tax, proceeds of certain gaming revenues and a portion of rent paid by the owner of the video lottery facility located in the City. In addition to the foregoing, the City provides additional financial assistance for the City Schools modernization and renovation effort by providing a portion of its general obligation bond proceeds.

The annual budget that City Schools submits to the City includes the City's annual contribution to support the City Schools. The Mayor may reduce or deny items in such annual budget provided the reasons for such denial or reduction are submitted in a detailed written statement which accompanies the submittal of the budget to the City Council. Once the budget is approved by the City Council it is sent to the State Superintendent.

The Department of Finance. The Department of Finance was established by the Charter revision of 1964, which centralized the major financial functions of the City. The Department of Finance serves as the principal executor of mayoral fiscal and management policy, and is headed by a Director of Finance who is appointed by the Mayor, confirmed by the City Council, and holds office pursuant to Article IV, Section 6 of the Charter. The responsibilities of the Department of Finance are divided among five Bureaus and one Office: the Bureau of Budget and Management Research, the Bureau of Accounting and Payroll Services, the Bureau of Purchases, the Bureau of Treasury Management, the Bureau of Revenue Collections and the Office of Risk Management. The Director's Office coordinates the Department of Finance.

The Department of Finance is responsible for the formulation and monitoring of the City's annual budget, for providing accounting services to various governmental/quasi-government agencies, for the preparation of the City's comprehensive annual financial reports, for the preparation of bids and contracts used in the procurement of materials, supplies and equipment for the City, for the management and issuance of all City debt, for the collection of all City revenues, for the management and investment of the City's corporate cash accounts and trustee held funds and for the evaluation and administration of the City's risk management needs.

The Fire Department. The Fire Department is managed by the Chief of Fire Department, two Assistant Chiefs, one Chief of Staff and nine Deputy Chiefs. The Assistant Chief of Operations oversees the activities of four Deputy Chiefs in fire suppression and one Deputy Chief in charge of Emergency Medical Services (EMS). The Assistant Chief of Administration oversees the activities of the Director of Logistics, the Deputy Chief Communications/Planning, the Deputy Chief of Fire Training, and the Deputy Chief/Fire Marshal. The Chief of Staff oversees the activities of the Fire Chief's Staff, the General Counsel, the Personnel Administrator, the Chief of Fiscal Services and the Public Information Officer. The Fire Department is staffed by career fire fighters and funded out of the General Fund of the City.

The Department of Health. The mission of the Baltimore City Health Department is to provide the advocacy and leadership necessary to ensure the protection and promotion of the health of Baltimore City's residents. The Department is led by the Commissioner of Health, who is appointed by the Mayor and is subject to confirmation by the City Council. It is comprised of the following priority areas:

Environmental Health, Clinical Services, Immunizations, HIV/STI Services, Chronic Disease Prevention, Maternal and Child Health, Emergency Preparedness, Youth Violence Prevention, School Health and Aging Services.

The Health Department serves over one-half million people per year. Services include: testing, diagnosis and treatment for STDs, HIV, and tuberculosis; family planning; WIC; outreach, health education, and prevention services; immunizations; lead paint poisoning prevention; dental health; communicable disease outbreak investigations; home visiting for pregnant women, animal control; and restaurant and food facilities inspections and licenses.

Additionally, the Department determines the City's health agenda for action to address the most pressing public health issues from a policy and population health approach.

The Department of Housing and Community Development. The Department of Housing and Community Development ("DHCD") was organized in 1968 to consolidate into one department the principal functions involving housing, community and economic development and to coordinate the activities of the Housing Authority of Baltimore City, a federally funded agency.

The mission of DHCD is to ensure that all citizens of Baltimore have access to adequate affordable housing in safe, livable and decent neighborhoods. DHCD is committed to the continuous development and implementation of strategies and programs that promote housing opportunities and commercial activity leading to neighborhood stability and community empowerment. In pursuing its mission, DHCD works with federal, state, and local agencies, housing providers, financial institutions, and community organizations to enhance the quality of life in city neighborhoods. In addition, through Headstart, Homeless Services, Daycare, and the Human Services Division, DHCD provides a variety of human services to further enhance individual, family, and community wellbeing.

The functions of DHCD include managing urban renewal, building and zoning codes, and administering rehabilitation loans and grants under federal and local programs. Working with the Housing Authority of Baltimore City, DHCD develops and rehabilitates public housing. In addition, DHCD works with other city agencies and groups on large-scale neighborhood improvement projects.

The Department of Law. The Department of Law is an agency of the City established pursuant to the Charter. Its function is to serve as legal advisor to the City and its departments, officers, commissions, boards and authorities, and to supervise and direct the legal business of the City. Under the Charter, the Department of Law is solely responsible for (1) preparation and trial of all suits, actions and proceedings of every kind to which the City or any municipal officer or agency is a party, (2) rendering advice and opinions in writing upon legal questions affecting the interests of the City which are submitted in writing by the Mayor, the City Council, any committee of the City Council or the head of any municipal agency and (3) the endorsement as to form and legal sufficiency of all deeds, bonds, contracts, releases and other legal instruments involving the interest of the City to be executed by the Mayor or any City official.

Responsibility for overseeing the Department of Law's functions is vested with the City Solicitor, who is appointed by the Mayor, subject to confirmation by the City Council.

The Department of Human Resources. The Department of Human Resources is the central personnel authority for the government. It possesses Charter responsibility for developing and recommending rules, policies, and procedure changes for the Civil Service System. The mission of the Department of Human Resources is to insure that the City hires and retains qualified employees through a merit-based system and to improve the overall employment environment for employees, retirees, and dependents.

The Department of Human Resources has major responsibilities for developing employment rules, maintaining a classification and compensation system, creating and developing examinations for classified positions, referring eligible candidates to hiring agencies, administering and managing a comprehensive benefits program, and providing general personnel management advice to the Mayor and other City departments.

The Department of Planning. The Department of Planning was established by the Charter to guide and coordinate the physical development of the City. The Department of Planning is headed by a nine-member Planning Commission whose members include the Director of Public Works or his designee (ex-officio), the Mayor or her designee (ex-officio), a member of the City Council (ex-officio) and six residents of the City who are appointed by the Mayor, subject to confirmation by the City Council. The Mayor designates one of the six residents as Chair. The Department of Planning and the Planning Commission are responsible for, among other things, developing the City's capital budget and six-year program; maintaining the City's master plan; reviewing proposals for subdivision of land and proposed amendments to the City's zoning ordinance.

The Police Department. The Police Department is empowered by the Public Local Laws of Maryland to enforce State Laws. The mission of the Police Department is to protect and preserve life and property, to understand and serve the needs of the City's diverse neighborhoods, and to improve the quality of life for citizens by implementing strategies to maintain order, recognize and resolve problems, and apprehend criminals in a manner consistent with the law. This mission will be accomplished by ensuring that every member of the Police Department focuses his or her efforts to reduce violent crime through proactive enforcement. To accomplish this, the following goals have been put in place: reduce violence with a focus on homicides and shootings, remove guns from the streets, reduce juvenile crime, return open spaces to law-abiding citizens, and operate with integrity and professionalism.

The Department of Public Works. The Department of Public Works was created by the Charter to foster and enhance an environmentally safe quality of life for the citizens and visitors of the City and the neighboring counties. The mission of Public Works is to enhance and sustain a healthy quality of life for every citizen and customer by providing efficient management of solid waste services, water, wastewater and stormwater systems, facilities, infrastructure and other assets. This is accomplished through effective management and by utilizing innovative programs, technology and public education. Responsibility for carrying out these functions is vested in the Director of Public Works. The Mayor appoints the Director and the Bureau Heads of the Department of Public Works, subject to confirmation by the City Council. Pursuant to a City Ordinance enacted in 1992, the Department of Public Works assumed the powers, duties and functions of the Department of Transportation. By Executive Order in 2001, some of the duties and functions were delegated to the Mayor's Office of Transportation. A Charter amendment creating the Department of Transportation was approved on November 3, 2004. A Charter amendment creating the Department of General Services was approved on November 4, 2008, and the responsibilities of this former Public Works bureau were transferred to the newly created department effective July 1, 2009.

The Department of Public Works is comprised of the Office of the Director and two bureaus: (1) Bureau of Water and Wastewater, and (2) Bureau of Solid Waste.

The Department of General Services. The Department of General Services provides necessary work environment resources to City agencies so those agencies can better serve the public. The mission of the Department of General Services is the efficient operation, maintenance and improvement of City owned buildings; the effective management of the City's fleet operations, maintenance and facilities; the engineering, design, management and inspection of City funded construction projects; the monitoring and cost reduction of City-wide energy use and the developing of energy-efficiency improvements to City facilities; the issuance and enforcement of public rights-of-way permits to minimize the impacts on the public and City infrastructure; and the management of property records, public and private, for all properties located within the City limits for tax levies and other legal purposes.

A Charter amendment creating the Department of General Services was approved by the Baltimore City voters on November 4, 2008, and became effective on July 1, 2009. The department was formed by extracting certain functions of the Department of Public Works ("DPW") and modifying its structure to operate more efficiently in serving City agencies and to allow DPW to concentrate on citizen services. The Mayor appoints the Director, subject to confirmation by the City Council.

The Department of General Services ("DGS") is comprised of the Director's Office and four divisions: (1) Fleet Management, (2) Building Maintenance, (3) Design and Construction, and (4) Energy.

The Department of Recreation and Parks. The Department of Recreation and Parks is an executive department established by the Charter. The Department of Recreation and Parks' responsibilities are to establish, develop, maintain, operate, control, and provide engineering services to the City's 5,700 acres of park land, which include over 300,000 trees, 25 formal flower beds, 32 historic structures, 36 picnic groves, 35 comfort stations, squares, athletic and recreational facilities, to provide outdoor concerts and to have charge and control of all monuments belonging to the City.

Public recreational facilities which the Department of Recreation and Parks operates include an ice arena, two indoor soccer pavilions, a rowing center, one skateboard park, one boxing center, four golf courses, an arboretum, a conservatory, an outdoor educational wilderness center, 19 outdoor pools, three indoor pools, 56 recreation centers, one therapeutic recreation facility to serve the physically and emotionally challenged, and a program specializing in senior citizen recreation. An extensive amateur athletics program manages leagues in soccer, football, basketball, baseball, wrestling and tennis. Management of the Department of Recreation and Parks is vested in the Director, who is appointed by the Mayor, subject to confirmation by the City Council. A seven member Board also appointed by the Mayor and subject to confirmation by the City Council, serves in an advisory capacity to the Director. The Director is a member of the Mayor's Cabinet and serves on numerous committees.

The Office of the Labor Commissioner. The Office of the Labor Commissioner was established by an ordinance of the Mayor and City Council, and the powers and duties of that office are set forth in the Baltimore City Code. The Labor Commissioner, who is appointed by the Mayor and confirmed by the City Council, is charged with the administration of the Municipal Employee Relations Ordinance. The Labor Commissioner is the chief negotiator for all collective bargaining agreements. The Office of the Labor Commissioner makes determinations of questions concerning representation, administers the procedure for resolution of unfair practices, processes grievances and arbitration cases and advises the Mayor and Board of Estimates on labor relations matters. Nine employee groups represent City employees and their terms and conditions of employment are contained in nine separate negotiated Memoranda of Understanding. Additional responsibilities of the office also include providing labor relations advice and negotiating services for the Baltimore Convention Center.

BUDGETING AND FINANCIAL PROCEDURES

The City's General Fund is the principal fund of the City and is used to finance most City governmental functions. Budgetary funds established to depict and plan for operations and support provided by Parking Management and the Convention Center debt service are consolidated in the General Fund for annual financing reporting purposes. Table 1 set forth below includes the statement of revenues, expenditures, and changes in fund balances for the General Fund for each of the Fiscal Years ended June 30, 2009 through June 30, 2013.

The Budget Stabilization Reserve or Rainy Day Fund 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 at the discretion of the Board of Estimates. The reserve is the revenue source of last resort to avoid a budget deficit. This reserve cannot be used as a revenue source to balance a planning year budget. See "Key Budgetary Policies -- Debt Stabilization Reserve Policies" below.

The City's final budget differs from the original adopted budget ordinance in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the Fiscal Year.

Key Budgetary Policies

Balanced Budget: The 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: 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. See "Debt of the City -- Debt Policy of the City" herein.

Budget Stabilization Reserve Policy: In November 2008, the City's Board of Estimates approved a budget stabilization reserve policy that establishes 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 stipulates 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.

"Ten-Year Plan" Initiative

On February 20, 2013, the Mayor released "Change to Grow: A Ten-Year Financial Plan for Baltimore." The Ten-Year Plan calls for comprehensive reforms to address projected budget stresses to make the City's taxes more competitive, to increase infrastructure investment and to reduce the City's long-term pension and health care liabilities. A copy of the plan can be found at http://www.baltimorecity.gov/portals/0/agencies/finance/changetogrow.pdf

The first quarter of 2014 marked the one-year anniversary of the release of the Mayor's Ten-Year Plan, the City's long-range financial planning tool. The baseline forecast developed in the Ten-Year Plan to illustrate future financial capacity demonstrated that over the next ten years baseline revenues would not keep pace with recurring service expenditures. A gap of $30 million in Fiscal Year 2014 would grow to $125 million by Fiscal Year 2022, resulting in a cumulative shortfall of $745 million. The plan provides the City with a roadmap to avoid these future fiscal shortfalls through a series of strategic initiatives that meet the City's goals of creating structural budget balance by addressing long-term liabilities, investing in infrastructure and increasing tax competitiveness. In the first year of implementation, the City was able to reduce the projected fiscal shortfall by $395 million. The initiatives implemented to date include reforms to the City's civilian pension system, healthcare benefit reforms for active employees and retirees, a schedule shift change for firefighters that will allow the City to dramatically lower staffing requirements, the City's first health insurance dependent eligibility audit, new billboard and taxi cab excise taxes and the creation of a stormwater utility.

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TABLE 1

SUMMARIES OF FINANCIAL OPERATIONS

Changes in Fund Balances

Budget and Actual Budgetary Basis – General Fund

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year				
	2013*	**2012**	**2011**	**2010**	**2009**
Revenues:					
General fund	1,575,653	1,406,147	1,381,024	1,332,851	1,305,115
Expenditures:					
General fund					
General government	293,562	376,891	354,702	407,111	368,168
Public safety and regulation	593,935	492,824	494,580	457,956	477,687
Conservation of health	24,467	24,917	25,906	32,852	32,804
Social services	3,387	2128	2,686	6427	6,620
Education	256,723	258,151	245,901	207,611	206,009
Public library	22,206	21,818	23,176	22,160	22,501
Recreation and culture	37,985	31,449	32,711	30,627	35,408
Highways and streets	94,419	13,287	757	403	249
Sanitation and waste removal	75,581	44,813	48,510	35,625	41,430
Public service	32,994	27,913	22,443	18,674	17,852
Economic development	61,895	40,897	49,125	36,891	36,945
Total expenditures—general fund	1,497,154	1,335,088	1,300,497	1,256,337	1,245,673
Excess (deficiency) of revenues over expenditures	78,499	71,059	80,527	76,514	59,442
Other financing sources (uses):					
Transfers, net	(42,322)	(53,838)	(63,002)	(106,823)	(60,883)
Net changes in fund balances	36,177	17,221	17,525	(30,309)	(1,441)
Fund balance beginning	197,545	149,986	132,461	166,463	167,904
Residual Equity transfers		30,338			
Fund balance ending	233,722	197,545	149,986	136,154	166,463
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding	74,227	65,793	63,751	54,255	51,741
Less: Accounts payable not recorded for budgetary purposes	(8,935)	(7,366)	(8,837)	(12,837)	(1,275)
Fund balance June 30, 2013 - GAAP Basis	299,014	255,972	204,900	177,572	216,929

*Motor Vehicle Fund is combined with General Fund

Source: City of Baltimore Comprehensive Annual Financial Report: Schedule of Revenues, Expenditures, and Encumbrances, and Changes in Fund Balance - Actual Budgetary Basis - General Fund.

Summary of Fiscal Year 2013 General Fund Operations

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 2013, supplemental appropriations totaling \$16.9 million were approved for the General Fund, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the Fiscal Year were greater than the original budget by \$32.8 million and were \$15.9 million greater than adjusted appropriations. This amount was primarily related to four governmental activities: (i) higher than budgeted costs for general government operations amounting to \$14.8 million; (ii) lower than budgeted costs for conservation of health operations amounting to \$3.0 million; (iii) higher than budgeted costs for highways and streets operations amounting to \$2.7 million; and (iv) lower than budgeted costs for education amounting to \$2.3 million.

On a budgetary basis, revenues for Fiscal Year 2013 totaled \$1,575.6 million and expenditures and net transfers totaled \$1,539.5 million. The excess of revenues over expenditures and transfers resulted in a budget basis fund balance at June 30, 2013 of \$233.7 million, an increase of \$36.2 million over the prior year.

SOURCES OF CITY REVENUE

Major Sources of Revenue

The major single funding source for the Fiscal Year 2014 budget is real property tax receipts, followed by income tax, energy taxes, and transfer and recordation taxes. Table 2, which follows, details the total expected revenues and other funding sources and budget appropriations categorized by purpose in the Fiscal Year 2014 budget approved on June 17, 2013.

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Table 2

Total Funding by Source and Budget Appropriations (Operating and Capital) Fiscal Year 2014 (in millions)

	General Fund[1]	Capital Improvement Fund	Grant Funds[2]	Enterprise Fund[3]	Total
Source:					
Property Taxes	$755.4	$ 0.0	$ 0.0	$ 0.0	$755.4
Income Taxes	274.4	0.0	0.0	0.0	274.4
State Highway User Revenues	134.4	0.0	0.0	0.0	134.4
Other Local Taxes	171.1	0.0	0.0	27.7	198.8
Licenses, Permits, Fines	58.8	0.0	0.0	0.0	58.8
State Grants	102.1	192.6	114.4	22.6	431.8
Use of Money & Property	17.3	0.0	0.0	66.0	83.3
Federal Grants	0.2	60.3	183.0	0.0	243.5
Charges for Services	50.8	0.0	0.0	389.6	440.4
Other Revenues	4.1	368.9	73.3	1.5	447.8
Borrowed Proceeds	0.0	475.3	0.0	0.0	475.3
From (To) Fund Balance	0.0	0.0	0.0	8.3	8.3
Transfers In (Out)	28.0	71.9	0.0	(75.4)	24.5
Total Revenues	$1,596.6	$1,169.1	$370.6	$440.2	$3,576.5
Appropriations by Purpose:					
Better Schools	$292.0	$ 0	$ 58.1	$ 0.0	$ 350.1
Cleaner and Healthier City	94.5	0	102.9	372.2	569.6
Growing Economy	68.2	0	17.2	43.4	128.8
Innovative Government	100.9	0	38.7	24.2	163.8
Other	200.4	0	7.7	0.5	208.6
Safer Streets	714.8	0	67.1	0.0	781.9
Stronger Neighborhoods	125.9	0	78.7	0.0	204.6
Capital Improvements	0.0	1,169.1	0.0	0.0	1,169.1
Total Appropriations	$1,596.6	$1,169.1	$370.5	$440.4	$3,576.5

(1) Includes General, Convention Center Bond, Parking Management and former Motor Vehicle fund.
(2) Includes Federal, State and Special grants.
(3) Includes Water, Waste Water, Parking, Conduit and Loan & Guarantee Funds.

Source: Bureau of Budget and Management Research, Department of Finance.

Fiscal Year 2014 Adopted Budget – General Fund and All Funds Summary

The Fiscal Year 2014 budget submitted by the Board of Estimates to the City Council proposed total appropriations of $3,576,527,000 of which $1,596,551,000 was appropriated for General Fund operating purposes and $45,200,000 for General Fund Pay-as-You-Go capital purposes. In Fiscal Year 2013, the Motor Vehicle Fund merged into the General Fund and is no longer treated as an independent fund. The General Fund also includes appropriations of two budgetary funds, the Parking Management and Convention Center Hotel Bond funds, which are merged with the General Fund for Comprehensive Annual Financial Report statement purposes. The proposed budget includes a reduction of the real property tax rate to $2.248 per $100 of assessed value. The City Council, after deliberations pursuant to Charter requirements and powers, made no reductions to the total General Fund or other fund appropriations. The Ordinance of Estimates for Fiscal Year 2014 was adopted by the City Council and signed by the Mayor on June 17, 2013.

Table 2 above details by budgetary fund the funding sources and appropriations purposes as set forth in the Fiscal Year 2014 budget.

Fiscal Year 2014 General Fund Budget Projection

Based upon data as of March 2014, the General Fund revenues are estimated to exceed the Fiscal Year 2014 budget by $41.0 million (2.5%) for a total of $1,678.5 million. The increase in revenues is attributed to unanticipated receipts from housing related revenues such as transfer and recordation taxes, parking fund revenue transfer, real and personal property taxes and higher activity with respect to the parking and hospitality industries. These revenues are offset by reductions in certain revenue categories such as the temporary suspension of the City's traffic camera citation program, highway user revenues and other lesser budget categories.

Transfer and recordation taxes are expected to generate $30.5 million above the Fiscal 2014 budget. Total number of transactions subject to transfer tax has increased 17.2% while those subject to recordation tax have increased 5.6% over last year's totals. The average value subject to these transactions has also increased about 28.6% as of April 2014 compared to the same period last year.

Property tax revenues, which include real and personal property taxes, are expected to yield about $23.1 million above the 2014 budget. Total real property tax revenues, net of the homestead tax credit are estimated at $17.3 million above the budgeted Fiscal Year 2014 level. The increase in the taxable value of properties is estimated to yield $6.6 million in additional revenues. Approximately $3.2 million of the total relates to the expected savings from the Harbor Point tax increment financing debt service that has been deferred to next year. The amount attributable with respect to the homestead tax credit is projected to be $7.5 million below budget.

Revenue transferred from the parking funds is estimated to generate $9.2 million above the Fiscal Year 2014 budget. This surplus is the result of two primary factors: first, current market activity projects improvement in revenues related to parking activity such as garage income, parking taxes, and parking meters, and is expected to generate approximately $6.9 million in additional revenues. Second, $2.3 million in expenditure savings have been realized by adjusting the actual value of debt service compared to the budgeted amount. The reduction in operating expenses in the parking funds increases the net revenue to be transferred to the General Fund.

Hotel tax activity in the City continues to be strong. The revised estimate for Fiscal Year 2014 reflects the improvement experienced in the demand, occupancy rate, and average daily rate (ADR) of hotels in the City. Data as of March 2014 shows a 0.6% increase in demand for City rooms during the first nine months of Fiscal Year 2014. The current average to date with respect to the City's occupancy rate is 68.3%, 2.0% above the prior year of 66.3%. Additionally, the City's ADR has increased 2.6% in Fiscal Year 2014 over the prior year. The estimated net additional hotel tax revenue in the General Fund is $3.0 million.

Revenue growth is partially offset by the decline in traffic camera citation system revenues. In Fiscal Year 2014, the speed camera and red light citation systems were both temporarily suspended, which caused an estimated combined revenue reduction of about $14.4 million. Other major revenue shortfalls include the revised State's estimate for the highway user revenues, reducing the City share by about $2.1 million, and the additional transfer out the General Fund to the Loan and Guarantee fund of $2.4 million in order to stabilize its fund balance. Other lesser categories account for a further reduction of $5.9 million.

The Fiscal Year 2014 General Fund appropriation projection based upon March 2014 data shows expenditures are expected to exceed the adjusted budget of $1,637.5 million by $28.3 million (1.7%). Key elements of the variance are increased contractual service expenditures related to snow removal and the collapse of the 26th Street retaining wall. It is anticipated this deficit shall be offset by the projected $41 million revenue surplus described above for a projected net budget surplus of $12.7 million.

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Table 3

Total Funding by Source and Budget Appropriations (Operating and Capital) Fiscal Year 2015 (in millions)

	General Fund (1)	Capital Improvement Fund	Grant Funds (2)	Enterprise Fund (3)	Total
Source:					
Property Taxes	$ 784.9	$ 0.0	$ 0.0	$ 0.0	$ 784.9
Income Taxes	286.7	0.0	0.0	0.0	286.7
State Highway User Revenues	136.1	0.0	0.0	0.0	136.1
Other Local Taxes	183.9	0.0	0.0	29.0	212.9
Licenses, Permits, Fines	49.6	0.0	0.0	21.3	70.9
State Grants	103.7	85.6	122.1	0.0	311.5
Use of Money & Property	18.0	0.0	0.0	66.1	84.0
Federal Grants	0.2	60.3	163.2	0.0	223.7
Charges for Services	52.5	0.0	0.0	424.4	476.9
Other Revenues	1.6	232.4	79.5	1.5	314.9
Borrowed Proceeds	0.0	471.4	0.0	0.0	471.4
From (To) Fund Balance	8.8	0.0	0.0	(13.1)	(4.4)
Transfers In (Out)	23.3	48.4	0.0	(77.5)	(5.8)
Total Revenues	$ 1,649.1	$ 898.1	$ 364.8	$ 451.7	$ 3,363.7
Appropriations by Purpose:					
Better Schools	$ 291.0	$ 0	$ 38.6	$ 0.0	$ 329.6
Cleaner and Healthier City	99.7	0	100.6	389.8	590.2
Growing Economy	72.4	0	19.2	36.9	128.5
Innovative Government	111.3	0	34.4	24.8	170.4
Other	212.7	0	10.4	0.0	223.1
Safer Streets	731.6	0	72.3	0.0	803.9
Stronger Neighborhoods	130.3	0	89.4	0.1	219.8
Capital Improvements	0.0	898.1	0.0	0.0	898.1
Total Appropriations	$ 1,649.1	$ 898.1	$ 364.8	$ 451.6	$ 3,363.7

(1) Includes General, Convention Center Bond, Parking Management and former Motor Vehicle fund.
(2) Includes Federal, State and Special grants.
(3) Includes Water, Waste Water, Parking, Conduit and Loan & Guarantee Funds.

Source: Bureau of Budget and Management Research, Department of Finance.

Fiscal Year 2015 Adopted Budget – General Fund and All Funds Summary

The Fiscal Year 2015 budget submitted by the Board of Estimates to the City Council proposed total appropriations of $3,363,707,000 of which $1,649,078,400 was appropriated for General Fund operating purposes and $25,700,000 for General Fund Pay-as-You-Go capital purposes. Starting in Fiscal Year 2013, the Motor Vehicle Fund has been merged into the General Fund and is no longer treated as an independent fund. The proposed budget maintains the current real property tax rate at $2.248 per $100 of assessed value. The City Council, after deliberations pursuant to Charter requirements and powers, made no reductions to the total General Fund or other fund appropriations. The Ordinance of Estimates for Fiscal Year 2015 was adopted by the City Council and signed by the Mayor on June 16, 2014.

Table 3 above details by budgetary fund the funding sources and appropriation purposes as set forth in the Fiscal Year 2015 budget.

Property Taxes

Tax Levy. The City levies real and personal property taxes on all taxable property within its boundaries. The Charter directs that the Board of Estimates, after the City Council has approved the annual operating budget, enacted any new sources of revenues or new rates and determined amounts to be received from all other revenue sources, must certify to the City Council "a rate for the levy of full rate property taxes sufficient to realize the amount required to meet the difference." The City Council is required by the Charter to adopt the necessary ordinance establishing the tax rate. Provision is made under State statute for publication of notice and a public hearing if such rate is to exceed "a constant yield rate."

Under applicable law, there are no limits upon real and personal property taxes levied by the City, and the City is required by law to levy such taxes, without limitation, to provide for payment of principal and interest on its debts.

The City and State tax rates on each $100 of assessed valuation for real property, subject to the full tax rate for Fiscal Years 2010-2014, are as set forth on Table 4 below.

Table 4
City and State Real Property Tax Rates

Ending June 30	City Tax Rate	State Tax Rate (1)	Total
2014	$ 2.248	$ 0.112	$ 2.360
2013	2.268	0.112	2.380
2012	2.268	0.112	2.380
2011	2.268	0.112	2.380
2010	2.268	0.112	2.380

(1) The State does not impose a levy on personal property. This State tax rate only applies to real property.

Source: Bureau of Budget and Management Research, Department of Finance.

Property Assessment. The assessment of all real and tangible personal property for purposes of taxation by the City is, by State law, the sole responsibility of the State Department of Assessments and Taxation, an independent State agency. Properties are assessed uniformly throughout the State. The Department is also responsible for determining ownership and for intervening in assessment litigation.

Real properties are physically inspected and revalued, on a rotating basis, every three years. Valuations are established at market value (full cash value), subject, however, to a phase in of one-third each year of any increases in such market value with regard to any individual property. See “Credits, Abatements and Exemptions” herein for a discussion of the homestead tax credit.

Tangible personal property is assessed annually at its full cash value on the date of finality (January 1) based on reports filed by property owners with the State Department of Assessments and Taxation. Under authority granted by the General Assembly, the City exempts manufacturing equipment, manufacturing inventory and commercial inventory from such assessment. Cash value reflects depreciation schedules and allowances established by the State Department of Assessments and Taxation.

Taxing Districts. The City has created four special taxing districts within specified geographic areas with the power to charge a supplemental tax on most real property located within the districts. The revenue may be used by the districts to supplement various actives including street cleaning, security services, promotional, park and recreation services and hospitality customer services provided by the City within the districts.

Credits, Abatements, and Exemptions.

Current law provides that the homestead property tax credit is to be established by the governing body of each county or municipal corporation in the State. The law provides that the credit limit must be set to provide that no homeowner’s taxable assessment may be increased as a result of reevaluation by more than 10% over the previous year. Counties and municipalities must establish the homestead property tax credit at a rate from 0% to 10%. State law provides that the local governing bodies may change the homestead property tax credit from year to year. The homestead property tax credit limit in the City has been 4% since Fiscal Year 1992. This credit costs peaked in Fiscal Year 2010 at $147.2 million and has been declining since then as assessments have been reduced. For Fiscal Year 2014, this credit cost is estimated at $66.5 million.

The City has enacted a number of real property tax credit programs to encourage home ownership, real estate and business investments. To encourage homeownership, the City offers a property tax credit for the purchase and rehabilitation of certain vacant and abandoned residential property, the purchase of newly constructed dwellings, and home improvements that result in assessment increases and certain eligible improvements for qualified historic properties. Additionally, the City offers the Targeted Homeowners tax credit, a Mayor’s program currently on its second year of implementation, intended to reduce by 20 cents the effective property tax rate of owner-occupied residents by Fiscal Year 2020. To encourage business investment, the City offers a property tax credit for renovation of larger historical properties meeting certain conditions, renovations to meet state-of-the-art communications and utility standards, and businesses investing in State designated enterprise zones, Federal Empowerment Zones, and “brownfield” industrial sites. In Fiscal Year 2014, the combined cost of these programs is expected to be approximately $38.8 million.

Relief to lower-income homeowners is also provided by means of a state financed “circuit breaker” which takes into account both family income and the property tax levied. As of February 2014 the State funded credits has been provided to 9,994 homeowners at a cost of $13.8 million to the State. A similar program provides relief to elderly and disabled renters to compensate them for indirect contributions towards property taxes.

Exemptions, under qualifying conditions, are granted to properties owned by governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind. The current full cash value for these properties, which as of February 2014 number about 17,756, totals approximately

$12.4 billion for Fiscal Year 2014. These values are not included in the various charts and tables in this section.

Collections. Tax bills are calculated and rendered on or about July 1 of each year, and by law, the taxes for most commercial and all non-owner-occupied residential properties are due and payable when rendered. In the 1999 session of the General Assembly, the State enacted legislation mandating a semi-annual option for payment of real property taxes on all owner-occupied residential properties, beginning with the 2000-2001 tax year. In the City for Fiscal Year 2014, there were 116,446 owner-occupied properties eligible to participate in the semi-annual taxpayers program for the tax year. In the 2011 General Assembly, the State amended the law to include small businesses with total property taxes owed less than $100,000 to be eligible for the semi-annual real property tax payment. The Fiscal Year 2013 City service charge for semi-annual taxpayers is 0.11%, and there is a total of 129,844 properties eligible for this program. Discounts for timely payment are allowed through July 31, and taxes due and not paid by September 30 become subject to interest and penalty at a combined annual rate of 12% on the State portion and 24% on the City portion of the tax.

Under State law, taxes on real property become a first lien on the real property on which they are levied from the date they become payable until paid. Taxes on personal property become a first lien on the personal property on which they are levied from the date they become payable and a lien on the real property of the owner of the personal property following recording and indexing of a notice among the judgment records of the Clerk of the Circuit Court for Baltimore City or the tax rolls of the City.

With respect to real property taxes and all other municipal liens, final bill and legal notices of eligibility for tax sale are sent to owners of record in February of the tax year (July 1 to June 30). If the taxes and liens remain unpaid on May 1st, the property is placed in the annual tax sale and the liens are sold to the highest bidder. The purchasers of liens may file suits to foreclose the owners' rights of redemption 60 days from the date of the tax sale if they apply for and are granted a "substantial repair certificate" from the City. If the City wants to acquire for development purposes any properties whose liens were not purchased by third parties at the tax sale, it can begin foreclosure six months after the tax sale and take title in the City's name.

With respect to personal property taxes, final bill and legal notices are sent each tax year on all delinquent accounts. Thereafter the City commences to file suit in either the District or Circuit Court to collect the delinquent taxes. The City's Law Department represents the City in these cases in an effort to obtain judgment or payment. If judgment without payment is obtained, the Law Department pursues collection via post-judgment remedies.

Income Tax

The City and Maryland counties have been required since 1967 under state law to impose a local income tax, commonly known as the "piggyback" income tax. The local tax is imposed on resident individuals (not corporations) and is paid in conjunction with and at the time individuals pay their state tax liability. The State imposes its individual income tax on the income of individuals as determined for federal income tax purposes with certain addition and subtraction adjustments. Local governments "piggyback" on the definition of net taxable income. Beginning in tax year 1999, the local tax rate has been set as a percentage of State net taxable income. The City tax rate as a percentage of State net taxable income is 3.20%.

The following Table 5 depicts tax receipts generated from the local income tax for Fiscal Year 2010 through the preliminary 2013 and those estimated for Fiscal Year 2014.

Table 5
Tax Receipts

Fiscal Year		Receipts
2014	Budgeted	$ 274,386,334*
2013	(Preliminary)	276,111,244
2012		257,892,892
2011		234,955,011
2010		222,375,717

Note: All figures represent budgetary reporting basis incorporating GASB 33 standards "Other Major Locally Imposed Taxes."

*Estimated.

Source: Bureau of Budget and Management Research, Department of Finance

Other Major Locally Imposed Taxes

The City realizes a substantial amount of General Fund revenues from other locally imposed taxes. Receipts from these sources were approximately $200.8 million in Fiscal Year 2013 and are budgeted to be approximately $187.2 million in Fiscal Year 2014.

Table 6 below details the tax rates for real and personal property taxes, income taxes and all other major locally imposed tax. Table 6 presents the revenues collected (or estimated to be collected) from other major locally imposed taxes for Fiscal Years 2010 through 2014.

Table 6
Tax Rate History
Major Locally Imposed Taxes

Type of Tax	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Real Property [1]	$2.248	$2.268	$2.268	$2.268	$2.268
Personal Property [1]	$5.62	$5.67	$5.67	$5.67	$5.67
Income [2]	3.20%	3.20%	3.20%	3.20%	3.05%
Energy [3]	Note 3	Note 3	Note 3	Note 3	Note 3
Gas (per therm) [4]	Note 4	Note 4	Note 4	Note 4	Note 4
Electricity (per kilowatt) [5]	Note 5	Note 5	Note 5	Note 5	Note 5
Steam (per pound) [6]	Note 6	Note 6	Note 6	Note 6	Note 6
Fuel Oil (per gallon) [7]	Note 7	Note 7	Note 7	Note 7	Note 7
Liquid Petroleum Gas (per gallon) [8]	Note 8	Note 8	Note 8	Note 8	Note 8
Telecommunications [9]	Note 9	Note 9	Note 9	Note 9	Note 9
Land line/billed line/month	$4.00	$4.00	$4.00	$4.00	$3.50
Centrex/billed line/month	$0.40	$0.40	$0.40	$0.40	$0.35
Wireless/billed line/month	$4.00	$4.00	$4.00	$4.00	$3.50
Transfer [10]	1.50%	1.50%	1.50%	1.50%	1.50%
Recordation [11]	$5.00	$5.00	$5.00	$5.00	$5.00
Parking [12]					
Daily/Hourly	20.00%	20.00%	20.00%	20.00%	16.00%
Weekly	20.00%	20.00%	20.00%	20.00%	16.00%
Monthly	20.00%	20.00%	20.00%	20.00%	16.00%
Hotel [13]	9.50%	9.50%	9.50%	9.50%	7.50%
Admissions [14]	10.00%	10.00%	10.00%	10.00%	10.00%

(1) Per $100 of assessed value which under current state law represents phased in full cash, or market, value for real property and full cash value, subject to depreciation schedules established by the State for personal property.
(2) The tax rate is applied as a percentage of net taxable income effective calendar year 1999. The tax rate was increased from 2.51% in calendar 2001 to 3.05% in calendar 2002. Income tax rate was increased to 3.2% starting on January 1, 2011.
(3) The energy tax was restructured and the base broadened by legislation effective for deliveries of energy after July 1, 2004 billed after August 1, 2004. The tax is imposed on a per unit basis on the units of natural gas, electricity, fuel oil, liquid petroleum gas and steam delivered to defined users in the City. Different rates are established for different classes of users including commercial, manufacturing and residential users. Non-profit users under current law became subject to the tax in Fiscal Year 2006. Manufacturers were exempted under current law from the tax beginning in Fiscal Year 2007. Government users are exempt.
(4) Gas tax Fiscal Year 2012 rates per therm: commercial, $0.098619; residential, $0.028985; manufacturing, $0; and non-profit, $0.078342.
(5) Electricity tax Fiscal Year 2012 rates per kilowatt: commercial, $0.007626; residential, $0.002442; manufacturing, $0; and non-profit, $0.005348.
(6) Steam tax Fiscal Year 2012 rates per pound: commercial, $0.002399; residential, $0.000689; manufacturing, $0; and non-profit, $0.001419.
(7) Fuel oil tax Fiscal Year 2012 rates per gallon: commercial, $0.112711; residential, $0.040679; manufacturing, $0; and non-profit, $0.097278.
(8) Liquid petroleum gas tax Fiscal Year 2012 rates per pound: commercial, $0.137555; residential, $0.043571; manufacturing, $0; and non-profit, $0.119613.
(9) The telecommunications tax was restructured effective August 1, 2004 for Fiscal Year 2005. Changes involved base broadening to include all services, including wireless services, with billing addresses in the City. The tax is imposed on the service providers and as such, exemptions were eliminated. The tax rate was changed from a 12% sales tax levy on certain defined services to a per billed line charge for telecommunication services. New rates were increased on July 1, 2010.
(10) The percentage rate tax is imposed on the stated consideration for sale of properties not otherwise exempt. An exemption of $22,000 of consideration was provided for the transfer of residential property to owner occupants.
(11) The tax is imposed on each $500 of the stated consideration for recordation of deeds of sale and upon recordation of certain mortgages and refinancing papers.
(12) Effective December 1, 2008 for Fiscal Year 2009 and subsequent years, the tax is applied as a percent of the charge for daily, weekly and monthly service users. New rates were increased on July 1, 2010.
(13) The tax is imposed on transient use of hotel, motel, and bed breakfast accommodations. By state law (Chapter 837 of 2001) amending the City Charter, through Fiscal Year 2007, 40% of the proceeds are dedicated to convention center marketing and tourism promotion. New rates were increased on July 1, 2010.
(14) The tax is imposed on the gross receipts derived from amusement admissions charges including movies, theaters, swimming pools, ski rentals, golf, and other taxable categories.

Source: Bureau of Budget and Management Research, Department of Finance.

Table 7
Revenue History
Other Major Locally Imposed Taxes

Type of Tax	FY 2014* (Budget)	FY 2013 (Preliminary)	FY 2012 (Actual)	FY 2011 (Actual)	FY 2010 (Actual)
Gas, Electricity, Fuel, Oil, Steam, other fuel	$39,798	$39,255	$35,426	$37,255	$29,763
Telephone	34,299	33,289	34,185	34,937	26,292
Transfer	24,948	27,506	22,840	21,845	26,023
Recordation	23,367	32,330	20,132	19,426	20,942
Parking	27,653	28,772	27,434	26,535	21,441
Hotel	28,497	30,509	32,560	27,150	19,038
Admissions	8,653	9,161	7,581	8,184	7,475
Total	$187,215	$200,822	$180,158	$175,332	$150,974

*Estimated.
*Source: Bureau of Budget and Management Research, Department of Finance

The City is responsible for the construction, reconstruction and maintenance of streets, highways, bridges, alleys and footways within its borders. Such responsibilities include provision of street lighting, snow removal, street cleaning, traffic police, and traffic signs and signals. Funds for such services and responsibilities are provided largely from Highway User Revenue moneys distributed by the State Department of Transportation, which include shares of the motor fuel tax, vehicle excise (titling) tax, registration fees and corporate income tax.

State law provides a formula for sharing portions of these revenues with all Maryland municipalities and counties. Actual receipts from these sources were approximately $129.9 million in Fiscal Year 2013 and are budgeted at approximately $134.4 million in Fiscal Year 2014.

Intergovernmental Assistance

The City receives substantial amounts of both Federal and State assistance under a variety of programs and agreements. Some of the major categories of assistance are detailed in the chart below. Amounts reflected in Table 8 that follows do not include State-shared tax collections or the City's entitlement to Highway User Revenues. Revenues in the Special Revenue Fund and the Capital Projects Fund include billed receivables as of the end of the year.

The City is in the process of conducting an internal review of all active grants in an effort to address deficits in the Grants Revenue Fund. The impact on the General Fund is not known, as this will require a review of over 245 grants valued at approximately $332 million. A detailed review of all grant accounts will be undertaken to determine the exact cause of any contributing deficit. If it is determined expenses are greater than the award or that certain receivables are not collectible, a plan is expected to be implemented to address such liability. As of June 30, 2013 the accumulated deficit in the Grants Revenue Fund was approximately $62.8 million. The amount of such deficit in the Grants Revenue Fund attributable with respect to 2013 Fiscal Year was $22.6 million. This issue has prompted the creation of a centralized Grants Management Unit within the Finance Department. This unit will seek to improve the oversight of grants and reduce the potential liability to the General Fund by: (i) updating policies; (ii) streamlining budgeting and accounting procedures; and (iii) developing a database for all grants. Additionally, the City will implement a Grants Accounting module within the City's computerized accounting system for improved reporting and efficiency.

Table 8
State and Federal Assistance
(in millions)

	FY2013	FY2012	FY 2011	FY 2010	FY 2009
General Fund					
State:					
Public Safety	$0.0	$0.0	$0.0	$0.0	$0.0
Basic Education	0.0	0.0	0.0	0.0	0.0
All Other	93.6	95.9	89.5	97.6	99.4
Special Revenue Fund					
Federal:					
Community Dev. Block Grant	$21.2	$28.8	$25.1	$25.7	$30.9
Health and Aging	62.1	96.7	90.0	88.4	80.9
Public Safety	20.7	9.8	33.3	13.6	8.7
Community College	0.0	0.0	0.0	0.0	0.0
Urban Services/H.C.D.	54.5	47.7	41.6	41.7	28.8
Employment Development	16.2	14.2	28.5	19.1	13.1
All Other	5.4	11.0	36.4	28.7	13.1
State:					
Health and Aging	20.9	21.1	17.1	16.5	20.3
Education	0.0	0.0	0.0	0.0	0.0
Urban Services	0.0	0.0	0.0	0.0	0.0
All Other	48.0	49.0	52.4	48.0	46.5
Capital Projects Fund					
Federal:					
Housing & Dev. (incl. CDBG)	$23.0	$14.5	$13.3	$25.4	$0.0
Highways	48.8	33.7	40.5	15.8	8.9
Sewer	0.0	0.0	0.0	0.0	0.0
All Other	4.3	3.6	0.0	0.7	7.8
State:					
Education	0.0	0.0	0.0	0.3	0.0
Jail	0.0	0.0	0.0	0.0	0.0
Parks & Recreation	6.5	7.2	7.7	5.7	1.6
Sewer	0.0	0.0	0.0	0.0	0.0
All Other	26.8	12.2	11.3	15.5	5.5
Total	$452.0	$445.4	$486.7	$442.7	$365.5
Total General Fund	$93.6	$95.9	$89.5	$97.6	$99.4
Total Special Revenue Funds	$249.0	$278.3	$324.4	$281.7	$242.3
Total Capital Projects Fund	$109.4	$71.2	$72.8	$63.4	$23.8
Total	$452.0	$445.4	$486.7	$442.7	$365.5

Source: Bureau of Accounting and Payroll Services, Department of Finance.

CERTAIN EXPENDITURES OF THE CITY

Overview

City expenditures include employee compensation, employee benefits such as health, medical, dental and social security contributions, pension contributions and risk management.

Budgeted Positions

The budget plan adopted for Fiscal Year 2014 resulted in a decrease of 12 funded positions in all funds. This decrease was made up by the reduction of four non-General Fund and eight General Fund positions. Table 9 below details the funded and authorized full-time budgeted positions in the adopted budgets for Fiscal Years 2010 through 2014.

Table 9
Authorized Full-Time Budgeted Positions in City Government
All Operating Funds 1

	Fiscal Year Ended June 30				
Funds	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
General					
Police	3,369	3,348	3,524	3,729	3,761
Fire	1,693	1,726	1,784	1,788	1,790
Public Works	751	845	875	886	898
Recreation & Parks	295	277	291	305	350
Other Agencies	4,030	3,950	3,905	4,151	4,241
Total General Fund	10,138	10,146	10,379	10,859	11,040
Other Funds	3,868	3,872	3,909	4,194	4,175
Grand Total	14,006	14,018	14,288	15,053	15,215

For Fiscal Years 2012-2014, the figures show full-time funded positions. Fiscal Years 2010 and 2011 show authorized positions. The General and Motor Vehicle funds have been merged starting in Fiscal Year 2013. Therefore, for comparative purposes, the figures in the table have to total for both funds since Fiscal Year 2010.
Source: Bureau of Budget and Management Research, Department of Finance.

Collective Bargaining

The Municipal Employee Relations Ordinance ("MERO") (Ordinance No. 251, adopted in 1968) establishes the basis for collective bargaining for municipal employees in the City. Excluded from the provisions of MERO are employees of the Baltimore City Public School System, certain supervisory, professional and managerial personnel employees and those employees holding positions that involve a relation of personal confidence with the persons appointing them. Managerial and professional employees covered by Ordinance No. 251 may only meet and confer regarding terms and conditions of employment.

Each of the unions with bargaining rights negotiates independently with the City on all matters relating to wages, hours and working conditions. To conform to local legislation, any agreement reached between the parties becomes a "Memorandum of Understanding" ("MOU") requiring notation by the

Board of Estimates. The Board of Estimates examines each MOU for its impact on the City's operating budget and its funding requirements. Based upon its findings, the BOE either notes the MOU or recommends an alternative. Notations of such MOUs are subject to the appropriation of funds by the Mayor and the City Council. Except for the Baltimore City Fire Fighters and the Baltimore City Fire Officers, if the City and any union cannot reach agreement, the disputed issues are submitted to a three-member impasse panel. The City and the respective union each designate one member of the panel and mutually agree on a third. The role of the panel is one of mediation, fact-finding and recommendation, not binding arbitration. The impasse panel makes a recommendation to the Mayor. The Mayor may accept or reject such recommendation.

If the City does not reach agreement with the Fire Unions by March 1st, either party may request arbitration by a board of arbitration in accordance with the Charter. The board of arbitration is composed of three members, one member appointed by the Mayor and a member appointed by the certified employee organization(s) representing the Fire Fighters and/or Fire Officers. The third member is selected by the two arbitrators previously chosen and acts as chair of the board of arbitration. An arbitration hearing is conducted and the board of arbitration must choose, in its entirety, the proposal of either the City or the Union(s). The decision of the majority of the board of arbitration is final and binding.

The AFSCME Locals, which include Locals 44, 558, and 2202 are in the process of negotiating successor MOU for Fiscal Year 2014 and beyond. The AFSCME Locals are currently operating under the 2012 contract terms.

The City Union of Baltimore ("CUB"), which includes Units I and II, has reached a tentative agreement pending approval from the Board of Estimates.

There were no wage increases for any bargaining units in Fiscal Year 2013. The AFSCME locals and CUB received 2% across the board wage increases for Fiscal Year 2014.

The Fraternal Order of Police ("FOP") Units I and II have reached a three-year agreement covering Fiscal Years 2014-2016. Members of the bargaining unit assigned to patrol will work a new 10 hour 35 minute workday. The new schedule will increase the number of officers on patrol from 950 officers to 1,200 officers. All members of the bargaining unit effective July 1, 2013 will receive a 2% retroactive wage increase. Effective July 1, 2014, members will receive a 5% wage increase across the board. Effective July 2015, members will receive a 6% wage increase across the board.

The Baltimore Fire Fighters and Baltimore Fire Officers have a three-year agreement covering Fiscal Years 2014-2016. Members of the bargaining unit assigned to the Suppression Division increased their work hours from an average of 42 hours per week to an average of 47 hours per week effective January 1, 2014. In exchange for the increased work hours, members of the bargaining units assigned to the Suppression Division received a 10.5% across the board wage increase effective January 1, 2014. All employees of the Fire Fighters and Fire Officers bargaining units received 6% across the board increases over the life of the MOU.

The Managerial and Professional Society of Baltimore, Inc. reached a two-year agreement covering Fiscal Years 2014 and 2015 with a 2% increase for each such Fiscal Year.

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Table 10
Union Membership

Primary Group Represented	Represented By	Number of Union Members	Status
Trades & Labor	American Federation of State, County & Municipal Employees, AFL-CIO, Council No. 67, Locals # 44 (AFSCME)	2,306	Contract expired 6/30/12* Currently in negotiations
Human Services Workers	AFSCME Council No. 67, Local #2202	42	Contract expired 6/30/12* Currently in negotiations
Fire Fighters below rank of Lieutenant	Baltimore Fire Fighters, IAFF, AFL-CIO, CLC, Local #734	1,195	Contract expires 6/30/16
Fire Officers of rank of Lieutenant through Battalion Chief	Baltimore Fire Fighters, IAFF, AFL-CIO, CLC, Local #964	333	Contract expires 6/30/16
Clerical, Technical and Administrative	City Union of Baltimore, AFT, AFL-CIO, Local #800 (CUB)	2,894	Tentative contract/agreement
Community Health Nurses	AFSCME, Council No. 67, Local #558	84	Contract expired 6/30/12* Currently in negotiations
Managerial and Professional Employees	Managerial & Professional Society of Baltimore, Inc. (MAPS)	610	Contract expires 6/30/15
Police Sergeants & Police Lieutenants, Unit II	Fraternal Order of Police, Lodge #3 Unit II (FOP)	433	Contract expired 6/30/16
Police Officers, Police Agents & Flight Officers Unit I	Lodge # 3 (FOP)	2,352	Contract expired 6/30/16

* Union members working under an expired contract continue to operate under the terms of their respective MOUs.

Source: Office of the Labor Commissioner

Employee Compensation and Benefits

Table 11 below details the General Fund employee benefit expenditures for active employees by major category during Fiscal Years 2010 through 2013, and also includes the budgeted amounts for Fiscal Year 2014. For more detailed information concerning the City's provision of employee benefits, see the notes to the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2013 (the "CAFR").

Table 11
General Fund Employee Benefit Expenditures
for Active Employees
(in millions)

	FY 2014 (Budget)	FY 2013 (Actual)	FY 2012 (Actual)	FY 2011 (Actual)
Pension Plan Contributions	$ 152.2	$ 156.2	$ 144.2	137.1
Health-Medical-Dental-Vision Care-Prescription	90.7	90.5	85.4	80.4
Social Security	23.1	22.1	18.8	18.2
Other	3.7	3.5	3.0	2.4
Total	$ 269.7	$ 272.3	$ 251.4	$ 238.1

Notes:
* Fiscal Year 2013 and Fiscal Year 2012 show the combined figures for the General and Motor Vehicle funds. Prior years show General Fund only.

Source: Bureau of Budget and Management Research, Department of Finance.

Municipal Pension Plans

The City contributes to three defined benefit retirement plans, which cover those persons employed in the general administration of the City, elected officials, and fire and police officers. The three plans are administered by the Employees' Retirement Systems agency. Additionally, the City contributes to two closed pay-as-you-go plans, which were established for certain fire and police officers. Those plans are administered by the respective Fire and Police Departments. Professional employees of the new Baltimore City Board of School Commissioners and the Enoch Pratt Free Library are members of the State Retirement Systems, to which the City is not required to contribute. Descriptions of the defined benefit and pay-as-you-go plans are as follows:

Employees' Retirement System ("ERS"). The ERS was established on January 1, 1926, to cover regular and permanent employees who are employed in the general administration service of the City and certain employees of the new Baltimore City School Board of Commissioners. The ERS plan provisions, which are amended periodically, currently provide for three classes of membership. Classes "A" and "B" are contributory classes covering employees hired prior to July 1, 1979. On July 1, 1979, a noncontributory class of membership was established for 11 employees hired on or after that date. Membership in the noncontributory class is automatic after one year of employment. Contributory members were permitted to transfer to the noncontributory class and receive a distribution of their employee contributions with interest or remain in their existing class. As of June 30, 2013, 99.70% of the

ERS membership was noncontributory. The remaining .30% are "A" members who contribute to the plan.

A seven member Board of Trustees composed of the Comptroller, two appointees of the Mayor, three employees elected by the active members and one retiree elected by the retired members, administers the ERS. Assets of the ERS are held in custody with BNY Mellon Bank Asset Servicing. The ERS contracts with various investment management firms, which make investment decisions within guidelines established by the Board of Trustees of the ERS. The assets are fully diversified to minimize risk and enhance returns over the long term. Monitoring of investment activity is conducted with the assistance of a professional investment advisor.

The City contributes to the ERS annually pursuant to an actuarial valuation, which uses the early age normal method as of June 30, 2013. The latest actuarial valuation was completed for the Fiscal Year ended June 30, 2013, when assets valued at market amounted to approximately $1.3 billion and the unfunded actuarial liability was approximately $686 million.

The latest study of the assumed interest rate of return, mortality rate, service retirement and compensation was performed for the four-year period ended June 30, 2010. As a result of the study, the assumed rate of return decreased from 8.0% to 7.750% for pre-retirement and 6.55% for post-retirement.

Other recommendations were made, including changes to mortality rates, withdrawal rates, disability rates, retirement rates, and a change in the salary scale, to more closely represent experience. The Board of Trustees of the ERS adopted the recommendations that were included in the actuarial valuation.

Post-retirement benefit increases are provided for all participants in pay status for more than 18 months. Increases are guaranteed at 1.5% for retirees under the age of 65 and 2% for retirees age 65 and older. Additional increases may be provided when investment performance exceeds 6.55%. The actuarially determined increase is payable as equal percentage increases commencing the January 1 following the June 30 investment performance determination date.

As of June 30, 2013, the date of the last actuarial valuation, the ERS-funded ratio was 68.1% on an actuarial value of assets basis and 61.6% on a market value of assets basis. At June 30, 2012, the funded ratio was 67.7% on an actuarial value of assets basis and 57.6% on a market value of assets basis.

Elected Officials' Retirement System ("EOS"). This plan was established in December 1983 to cover the Mayor, the Comptroller, and the President and the Members of the City Council. An elected official automatically becomes a member of the EOS upon taking the oath of office. Members contribute 5% of compensation to the system. The same Board of Trustees that administers the ERS administers the EOS. Custodianship, investment and monitoring of the assets of the EOS are managed under contracts similar to the ERS, as described above.

The City contributes to the EOS annually pursuant to an actuarial valuation that uses the projected unit credit cost method. The latest actuarial valuation was completed for the Fiscal Year ended June 30, 2013, when assets valued at market, amounted to $19.1 million and the excess accrued liability totaled $2.9 million.

As of June 30, 2013, the date of the last actuarial valuation, the EOS funded ratio was 118.2% on an actuarial value of assets basis and 125.7% on a market value of assets basis. At June 30, 2012, the funded ratio was 109.2% on an actuarial value of assets basis and 108.0% on a market value of assets basis.

Retirement benefits paid by the EOS are indexed to the current annual compensation authorized for the position from which the elected official retired.

Fire and Police Employees' Retirement System ("F&P"). This plan was established on July 1, 1962, by City Ordinance. The F&P is a defined benefit plan that covers all uniformed officers of the Baltimore City Fire and Police Departments. The plan also covers certain Maryland Aviation Administration paramedics/firefighters and certain Maryland Transportation Authority police officers included in F&P plan coverage by State law.

An eleven member Board of Trustees oversees the F&P. The F&P Board of Trustees is composed of four ex-officio members: the Comptroller, the Police Commissioner, the Chief of the Fire Department, and the Director of Finance; three appointees of the Mayor; two active employees: one from the Fire Department and one from the Police Department, elected by their respective active members; and two retirees: one from the Fire Department and one from the Police Department, elected by their respective retired members.

Ordinance 10-306, signed by the Mayor on June 22, 2010, provided amendments and clarifications to the plan that affect current and future members and retirees. The Ordinance, which was clarified by Ordinance 10-357 and signed by the Mayor on August 10, 2010:

(1) modified the plan's post-retirement benefit increase provisions by changing from a variable non-guaranteed increase percentage rate paid only when investment performance exceeded 7.5% to a guaranteed, fixed increase of 2% for eligible retirees and beneficiaries aged 65 and older and for 100% line-of-duty disability for retirees and their beneficiaries who have been receiving periodic benefit payments for 2 or more years as of the June 30 determination date, commencing with June 30, 2010, and payment beginning in January 2011; and 1% for eligible retirees and beneficiaries aged 55 to 64 who have been receiving periodic benefit payments for 2 or more years as of the June 30 determination date, commencing with June 30, 2011, and payment beginning in January 2012; and no increases for retirees and beneficiaries less than 55 years of age;

(2) changed the age and service requirements for a normal service retirement benefit for all "non-grandfathered members" (members who, as of June 30, 2010, did not meet the eligibility requirements for a service retirement benefit or had fewer than 15 years of service) from age 50 regardless of service if membership began prior to July 1, 2003, or age 50 with at least 10 years of service, if membership began or after June 30, 2003, to the earlier of 25 years of service or age 55 with at least 15 years of service as an F&P member;

(3) established a new early service retirement benefit for non-grandfathered members by allowing members who are not eligible for the new normal service retirement to retire at or after their former retirement eligibility date and receive a reduced early retirement benefit;

(4) changed the definition of "average final compensation" for non-grandfathered members from a member's salary over 18 consecutive months during which pay was highest to a member's salary over 36 consecutive months during which pay was highest;

(5) increased DROP 2 eligibility requirements for non-grandfathered members from 20 or more years of service with certain membership requirements to 25 years of service as a contributing F&P member;

(6) increased the percentage of compensation contributable by all members to 7% effective July 1, 2010, 8% effective July 1, 2011, 9% effective July 1, 2012, and 10% effective July 1, 2013;

(7) reduced interest paid by the F&P on withdrawal of accumulated contributions and lump-sum death benefits from 5.5% to 3.0% for all members;

(8) reduced interest paid by the F&P on DROP 2 accounts from 5.5% to 3.0% for non-grandfathered members;

(9) established a new minimum annual benefit of $16,000 payable to spousal beneficiaries of sworn members who, before August 1, 1996, retired or died in service with 20 or more years of service;

(10) allowed pre-employment military service to be used to satisfy eligibility for a normal service, DROP, or DROP 2 retirement for all members;

(11) lowered the plan's long-term investment earnings assumption from 8.25% to 8.0%; and

(12) expanded the plan's Board of Trustees to add the City's Director of Finance and a third mayoral appointee, and established new professional qualifications for the mayoral appointees.

Ordinance 11-444, signed by the Mayor on May 19, 2011, established a new minimum annual benefit of $16,000 payable to spousal beneficiaries of sworn members who, before August 1, 1996, retired on account of a Line-of-Duty Disability with less than 20 years of service.

Assets of the F&P are held in custody with BNY Mellon Asset Servicing. As of December 31, 2013, net assets of the F&P totaled $2.4 billion. The F&P contracts with various investment management firms that make investment decisions within guidelines established by the F&P Board of Trustees. The assets are diversified to minimize risk and enhance returns over the long term. Monitoring and consulting of the investment activity is conducted by F&P's investment advisor, Summit Strategies Group.

The F&P's funding objective is to meet benefit obligations by achieving an investment rate of return of 7.75% over the long-term and through employer and member contributions. As of June 30, 2013, the date of the last actuarial valuation, the F&P funded ratio was 76.6% on an actuarial value of assets basis and 69.2% on a market value of assets basis. At June 30, 2012 the funded ratio was 77.6% on an actuarial value of assets basis and 67.3% on a market value of assets basis.

For Fiscal Year 2013, the required contribution from the City was $101.3 million. The City contributed an additional $5.7 million for a total of $107.0 million contributed in Fiscal Year 2013. For Fiscal Year 2014, the required contribution from the City is $113.0 million. The City's required contribution for Fiscal Year 2015 increases to $118 million.

In 2012, the U.S. District Court ruled that the changes made by Ordinance 10-306 to the F&P's variable annual cost-of-living increases (COLA) were unconstitutional because the new fixed COLA's are tiered, favoring older retirees who receive a higher COLA than younger retirees. Conversely, the court dismissed all other claims of the Plaintiffs, and specifically ruled that that the other provisions of Ordinance 10-306 raise no federal constitutional issues and are severable from the illegally modified variable cost-of-living benefit and its related provisions. Both parties have appealed the ruling and the court stayed the effect of its ruling pending the appeal. Accordingly, the F&P will continue to administer the F&P plan as amended by Ordinance 10-306 pending a final ruling on the Ordinance's legality by the United States Court of Appeals for the Fourth Circuit. The City continues to believe that there is a substantial possibility that the ruling will be reversed in its favor. If the ruling is upheld on appeal, the City estimates that the City's contributions to the pension fund could increase by approximately $75 million in the Fiscal Year following final adjudication and more in future years.

Unfunded Pension Plans. Two unfunded retirement plans limited to (i) Fire Department employees hired prior to July 1926 and (ii) Police Department employees hired before July 1947 are administered by the respective departments and costs are paid out of current budgets. Benefits include medical and hospital coverage and pension payments tied to salaries of current employees. All employees eligible under these plans have retired and total recipients numbered 36 as of June 30, 2013. The unfunded accrued liability is not calculated for either of these two plans.

Retirement benefits paid by the pay-as-you-go plans are indexed to the current annual compensation authorized for the position from which the fire or police officer retired.

General. Certain financial information relating to the pension plans is also contained in the notes to the City's Comprehensive Annual Financial Report. Interested parties are encouraged to view additional information or request a copy of the respective pension fund financial statements at the following addresses:

Employees Retirement System/Elected Officials Retirement System
7 East Redwood Street
13th Floor
Baltimore, MD 21202
443.984.3200
www.bcers.org

Fire and Police Employees' Retirement System
7 East Redwood Street
18th Floor
Baltimore, MD 21202
410.497.7929
www.bcfpers.org

Conversion to Traditional Retirement Plan. The City elected to convert to a more traditional form of retirement plan for employees hired on and after July 1, 2014 in an effort to control the escalating costs of the City's contributions to the ERS. Effective July 1, 2014, newly-hired Baltimore City employees, other than fire and police employees and elected officials, are subject to new retirement plan provisions. Upon employment, such new hires will be required to elect between two retirement options: the non-hybrid option and the hybrid option. Employees electing the non-hybrid option will participate only in the Retirement Savings Plan (the "RSP"), a new 401(k)-style defined contribution plan. For each payroll period, non-hybrid employees will receive a City contribution equal to 4% of pay and will be required to make an employee contribution equal to 5% of pay. In addition, the City will match 50% of the first 2% of deferrals a non-hybrid employee makes to the City's Deferred Compensation Plan. City contributions vest after 5 years of service (or, if earlier, at age 65, disability or death), and employee contributions vest immediately. Employees electing the hybrid option will participate in the RSP and also in the ERS. Under the RSP, hybrid employees will receive a City contribution equal to 3.0% or 1.5% of pay, depending on the funded status of the ERS. Those contributions vest after 5 years of service (or, if earlier, at age 65, disability or death).

Other Post-Employment Benefits

The City provides post-employment health benefits to its employees and to retirees of the Baltimore City Public School System. The City complies with Governmental Accounting Standards Board Statement Number 45 (“GASB 45”) with respect to reporting the annual cost of the post-employment benefits and the unfunded actuarial accrued liabilities for the cost of post-employment benefits.

The City has established a trust fund (the “Trust Fund”), gained approval from the IRS for the tax-exempt status for the income of the Trust Fund, and has made contributions to the Trust Fund, outside of the cost to pay current benefits, with a net asset value at June 30, 2013 of approximately $322.4 million. In addition to budgeted contributions, the City has dedicated the revenue stream from the Medicare Part D employer subsidy to the Trust Fund. The asset value at June 30, 2013, consists of contributions from prior year General Fund budget surpluses, revenue from the employer subsidy, interest income, and budgeted contributions.

As of June 30, 2013, the OPEB Unfunded Actuarial Accrued Liability for the City is calculated to be $1,655 billion. The Annual Required Contribution (“ARC”) as determined by the actuary for Fiscal Year 2013 was $107.4 million (using a discount rate of 5.95%). During Fiscal Year 2013, the City funded $125.9 million, with $108.4 million in paygo costs for current benefits and $17.5 million in contribution above paygo toward the ARC.

The City is taking additional steps to help manage the OPEB liability. In July 2008, the City implemented a new graduated scale for retiree health care premium contributions. Under the new schedule, retirees with fewer than 15 years of service will pay more than the 50% premium contribution that retirees with 15 or more years of service contribute. Effective April 1, 2010, the City migrated its Medicare eligible retirees and dependents to an Employer Group Waiver Plan (EGWP), which is a Medicare PDP Plan that will be administered by the City’s Pharmacy Benefit Manager. The City is implementing the PDP to help manage its cost for retiree drugs. For a more detailed description of the City’s OPEB costs and net assets please refer to the “Notes to basic Financial Statements” in the attached CAFR.

Risk Management Program

In 1986, the City created by Ordinance a Committee on Insurance and Risk Management, members of which are to be persons knowledgeable in the field of risk management. The Committee has oversight and advisory responsibilities and reports to the Board of Estimates. It operates through the Office of Risk Management, which is within the Department of Finance.

The Office of Risk Management is responsible for a comprehensive program of (a) risk exposure identification, (b) risk evaluation, (c) risk control and (d) risk financing. Among its functions are the maintenance of systems to allocate insurance costs, handling of claims made and preparation of specifications for all insurance purchased by the City.

Baltimore City Public School System

The operating budget of the Baltimore City Public School System consists of the City Schools’ General Fund, Special Revenue Fund, and Enterprise Funds. The process for developing the City Schools’ budget involves requests from managers detailing resources necessary to support programs and operations. Total City Schools needs (requests) are compared to projected revenue, with the overriding goal of providing support to the schools. The balanced budget is presented to the Baltimore City Board of School Commissioners for deliberation. Following public comment, the Baltimore City Board of School Commissioners adopts and forwards the fiscal year budget request to the City Board of Estimates. The Board of Estimates includes in the budget a recommended level of support which may vary from the requested level, but must at least meet the maintenance of effort requirement set forth in Section 5-202 of the Education Article of the Annotated Code of Maryland, as amended (the "MOE"). The City Council considers the recommended budget. After public hearings, the City Council votes on the budget and submits it to the Mayor for approval. The Mayor may approve the total budget or disapprove some items and approve the rest.

The City's fiscal 2014 MOE amount is approximately $205.5 million. The City also provides $3.4 million for certain administrative expenditures and $2.8 million for termination pay as provided under the 1997 separation agreement on an annual basis. The City will seek to have the administrative expenditures included in the base MOE calculation starting in Fiscal Year 2015. The Fiscal Year 2014 recommended budget for School Crossing Guards is $2.7 million. Crossing guard costs are shared with BCPS. The Fiscal Year 2014 cost of BCPS retirees' health care ($29.5 million) is reflected as direct City support and is appropriated in the local share program. Also included is $16.4 million for teacher pensions. BCPS-related debt service is budgeted at $17.2 million. Total City direct support of BCPS equates to approximately $3,230 per pupil.

Table 12
City Support for the Baltimore City Public School System

Category of Expense	**Fiscal 2013 Adopted Budget**	**Fiscal 2014 Adopted Budget**
Part I: Direct Payment by the City to the Schools		
Required Maintenance of Effort (MOE)	$202,122,393	$205,549,607
Sub Total	**$202,122,393**	**$205,549,607**
Transition Services	$4,413,121	$3,413,121
BCPS Termination Leave	2,800,000	2,800,000
Retiree Health Benefits	28,140,883	29,510,254
Teacher Pension	12,922,862	16,380,092
Sub Total Direct Cost	**$48,276,866**	
Part II: Costs of the City in Support of the Schools		
Health/School Nurse Program (General Fund portion)	$5,314,921	$5,215,883
School Crossing Guards	$2,843,603	$2,724,179
Debt Service/COPs for Schools	$18,828,057	$17,237,224
Sub Total: In Support of Schools	**$26,986,581**	**$25,177,286**
Total City Costs	**$277,385,840**	**$282,830,360**

Source: Bureau of Budget and Management Research, Department of Finance.

DEBT OF THE CITY

Debt Policy of the City

During Fiscal Year 1990, the Mayor, the Board of Finance and the Board of Estimates approved a comprehensive debt policy (the "Debt Policy"), which was developed by a Debt Policy Committee comprised of 12 members appointed by the Mayor. The Debt Policy applies to all forms of financings for capital projects when such financings are accomplished using borrowed funds. The Debt Policy requirements apply without regard to whether such financing arrangements are considered debt within the constitutional definition of debt and therefore backed by the full faith and credit pledge of the City's taxing powers. While there is no constitutional or statutory debt limitations imposed upon the City, the Debt Policy imposes certain authorization limitations as described below. The Debt Policy is subject to review at least every five years, or at such earlier time as may be recommended by the City's Director of Finance. The Debt Policy was last reviewed in December 2012 by an independent financial consultant contracted by the City. After considering the consultant's recommendations, the City expects to budget $65 million in annual general obligation debt.

Under the debt structure, financing arrangements for capital projects include, but are not limited to: (i) revenue obligations, (ii) general obligation debt authorized pursuant to Section 7 of Article XI of the Maryland Constitution, (iii) loans from the State, such as those for schools, highways, economic development and sanitary sewer projects, (iv) capital leases, certificates of participation, sale/leaseback transactions, and conditional purchase agreements and (v) any additional financing methods, techniques or devices which are approved by the Director of Finance. The goal of such additional financing methods, techniques or devices is to provide the City with flexibility to utilize new methods of financing, provided that the Director of Finance has approved such methods.

The City's Debt Policy mandates that revenue obligations (including revenue bonds, revenue bond anticipation notes issued in anticipation of future revenue bond sales, and loans from the Maryland Water Quality Financing Administration) shall be used to finance capital projects of the Water Utility Enterprise Fund, Wastewater Utility Enterprise Fund and Parking Enterprise Fund. Such revenue obligations are exempt from the dollar limitations described below. Additionally, the Debt Policy imposes restrictions on debt issuance for all capital projects except those covered by revenue obligations of the Water Utility, Wastewater Utility and Parking Enterprise Funds, and those projects covered by pay-as-you-go financing and loans from the State for sanitary sewer projects, which are supported by user charges.

The Debt Policy provides that capital projects to be financed by dedicated or special funds, including grants and Federal or State contracts, may be appropriated in amounts estimated to be available for such projects. If such projects fulfill definite needs and are included in the six-year capital improvement program, acceptance of such dedicated or special funds will not obligate the City for capital funds in amounts which cause the City to violate the Debt Policy, and acceptance of such funding will not place an undue burden on the City for operating and/or maintaining such projects.

Overview

The City incurs debt in a variety of ways as are described below. Included within the discussion of the City's debt management policies are descriptions of obligations, which are not considered debt in the meaning of the term as set forth in the State Constitution, i.e. conditional purchase agreements.

General Obligation Debt

Authorization. The State Constitution does not permit the City to borrow money or pledge its credit, except as described below with respect to certain emergency and temporary borrowing, unless such borrowing or pledging of credit has been:

(a) authorized by an Act of the General Assembly, or by a Resolution of the members of the General Assembly representing Baltimore City, and

(b) authorized by a loan ordinance of the Mayor and the City Council of Baltimore, pursuant to the State authorization, and

(c) approved by a majority of the votes cast by the legal voters of the City at the time and place set forth in the loan ordinance.

Security. The State Constitution requires that any debt of the City or pledge of the City's credit must be discharged within forty (40) years from the time of contracting the same. All bonds issued by the City pursuant to constitutional authority are issued as general obligation bonds even though such bonds may be fully self-supporting through user charges or contractual payments. Such bonds are unconditional general obligations of the City, payable as to principal and interest from ad valorem taxes which the City is empowered and directed by law to levy without limitation as to rate or amount upon all assessable property located in the City in each year in rate and amount sufficient for the purpose until all of the bonds and interest thereon shall have been paid or provision shall have been made for such payment.

The Charter provides for the manner in which the City's annual budget shall be formulated and adopted. It prohibits the City Council from increasing any appropriation and permits the City Council to reduce proposed appropriations except such amounts as are for the payment of interest and principal of the municipal debt.

Temporary Borrowing. Section 7 of Article XI of the State Constitution permits the City to borrow temporarily to meet cash flow deficiencies in the City treasury. The Charter restricts such temporary borrowing in anticipation of tax receipts of the current year, and requires that such borrowing be discharged prior to passage of the budget for the ensuing year. The Charter specifically prohibits the making of any temporary loans to cover any deficiency arising from a failure to realize sufficient revenues from all available sources to meet the amounts provided for appropriations in the annual budget. In the case of such deficiency, the Board of Estimates is required to effect a reduction in appropriations other than those for the payment of the principal and interest of the City's debt.

Emergency Borrowing. Section 7 of Article XI of the State Constitution permits the City to borrow for certain emergencies without authorization from the General Assembly or voter approval. Such emergency borrowing must arise from the necessity of maintaining the police or preserving the health, safety and sanitary condition of the City. The Charter provides that such emergency borrowing must be authorized by an Ordinance declaring the existence of such emergency, establishing the amount required to meet the emergency, prescribing the form and character of the loan and the terms of the securities and providing for discharge of the loan. In the City's history there have been only two uses of the emergency borrowing authority, both relating to the years 1938 and 1939. Both of the loans were fully paid by 1949.

Unfunded Debt. The City has no unfunded debt. The City has no authority under the Charter to contract an unfunded debt.

Debt Limit. The City has no constitutional or statutory debt limit. However, each loan must be authorized pursuant to the procedures set forth above.

Overlapping Debt. There is no local government overlapping debt of the City. There are no local taxing jurisdictions overlapping the City. The City is not part of any county or other political subdivision of the State. The City is an independent political subdivision of the State.

Defaults or Moratoriums. There is no record of any default or moratorium, either as to principal or interest, on any of the City's bonded indebtedness.

Self-Supporting General Obligation Debt. The City historically has classified part of its general obligation debt as "self-supporting." While bonds for such purposes are issued as general obligation debt of the City, such bonds do not require support of tax levies to meet debt service on the bonds. The Debt Policy notes that distinctions between "self-supporting" and "not self-supporting" financing arrangements have been over-emphasized and recommends that in the future such designations will be made by the Director of Finance only for the purpose of informing the City's voters of those general obligation loan authorizations which the City believes will not require support from City tax revenues. The categories of debt historically classified as self-supporting are:

(a) *Water Debt*. The City's Water system is operated as a public utility and provides water service to residents of certain of the nearby counties as well as to City residents. Under the provision of a Charter amendment adopted in 1978, the City's water system must be operated as a self-supporting utility fund. The Board of Estimates, on recommendations of the Director of Finance and the Director of Public Works, and following public notice, must establish water rates to make the utility self-sustaining at all times.

(b) *Wastewater (Sanitary Sewer) Debt*. The City's Wastewater system is operated as a public utility under similar provisions and in the same manner as the water utility. The sewer utility is supported by consumer charges based upon the consumption of water. In addition, an industrial surcharge is imposed on industries discharging sewerage to the system, which contains constituents in excess of those contained in human wastes.

(c) *Off-Street Parking Debt*. The City has issued general obligation bonds to finance off-street parking projects in the downtown area. Some of these projects are covered by agreements under which developers are required to make payments sufficient to meet all debt service on the bonds. In addition, projects undertaken and operated by the City or by non-profit corporations are required to be self-supporting as to both operating expenses and debt service.

(d) *Housing, Commercial and Industrial Financing Debt*. The City has obtained authorizations and voter approval to issue bonds, the proceeds of which have been used to make loans or to guarantee or insure loans to private persons, including partnerships and corporations, for home rehabilitation or the purchase of commercial or industrial properties. These programs as established provide that the borrower must repay the City for the principal and interest on the loan, plus an amount, which is sufficient to cover the fees, paid to the mortgage servicer, where applicable.

Certain Outstanding Indebtedness

The City has issued variable rate indebtedness. As of June 30, 2013 there was $27,120,000 of general obligation variable rate demand bonds outstanding, with all of this outstanding indebtedness being currently swapped to a fixed rate under hedge agreements.

Financings with the State of Maryland and Federal Government

Purpose. The City has borrowed funds periodically from the State for school, highway, sewer and economic development purposes pursuant to specific provisions of State law, which authorize such long-term financings. Except as noted below under "Economic Development," the State laws authorizing such long-term financings provide that they are not general obligation debts of the City or the county to which the funds are advanced by the State, and the City or the county involved is not obligated to levy property taxes to repay such financings or the interest thereon. The City also has received a loan from the Federal government for the redevelopment project discussed below.

Debt Outstanding. The City's outstanding financings with the State and Federal government are listed below:

(a) *Highways*. Since Fiscal Year 1972, the City has borrowed funds from the State for highway purposes, principally in connection with financing the City's share of the Interstate Highway System and for construction or reconstruction of primary roads. The debt service applicable to such financings is withheld by the State Comptroller from distributions due the City for highway user revenues. As of June 30, 2013, the City has $101,685,000 of outstanding highway debt.

(b) *Wastewater Quality Loan Programs of 1968 and 1974*. The City has borrowed money from the State under the two-referenced loan acts to finance the City's share of various sanitary sewer projects. Under the terms of the loan acts, the City's borrowing is to be repaid to the State within thirty (30) years, and the agreements were executed by the City and State to cover repayment of the loans. The debt service on these financings is provided from the Wastewater Utility Enterprise Fund, and does not require levy of ad valorem taxes to pay for such debt service. City has no outstanding sewer loans from the State as of June 30, 2013.

(c) *Maryland Industrial Land Act and Maryland Industrial and Commercial Redevelopment Fund*. Under the provisions of Subtitle 4 (Maryland Industrial Land Act) ("MILA") of Title 5 of Article 83A of the Annotated Code of Maryland, as amended, the City, political subdivisions of the State and certain municipal corporations may borrow funds from the State for industrial purposes, which funds may be loaned to private enterprises for the development of specific facilities. Such loans are repayable from the revenues generated by the facilities, but the City or subdivision, which borrowed the funds, is liable for repayment of the loan and applicable interest thereon if the loan is not repaid by the private enterprise. Such loans are not general obligations of the borrowing subdivision.

Pursuant to Subtitle 5 of Article 83A of the Annotated Code of Maryland, as amended, the State created the Maryland Industrial and Commercial Redevelopment Fund ("MICRF"). Under Subtitle 5, the State Department of Economic and Employment Development is authorized to make loans to political subdivisions of the State, including the City, for industrial or commercial development projects. The subdivisions may lend the borrowed funds to private enterprises for specific projects, or may use the borrowed funds to insure or guarantee private projects. The State sets the interest rate on the loan, the term and the repayment provisions. The subdivision, which borrowed the funds, is liable for repayment of the loan, and interest on the loan, if not paid by the private enterprise. As of June 30, 2013, there was a total of $567,762 in principal amount due for MILA and MICRF loans from the State.

(d) *Maryland Water Quality Revolving Loan Fund*. Since November 1990, the City has participated in the Maryland Water Quality Financing Administration Revolving Loan Fund. As of June 30, 2013, the unpaid principal amount of loans outstanding was $237,253,000.

(e) *Federal Economic Development Loans*. The City has borrowed funds from the Federal government to provide for the development of Port Covington, Nehemiah and Sandtown/Winchester. See "Development and Redevelopment Activities-Economic and Industrial Development-Port Covington" herein. As of June 30, 2013, the unpaid principal amount owed to the Federal government was $36,461,000. The notes representing such obligations mature serially through 2024.

See Table 14, which sets forth the debt service schedule for the City's general obligation bonds and certain other long-term financing arrangements.

Revenue Bonds - City Facilities

Authority to Borrow. The general powers of the City are derived from the State Constitution, and from Public General or Public Local Laws of the State, and are set forth in Article II of the Charter. Article II of the Charter authorizes the City to borrow money to finance undertakings for the accomplishment of any of the purposes, objects and powers of the City, and in connection therewith to issue bonds, notes or other obligations. Such authorization provides that the principal of and interest on such borrowings shall be payable solely from and secured solely by a pledge of: (i) the revenues from or arising in connection with the property, facilities, developments or improvements so financed, (ii) the revenues from or arising in connection with any contracts, mortgages or other securities purchased with the borrowed funds, (iii) the contracts, mortgages or other securities purchased or otherwise acquired with the borrowed funds or (iv) any combination of the foregoing. Article II of the Charter provides that the bonds, notes or other obligations issued under such authority shall be issued pursuant to an Ordinance of the Mayor and City Council of Baltimore, without submitting the question of such issuance to the legal voters of the City for approval or disapproval. The Charter specifically provides that any such revenue bonds, notes or other obligations shall not be general obligations of the City, shall not be a pledge of or involve the faith and credit or taxing power of the City, and shall not constitute a debt of the City within the meaning of any constitutional, statutory or charter provisions.

Pursuant to Article II of the Charter, the City also is authorized to finance the acquisition and construction of off-street parking facilities in the City, which are owned by the City, by the issuance of revenue bonds, notes and obligations. Such borrowings may be made pursuant to an Ordinance of the Mayor and City Council of Baltimore and may be secured by a pledge of the revenues derived from such facilities and a pledge of revenues collected from parking taxes, parking fees or charges, parking meter collections, parking fines or any other revenues derived from the parking of motor vehicles in the City. Any revenue bonds, notes or other obligations issued pursuant to such authorization shall not constitute a general obligation of the City, shall not involve a pledge of the faith and credit or taxing power of the City, and shall not constitute a debt of the City within the meaning of Section 7 of Article XI of the State Constitution.

For details on the City's Water, Wastewater, Parking, Industrial Development, Convention Center, Stormwater and County Transportation Revenue Bonds, please refer to the "Notes to Basic Financial Statements" section in the Comprehensive Annual Financial Report Year Ended June 30, 2013 which is available for review at www.emma.msrb.org.

Revenue Bonds - Conduit Financings

Authority to Borrow. In addition to the authorizations previously discussed, there are additional authorizations under which the City has issued mortgage revenue bonds, housing revenue bonds and private purpose revenue bonds.

Such "conduit" financings include:

(i) Revenue bonds issued to facilitate low and moderate cost residential mortgage financing, and to develop an owner-occupancy residential mortgage loan program in the City pursuant to Article II of the Charter.

(ii) Private purpose revenue bonds issued pursuant to the provisions of Title 14 of Article 41 of the Annotated Code of Maryland, as amended, for economic and industrial development and promotion of the health, welfare and safety of the citizens of the City through pollution control measures and encouragement of employment. Such bonds and the interest thereon are payable solely from the revenues generated from the financed facilities or the proceeds of refunding revenue obligations.

(iii) In prior years the City also was authorized to issue private purpose revenue bonds or loans pursuant to the Maryland Industrial Development Financing Authority Act (the "MIDFA Act"). Under the MIDFA Act, the Maryland Industrial Development Financing Authority was authorized to insure, in whole or in part, the repayment of private purpose revenue bonds issued pursuant to Article 41 of the Annotated Code of Maryland, as amended, and to insure private purpose revenue bonds issued pursuant to the MIDFA Act.

Private Purpose Bonds. The following table lists the types of conduit financings with respect to revenue bond issues or loans issued and the estimated principal outstanding as of June 30, 2013. None of the obligations described below constitutes an indebtedness of the City, or a charge against the general credit or taxing powers of the City within the meaning of any constitutional, statutory or charter provision.

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Table 13
Conduit Financings

Type	No. of Issues	Principal Amount of Issues
Housing Revenue Bonds	1	$149,078.00
Industrial Development Revenue Bonds	8	19,325,433.00
	9	$19,474,511.00

Source: Bureau of Treasury Management, Department of Finance.

Industrial Development Authority Financings

Authorization. The Industrial Development Authority of the Mayor and City Council of Baltimore (the "Industrial Development Authority") was created pursuant to the Annotated Code of Maryland, as amended and by Ordinance No. 1144 of the Mayor and City Council of Baltimore, approved July 27, 1979, as amended by Ordinance No. 808, approved November 1, 1982. A nine-member Board of Directors governs the Industrial Development Authority. Five of the directors are voting members nominated by the Mayor and approved by resolution of the City Council. The City's Director of Finance and Deputy Director of Finance are ex-officio, non-voting members of the Board, and the City Council appoints two of its members as ex-officio, non-voting directors.

Outstanding Issue. On August 27, 1986, the Industrial Development Authority issued $100,000,000 Industrial Development Authority of the Mayor and City Council of Baltimore Variable Rate Demand Revenue Bonds (City of Baltimore Capital Acquisition Program), Series 1986, maturing on August 1, 2016. The bonds were issued for the purpose of financing and refinancing certain capital projects of the City by purchasing bonds, notes or other obligations of the City, or by entering into lease agreements, conditional purchase agreements or other agreements with the City. The bonds are secured by a letter of credit provided by Bayerische Landesbank, acting through its New York Branch, and interest on the bonds, which is payable monthly, is determined weekly. Repayments made by the City are eligible for application to other financing arrangements. Proceeds of the issue and funds available from repayments have been used to finance, among other projects, all or a portion of a computer-assisted dispatch system for the Police Department, Phase I of the Quarantine Road Sanitary Landfill/Cell #5, the renovation of the Druid Park pool building for use as administrative headquarters by the Department of Recreation and Parks, the "Lady Maryland" sailing vessel and various computer hardware and software for certain City agencies.

Conditional Purchase Agreements

Since December 1985, the City has entered into various conditional purchase agreements to construct and purchase certain facilities or real property and/or to acquire equipment for use by municipal departments or agencies of the City government. These conditional purchase agreements ("CPAs") do not constitute a debt of the City within the meaning of any constitutional, statutory or charter limitation and do not constitute a charge against the general credit or taxing power of the City. All amounts payable by the City under the CPAs, including the purchase installments, are subject to annual appropriation by the City Council and the City Council is not obligated to make such annual appropriations. In the event that sufficient funds are not appropriated to meet the requirements of any CPA, such agreement is subject to termination at the end of the last Fiscal Year for which an appropriation is available. Upon satisfaction of the CPAs, title to the facilities, equipment or real estate financed thereunder passes to the City.

While the City Council is not obligated to make the annual appropriations required under the CPAs, it is the intention of the City to make such appropriations so that financings thereunder will be satisfactorily completed and title to the facilities will pass to the City.

See Table 13, which sets forth the debt service schedule for the City's general obligation bonds and certain other long-term financing arrangements.

Leases and Other Commitments

Real Property and Equipment 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. All leases contain cancellation provisions and are subject to annual appropriation by the City Council. During Fiscal Year 2013, the City had rent expenditures of approximately $27,572,000 for all such leases. These expenditures will be made primarily from the General Fund.

Waste Disposal Agreements. The City has entered into various waste disposal agreements as described below.

(a) *Bresco Facility*. In 1983, the Northeast Maryland Waste Disposal Authority issued revenue bonds to finance a portion of the costs of constructing a solid waste refuse-to-energy disposal facility located in the City (the "Bresco Facility"). The City's obligation to pay tipping fees for disposal of waste at the Bresco Facility is funded through the General Fund. The City's waste disposal contract was renewed on June 22, 2011, for a ten-year period.

(b) *Sludge Composting Facility*. In 2008, the City entered into a five-year sewage disposal agreement with the Authority in connection with the disposal of waste water treatment resident at sludge composting facility located in the City, which is owned and operated by Veolia Water North America-Central, LLC (the "Company"). This agreement obligates the City to deliver to the facility approximately certain guaranteed amounts of sewage sludge per year and to pay certain tipping fees. The agreement will expire in June 30, 2013, and the City is currently in the process of negotiating an extension of the contract. The City's tipping fees are payable from Wastewater Utility Fund revenues.

(c) *Heat Drying Sludge Disposal Facilities*. The City has entered into two heat drying sludge disposal agreements with two privately financed, owned and operated facilities at its Back River Wastewater Treatment Plant and Patapsco Wastewater Treatment Plant. Synagro Technologies owns and operates both facilities. The City has agreed over a 20-year period to deliver sewage sludge for heat drying and disposal to the facilities at a tipping fee of approximately $123 per wet tons, which includes debt service and the operation and maintenance. The City's tipping fees are payable from Wastewater Utility Fund revenues.

Tax Increment Financing (TIF)

Authority to Borrow. The City's authority to issue bonds under a tax increment financing ("TIF" and "TIF Bonds," respectively) is established under Article II, Section 62 of the City Charter (the "Enabling Act"). The Enabling Act itemizes the eligible uses of TIF Bond proceeds and states that TIF Bonds shall be approved by an ordinance of the City Council. The ordinance will describe the basic terms of the TIF Bonds or will provide that such terms are to be specified in a resolution of the Board of Finance. The City may also, acting through the Board of Finance, issue bonds to refund outstanding TIF Bonds.

In most cases, the City will require that the TIF Bonds also be secured by a special tax levied in the development district, pursuant to Article II Section 62A of the City Charter. The establishment of a special taxing district ensures that if the anticipated benefit to be derived by proposed development does not occur, such that the tax increment revenues are not sufficient to pay debt service on the TIF Bonds, the City will levy a special tax on the property owners in the district (i.e., the developer) to make up any shortfall. Such a special tax requires the approval of 2/3 of the property owners, in both number and property value, within the special tax district.

Description. TIF Bonds are special obligations of the City secured by the incremental increase in property taxes resulting from the proposed improvement. The City utilizes this financing option by designating within its borders a TIF district. The base property valuation (assessable base) is then established and certified, and the property taxes from that assessable base continue to be collected and used for general governmental purposes. As the assessed valuation within the district increases, the taxes derived from the increased valuation (tax increment) pay debt service on the bonds used to fund TIF project costs within the district. A TIF functions by pledging property tax increments gained as a result of new development within the tax increment district. The City continues to collect the tax revenues that it had historically received from the TIF district, but the incremental taxes collected from the enhanced value of the real estate is used to pay debt service on the TIF Bonds. When the TIF debt is repaid, the district is dissolved and the taxes collected from the increased assessed valuation flow directly to the General Fund.

Debt Outstanding. As of June 30, 2013, there was a total of $114,435,000 in principal amount due for special obligation bonds issued for TIF projects.

Tables 13 and 14 detail certain debt service obligations of the City as of June 30, 2013.

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Table 14
Debt Service Schedule

Fiscal Year	General Obligation Bonds Principal	Interest (1)	SWAP (2)	Long -term Financing with State of Maryland Principal	Interest
2014	$41,098,769	$23,558,142	$1,178,430	$183,596	$11,736
2015	34,957,209	22,444,554	1,094,605	182,205	7,689
2016	36,035,955	21,166,694	999,624	184,966	3,622
2017	36,270,016	19,789,001	916,102	16,995	255
2018	30,610,000	18,410,826	867,858		
2019 - 2023	206,640,000	67,941,080	2,835,599		
2024 - 2028	126,780,000	28,248,043			
2029 - 2033	56,705,000	4,620,363			
2034 - 2038					
2039 - 2043					
2044 - 2048					
Total	$569,096,949	$206,178,704	$7,892,217	$567,762	$23,301

Fiscal Year	Long-term Financing with Federal Government Principal	Interest	Convention Center Revenue Bonds Principal	Interest	Water Revenue Bonds & BANs Principal	Interest(1)	Swap(2)
2014	$3,000,000	$1,407,394	$3,260,000	$1,302,200	$10,829,852	$17,907,092	($195,833)
2015	3,104,000	1,319,294	3,435,000	1,118,088	12,169,597	17,514,993	(155,781)
2016	3,225,000	1,220,676	3,625,000	923,938	12,740,283	17,103,260	(119,701)
2017	3,340,000	1,110,577	3,825,000	728,625	13,402,989	16,683,090	(88,912)
2018	3,472,000	989,933	4,015,000	532,625	13,850,713	16,218,284	(74,058)
2019 - 2023	14,654,000	3,044,556	8,645,000	437,375	77,655,093	72,996,189	(402,579)
2024 - 2028	5,666,000	372,915			85,861,092	59,086,033	(696,399)
2029 - 2033					109,241,451	42,658,889	(855,620)
2034 - 2038					108,403,299	23,963,565	(723,743)
2039 - 2043					64,869,111	7,448,434	(309,522)
2044 - 2048							
Total	$ 36,461,000	$9,465,344	$26,805,000	$5,042,850	$509,023,481	$291,579,830	($3,622,147)

Fiscal Year	Wastewater Revenue Bonds & BAN's Principal	Interest [1]	SWAP [2]	Parking Facilities Revenue Bonds Principal	Interest [1]	SWAP [2]
2014	$24,098,994	$24,128,414	$3,889,550	$9,280,000	$9,350,851	$4,250,896
2015	24,742,693	23,594,374	3,879,703	9,800,000	8,836,550	4,183,740
2016	26,681,546	22,944,457	3,826,254	10,600,000	8,277,731	4,110,543
2017	27,417,030	22,295,328	3,726,097	10,710,000	7,685,638	4,031,763
2018	27,590,264	21,596,793	3,609,358	11,490,000	7,061,914	3,950,259
2019 - 2023	141,474,324	96,631,456	15,753,873	31,605,000	28,405,214	18,141,302
2024 - 2028	132,342,999	77,274,233	10,774,189	31,675,000	20,132,102	13,461,448
2029 - 2033	148,056,197	53,823,261	4,378,658	42,550,000	8,886,481	5,425,179
2034 - 2038	115,140,000	26,176,337	133,900	5,700,000	608,046	
2039 - 2043	50,005,240	5,513,695	-			
2044 - 2048			-			
Total	$717,549,287	$373,978,348	$49,971,580	$163,410,000	$99,244,525	$57,555,128

Table 14
Debt Service Schedule (continued)

Fiscal Year	Conditional Purchase Agreement Principal	Interest	Storm Water Revenue Bonds Principal	Interest	Transportation Revenue Bonds Principal	Interest
2014	$29,801,161	$7,567,266	$359,190	$13,016	$6,755,000	$3,793,425
2015	29,231,761	6,065,990	360,627	11,579	7,070,000	3,572,088
2016	33,620,528	4,673,428	362,069	10,136	8,990,000	3,241,238
2017	28,176,545	3,099,412	363,518	8,688	9,380,000	2,890,163
2018	19,981,247	1,545,924	364,972	7,234	9,810,000	2,513,913
2019 - 2023	47,123,904	4,533,233	1,443,547	14,279	44,255,000	6,917,963
2024 - 2028	8,060,509	568,160			15,425,000	889,838
2029 - 2033						
2034 - 2038						
2039 - 2043						
2044 - 2048						
Total	$195,995,655	$28,053,413	$3,253,923	$64,932	$101,685,000	$23,818,628

	Convention Center Hotel		TIF	
Fiscal	Revenue Bonds		Special Obligation Bonds	
Year	Principal	Interest	Principal	Interest
2014	2,420,000.00	$15,722,166	$611,024	$6,638,309
2015	2,795,000.00	15,591,791	669,114	6,599,085
2016	$3,190,000.00	15,442,166	995,263	7,485,315
2017	3,605,000.00	15,272,291	1,104,021	7,892,318
2018	$4,050,000	15,073,619	1,270,042	7,818,988
2019 - 2023	28,170,000	71,352,638	8,804,025	37,645,683
2024 - 2028	44,570,000	61,709,588	19,030,508	33,346,698
2029 - 2033	66,080,000	47,454,044	30,950,000	24,714,297
2034 - 2038	94,320,000	26,663,822	37,856,000	12,620,235
2039 - 2043	49,675,000	2,754,903	13,145,000	1,071,696
2044 - 2048				
Total	298,875,000.00	$287,037,028	$114,434,997	$145,832,624

(1) Totals may not be exact due to rounding.

(2) Swap debt service represents estimated payments for additional interest resulting from Swap Agreements. Additional payments were computed using rates as of June 30, 2013, assuming interest rates remain the same for the term of the Swap Agreement.

Table 15
General Obligation Debt and Debt Service Ratios
Fiscal Year Ended June 30, *

	2013	2012	2011	2010	2009
General Obligation Bonds (millions)	$569.1	$570.2	$630.9	$632.6	$630.4
Population (thousands) **	N/A	621.3	620.2	620.9	637.4
Assessed Value of Taxable Property (millions)	$30,690.2	$30,641.3	$31,381.5	$30,317.4	$28,746.6
Estimated Actual Value of Taxable Property (millions)	$36,232.0	$37,310.6	$38,567.3	$37,406.9	$34,183.8
Annual General Obligation Debt Service (millions)	$75.9	$87.5	$83.8	$83.6	$75.0
General Fund Revenue (millions)	$1,577.4	$1,407.9	$1,382.8	$1,334.5	$1,306.5
Ratios:					
Net Debt Per Capita	N/A	$918	$1,017	$1,019	$989
General Obligation Debt as a Percentage of Assessed Value	1.85%	1.86%	2.01%	2.09%	2.19%
Net Debt as a Percentage of Estimated Actual Value	1.57%	1.53%	1.64%	1.69%	1.84%
General Obligation Debt Service as a Percentage of General Fund Revenue	4.81%	6.21%	6.06%	6.26%	5.74%

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* Source: City of Baltimore, Maryland Comprehensive Annual Financial Reports for Years Ended June 30, Department of Finance.
** Based on Calendar year

CAPITAL IMPROVEMENT PROGRAM

Description of Program

To guide the City in making necessary physical improvements, the Charter requires that the Planning Commission annually adopt a six-year capital improvement plan. The Planning Commission begins by reviewing agency requests, giving consideration (among other things) to the City's priorities and development strategies, needs expressed by citizens, the merits of particular projects, constraints on the use of State and Federal funds, and the City's own self-imposed borrowing limitations.

The Planning Commission's recommended capital improvement program is submitted to the Board of Estimates, and then referred by the Board of Estimates to the Director of Finance and the Board of Finance for report and recommendation, as required by the Charter. The recommended program must be a balanced budget that identifies the fund source for each project. After the Board of Estimates has adopted the official six-year program, the first year of projects is proposed to the City Council as the capital budget. The City Council may delete projects or reduce amounts, but may not add to the proposed budget. The remaining five years of the capital plan are not legally binding upon the City, but adoption by the Board of Estimates indicates the serious commitment of the City to undertake specific projects with anticipated funding sources.

Projects approved by the Board of Estimates and the City Council for inclusion in the $1,169,874 million Capital Improvement Program for Fiscal Year 2014 will be funded from the City's General, Motor Vehicle, Water and Wastewater Utility Funds in addition to General Obligation Bonds, Revenue Bonds, Community Development Block Grants, other Federal, State and County Grants, and other sources, including private funding.

Fiscal Year 2014 Capital Improvement Budget

The recommendation for the Fiscal Year 2014 capital program is $1.16 billion, an increase of $396.9 million or 51.9% above the Fiscal Year 2013 level of appropriation.

Recommendations from the General Fund Pay-As-You-Go (PAYGO) total $42.7 million, an increase of $33 million or 340.2% above the General Fund Fiscal Year 2013 level of appropriation. As part of the Mayor's Ten-Year Financial Plan, the Fiscal Year 2014 General Fund PAYGO recommendation includes a one-time appropriation of $30 million for additional capital projects. Pursuant to the Mayor's Ten-Year Financial Plan, the City has switched to a vehicle-leasing model, which allows for the release of funds from the City's Mobile Equipment Reserve which was previously being accrued for vehicle purchases. The funding will support blight elimination and demolition through the Department of Housing and Community Development, street resurfacing by the Department of Transportation, mainframe transition projects by the Mayor's Office of Information Technology, and Community Recreation Center Master Plan implementation by the Department of Recreation and Parks. The remaining $12.7 million in PAYGO funds support the Healthy Neighborhood initiative, emergency demolition, environmental remediation and renovations to six fire houses.

Recommendations for General Obligation Bonds are $65 million, which is consistent with the budgeted amount for Fiscal Year 2014 and the level of appropriation. T he recommendation includes $17 million for renovation and modernization of City schools, $19.1 million for community and economic development projects and $4 million for park improvements.

The Baltimore City Public Schools Construction and Revitalization Act of 2013 (the "Act") requires the City to contribute $20 million annually as its share of debt service for an approximately $1.1 billion capital program. The Act further requires the City to contribute proceeds from the five cent beverage container fee (approximately $10 million), 10% of the less revenue from the Video Lottery Terminal and $2.5 million from revenue generated from table games on an annual basis. The remainder of the City's contribution is in the form of a guaranteed tax base formula, leveraged by directly appropriating retiree health benefit funding to the Baltimore City Public Schools. The City will continue to propose at least $17 million in general obligation bond proceeds for school construction and renovation projects. For Fiscal Year 2014, the City provided an estimated $42 million for school construction and modernization upgrades. For a further discussion of the funding provided by the City for the Baltimore City Public School System, see "Baltimore City Public School System" above.

Table 16, which follows, details the sources of funds and appropriations by agency for the City's Capital Improvement Program for the current budget year 2014, and the six-year program, Fiscal Years 2015 through 2019.

Table 16
Capital Improvement Program 2015-2020
(in thousands)

Sources of Funds	Program FY 2015	Program FY 2016	Program FY 2017	Program FY 2018	Program FY 2019	Program FY 2020	Six-Year Total
General Fund	$15,000	$12,000	$18,000	$20,000	$13,000	$13,000	$91,000
General Funds (HUR Eligible)	10,700	0	0	7,000	5,000	0	$22,700
General Obligation Bonds	50,000	65,000	65,000	65,000	65,000	65,000	$375,000
Revenue Bonds	421,432	381,915	285,951	544,556	174,318	167,254	$1,975,426
Federal Funds	60,294	57,710	40,424	37,779	37,774	37,729	$271,710
Utility Funds	16,730	19,176	61,699	29,941	14,421	16,819	$158,786
State Funds	85,623	64,200	59,340	25,500	26,550	33,650	$294,863
County Grants	215,751	195,143	154,545	330,377	36,799	47,839	$980,454
Other Funds	22,607	28,300	12,000	12,100	12,100	10,100	$97,207
Total	$898,137	$823,444	$696,959	$1,072,253	$384,962	$391,391	$4,267,146

Appropriations by Agency	Program FY 2015	Program FY 2016	Program FY 2017	Program FY 2018	Program FY 2019	Program FY 2020	Six-Year Total
Education	$17,000	$17,000	$17,000	$17,000	$17,000	$17,000	$102,000
Recreation & Parks	16,642	12,750	13,250	13,750	14,000	14,000	$84,392
Housing & Community Development	45,625	43,435	32,139	32,369	31,224	31,179	$215,971
Public Building	40,320	41,115	43,000	16,425	15,475	21,275	$177,610
Art Museums/Science Ctr/MD Zoo	1,200	0	0	0	0	0	$1,200
Transportation	103,432	94,925	68,850	69,960	64,850	61,650	$463,667
Public Works - Wastewater	403,710	158,293	72,228	30,844	29,928	99,554	$794,557
Public Works - Water	246,473	420,715	370,218	846,039	183,139	118,389	$2,184,973
Public Works - Other	4,030	17,526	60,299	28,541	12,771	14,269	$137,436
Economic Development	8,775	11,710	13,550	12,850	12,850	10,350	$70,085
All Other City Agencies & Programs	10,930	5,975	6,425	4,475	3,725	3,725	$35,255
Total	$898,137	$823,444	$696,959	$1,072,253	$384,962	$391,391	$4,267,146

Source: Bureau of Budget and Management Research, Department of Finance.

DEVELOPMENT AND REDEVELOPMENT ACTIVITIES

Overview

Housing development is coordinated primarily by DHCD, and to a lesser extent the City's economic development agency, the Baltimore Development Corporation ("BDC"). DHCD is primarily involved in neighborhood based housing and community development, while BDC oversees such development in its assigned geographic areas of responsibility – the Inner Harbor, Inner Harbor East, and one of the City's newest initiatives, the redevelopment of the West Side of downtown.

The City's involvement in residential development can range from no direct involvement (in areas of strongest market demand), to provision of public land or buildings offered for redevelopment through a competitive process, to tax relief or abatement through negotiated payments in lieu of taxes ("PILOTs"), to direct project financing with community or economic development bond funding, or federal entitlement programs such as Community Development Block Grant ("CDBG") or HOME.

Residential and Community Development

Residential Developments. The City is experiencing a rise in new middle income housing opportunities evidenced by the new construction or substantial rehabilitation of housing units. This is reflected in the increase of new construction and scattered site rehabilitation in emerging markets of the City such as Locust Point, Canton, Fells Point, and Federal Hill, and in stable outer ring neighborhoods.

BCL Projects. Baltimore Community Lending ("BCL"), formerly known as Baltimore Community Development Financing Corporation or CDFC, was founded in 1989 to involve the private sector in public sector efforts to address the City's affordable housing needs. BCL is operated on the community development bank concept, and its primary focus is encouraging local development communities to invest in the City's neighborhoods in order to create affordable housing and other real estate opportunities, eliminate the stigma of slum and blight represented by the appearance of vacant buildings, and stimulate home ownership. BCL utilizes the resources and skills of public agencies, local bankers, developers, nonprofit housing organizations, and other interested parties in accomplishing this mission. BCL is a certified Community Development Financial Institution.

Inner Harbor Project I. BDC Continues to support and facilitate the ongoing improvement of the Inner Harbor as an essential park and civic space for the City, as well as the most visited tourist area in the City. BDC is working closely with City agencies and the Waterfront Partnership to implement the vision outlined in the Inner Harbor 2.0 Master Plan, which includes improving the park and public spaces in the Harbor, adding new and diverse seasonal and permanent attractions while maintaining existing ones, and updating the visitor experience through new lighting, landscaping and activities.

BDC also continues to promote the development of properties adjacent to the Inner Harbor, and to improve the connection between the Inner Harbor and the streets and properties that surround it. In particular, BDC is actively pursuing development proposals for vacant properties and existing surface lots to promote their conversion into active use, including residential use that is largely absent from the URP area. To further integrate the surrounding properties with the Inner Harbor, BDC has implemented and funded streetscape and building improvements along Pratt Street, and is working with the Department of Transportation and Waterfront Partnership to examine realignment of Light Street, as recommended by the Inner Harbor 2.0 Master Plan. BDC is also working closely with the owners of Harborplace to design and construct major improvements to the Harborplace pavilions that will further integrate the spaces with the fabric of the City, reduce back-of-house nuisances and generally improve the aesthetic and functional quality of the Harbor's retail and commercial spaces.

The former McCormick site and the former University of Maryland Specialty Hospital are being studied by two separate developers for mixed use development including ground floor retail and residential towers.

Inner Harbor West. The Pratt Street Plan continues to drive development activity in the Inner Harbor West Area. City leaders undertook the Pratt Street Plan in 2006 with the following goals: to provide a comprehensive plan for Pratt Street (between Martin Luther King, Jr. Boulevard on the west and President Street on the east) that improves its aesthetic and functional design, usage, activities, and attractions; to provide additional retail amenities in the Central Business District (CBD) and Inner Harbor; to better create public spaces; and to provide an active and engaging pedestrian experience. As a result, a number of recommendations in the Pratt Street Plan have been implemented in the Inner Harbor West Area including, among other things, the skybridge removal at Charles Street and Pratt Street.

Harbor East. Harbor East has become a $1.67 billion mixed use development. Replacing a landscape once characterized by derelict warehouses and factories, Harbor East is now defined by modern amenities, gleaning architecture and high rise towers and contains over five million square feet of office, residential, hotel, retail, entertainment and parking space.

Key office tenants located in Harbor East include Legg Mason, Morgan Stanley, Johns Hopkins Medicine, Citi-Smith Barney, RMS McGladry and Laureate.

Hotels located in Harbor East include The Four Seasons, Marriott Waterfront Convention Hotel, Marriott Courtyard, Hilton Homewood Suites and Hilton Garden Inn.

Harbor Point. Harbor Point is a mixed-use approximately twenty-seven acre development located on a waterfront site west of Fells Point and south and east of the growing Harbor East neighborhood. It is expected to be improved with three million square feet of mixed-use development including new office space, shopping, dining, hotel and residential destinations, and 3,300 structured parking spaces.

Central Business District. Residential conversions continue to drive development activity in the Central Business District, (CBD) particularly after the creation of the BDC sponsored legislation that created a Property Tax Credit for High Performance Market-Rate Rental Housing.

Westside Revitalization. The City's ongoing redevelopment of Westside have included improvements to Howard Street, streetscape and landscape improvements on Howard Street and façade improvements on targeted blocks. BDC is working with various City agencies to make improvements to the public space on the Westside, including reducing/eliminating illegal street vendors, reduce illegal activities in the immediate vicinity of Lexington Market, and creating an Arts and Entertainment District (Bromo Arts and Entertainment District). BDC is working with University of Maryland Medical System to transfer City-owned property adjacent to the mid-town campus that will be utilized to construct a new Ambulatory Care Center. BDC is assisting private developers to gain approvals for construction of a new 30-story mixed-use project at 325 W Baltimore Street. The Everyman Theater began performances in January 2013 at their new Fayette Street theater.

Casino. The Horseshoe Casino Baltimore is currently under construction at the south gateway to the City. The project costs are expected to exceed $400 million. Expected to open the summer of 2014, the casino will employ over 1,700 people, many of which are City residents and will include a 122,000 square foot gaming area with 20,000 square feet devoted to food and beverage establishments. In addition to gaming activities, the casino will house several restaurants and an entertainment area. The

City owns the land and will receive a percentage of gaming revenue as rent payments. Once the casino opens, the City expects to receive local impact aid from the State gaming proceeds.

Economic and Industrial Development Beyond Downtown

Since 1977, the City has sought to retain and strengthen its traditional manufacturing and industrial base by developing an inventory of office and light manufacturing sites outside the downtown area. As a result, industrial/business parks are maintained and managed, as listed below. Several projects underway involve joint development efforts under which a private developer provides the land while the City funds infrastructure improvements, such as streets and public utilities. In this way, fewer City dollars are needed to leverage private investment. The Hopkins Bayview Research Campus is an example of this public/private business endeavor.

Major Development Programs

Industrial development initiatives include the following:

Holabird Business Park. The 220-acre spacious, campus-like setting in southeast Baltimore on the former Fort Holabird Army Base site is home to 49 companies, employing over 2,600 individuals, and generating $1.15 million in annual property tax revenue. The park is completely built out and permanent signage was installed in and around the park. BDC sold the remaining City-owned parcel in the Holabird Business Park in 2007. The park remains active in attracting various types of owners and tenants. Some of the long-standing businesses have plans to move forward with expansion.

General Motors. The 180-acre former General Motors plant on Broening Highway has been sold to Duke Realty. Duke Realty has completed demolition of the existing plant and construction is complete on the first buildings containing 346,000 and 118,000 square feet of flex warehouse space. Construction was completed on a large refrigerated warehouse which is expected to bring new opportunities to the Port of Baltimore. Recently, Duke attracted Amazon to the site as a tenant. Duke will construct nearly 1.5 million square feet of space to house a fulfillment center and a sortation center on the site. The Amazon facility is expected to open in the fall of 2014.

Park Circle Business Park. Located on approximately 40 acres in northwest Baltimore along Druid Park Drive between Liberty Heights Avenue and Reisterstown Road, the park is home to more than 40 businesses with a total of 500 employees. The park has limited opportunities for sale or lease.

Fairfield Ecological Business Park. Over the last ten years, the City has invested approximately $20 million in infrastructure improvements such as roads and water / wastewater upgrades in the Fairfield industrial neighborhood. BDC has invested over $3 million in capital funding to assemble properties in a cohesive manner to offer for redevelopment. To date, four of the five assembled properties are now owned by private entities and general real property tax revenue. The fifth property should be online by the fall of 2014. Fairfield has been able to attract a number transportation and logistics related companies to Fairfield because of its proximity to the Port of Baltimore and major transportation facilities such as I-895 and I-695.

Locust Point. BDC is serving an advisory role in working group meetings with property owners and design groups regarding the future vision for the Key Highway corridor from I-95 to Federal Hill.

Carroll Camden Industrial Park. The City adopted the Carroll/Camden Urban Renewal Plan to foster and regulate development and reinvestment in the neighborhood in 2002 and was last amended in

2012. Gaslight Square, which was the former Equitable Gas Works was redeveloped in 2006 and continues to be a target for local businesses looking for quality industrial space in southwest Baltimore.

Rosemont Industrial Area. BDC acquired the former Acme industrial complex in 2005. Since then, it has sold two of the properties within the complex to an adjacent business to assist in its daily recycling operations. Currently, BDC is coordinating with the community and other City government agencies on a redevelopment strategy for the complex so that it will be an asset to the surrounding neighborhood as well as the City.

Brownfields. Brownfields are vacant or underutilized sites where the presence of contamination (or the perception of contamination) is impeding new investment. A 2007 estimate identified more than 1,000 potential brownfield sites, with a collective size of more than 2,400 acres. Redevelopment, conservatively estimated, could produce 27,000 jobs and $25 million in new annual property tax revenues.

BDC staffs the City's brownfields activities, addressing and overcoming regulatory, financing, and liability hurdles that inhibit brownfields redevelopment. BDC staff assists businesses that are considering sites affected by contamination issues, acting as an ombudsman to help overcome impediments to redevelopment. Since Baltimore's brownfields program commenced in 1996, more than 40 projects have been completed resulting in the creation or retention of over 7,000 jobs. Brownfield projects currently in the development pipeline represent at least an additional 16,000 jobs and more than $1 billion in new investment.

Hollander Ridge. The former Hollander Ridge public housing complex is being transformed into an industrial park, the Hollander 95 Business Park. Its location along US 40 (Pulaski Highway) and I-95 made it an optimal site for an industrial use. The park currently has 80,000 square feet of warehousing/distribution space with space to build another 450,000 square feet. A long-standing, local Baltimore business will relocate its distribution center form Harbor East to the Hollander 95 complex in 2014.

Commercial Development

East Fayette Street Corridor Business Center. A developer is proposing a 270-unit market rate apartment project with a 260-space parking garage. The project involves the historic rehabilitation of the Hendler Creamery building and demolition of the remaining buildings on the block to make way for new construction.

Ronald McDonald House Charities of Maryland (RMH) is preparing to relocate and build a larger facility to meet rising demand for services. RMH is seeking approval to construct a new building on a portion of McKim Park. In return, RMH will contribute towards the costs of improvements to the remainder of the park, and city agencies are identifying parcels that can potentially be added to the neighborhood's park inventory to make up for the loss of open space.

Hopkins Bayview Research Campus. The Hopkins Bayview Campus is undergoing a period of growth. Based on a master plan, Bayview is adding more modern medical treatment space and demolishing antiquated space. The campus attracted a National Institutes of Health laboratory facility from Bethesda and is looking to increase its federal presence within the framework of the master plan. BDC attracted a biomedical manufacturer from Montgomery County to an existing facility on the campus' northern edge along Lombard Street. The manufacturer has invested approximately $50 million in the facility and is looking to invest another $40 million within the next five years.

Retail Development. As a result of the City's efforts to eliminate food deserts throughout the City, over the past ten years twenty new grocery stores have opened in the City. In addition, the City's commercial corridors have seen an increase in investment and new businesses. Since 2000, designated Main Streets have seen increase of about 457 businesses and about 1,906 new jobs.

Howard Park Urban Renewal Plan. Amended in 2006, the Howard Park Urban Renewal Plan allowed for the acquisition and relocation necessary for the development of the Shop Rite at Howard Park Supermarket.

Lauraville Urban Renewal Plan. BDC entered into a one-year Exclusive Negotiating Privilege Agreement with the Hamilton/Lauraville Main Street, to give them the opportunity to explore a long-term lease or purchase of the property and use it as a retail business incubator, culinary business incubator, office and farmer's market.

Oldtown Urban Renewal Plan. BDC is working with HABC to release a Request for Proposals for the mixed-use, mixed-income development of the Oldtown Mall and Somerset sites, which together total more than 17 acres.

Washington Village Urban Renewal Plan. The 700-900 Block of Washington Boulevard properties was sold to developers. The 700 Block properties are fully rehabilitated and many of the commercial units are leased. The 900 Block demolition is complete while paving and rehabilitation is expected to be complete by 2015.

Charles North. The Station North Arts and Entertainment District was created by the City within the Charles North neighborhood boundaries to attract individuals, businesses and organizations that are involved in the arts. In recent years, BDC has made progress on development in the Charles North neighborhood. BDC is working with a non-profit entity to redevelop the former Parkway Theater, located at 3 W. North Avenue and two other adjacent properties into a three-screen movie theater and live performance venue. Jubilee Baltimore has plans to renovate and occupy another former theater at 10 E. North Avenue with other non-profit organizations.

SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION

See the statistical section of the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 for information concerning the City's real property value, principal employers, and recreational and other facilities which is available for review at www.emma.msrb.org.

Taxable Retail Sales in the City

Since the sales tax is not a City revenue source, the City's own source of revenues is unaffected by cyclical sales tax shifts. Taxable retail sales in the City for Fiscal Years 2009 through 2013 are set forth below in Table 17:

Table 17
Taxable Retail Sales in the City

Fiscal Year	Total	% Change
2013	$ 5,621,029,135	1.8 %
2012	5,522,590,597	4.8
2011	5,268,250,083	-1.5
2010	5,345,871,835	-1.6
2009	5,433,400,000	-5.4

Source: Revenue Accounting Division, Comptroller of Maryland.

Net Taxable Income (Baltimore City and Maryland)

The net taxable income and average tax paid per return by City and State residents are set forth below and reflect the income base and growth of the City on a per capita basis:

Table 18
Net Taxable Income of City and State

Calendar Year	City Amount	City % Increase	State Amount	State % Increase
2012	$8,255,812,351	6.3 %	$151,658,312,243	7.6 %
2011	7,768,185,194	4.0	140,996,435,002	3.8
2010	7,467,933,579	4.4	135,876,289,930	7.9
2009	7,151,587,827	-3.1	125,958,148,150	-3.0
2008	7,381,747,368	-7.6	129,905,203,992	-7.0

Source: Prepared by Bureau of the Budget and Management Research, Department of Finance based on data in the State of Maryland Comprehensive Annual Financial Report.

Table 19
Average State Tax Paid per Taxable Return

Calendar Year	# of City Returns	Avg. Tax Paid Per City Return	City % Change	# of State Returns	Avg. Tax Paid Per State Return	State % Change
2012	194,966	$1,905.04	9.79 %	2,211,991	$3,048.36	9.16 %
2011	196,107	1,735.23	3.37	2,174,104	2,792.52	2.73
2010	195,861	1,678.71	4.33	2,145,486	2,718.40	4.60
2009	194,518	1,609.02	-1.29	2,102,350	2,598.76	-2.40
2008	200,525	1,630.01	0.20	2,145,048	2,662.80	-1.79

Note: The State income tax base is derived from federal taxable income with certain modifications. State law provides for personal exemptions, a standard deduction for taxpayers who do not itemize, and a limited number of credits.

Source: Percent of increased average for paid per taxable return is calculated from information in the State of Maryland Comprehensive Annual Financial Report.

Table 20
Per Capita Income

	2000	2012	Increase
US	$ 30,319	$ 43,735	44.2 %
State	34,678	53,816	55.2
Anne Arundel County	37,425	59,711	59.5
Baltimore City	24,625	44,263	79.7
Baltimore County	36,104	53,717	48.8
Carroll County	32,866	48,919	48.8
Harford County	31,585	52,351	65.7
Howard County	44,398	70,533	58.9

Source: U.S. Bureau of Economic Analysis, Per capita personal income - Local Area Personal Income

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Employment by Industry in Baltimore City

The State Department of Labor, Licensing and Regulation collect data on employment, by place of work, from those firms, which participate in State Unemployment Insurance Program. This data indicates that the City has a diversified employment base. Covered employment by industry within the City for calendar year 2012, the most recent calendar year for which data is available:

Table 21
Employment by Industry
(Annual Average for Calendar Year 2012)

	Annual Average Employment (1)	**Total Wages**	**Average Weekly Wage Per Worker**
Government:			
Federal	10,041	$ 752,139,039	$1,441
State	36,070	1,987,228,979	1,059
Local	27,039	1,471,871,545	1,047
Total Government	73,150	$ 4,211,239,563	$1,107
Private Sector:			
Goods Producing			
Natural Resources and Mining	8	$ 675,036	$1,623
Construction	9,447	529,030,550	1,077
Manufacturing	12,250	656,977,726	1,031
Sub-total	21,705	$ 1,186,683,312	$1,051
Service Providing			
Trade, Transportation, & Utilities	38,884	$ 2,082,554,039	$1,030
Information	3,931	318,096,182	1,556
Financial Activities	16,768	2,046,482,480	2,347
Professional and Business Schools	38,482	2,302,685,414	1,151
Education and Health Services	99,940	5,845,903,708	1,125
Leisure and Hospitality	26,194	678,249,059	498
Other Services	10,952	396,268,917	696
Sub-total	235,151	$13,670,239,799	$8,403
Unclassified	1	$ 7,540	$ 145
Sub-total	1	$ 7,540	$ 145
Total Private Sector	256,857	$14,856,930,651	$1,112
Total Employment	330,007	$19,068,170,214	$1,111

(1) Annual average number of employees covered by State Unemployment Insurance Program.

Source: "Employment and Payrolls", Maryland Department of Labor, Licensing and Regulation.

Selected Employers and Employment-Greater Baltimore Area

Set forth below is a list of selected major employers in the greater Baltimore area.

Over 30,000 Employees
State of Maryland

10,000-20,000 Employees Each
The Johns Hopkins University
The Johns Hopkins Health System

5,000-10,000 Employees Each
MedStar Health
University of Maryland, Baltimore (UMB)
University of Maryland Medical System

3,000-5,000 Employees Each
Constellation Energy/BGE
LifeBridge Health
Mercy Health Services

Source: Comprehensive Annual Financial Report, June 30, 2013.

Unemployment

The following table indicates the City's unemployment rate as compared with certain counties in the Baltimore-Washington region, the State, and the United States for the years 2009 to 2013.

Table 22
Average Annual Unemployment Rate

	2009	2010	2011	2012	2013
United States	9.3%	9.6%	8.9%	8.1%	7.4%
State of Maryland	7.4%	7.8%	7.3%	6.8%	6.6%
Anne Arundel	6.7%	7.1%	6.6%	6.1%	6.0%
Baltimore	7.8%	8.3%	7.7%	7.3%	7.0%
Baltimore City	10.7%	11.9%	10.9%	10.2%	9.8%
Howard	5.5%	5.7%	5.3%	5.0%	5.0%
Harford	7.5%	8.0%	7.4%	7.0%	6.7%
Montgomery	5.6%	5.8%	5.3%	5.1%	5.0%

Source: For State and county data, "Employment, Unemployment and Unemployment Rate by Place of Residence (LAUS)", State of Maryland, Department of Labor, Licensing and Regulation. For United States data, the Bureau of Labor Statistics.

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APPENDIX B

CITY OF BALTIMORE COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

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City of Baltimore
Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 2013

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City of Baltimore, Maryland
Comprehensive Annual Financial Report
Year Ended June 30, 2013

Prepared by the Department of Finance
Harry E. Black
Director of Finance

Bureau of Accounting and Payroll Services
Henry J. Raymond
Deputy Director of Finance

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

ELECTED OFFICIALS

MAYOR
Stephanie Rawlings-Blake

PRESIDENT OF THE CITY COUNCIL
Bernard C. Young

COMPTROLLER
Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT
Bernard C. Young

MAYOR
Stephanie Rawlings-Blake

COMPTROLLER
Joan M. Pratt

DIRECTOR OF PUBLIC WORKS
Alfred H. Foxx

CITY SOLICITOR
George A. Nilson

CITY COUNCIL

Bernard C. Young, *President*
Edward Reisinger, *Vice-President*

FIRST DISTRICT
James B. Kraft

SECOND DISTRICT
Brandon M. Scott

THIRD DISTRICT
Robert Curran

FOURTH DISTRICT
Bill Henry

FIFTH DISTRICT
Rochelle “Rikki” Spector

SIXTH DISTRICT
Sharon Green Middleton

SEVENTH DISTRICT
Nick Mosby

EIGHTH DISTRICT
Helen Holton

NINTH DISTRICT
William “Pete” Welch

TENTH DISTRICT
Edward Reisinger

ELEVENTH DISTRICT
William H. Cole IV

TWELFTH DISTRICT
Carl Stokes

THIRTEENTH DISTRICT
Warren Branch

FOURTEENTH DISTRICT
Mary Pat Clarke

City of Baltimore
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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- **Organization Chart**

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CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor

DEPARTMENT OF FINANCE

HARRY BLACK, Director
454 City Hall
Baltimore, Maryland 21202

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

June 20, 2014

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, 2013. 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.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes the auditor's opinion, management's discussion and analysis, basic financial statements with related notes, and required supplementary information with related notes. The financial section also includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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, KPMG LLP, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2013. 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 auditors 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 "Single Audit" designed to meet the special needs of Federal grantor agencies. This audit was conducted by the City Auditor, and the Single Audit Report is available as a separate document.

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 2012 population of 621,342. 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 and wastewater 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 (the 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 December 2012 by an independent financial consultant contracted by the City. After considering the consultants recommendations, the City plans not to exceed $65 million in budgeted annual general obligation debt.

Budget Stabilization Reserve Policy: In November 2008, the City's Board of Estimates approved a budget stabilization reserve policy that establishes 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 stipulates 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 both 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.

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the Unfunded Fire and Police 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, civil rights 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.

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 — one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location, as it is accessible 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. About 330,007 or 26.6% of the 1.24 million jobs in the metropolitan area are located in the City.

The City has become less dependent on traditional manufacturing industries. Manufacturing jobs comprise only 3.7% of the City's total jobs, which represents a lower percentage than the region and the State. However, health care and education related services continue to be the leading employment industry, representing 30.3% of the 2012 jobs located in the City; a proportion that is considerably higher than the regional and State totals of 15.9% and 18.6%, respectively. The prominence of health care and knowledge-related industries is reflected in the City's major employers. Among the ten largest non-governmental employers, nine are health care and education-related entities and one is a utility service provider. 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. An increasing number of workers in the Washington, D.C. and Northern Virginia areas commute to jobs from homes in Baltimore.

The City supports and builds on the strengths of its internationally renowned higher education and health care institutions, most notably the Johns Hopkins Hospital and Health System—the world's premier medical facility, and the University of Maryland School of Medicine—the nation's first public medical school and one of the nation's largest public medical school research dollar recipients. Between fiscal year 2011 and fiscal year 2013, a total of $1.7 billion of major development in the City related to higher education and health care institutions was completed, and another $805 million was under construction, including the Johns Hopkins Hospital – New Clinical Building, the Mercy Medical Center – Mary Catherine Bunting Center, the Maryland Proton Treatment Center, the Science and Technology Park at Johns Hopkins University, and the University of Maryland Medical System's shock trauma expansion.

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 621,342 in 2012. This 60-year trend reflects an average monthly drop of 441 persons with some decades experiencing faster drops than others. The 1970's saw the greatest declines. During this period, population loss approached 12,000 per year, or 1,000 per month; however, even though the City is not gaining residents yet, the loss rate has declined in recent years, experiencing an average monthly drop of 144 people since 2001.

Economic Outlook

After three years of constrained growth, the economy is poised for a sustained period of expansion. Increases in the Gross Domestic Product (GDP) and the stock market are pointing to continued improvement, if artificial governmental constraints, such as sequestration, are removed. GDP growth is expected to average under 2% during fiscal year 2014, with the impact of sequestration constraining the growth further. The stock market has traditionally acted as a leading indicator of the economy. The market continues to recover despite a series of shocks experienced in the summer of 2011. The European debt crises, the S&P downgrading, the Fiscal Cliff and sequestration have all reined in potential growth. Without these occurrences, it is likely the economy would be significantly more robust. Continued low interest rates by the Federal Reserve have provided the market with legs that it might not otherwise have had. The recent market growth suggests that the economy will continue to grow in the near term as the Dow Jones Industrial Index pushes towards a sustained level above 15,000.

For the first time in several years, the State budget does not reduce aid or place further unfunded mandates on the City, although the impact of Federal sequestration is still an uncertainty. The reductions in funding from previous sessions will continue to impact the City in the future. This is especially true of reductions to highway user revenues and new educational maintenance of effort requirements that could substantially escalate the City's contribution to the school system.

Jobs and Employment

Employment continues to experience very slow growth in the City, but that too should improve if the service sector continues to expand. Employment growth has slowed from the previous year with an average growth of 172 jobs per month since January 2010, and the unemployment rate continues to remain high for the City. In October 2009, the national unemployment rate peaked at 10.0%, but has since fallen to 7.2% in September 2013. The City unemployment rate peaked in August 2010 at 11.5%, but has since leveled off and is currently 10.3% as of August 2013.

The most recent data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has stabilized the number of jobs. The DLLR reported an average of 330,007 jobs located in the City during calendar year 2012, which represents an increase of 0.3% compared to the average of 328,984 jobs in calendar year 2011. Total jobs in the City were 387,557 in 2000; since then, the City has experienced an average decline of about 400 per month through calendar year 2012. Calendar year 2012 represents only the second year since 2000 where the City has experienced employment growth, an indicator of the improvement in the City's job market after the national recession. As of August 2013, there were an estimated 251,272 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 78,700 jobs to surrounding communities.

Retail Sales

During the 2007 Special Legislative Session, the Maryland General Assembly approved an increase in the State's retail sales tax from 5% to 6%. The new rate was effective January 1, 2008. Retail sales reported by the State of Maryland for the City showed an increase of 1.8% in fiscal year 2013, the second consecutive year in the last five years. The total value of sales generated in the City increased $98.4 million, to reach the annual total of $5.62 billion. Additionally, sales generated in the City as a percentage of the total retail sales in the State increased from 8.1% to 8.2% in fiscal year 2013, a percentage which is still low compared to the fiscal year 2000 level of 9.4%. In calendar year 2012, the City experienced a gross increase of 120 new businesses and a total of 73 other businesses that relocated, expanded, reopened or signed new leases, including about 73 restaurants and 58 retailers. On top of this, the year-to-date activity shows that about 24 businesses have started operations in calendar year 2013. Retail sales activity continues to be a leading indicator of the City's economic activity.

Housing

The housing market has continued to recuperate from some of the value lost during the recession. After three consecutive years with annual transactions under 5,000, the Metropolitan Regional Information System (MRIS) reported that in fiscal year 2013, a total of 5,568 single-family homes were sold, representing an increase of 16.2% from the 4,794 sold in fiscal year 2012. Similarly, the average price of homes sold in the City grew 11.4% in fiscal year 2013 compared to 2012, contributing to a total dollar market value increase of 31.3%.

Housing inventories and mortgage rates are both at low levels and are helping to sustain the housing recovery. With mortgage rates falling to well under 4%, and an inventory that continues to decline, the housing market has been steadily regaining the value lost during the Great Recession. Over the five-year span from June 2008 to June 2013, the City's median housing prices declined by 16.6% from their fiscal year 2008 high of $178,750. However, this value has grown 52.0% since its lowest fiscal year-end value of $98,000 in June 2011, to reach $149,000 at the end of fiscal year 2013.

The improvement in the housing market has also extended to the development of new apartments. A total of 105 new apartments were completed in the downtown area for rental between calendar years 2011 and 2012, bringing the total number of new apartments built in downtown to 5,135 since calendar year 1999. Another 661 apartment units are currently under construction in the downtown area with expected delivery times between fiscal year 2013 and fiscal year 2014, and another 373 units are in the planning phase. The City maintains a strategic position as an affordable housing market for buyers in the region. This is particularly important as the regional market has grown to include more Washington, D.C. and Northern Virginia commuters.

Port

Port of Baltimore (the Port) activity is sensitive to factors affecting world trade: the state of the economies abroad and currency markets, among other factors. In calendar year 2012, the Port experienced a mixed effect in its level of activity. After two years of steady growth, the total tonnage of foreign commerce decreased about 938,000 tons or 2.4% from the 36.6 million tons handled in calendar year 2011; however, the total value increased $2.6 billion or 5.2% from the $51.2 billion of calendar year 2011, becoming a record year by reaching the $53.8 billion mark. Additionally, the overall foreign and domestic cargo activity totaled 9.6 million tons in calendar year 2012, an increase of 708,000 tons or 8.0%, mainly explained by the growth in containers handled by the public terminals with 7.1% growth, and the number of automobile and roll-on/roll-off machinery moved over Baltimore's public marine terminals, which experienced 18.5% and 16.3% increases, respectively. The Port moved up two places in standing and is now ranked as the 9th largest nationwide port in dollar value, and 11th largest nationwide port in tonnage. With the Seagirt Marine Terminal leasing agreement with Port of America, including the construction of the 50-foot berth and four cranes, the Port is in an excellent competitive position for the upcoming opportunities resulting from the widening of the Panama Canal.

Tourism and Travel Industry

Overall, the tourism and travel industries maintained the same level of activity even though the impact of the Federal sequestration has started to show. During fiscal year 2013, the Baltimore Convention Center decreased the number of hosted events to 152, ten fewer events compared to fiscal years 2011 and 2012, but still 21 events more than the 131 held in fiscal year 2010. The average attendance per event decreased 5.0% in fiscal year 2013 from 3,843 to 3,650. Additionally, the negative impact of the sequestration was noticeable in the travel industry during fiscal year 2013. Approximately, 22.6 million commercial passengers used the Baltimore Washington International Thurgood Marshall Airport (BWI), a slight decrease of 0.4% compared to fiscal year 2012. On the other hand, even though the number of available hotel rooms in the City has not significantly changed from the fiscal year 2012 average of 285,000 rooms per month, the average demand slightly increased 0.1% and occupancy rate was maintained in fiscal year 2013 at the same rate of 63.0% as in fiscal year 2012. The average rate per room also increased 0.2% to $136 per room. Additionally, cruise activity through the Port experienced another extraordinary year in fiscal year 2012. For a second year in a row, more than 100 cruises departed from the Port carrying 240,676 passengers. In fiscal year 2012, the Port ranked fifth among the East Coast ports, 11th nationwide and 20th worldwide.

Office Development

In fiscal year 2013, the City's office market inventory was reduced from 193 to 186 buildings, experiencing a market size reduction of 2.3%, from 22.9 million square feet to 22.4 million square feet. A portion of the decline is explained by four properties being removed from tracking with a total reduction of 90,811 square feet of leasing space; additionally, 92,500 square feet of the building located at 301 North Charles Street, purchased by PMC Group, Inc., were converted from office space to a residential apartment building. Net absorption also decreased to 104,547 square feet or a decrease of 9.3% from the 115,252 square feet as of June 2012. However, the vacancy rate decreased from 17.6% to 16.2%, and the average retail price was virtually maintained at $21 per square foot. The change in the vacancy rate was experienced City-wide, marking the eleventh consecutive quarter of vacancy rate reduction. Several new mid-size leasing transactions occurred in fiscal year 2013. The most relevant leasing agreement includes 120,000 square feet lease signed by Miles & Stockbridge at the Transamerica Tower at 100 Light Street. Wells Fargo & Company has renewed its 95,000 square feet lease at 7 Saint Paul Street for 10 years and the Maryland Health Benefit Exchange has moved into 19,700 square feet at 750 East Pratt Street. The law firm Wise & Flora Teeter leased 12,510 square feet of 800 North Charles Street, while the animation and game design studio Bully! Commercial and Entertainment Media LLC leased 6,623 square feet at 921 Fort Avenue.

FINANCIAL ACCOMPLISHMENTS

Over the past five years, the City has closed more than $400.0 million in cumulative budget shortfalls by prioritizing spending, gaining efficiency, reducing legacy costs, and diversifying revenues. Remarkably, Baltimore today has a larger fund balance and lower property tax rate than before the Great Recession, and its combined pension and OPEB unfunded liabilities shrank from $3.2 billion in fiscal year 2011 to $2.9 billion in fiscal year 2012. A series of reforms over the past three years has helped to reduce the City's unfunded OPEB liability by nearly $1 billion.

TEN-YEAR FINANCIAL PLAN

On February 20, 2013, the Mayor released *Change to Grow: A Ten-Year Financial Plan for Baltimore*. The Ten-Year Plan, a first of its kind for the City, calls for comprehensive reforms to close a projected $750.0 million structural budget deficit, make Baltimore's taxes more competitive, increase infrastructure investment, and reduce the City's long-term pension and health care liabilities.

Implementation of the Ten-Year Plan began in fiscal year 2013 with two key initiatives: The *20 Cents by 2020* program to reduce the effective property tax rate for owner-occupied properties, and health benefit changes for employees and retirees that will save the City $20.0 million a year.

The fiscal year 2014 budget reflects the implementation of several more Ten-Year Plan initiatives, including pension changes for current and future employees, employee leave reform, a new schedule for firefighters, a streamlining of the City fleet, a State-mandated stormwater fee, and targeted revenue enhancements.

These initiatives will close a $30.0 million fiscal year 2014 budget shortfall while protecting funding for core City services, reducing the property tax rate, providing two percent pay raises for all employees, and adding $35.0 million in new capital investments for blight elimination, street resurfacing, recreation centers, and IT modernization.

HIGHLIGHTS OF THE FISCAL YEAR 2014 ADOPTED BUDGET

Better Schools

Better Schools is one of the administration's highest priorities. Funding for Better Schools represents an investment in Baltimore's greatest asset: our youth. This priority aims to promote lifelong learning, community engagement and partnerships, and reduce duplication of services for youth.

Over the past three years, kindergarten readiness and the graduation rate have improved, but other key indicators are stagnant, including attendance, third grade reading scores and the dropout rate. This budget maintains funding for services that provide enriching out-of-school time for Baltimore's children, as follows:

- Fully funds the City's Maintenance of Effort payment to the Baltimore City Public School System (BCPSS) at $202.1 million, a $500,000 increase over fiscal year 2013. The City's teachers' pension contribution grows from $12.9 million to $16.4 million.
- Provides $38.0 million for the *Better Schools Initiative* to modernize City school buildings. Funding sources include proceeds from the beverage container tax, State formula aid leveraged by the City, and a general obligation bond allocation. Under landmark legislation approved in Annapolis this year, the City's contribution – which will also include casino lease and table games funding in future years – will be matched by the State and BCPSS will leverage $1.1 billion to build 15 new schools and renovate 35 others.
- Keeps all library branches open and maintains current hours of operation to improve third grade reading and support life-long learning.

- Increases funding for out-of-school time programming by $1.1 million and adds $100,000 for the Read to Succeed summer program.

- Replaces earmarked grants in the education grants service with funding for evidence-based programming to improve educational outcomes, to be administered by the Family League of Baltimore City, Inc.

- Begins a transition of the City's four daycare centers to year-round Head Start centers that will help 2,000 children prepare for kindergarten and combat summer learning loss.

Safer Streets

Creating and maintaining a safe City requires both long-term preventive measures and the capacity for effective response to crime, fire, accidents, and other emergencies.

Over the past three years, violent crime has continued to drop and fire response times have improved. Property crime increased in fiscal year 2011, but was back below fiscal year 2008 levels fiscal year 2012 EMS is meeting response time standards less often. This budget maintains the funding needed to effectively fight crime and invests to modernize the Fire Department as follows:

- Transitions firefighters to a modified Houston-style schedule. The new schedule will maintain emergency response times and generate savings to improve firefighter pay, replace fire apparatus, and upgrade aging firehouses.

- Continues aggressive efforts to hire new police officers and fund an outside review of police overtime usage.

- Provides funding to modernize the police force by equipping officers with tasers and implementing field-based reporting. Tasers reduce the need for deadly force. Field-based reporting reduces paperwork so that officers can spend more time on patrol.

- Increases funding for youth violence prevention.

- Fully funds EMS services. Over 80% of 911 call demand is for medical emergencies. New technology to track the location of medic units will help improve response times.

- Includes $2.1 million for the Sheriff's Department to dramatically improve the service of peace orders issued by the Circuit Court, which play a crucial role in preventing domestic violence. Twenty-three new positions are funded from increased court fees approved by the Maryland General Assembly.

Stronger Neighborhoods

Strong neighborhoods have healthy real estate markets; are well-maintained and safe; have clean, green open spaces; have relevant and desirable amenities; have optimal levels of homeownership; and have engaged neighbors with strong community organizations.

The past three years have seen a drop in the number of vacant and abandoned houses, and construction and rehabilitation activity is showing signs of life. Despite stepped-up repair and resurfacing efforts, most citizens are still dissatisfied with the condition of City streets. Volunteer participation has fallen off. This budget cuts taxes and provides new funding for public infrastructure, as follows:

- Reduces the effective property tax rate for City homeowners to $2.155 per $100 of assessed value, representing a ten cent (4.5%) cut over two years under the *20 Cents by 2020* initiative.

- Supports the *Vacants to Value* program by increasing baseline capital funding for blight elimination and providing a one-time funding surge of $10.0 million for whole-block demolition and relocation.

- Provides $10.0 million in capital funding to meet the goal of resurfacing at least 200 lane miles in the City's neighborhoods.

- Adds $5.0 million in capital funding to upgrade recreation centers, pursuant to the plan initiated two years ago. Also includes $1.2 million to continue operation of eight afterschool centers and $300,000 for equipment at four new centers that will open in fiscal year 2014.

- Provides a one-time enhancement of $260,000 to improve client access to the City's home weatherization service, which will assist nearly 2,000 residents to make their homes more energy efficient.

A Growing Economy

A Growing Economy leverages public, private, and non-profit partnerships; respects and supports diversity; and recognizes the interconnectivity of all economic factors – investment, key economic drivers, workforce, quality of life, and infrastructure.

The City's economy is slowly recovering from the Great Recession. The number of businesses has declined since 2007, though sales and hotel tax revenues have recovered, signaling renewed tourism. Employment has also increased. This budget keeps the momentum going by maintaining support for economic development and investing to attract new residents and visitors as follows:

- Maintains funding for the Youth Works Summer Job Program, which will partner with private and non-profit employers to give more than 5,000 young people meaningful work experiences.
- Continues increased general fund appropriations for the Baltimore Development Corporation to support economic development and job creation, fully funds the Small Business Resource Center, and expands the Emerging Technology Center incubator program.
- Enhances Live Baltimore's Live Near Your Work program to attract new residents to the City.
- Maintains funding for key cultural institutions, such as the art museums, Baltimore Symphony Orchestra and Baltimore Office of Promotion and the Arts.
- Funds a new food desert strategy that will connect urban farmers to convenience stores and create new jobs.

Innovative Government

An innovative government adopts organizational change and encourages employee feedback and ideas; utilizes technology and best practices to streamline processes; leverages public-private partnerships to assist in service delivery; constantly re-evaluates and refines its internal business functions to be more efficient and effective; and encourages customer friendly service.

Over the past three years, the City has reduced its energy use, saving millions of dollars. The City has conducted more business online and has improved the timeliness of its vendor payments. The percentage of 311 service requests completed on time has held steady at just under 90%. Citizen satisfaction with City services has also been steady, with around 43% reporting they are "very satisfied" or "satisfied" on the annual survey. This budget invests in making the City's business processes more efficient and accountable, as follows:

- Invests $5.0 million in capital funding for technology to accelerate the City's transition from an outdated mainframe platform. During fiscal year 2014, the City will begin to centralize its IT resources under the Mayor's Office of Information Technology (MOIT) to reduce duplication and promote a coordinated strategy for modernizing service delivery.
- Provides funding to carry out a new charter requirement for periodic audits of City agencies.
- Creates new accounting positions to improve internal controls and response to City-wide audit findings.
- Implements the recommendations of management research studies to make the City's employee training unit financially self-sufficient, conduct elections more efficiently, strengthen grants management, and improves the dockmaster service.
- Invests in four new Innovation Fund projects that will modernize parking management, make City buildings more energy efficient, and improve City vehicle safety.

A Cleaner and Healthier City

A cleaner and healthier City reaches all aspects of public health: the physical (clean water, clean air, and safe buildings), as well as service aspects (drug treatment, health education, and clinical assistance).

In the past three years, household recycling has increased, as has the number of trees planted in the City. Despite these gains, only about a quarter of citizens rate the City's cleanliness as "excellent" or "good." The infant mortality rate continues to drop, but hospitalizations for substance abuse and heart disease are on the rise. This budget will maintain funding for core health and sanitation services and greatly accelerate greening and flood control projects, as follows:

- Begins operation of a new stormwater utility. Funded by a State-mandated user fee, the utility will enable the City to meet State and Federal water quality requirements, expand green space, and improve flood control. The new stormwater fee will be partially offset by a two cent property tax reduction.

Baltimore has a three-tiered flat rate structure for single-family properties (SFP) parcels based on impervious surface:

Impervious Surface	Flat Fee
< 820 sq. ft.	$10/quarter
820 – 1,500 sq. ft.	$15/quarter
> 1,500 sq. ft.	$30/quarter

All non-SFPs will be charged based on a calculation of impervious surface: $15/Equivalent Residential Unit (ERU)/quarter (every 1,050 square feet of impervious surface equals 1 ERU). The only exception is the structures of religious non-profits, which will be billed at $3/ERU/quarter.

- Begins implementation of a three-year program of water and sewer rate adjustments to ensure its citizens and customers have access to clean water and adequate sewer systems long into the future. The rates will increase by 15.0% in fiscal year 2014; and upward adjustments of 11.0% will be applied in each of the following two years. The new rates will support state-of-the-art meter and billing systems, faster repair and replacement of aging infrastructure, and innovative management programs.

- Provides funding to open a new women's homeless shelter to replace the Guilford Street shelter, resulting in a net increase of 50 beds.

- Increases funding for Urban Forestry, which will allow for additional safety-related tree pruning. This service has realized efficiencies from new unit cost contracts and is piloting a proactive pruning program.

- Maintains funding for 1+1 trash and recycling collection, graffiti removal, and street and alley cleaning. The Ten-Year Plan calls for the establishment of a solid waste enterprise. In preparation, the City will pilot the use of municipal trash cans and use managed competition to make the bulk trash service more cost-effective.

- Enhances funding for Baby Basics, a prenatal health literacy program that reduces risks of poor birth outcomes for low-income mothers.

ACKNOWLEDGEMENTS

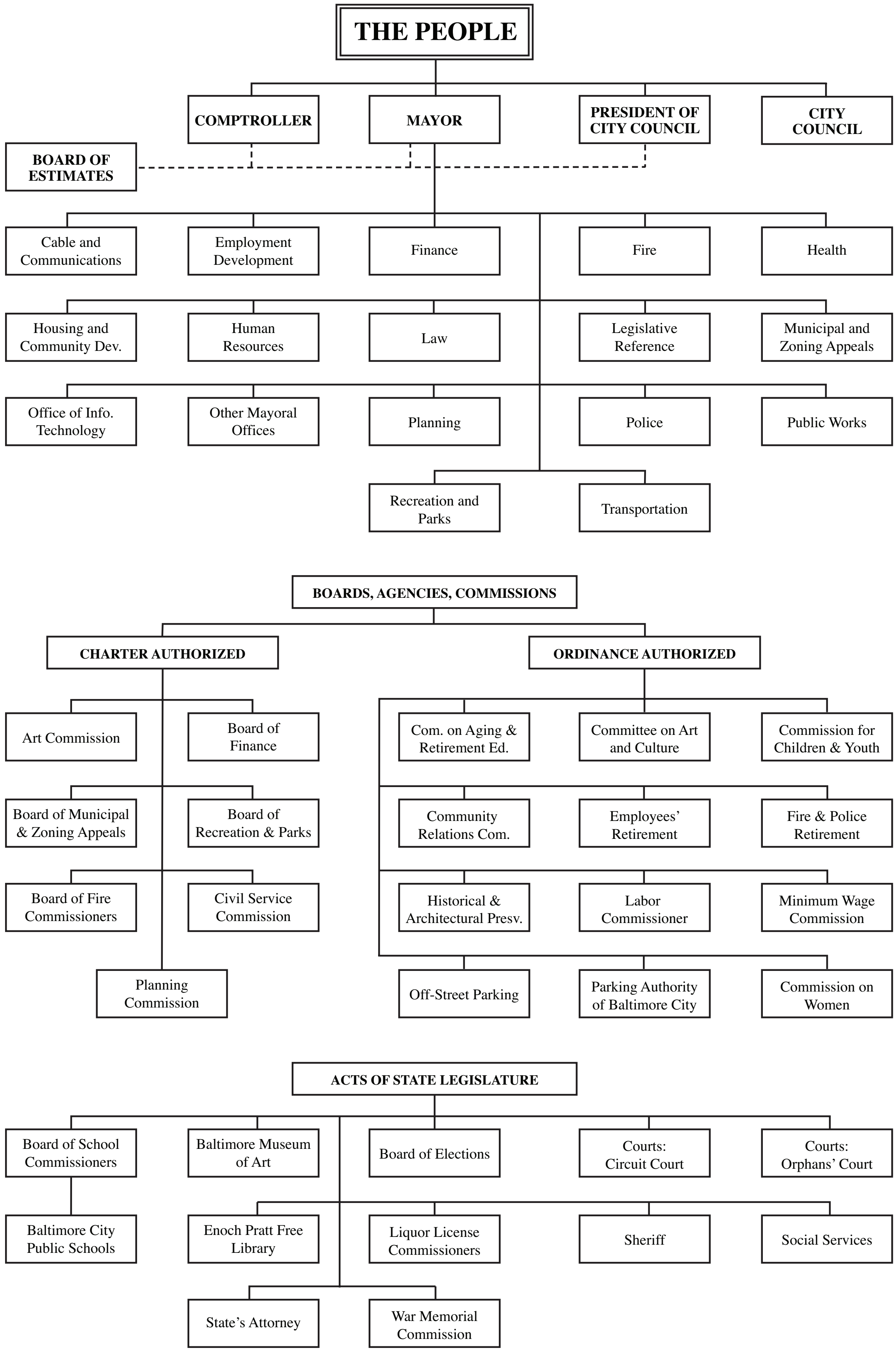
The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Payroll Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed to its preparation. We are also grateful to the City's independent auditors, KPMG LLP, 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,

Stephanie Rawlings-Blake
Mayor

Harry Black
Director of Finance

MUNICIPAL ORGANIZATION CHART



FINANCIAL SECTION

- **Report of Independent Auditors**
- **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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CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE
Mayor

DEPARTMENT OF AUDITS
Room 321, City Hall
Baltimore, Maryland 21202

KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

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, and the aggregate remaining fund information of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2013, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of the Pension Trust Funds, which includes the Employees' Retirement System, the Elected Officials' Retirement System, and the Fire and Police Employees' Retirement System. These funds represent 83%, 91%, and 54% of the total assets and deferred outflows, net position, and revenues of the aggregate remaining fund information. We also did not audit the Baltimore City Public School System and the Baltimore Hotel Corporation, which comprise the City's discretely presented component units. The financial statements of the Employees' Retirement System and the Elected Officials' Retirement System were audited by the City Auditor acting separately whose report thereon has been furnished to us. The Fire and Police Employees' Retirement System, the Baltimore City Public School System and the Baltimore Hotel Corporation were audited by other auditors whose reports thereon have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 control 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 City's internal control. 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.

Opinion

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-

KPMG

type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information on pages 3 through 15 and on pages 75 through 78 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.

Supplementary and 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 nonmajor 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 nonmajor fund financial statements are the responsibility of management and were derived from and relate 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, based on our audit and the reports of the other auditors, the combining and individual nonmajor fund financial statements, are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014 on our consideration of the City's internal control 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control 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 control over financial reporting and compliance.

KPMG LLP

Robert L. McCarty Jr., CPA
City Auditor
Department of Audits

Independent Auditors

June 20, 2014

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, 2013. 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 of the City exceeded its liabilities at the close of fiscal year 2013 by $4.4 billion (net position). This amount includes $192.7 million (restricted net position) and is net of an unrestricted deficit of $517.5 million. During the fiscal year, the City's total net position increased by $127.1 million.

As of June 30, 2013, the City's governmental funds reported combined ending fund balances of $315.7 million. At the close of the fiscal year, unassigned fund balance for the general fund was $90.1 million.

The City's total long-term debt decreased by $4.9 million, during fiscal year 2013.

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.

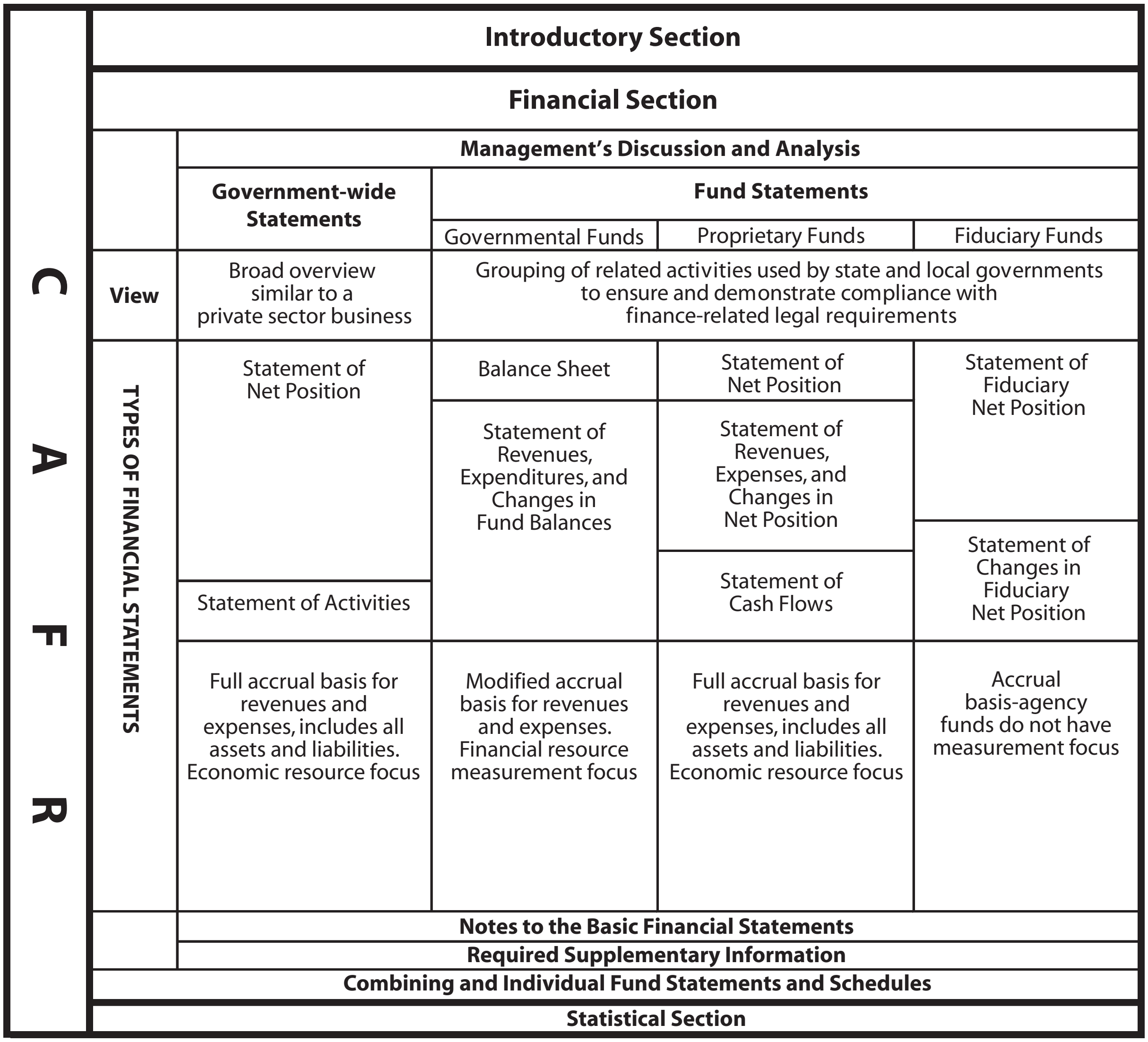
Measurement focus refers to what is measured and reported in a fund's operating statement while basis of accounting determines when a transaction or event is recognized in these funds. Under the accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received 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



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, highways and streets, sanitation and waste removal, public service, economic development, and interest expense. The business-type activities of the City include water and sewer 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 ASC 958, *Not-for-Profit Entities*.

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 balances 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 funds are charges for customer services including: water, sewer, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, telecommunication, central post office fees, energy conservation, building maintenance and risk management. 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 operations of the City's business-type activities and include water and sewer 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 services 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, building maintenance and risk management program. 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 concerning the City's progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Primary Government)

The City's financial statements are 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 the fiscal years 2013 and 2012

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets including deferred outflows of resources	$ 1,014,202	$ 978,953	$ 726,416	$ 780,377	$ 1,740,618	$ 1,759,330
Capital assets, net	3,454,845	3,480,923	3,009,040	2,805,520	6,463,885	6,286,443
Total assets and deferred outflows of resources	4,469,047	4,459,876	3,735,456	3,585,897	8,204,503	8,045,773
Long-term liabilities outstanding	1,558,290	1,557,038	1,403,272	1,404,956	2,961,562	2,961,994
Other liabilities	532,167	471,097	261,067	290,069	793,234	761,166
Total liabilities	2,090,457	2,028,135	1,664,339	1,695,025	3,754,796	3,723,160
Net position:						
Net investment in capital assets	2,988,956	2,739,761	1,785,501	1,646,769	4,774,457	4,386,530
Restricted	40,548	13,013	152,197	160,955	192,745	173,968
Unrestricted	(650,914)	(321,033)	133,419	83,148	(517,495)	(237,885)
Total net position	$ 2,378,590	$ 2,431,741	$ 2,071,117	$ 1,890,872	$ 4,449,707	$ 4,322,613

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 exceeded liabilities by $4.4 billion at the close of fiscal year 2013. The City's net position includes its investment of $4.8 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, $192.7 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 $517.5 million.

CITY OF BALTIMORE
Changes in Net Position
For the fiscal years 2013 and 2012

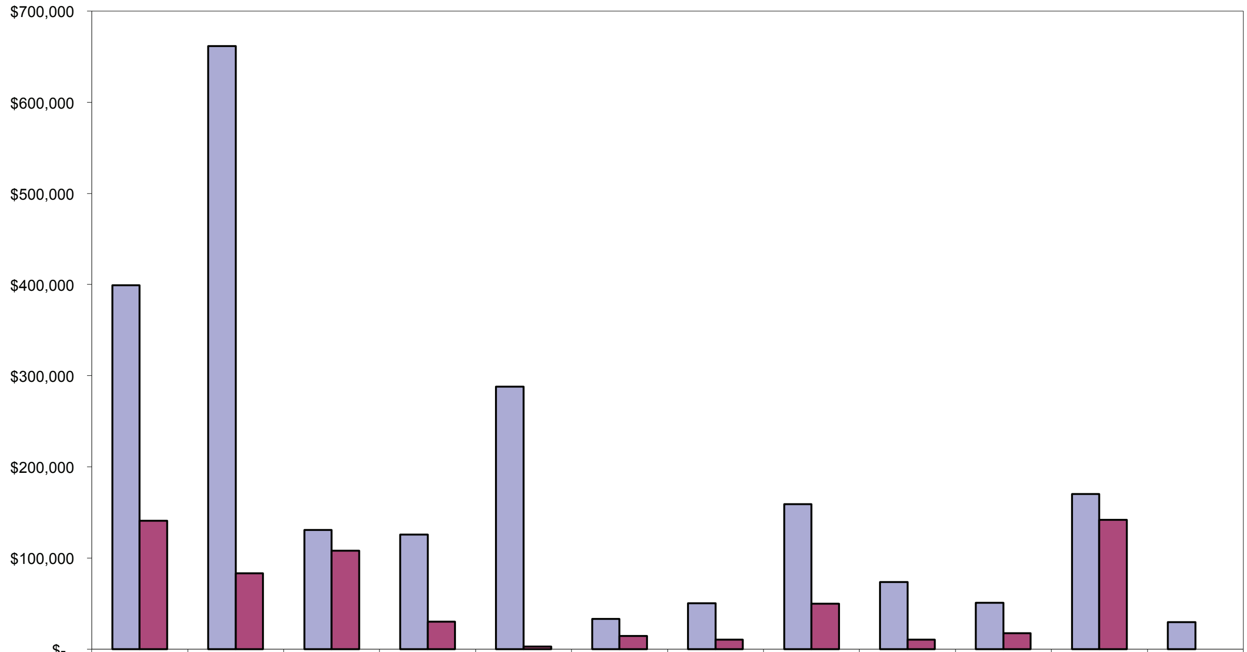
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 114,163	$ 118,556	$ 440,143	$ 405,735	$ 554,306	$ 524,291
Operating grants and contributions	385,841	400,678			385,841	400,678
Capital grants and contributions	109,488	71,258	129,608	100,922	239,096	172,180
General revenues:						
Property taxes	806,258	769,094			806,258	769,094
Income taxes	276,111	257,893			276,111	257,893
State shared revenue	128,707	130,286			128,707	130,286
Transfer and recordation tax	59,836	42,973			59,836	42,973
Electric and gas tax	39,504	35,684			39,504	35,684
Telecommunications tax	33,290	34,185			33,290	34,185
Admission	9,161	7,581			9,161	7,581
Other	108,752	112,216	2,135	3,075	110,887	115,291
Total revenues	2,071,111	1,980,404	571,886	509,732	2,642,997	2,490,136
Expenses:						
General government	399,166	443,957			399,166	443,957
Public safety and regulation	661,829	577,963			661,829	577,963
Conservation of health	130,911	154,105			130,911	154,105
Social services	125,515	31,156			125,515	31,156
Education	288,227	260,935			288,227	260,935
Public library	33,184	33,390			33,184	33,390
Recreation and culture	50,297	49,291			50,297	49,291
Highways and streets	159,022	162,290			159,022	162,290
Sanitation and waste removal	73,536	65,677			73,536	65,677
Public service	50,710	26,676			50,710	26,676
Economic development	170,002	169,896			170,002	169,896
Interest	29,605	32,624			29,605	32,624
Water			136,171	131,271	136,171	131,271
Waste water			178,221	173,106	178,221	173,106
Parking			17,681	25,332	17,681	25,332
Nonmajor proprietary			11,826	13,287	11,826	13,287
Total expenses	2,172,004	2,007,960	343,899	342,996	2,515,903	2,350,956
Increase (decrease) in net position before transfers	(100,893)	(27,556)	227,987	166,736	127,094	139,180
Transfers:						
Transfers in (out)	47,742	50,446	(47,742)	(50,446)		
Change in net position	(53,151)	22,890	180,245	116,290	127,094	139,180
Net position - beginning	2,431,741	2,408,851	1,890,872	1,774,582	4,322,613	4,183,433
Net position - ending	$ 2,378,590	$ 2,431,741	$ 2,071,117	$ 1,890,872	$ 4,449,707	$ 4,322,613

Analysis of Changes in Net Position

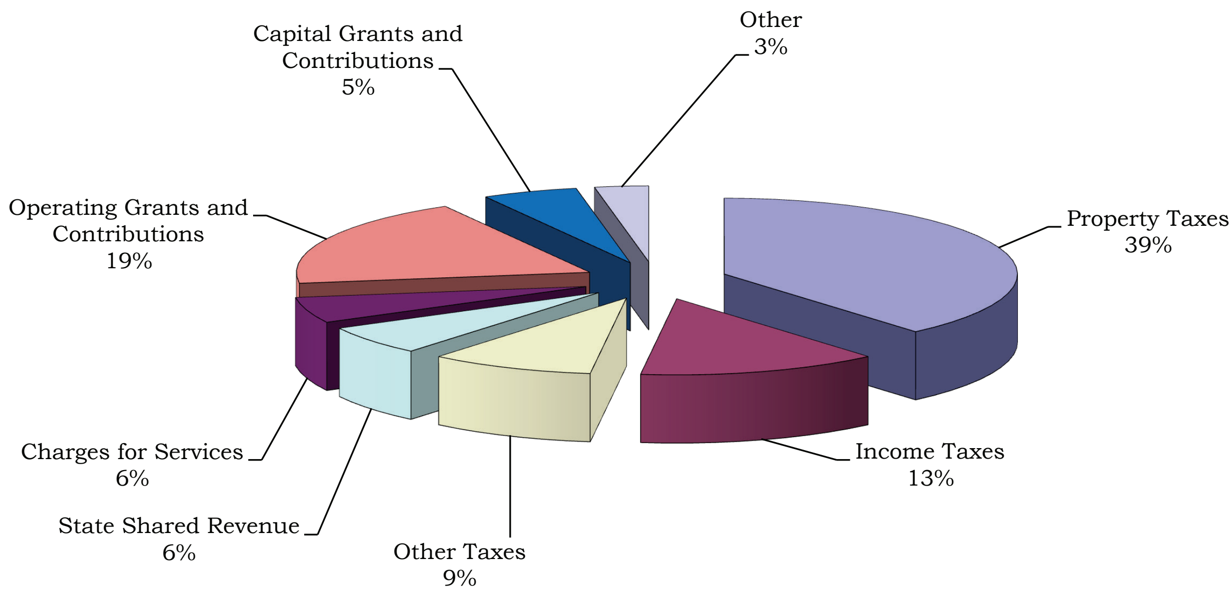
The overall increase in the City's net position amounted to $127.1 million during fiscal year 2013. These changes are explained in the government and business-type activities discussion below.

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



	General Government	Public Safety and Regulation	Conservation of Health	Social Services	Education	Public Library	Recreation and Culture	Highways and Streets	Sanitation and Waste Removal	Public Service	Economic Development	Interest
Expenses	$399,166	661,829	130,911	125,515	288,227	33,184	50,297	159,022	73,536	50,710	170,002	29,605
Program Rev	$140,786	83,327	108,107	29,967	2,712	14,358	10,678	49,789	10,587	17,510	141,671	

Revenues By Source — Governmental Activities



Governmental Activities

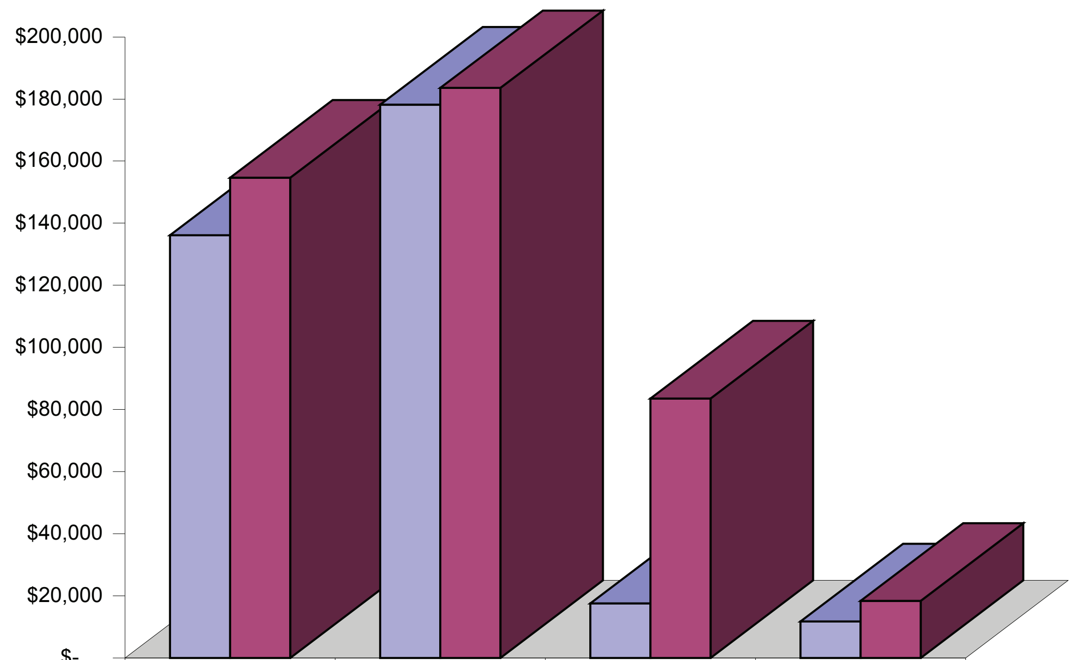
During the current fiscal year, expenses related to governmental activities amounted to $2.2 billion, this is greater than revenues by $100.9 million. Total revenue of $2.1 billion is comprised of program revenues totaling $609.5 million, or

29.4%. 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 2013, governmental revenue increased by $90.7 million. This increase is primarily attributable to increases in property taxes and income taxes.

Governmental expenses increased by $164.0 million during fiscal year 2013. This increase is primarily attributable to increases in public safety and regulation of $83.9 million and social services of $94.4 million.

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



	Water	Wastewater	Parking	Nonmajor Proprietary
Expenses	$136,171	178,221	17,681	11,826
Charges for Services	$154,680	183,521	83,542	18,400

Business-type Activities

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 $571.9 million. Expenses and transfers for these activities totaled $391.6 million and resulted in an increase in net position of $180.3 million.

Operating revenues increased by $26.0 million in fiscal year 2013 in the Water and Wastewater Utility Funds. Capital assets increased by $201.5 million as a result of the two utilities funds' efforts to build environmentally sound facilities.

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 2013 and 2012

(Expressed in Thousands)

	2013	2012	Variance Amount
Revenues:			
General fund:			
Property taxes	$ 754,742	$ 731,410	$23,332
Income taxes	276,111	257,893	18,218
Other local - taxes	188,803	217,281	(28,478)
Total local taxes	1,219,656	1,206,584	13,072
Licenses and permits	40,572	37,585	2,987
Interest, rentals, and other investment income	16,816	16,244	572
Federal grants	245	226	19
State grants	93,376	95,651	(2,275)
Other	206,688	51,649	155,039
Total revenues - general fund	1,577,353	1,407,939	169,414
Other governmental funds:			
Motor vehicle fund		169,768	(169,768)
Grants revenue fund	251,949	285,240	(33,291)
Capital projects fund	121,065	93,966	27,099
Other funds	21,860	29,339	(7,479)
Total revenues other governmental funds	394,874	578,313	(183,439)
Total revenues all governmental funds	1,972,227	1,986,252	(14,025)
Expenditures:			
General fund:			
General government	223,730	387,650	(163,920)
Public safety and regulation	594,077	463,410	130,667
Conservation of health	20,811	44,033	(23,222)
Social services	89,235	707	88,528
Education	257,770	254,626	3,144
Public library	23,131	23,829	(698)
Recreation and culture	39,235	34,749	4,486
Highways and streets	83,051	19,336	63,715
Sanitation and waste removal	69,381	40,936	28,445
Public service	43,024	17,350	25,674
Economic development	48,544	46,741	1,803
Total expenditures - general fund	1,491,989	1,333,367	158,622
Other governmental funds:			
Motor vehicle fund		148,769	(148,769)
Grants revenue fund	280,319	298,287	(17,968)
Capital projects fund	202,458	208,837	(6,379)
Other funds	116,155	114,521	1,634
Total expenditures other governmental funds	598,932	770,414	(171,482)
Total expenditures all governmental funds	2,090,921	2,103,781	(12,860)
Excess of expenditures over revenue	(118,694)	(117,529)	(1,165)
Other financing sources:			
Transfers, net	76,110	50,446	25,664
Capital projects fund:			
Refunding of transportation revenue bonds	(14,446)		(14,446)
Swap termination	(18,760)		(18,760)
Advanced refunding of general obligation bonds	(51,998)		(51,998)
Refunding of obligation bonds	(147,892)		(147,892)
Capital leases	11,804	41,460	(29,656)
Premium on transportation revenue bonds	3,591		3,591
Premium on general obligation bonds	38,852		38,852
Face value of transportation revenue bonds	38,255		38,255
Face value of funding and refunding general obligation bonds	230,550		230,550
Other funds:			
Face value of funding and refunding general obligation bonds	14,730		14,730
Total other financing sources	180,796	91,906	88,890
Net changes in fund balances	62,102	(25,623)	87,725
Fund balances beginning	253,613	279,236	(25,623)
Fund balances ending	$ 315,715	$ 253,613	$ 62,102

Revenues for governmental functions overall totaled approximately $2.0 billion in the fiscal year ended June 30, 2013, which represents a decrease of 0.7% from the fiscal year ended June 30, 2012. Expenditures for governmental functions, totaling $2.1 billion, decreased by approximately 0.6% from the fiscal year ended June 30, 2012. In the fiscal year ended June 30, 2013, expenditures for governmental functions exceeded revenues by $118.7 million, or 6.0%.

The General Fund is the chief operating fund of the City. Revenues in the General Fund increased $169.4 million as compared to fiscal year 2012. This increase was attributed to increases in income taxes and property taxes in fiscal year 2013.

During fiscal year 2013, certain programs within the General Fund were realigned to more accurately reflect the City agencies managing those programs. As a result, the expenditures for certain City agencies appear to have unusual variances. The total expenditures for the General Fund increased by $158.6 million, or 11.9%, over fiscal year 2012.

The primary areas of change in the General Fund expenditures were in general government, public safety and regulation, social services, and highway and streets and explained as follows:

The decrease in general government expenditures and the increase in public safety and regulation expenditures was due in part to the aforementioned realignment, but also to a reallocation of Fire and Police Retirement System pension contributions, from general government to public safety and regulation in the amount of $96.7 million in fiscal year 2013. Social services expenditures increased entirely due to the cost realignment. Highways and streets expenditures increased due to the merger of the Motor Vehicle Fund into the General Fund.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was $90.1 million, while total fund balance was $299.0 million. The fund balance in the City's General Fund increased by $43.0 million during the fiscal year.

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 and the application of Governmental Accounting Standards Board Statement No. 33 rules on revenue recognition results in year-to-year fluctuations in the fund balance due to timing and collectability. Should any portion of the grants receivable be determined uncollectable, the balance may be written off against the General Fund.

The Capital Projects Fund is used to account for the overall financing and expenditures of uncompleted projects. The fund balance of $29.6 million represents authorized projects which are still in progress.

Proprietary Funds

The City's business-type activities are comprised of the funds listed below. The nonmajor funds include the Loan and Guarantee Program, Industrial Development Authority, and Conduit Fund.

	(Expressed in Thousands)					
	Water and Wastewater Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2013	2012	2013	2012	2013	2012
Operating revenue	$ 338,201	$ 312,213	$ 83,542	$ 81,476	$ 18,400	$ 12,046
Operating expenses	283,976	269,196	12,335	13,366	11,826	13,168
Operating income (loss)	54,225	43,017	71,207	68,110	6,574	(1,122)
Non operating revenues (expenses), capital contributions, and transfers	99,085	71,874	(53,088)	(62,412)	2,976	800
Change in net position	$ 153,310	$ 114,891	$ 18,119	$ 5,698	$ 9,550	$ (322)

As discussed in the Business-type activities section, the Water and Wastewater Utilities Funds experienced operating revenue increases in fiscal year 2013. These increases are attributable to rate increases implemented in fiscal year 2013.

The Parking Facilities Fund revenues decreased during the current year. This is primarily due to a decrease in parking fine, penalty and special parking revenues.

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, 2013

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive (Negative)
Total revenues	$ 1,505,050	$ 1,505,050	$ 1,575,653	$ 70,603	$ 70,603
Expenditures and encumbrances					
General government	277,559	278,774	293,562	(16,003)	(14,788)
Public safety and regulation	589,269	590,729	593,935	(4,666)	(3,206)
Conservation of health	27,511	27,511	24,467	3,044	3,044
Social services	2,654	2,654	3,387	(733)	(733)
Education	246,136	259,059	256,723	(10,587)	2,336
Public library	23,101	23,351	22,206	895	1,145
Recreation and culture	38,204	38,204	37,985	219	219
Highways and streets	90,932	91,732	94,419	(3,487)	(2,687)
Sanitation and waste removal	74,899	74,899	75,581	(682)	(682)
Public service	32,914	32,914	32,994	(80)	(80)
Economic development	61,157	61,407	61,895	(738)	(488)
Total expenditures	1,464,336	1,481,234	1,497,154	(32,818)	(15,920
Excess of revenues over expenditures and encumbrances	40,714	23,816	78,499		
Other financing uses:					
Transfers in	70,356	70,356	70,356		
Transfers out	(101,322)	(101,322)	(112,678)		
Total other financing uses	(30,966)	(30,966)	(42,322)		
Net change in fund balances	9,748	(7,150)	36,177		
Fund balances beginning	197,545	197,545	197,545		
Fund balances ending	$ 207,293	$ 190,395	233,722		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			74,227		
Less: Accounts payable not recorded for budgetary purposes			(8,935)		
Fund balance June 30, 2013 - GAAP Basis			$ 299,014		

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 2013, supplemental appropriations totaling $16.9 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the year were greater than the original budget by $32.8 million, and were $15.9 million greater than adjusted appropriations. This amount was primarily related to five governmental activities: higher than budgeted costs for general government operations amounted to $14.8 million; higher than budgeted costs for public safety and regulation operations amounted to $3.2 million; lower than budgeted costs for conservation of health operations amounted to $3.0 million; higher than budgeted costs for highways and streets operations amounted to $2.7 million; and lower than budgeted costs for education amounted to $2.3 million.

On a budgetary basis, revenues for fiscal year 2013 totaled $1,575.6 million and expenditures and transfers totaled $1,539.5 million. The excess of revenues over expenditures and transfers resulted in a budget basis fund balance at June 30, 2013, of $233.7 million, an increase of $36.2 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2013, amount to $6.5 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 2.8% (a 0.8% decrease for governmental activities and a 7.3% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation
For the Fiscal Years 2013 and 2012

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land and other	$ 371,324	$ 374,233	$ 36,597	$ 36,597	$ 407,921	$ 410,830
Buildings and Improvements	983,954	1,024,243	1,905,878	1,898,303	2,889,832	2,922,546
Machinery and Equipment	80,848	86,167	54,444	49,229	135,292	135,396
Infrastructure	1,739,639	1,736,971	274,838	153,448	2,014,477	1,890,419
Library Books	23,115	25,162			23,115	25,162
Construction in Progress	255,965	234,147	737,283	667,943	993,248	902,090
Total	$ 3,454,845	$ 3,480,923	$ 3,009,040	$ 2,805,520	$ 6,463,885	$ 6,286,443

See note number 5 on capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of $2.5 billion. Of this amount, $569.1 million was general obligation bonds backed by the full faith and credit of the City, $424.6 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, for various storm water projects and transportation bonds, and $1.5 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 2013, the City sold $230.6 million in general obligation bonds and $70.1 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 2013	FY 2012
Net general bonded debt (expressed in thousands)	$ 523,574	$ 533,352
Net general bonded debt per capita	N/A	917.61
Ratio of net general bonded debt to net assessed value	1.45%	1.69%

See note number 7 on long-term obligations.
N/A Information not available

As of June 30, 2013, the City had $569.1 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of $45.5 million for net tax-supported bonded debt of $523.6 million, which is equal to approximately 1.7% of the assessed value of property (net of exemptions). There are an additional $287.7 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2014 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of $3,576,527,000 of which $1,616,877,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirement and power, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property were reduced to $2.248 and $5.62 per $100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.20%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 17, 2013.

Fiscal 2014 Budget—Economic Factors

After three years of constrained growth following the Great Recession, the economy is poised for a sustained period of expansion. Increases in the Gross Domestic Product (GDP) and the stock market are pointing to continued improvement if artificial governmental constraints, such as sequestration, are removed. Employment continues to show very slow growth in the City, but that too should improve if the service sector continues to expand. The housing market has turned the corner and is regaining some of the value lost during the Great Recession. Housing inventories and mortgage rates are both at low levels and are helping to sustain the housing recovery. The overall rental vacancies for commercial buildings remain virtually unchanged at 14.5%. Rental rates for these buildings also remained steady at approximately $20.90 per square foot.

The GDP, the value of all goods and services produced within the United States, increased by 9.0% between the third quarter of 2009, the bottom of the recession, and the second quarter of 2013. Employment in the City has slowly grown, up from a low of 243,712 in January 2010 to 253,030 in July 2013; this is still down from a high of 264,000 in June 2007. Housing prices are on the rise with double digit year-to-year percentage gains in fiscal year 2013. Low inventories should aid in continued recovery of value lost in the Great Recession.

For the first time in several years, the State's budget did not reduce aid or place further unfunded mandates on the City. Even still, the actions from previous sessions will continue to impact the City in the future. This is especially true of the educational maintenance of effort and teacher pension funding requirements that substantially escalate the City's contribution to the school system, as well as the loss of nearly $100 million of highway user revenues.

Given improvements in housing and employment, it appears that the economy is poised for robust growth but has been continually held back by indecision in the nation's capital. The S&P downgrade, the "Fiscal Cliff", sequestration, and most recently the planned downsizing of quantitative easing have all acted to stymie economic growth. Until there is agreement on federal tax and spending levels, it is unlikely that growth will reach its full potential.

Requests 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, 2013

(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Assets and deferred outflows of resources:					
Cash and cash equivalents	$ 249,482	$ 356,344	$ 605,826	$ 147,953	$ 2,585
Investments	170,350	18,071	188,421	117,713	31,166
Property taxes receivable, net	19,351		19,351		
Other receivables, net	23,778	156,800	180,578	3,449	941
Due from other governments	168,465	37,822	206,287	50,528	
Internal balances	32,238	(32,238)			
Due from primary government				12,096	
Inventories, at cost	10,050	9,640	19,690	1,167	45
Notes and mortgages receivable, net	309,381	58,431	367,812		
Other assets	26,797	47,476	74,273	28	3,763
Issuance costs		2,789	2,789	962	10,285
Capital assets being depreciated, net of accumulated depreciation	2,827,556	2,235,160	5,062,716	573,360	215,387
Capital assets not being depreciated	627,289	773,880	1,401,169	97,739	
Deferred outflow of resources - interest rate swaps	4,310	71,281	75,591		
Total assets and deferred outflows of resources	4,469,047	3,735,456	8,204,503	1,004,995	264,172
Liabilities:					
Accounts payable and accrued liabilities	160,697	57,035	217,732	196,024	10,063
Accrued interest payable	13,356	24,023	37,379		5,261
Estimated claims in progress:					
Due within one year	69,372		69,372		
Due in more than one year	166,507		166,507		
Unamortized premiums on bonds	52,059	10,005	62,064		
Matured bonds payable	2		2		
Unearned revenue	48,103		48,103	1,724	1,998
Notes payable					298,875
Due to other governments		17,804	17,804		
Deposits subject to refund	34,485	15	34,500		
Revenue bond payable net of deferred loss on bond refunding and unamortized charges:					
Due within one year	12,794	44,209	57,003		
Due in more than one year	411,805	1,393,247	1,805,052		
Long term debt payable:					
Due within one year	45,123		45,123	6,675	
Due in more than one year	664,816		664,816	135,104	
Derivative instrument liability	4,310	100,541	104,851		
Capital leases payable:					
Due within one year	40,714	470	41,184	7,635	
Due in more than one year	152,654	2,158	154,812	36,097	
Compensated absences:					
Due within one year	46,770	5,465	52,235	6,404	
Due in more than one year	77,353	7,867	85,220	57,637	
Landfill closure due in more than one year	20,935		20,935		
Other postemployment benefits obligation	64,220		64,220		
Other liabilities	4,382	1,500	5,882	3,211	13,124
Total liabilities	2,090,457	1,664,339	3,754,796	450,511	329,321
Net position:					
Net investment in capital assets	2,988,956	1,785,501	4,774,457	485,588	(83,488)
Restricted for:					
Construction	27,400		27,400	16,388	
Debt service		152,197	152,197		
Perpetual care:					
Expendable	6,219		6,219		
Nonexpendable	6,929		6,929		
Unrestricted (deficits)	(650,914)	133,419	(517,495)	52,508	18,339
Total net position	$ 2,378,590	$ 2,071,117	$ 4,449,707	$ 554,484	$ (65,149)

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

CITY OF BALTIMORE

Statement of Activities

For the Year Ended June 30, 2013

(Expressed in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Primary Government:									
Governmental activities:									
General government	$ 399,166	$ 42,525	$ 94,790	$ 3,471	$ (258,380)		$ (258,380)		
Public safety and regulation	661,829	43,529	39,789	9	(578,502)		(578,502)		
Conservation of health	130,911	3,488	104,619		(22,804)		(22,804)		
Social services	125,515		29,967		(95,548)		(95,548)		
Education	288,227		2,712		(285,515)		(285,515)		
Public library	33,184	289	14,069		(18,826)		(18,826)		
Recreation and culture	50,297	132	3,124	7,422	(39,619)		(39,619)		
Highways and streets	159,022		1,548	48,241	(109,233)		(109,233)		
Sanitation and waste removal	73,536	9,441	692	454	(62,949)		(62,949)		
Public service	50,710	14,079	3,431		(33,200)		(33,200)		
Economic development	170,002	680	91,100	49,891	(28,331)		(28,331)		
Interest	29,605				(29,605)		(29,605)		
Total governmental activities	2,172,004	114,163	385,841	109,488	(1,562,512)		(1,562,512)		
Business-type activities:									
Water	136,171	154,680		22,307		$ 40,816	40,816		
Wastewater	178,221	183,521		104,325		109,625	109,625		
Parking	17,681	83,542				65,861	65,861		
Nonmajor proprietary	11,826	18,400		2,976		9,550	9,550		
Total business-type activities	343,899	440,143		129,608		225,852	225,852		
Total primary government	$ 2,515,903	$ 554,306	$ 385,841	$ 239,096	(1,562,512)	225,852	(1,336,660)		
Component units:									
Baltimore City Public School System	$ 1,401,650		$ 1,368,815	$ 54,018				$ 21,183	
Baltimore Hotel Corporation	$ 66,280	$ 54,604							$ (11,676)
General revenues:									
Property taxes					806,258		806,258		
Income taxes					276,111		276,111		
Transfer and recordation tax					59,836		59,836		
Electric and gas tax					39,504		39,504		
Telecommunications tax					33,290		33,290		
Admission tax					9,161		9,161		
Other local taxes					47,012		47,012		
State shared revenues					128,707		128,707		
Unrestricted investment income					17,879	2,135	20,014	273	496
Miscellaneous					43,861		43,861	9,980	
Transfers					47,742	(47,742)			
Total general revenues and transfers					1,509,361	(45,607)	1,463,754	10,253	496
Change in net position					(53,151)	180,245	127,094	31,436	(11,180)
Net position - beginning					2,431,741	1,890,872	4,322,613	523,048	(53,969)
Net position - ending					$ 2,378,590	$ 2,071,117	$ 4,449,707	$ 554,484	$ (65,149)

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

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2013

(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	$ 90,142			$ 39,656	$ 129,798
Investments	133,526		$ 12,118	19,587	165,231
Property taxes receivable, net	19,351				19,351
Other receivables, net	17,500		1,212	1,194	19,906
Due from other governments	59,827	$ 50,473	58,165		168,465
Due from other funds	138,572		9,927	1,358	149,857
Notes and mortgages receivable, net	6,531			568	7,099
Inventories, at cost	2,597				2,597
Other assets	23,639				23,639
Total assets	491,685	50,473	81,422	62,363	685,943
Liabilities and fund balances (deficits):					
Liabilities:					
Accounts payable and accrued liabilities	92,722	12,314	20,773	193	126,002
Retainages payable			9,576		9,576
Due to other funds		79,583	21,461	10,409	111,453
Deposits subject to refund	34,485				34,485
Deferred revenue	33,032	5,769		1,806	40,607
Unearned revenue	32,432	15,671			48,103
Matured bonds payable				2	2
Total liabilities	192,671	113,337	51,810	12,410	370,228
Fund balances:					
Nonspendable	5,519				5,519
Restricted			27,400	13,148	40,548
Assigned	203,425		5,702	46,060	255,187
Unassigned	90,070	(62,864)	(3,490)	(9,255)	14,461
Total fund balances (deficits)	299,014	(62,864)	29,612	49,953	315,715
Total liabilities and fund balances (deficits)	$ 491,685	$ 50,473	$ 81,422	$ 62,363	

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	3,394,086
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	306,592
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	(89,404)
Deferred revenue is not due and payable in the current period and, therefore, is not reported in the funds	40,607
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(1,589,006)
Net position of governmental activities	$ 2,378,590

The notes to the 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, 2013

(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:					
Taxes – local	$ 1,219,656				$ 1,219,656
State shared revenue	128,707				128,707
Licenses and permits	40,572				40,572
Fines and forfeitures	29,445				29,445
Interest, rentals and other investment income	16,816		$ 449	$ 614	17,879
Federal grants	245	$ 141,865	76,181	21,246	239,537
State grants	93,376	69,377	33,307		196,060
Other grants	25	40,707			40,732
Charges for services	44,146				44,146
Miscellaneous	4,365		11,128		15,493
Total revenues	1,577,353	251,949	121,065	21,860	1,972,227
Expenditures:					
Current:					
General government	223,730	20,416		2,776	246,922
Public safety and regulation	594,077	37,732			631,809
Conservation of health	20,811	109,321			130,132
Social services	89,235	36,241			125,476
Education	257,770			30	257,800
Public library	23,131	7,023		25	30,179
Recreation and culture	39,235	2,547		70	41,852
Highways and streets	83,051	40			83,091
Sanitation and waste removal	69,381				69,381
Public service	43,024	4,185			47,209
Economic development	48,544	62,814	42,177	10,934	164,469
Debt service:					
Principal				69,877	69,877
Interest				23,678	23,678
Capital outlay			148,477	8,765	157,242
Capital leases			11,804		11,804
Total expenditures	1,491,989	280,319	202,458	116,155	2,090,921
Excess (deficiency) of revenues over (under) expenditures	85,364	(28,370)	(81,393)	(94,295)	(118,694)
Other financing sources (uses):					
Transfers in	70,356	5,754	30,699	95,963	202,772
Transfers out	(112,678)		(4,385)	(9,599)	(126,662)
Refunding of transportation revenue bonds			(14,446)		(14,446)
Swap termination			(18,760)		(18,760)
Advanced refunding of general obligation bonds			(51,998)		(51,998)
Refunding of general obligation bonds			(147,892)		(147,892)
Capital leases			11,804		11,804
Premium on transportation revenue bonds			3,591		3,591
Premium on general obligation bonds			38,852		38,852
Face value of transportation revenue bonds			38,255		38,255
Face value of funding and refunding general obligation bonds			230,550	14,730	245,280
Total other financing sources (uses)	(42,322)	5,754	116,270	101,094	180,796
Net change in fund balance	43,042	(22,616)	34,877	6,799	62,102
Fund balances (deficits) – beginning	255,972	(40,248)	(5,265)	43,154	253,613
Fund balances (deficits) – ending	$ 299,014	$ (62,864)	$ 29,612	$ 49,953	$ 315,715

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, 2013

(Expressed in Thousands)

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

Net change in fund balance — total governmental funds	$ 62,102
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 capital outlays exceeded depreciation in the current year	17,386
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	40,607
The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items	(123,446)
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	(54,511)
The net expense of certain activities of internal service funds is reported with governmental activities	4,711
Change in net position of governmental activities	$ (53,151)

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, 2013

(Expressed in Thousands)

	Enterprise Funds					
	Water Utility Fund	Wastewater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	Governmental Activities Internal Service Funds
Assets and deferred outflows of resources:						
Current assets:						
Cash and cash equivalents	$ 25,075	$ 48,753	$ 39,084	$ 39,645	$ 152,557	$ 90,028
Investments				18,071	18,071	5,119
Accounts receivable, net:						
Service billings	53,400	39,392		6,103	98,895	
Other	132	187	462	10	791	3,872
Due from other governments	5,063	32,759			37,822	
Inventories	9,355	285			9,640	7,453
Total current assets	93,025	121,376	39,546	63,829	317,776	106,472
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	64,377	97,942	36,093	5,375	203,787	29,656
Accounts receivable	8,999	48,115			57,114	
Notes and mortgages receivable			58,431		58,431	
Capital assets, net of accumulated depreciation	783,326	1,309,917	92,886	49,031	2,235,160	60,758
Capital assets not being depreciated	243,154	511,527	15,126	4,073	773,880	
Other assets				47,476	47,476	3,159
Issuance costs	872		1,814	103	2,789	
Deferred outflows of resources - interest rate swaps	33,739	24,601	5,605	7,336	71,281	
Total noncurrent assets	1,134,467	1,992,102	209,955	113,394	3,449,918	93,573
Total assets and deferred outflows of resources	1,227,492	2,113,478	249,501	177,223	3,767,694	200,045
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	2,415	6,444	746	98	9,703	25,119
Accrued interest payable	9,011	12,408	2,597	7	24,023	
Deposits subject to refund	15				15	
Due to other funds	17,600			9,927	27,527	10,662
Due to other governments		17,804			17,804	
Estimated liability for claims in progress						69,372
Other liabilities	2,419	2,906			5,325	4,597
Accounts payable from restricted assets	12,139	35,018		175	47,332	
Leases payable						3,623
Revenue bonds payable	10,830	24,099	9,280		44,209	
Total current liabilities	54,429	98,679	12,623	10,207	175,938	113,373
Noncurrent liabilities:						
Leases payable						26,333
Revenue bonds payable, net	491,666	690,818	132,863	77,900	1,393,247	
Other liabilities	3,609	6,530		1,996	12,135	
Unamortized bond premiums		10,005			10,005	
Estimated liability for claims in progress						154,454
Derivative instrument liability	42,980	24,756	23,387	9,418	100,541	
Total noncurrent liabilities	538,255	732,109	156,250	89,314	1,515,928	180,787
Total liabilities	592,684	830,788	168,873	99,521	1,691,866	294,160
Net position:						
Net investment in capital assets	536,188	1,187,466	8,743	53,104	1,785,501	61,881
Restricted for:						
Debt service	53,772	69,857	28,568		152,197	
Unrestricted (deficit)	44,848	25,367	43,317	24,598	138,130	(155,996)
Total net position	$ 634,808	$ 1,282,690	$ 80,628	$ 77,702	2,075,828	$ (94,115)
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(4,711)	
Net position of business-type activities					$2,071,117	

The notes to the 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, 2013

(Expressed in Thousands)

	Enterprise Funds					
	Water Utility Fund	Wastewater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for sales and services:						
Water and sewer service	$ 142,960	$ 183,267			$ 326,227	
Rents, fees and other income	1,819	254	$ 83,542	$ 17,740	103,355	$ 238,587
Interest income	9,901			660	10,561	
Total operating revenues	154,680	183,521	83,542	18,400	440,143	238,587
Operating expenses:						
Salaries and wages	37,093	38,760		4,252	80,105	20,399
Other personnel costs	16,341	17,354		1,333	35,028	8,996
Contractual services	37,638	59,877	9,705	1,380	108,600	47,028
Materials and supplies	8,982	8,479		151	17,612	15,704
Minor equipment	791	745	32	294	1,862	53
Claims paid and incurred						169,602
Postage and delivery services						2,245
Depreciation	21,122	36,794	2,598	887	61,401	7,897
Program expenses				3,320	3,320	
Interest				209	209	
Total operating expenses	121,967	162,009	12,335	11,826	308,137	271,924
Operating income (loss)	32,713	21,512	71,207	6,574	132,006	(33,337)
Nonoperating revenues (expenses):						
Gain (loss) on sale of investments	6	(47)			(41)	
Loss on sale of equipment						(363)
Interest income	1,184	951			2,135	85
Interest expense	(14,127)	(15,514)	(5,346)		(34,987)	
Total nonoperating expenses, net	(12,937)	(14,610)	(5,346)		(32,893)	(278)
Income (loss) before capital contributions and transfers	19,776	6,902	65,861	6,574	99,113	(33,615)
Capital contributions	22,307	104,325		2,976	129,608	6,556
Transfers out			(47,742)		(47,742)	(28,368)
Change in net position	42,083	111,227	18,119	9,550	180,979	(55,427)
Total net position — beginning	592,725	1,171,463	62,509	68,152	1,894,849	(38,688)
Total net position — ending	$ 634,808	$ 1,282,690	$ 80,628	$ 77,702	2,075,828	$ (94,115)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					(4,711)	
Change in net position of business-type activities					$ 2,071,117	

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, 2013

(Expressed in Thousands)

	Enterprise Funds					
	Water Utility Fund	Wastewater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities:						
Receipts from customers	$ 150,668	$ 126,187	$ 83,300	$ 14,981	$ 375,136	$ 230,649
Payments to employees	(53,433)	(56,114)		(6,965)	(116,512)	(28,890)
Payments to suppliers	(35,437)	(49,771)	(9,628)	(6,250)	(101,086)	(214,835)
Net cash provided (used) by operating activities	61,798	20,302	73,672	1,766	157,538	(13,076)
Cash flows from noncapital financing activities:						
Transfers out			(47,742)		(47,742)	(28,368)
Net cash used by noncapital financing activities			(47,742)		(47,742)	(28,368)
Cash flows from capital and related financing activities:						
Mortgages receivable principal payments			3,894		3,894	
Proceeds from water quality loans		4,766			4,766	
Principal paid on revenue bonds	(10,344)	(22,676)	(8,410)		(41,430)	
Principal paid on general long-term debt		(19)			(19)	
Interest expense	(12,682)	(13,620)	(10,013)		(36,315)	
Acquisition and construction of capital assets	(90,589)	(142,773)	(1,022)	(4,443)	(238,827)	(6,770)
Leases Payable						29,956
Capital contributions	22,307	104,325		2,976	129,608	6,556
Due to other funds				(394)	(394)	
Issuance costs	287				287	
Other assets				11,880	11,880	
Net cash provided (used) by capital and related financing activities	(91,021)	(69,997)	(15,551)	10,019	(166,550)	29,742
Cash flows from investing activities:						
Proceeds from the sale and maturities of investments						5,043
Interest on investments						85
Purchase of investments				(18,071)	(18,071)	(5,050)
Loss on sale of equipment						(363)
Net cash provided (used) by investing activities				(18,071)	(18,071)	(285)
Net increase (decrease) in cash and cash equivalents	(29,223)	(49,695)	10,379	(6,286)	(74,825)	(11,987)
Cash and cash equivalents, beginning of year	118,675	196,390	64,798	51,306	431,169	131,671
Cash and cash equivalents, end of year	$ 89,452	$ 146,695	$ 75,177	$ 45,020	$ 356,344	$ 119,684
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	$32,713	$21,512	$ 71,207	$ 6,574	$132,006	$ (33,337)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	21,122	36,794	2,598	887	61,401	7,897
Changes in assets and liabilities:						
Accounts receivable	(5,730)	(5,704)	(242)	(3,418)	(15,094)	(2,681)
Due from other governments	(3,481)	(27,078)			(30,559)	
Inventories	(2,957)	(2)			(2,959)	(2,395)
Restricted accounts receivable	5,199	(24,552)			(19,353)	
Other assets						(2,850)
Accounts payable and accrued liabilities	(1,089)	(11,652)	308	(38)	(12,471)	4,885
Other liabilities	314	(341)		(2,816)	(2,843)	383
Other noncurrent assets				2,233	2,233	
Estimated liability for claims in progress						15,034
Accrued interest payable	(288)	390	(199)	(10)	(107)	
Restricted accounts payable	6,034	25,794		1	31,829	
Due to other funds	17,600			(1,647)	15,953	(12)
Due to other governments	(7,639)	5,141			(2,498)	
Total adjustments	29,085	(1,210)	2,465	(4,808)	25,532	20,261
Net cash provided (used) by operating activities	$ 61,798	$ 20,302	$ 73,672	$ 1,766	$ 157,538	$ (13,076)

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

CITY OF BALTIMORE

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	$ 64,437	$ 34,195	$ 264
Investments:			
Stocks	2,269,253	188,988	
Bonds	993,571	89,107	52
Real estate	309,848		
Securities lending collateral	111,368		
Accounts receivable, net:			
Other		9,519	215
Forward foreign contracts	54,524		
Other assets	30,694	626	
Total assets	3,833,695	322,435	531
Liabilities:			
Obligations under securities lending program	111,368		
Forward foreign contracts	53,919		
Accounts payable	55,312	3,177	
Due to other funds			215
Other	6,680		316
Total liabilities	227,279	3,177	531
Net position:			
Held in trust for benefits	$ 3,606,416	$ 319,258	

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

CITY OF BALTIMORE

Statement of Changes in Fiduciary Net Position

Pension and OPEB Trust Funds

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	$ 196,498	$ 125,880
Employee	25,666	52,359
Total contributions	222,164	178,239
Investment income:		
Net appreciation in fair value of investments	308,712	23,311
Securities lending income	716	
Interest and dividend income	56,227	4,449
Total investment income	365,655	27,760
Less: investment expense	14,575	1,034
Net investment income	351,080	26,726
Total additions	573,244	204,965
Deductions:		
Retirement allowances	337,090	
Health benefits		148,080
Death benefits	853	
Administrative expenses	7,164	
Other	2,557	
Total deductions	347,664	148,080
Changes in net position	225,580	56,885
Net position— beginning of the year	3,380,836	262,373
Net position— end of the year	$ 3,606,416	$ 319,258

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

CITY OF BALTIMORE

Index to the Notes to Basic Financial Statements

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.

The Enoch Pratt Free Library (EPFL) is not authorized to conduct any business activities, such as purchasing, borrowing or selling of assets funded by City appropriations without the prior consent of the City. All transactions of the EPFL are recorded in the City's general accounting records. The City provides virtually the entire EPFL funding. Therefore, the EPFL is considered a blended unit of the City and is reflected in the General Fund on the fiscal year 2013 Comprehensive Annual Financial Report.

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. 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.

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. 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 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
- Lexington Market
- Baltimore Area Convention and Visit Bureau
- Baltimore Community Lending
- City of Baltimore Development Corporation
- Special Benefits Taxing Districts
- Empower Baltimore Management Corporation
- Live Baltimore Home Center
- Baltimore Healthcare Access, Incorporated
- Baltimore Reads
- Family League of Baltimore City, Inc.
- Hippodrome Foundation
- Community Media of Baltimore City, Incorporated

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 exceed liabilities) 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 do 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. Nonoperating 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.

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.

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.

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

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, electronic equipment maintenance, municipal communications, energy conservation, building maintenance, and risk management, 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.
- 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 revenue 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, 2013, based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments." 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.

Unbilled water and waste water 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 are recorded at their estimated fair value at the date of receipt. 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. 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	5-80
Buildings	50
Building improvements	20-50
Equipment	2-25
Library books	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 at June 30, 2013. 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.

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 2013 was $28,844,799,000 which was approximately 84.7% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2013 was $2.268 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 $5.67 per $100 of assessed value. Current collections were 99.0% of the total tax levy.

At June 30, 2013, the City had property taxes receivable of $19,351,000 net of an allowance for uncollectible accounts of $18,484,000.

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 and personal leave for each completed month of service and can accumulate a maximum of 224 vacation and personal leave days depending upon length of service, which either may be taken through time off or carried until paid at termination or retirement.

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, Parking Facilities Fund, and Non-Major Funds revenue bonds and Federal and State grants, and restricted accounts receivables are restricted for the purpose of the construction of water, sewer, and parking facilities.

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 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.

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

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.

Landfill closure and development – This portion of fund balance has been set aside by the Director of Finance to fund the cost of future landfill development and closure cost.

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 2014 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.

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2013, the City adopted Government Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus-A Amendment of GASB No. 14 and No. 34", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements", and Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position". 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 Government Accounting Standards Board (GASB) Pronouncements:

GASB Statement No. 65

In April 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify certain items currently being reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources or inflows of resources. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City is required to adopt GASB No. 65 for its fiscal year 2014 financial statements.

GASB Statement No. 67

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans". The objective of this statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is required to adopt GASB No. 67 for its fiscal year 2014 financial statements.

GASB Statement No. 68

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is required to adopt GASB No. 68 for its fiscal year 2015 financial statements.

GASB Statement No. 69

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City is required to adopt GASB No. 69 for its fiscal year 2015 financial statements.

GASB Statement No. 70

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The City is required to adopt GASB No. 70 for its fiscal year 2014 financial statements.

GASB Statement No. 71

In April 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions". The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is required to adopt GASB No. 71 for its fiscal year 2015 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 change 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 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 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 changes in net position.

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	$ 5,982,269
Less Accumulated Depreciation	(2,588,183)
Total	$ 3,394,086
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Notes receivable	$ 302,282
Deferred outflows of resources - interest rate swaps	4,310
Total	$ 306,592
Internal service funds are used by management to charge the cost of fleet management, mailing, communications, printing, energy conservation, 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	$ (89,404)
Deferred revenue is not due and payable in the current period and, therefore, is not reported in the funds	$ 40,607
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	$ (13,356)
Unamortized bond premiums	(52,059)
Long term bonds	(709,939)
Revenue bonds	(424,599)
Capital leases	(163,412)
Compensated absences	(124,123)
Net OPEB obligation	(64,220)
Estimated claims in progress	(12,053)
Landfill closure liability	(20,935)
Derivative instrument liability	(4,310)
Total	$ (1,589,006)

Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (amounts 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	$ 157,242
Capital leases	11,804
Depreciation	(151,660)
Total	$ 17,386
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Grant reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	$ 7,575
Property tax revenue not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	33,032
Total	$ 40,607
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of gevernmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Proceeds from capital leases	$ (11,804)
Proceeds from general obligation bonds	(84,242)
Proceeds from transportation bonds	(27,400)
Total	$ (123,446)
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	$ (13,222)
Debt service interest (capital leases, GO bonds, and accrued interest)	(5,653)
Claims liability	(15,667)
Compensated absences	(2,489)
Increase in net OPEB obligation	(17,480)
Total	$ (54,511)
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	$ 4,711

3. Deposits and Investments

A. Summary of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2013 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	$ 25,712	$ 98,632	$ 124,344
Investments	768,851	3,962,135	4,730,986
Total	$ 794,563	$ 4,060,767	$ 4,855,330

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Cash and cash equivalents	$ 372,383	$ 98,896	$ 471,279
Investments	188,421	3,962,187	4,150,608
Restricted cash and cash equivalents	233,443		233,443
Total	$ 794,247	$ 4,061,083	$ 4,855,330

B. Cash Deposits

As of June 30, 2013, the carrying amount of the City's bank deposits was $25,712,000 and the respective bank balances totaled $42,251,000. 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.

At June 30, 2013, BCPSS and BHC had demand deposits with carrying values of $110,800,000 and $2,585,000, 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, certificates of deposits, 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 security 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.

The primary government's investments at June 30, 2013, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S. Treasury	$ 59,508	$ 7,792	$ 6,165	$ 45,551
U.S. Agencies	119,965	104,926		15,039
Repurchase agreements	115,000	115,000		
Certificates of Deposits	4,000	2,000	2,000	
Money market mutual funds	282,076	282,076		
Maryland Local Government Investment Pool	172,095	172,095		
Commercial Paper	11,510	11,510		
Guaranteed investment contracts	1,234	1,234		
	765,388	$ 696,633	$ 8,165	$ 60,590
Other investment:				
Equity mutual funds	3,463			
	768,851			
Less: cash equivalents	580,430			
Total invesments	$ 188,421			

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 investment 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.

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

As discussed above 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, 2013 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		Aaa-AA+	A1-P1
Debt securities:			
U.S. Agencies	$ 119,965	$ 119,965	
Money market mutual funds	282,076	282,076	
Maryland Local Government Investment Pool	172,095	172,095	
Commercial Paper	11,510		$ 11,510
Total rated debt investments	$ 585,646	$ 574,136	$ 11,510

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, 2013, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Cantor Repurchase Agreement	$ 115,000	15.00%

Retirement Systems

The City's three Retirement Systems 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 Systems' 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.

The invested assets of the retirement systems at June 30, 2013, are as follows (amounts expressed in thousands):

	Carrying Value			
Investment Type	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Debt Securities:				
U.S. Treasury notes and bonds	$ 39,441		$ 175,795	$ 215,236
U.S. Government agency bonds	55,107		134,308	189,415
Corporate bonds	95,017	$ 6,389	391,125	492,531
Barclay aggregate index fund			12,938	12,938
Mutual funds	25,337	90	39,010	64,437
Emerging markets debt fund			83,452	83,452
Total debt securities	214,902	6,479	836,628	1,058,009
Other:				
Domestic equities	668,658	9,559	381,690	1,059,907
International equities	193,319	4,317	337,835	535,471
Hedge funds	67,673		182,453	250,126
Venture capital	43,528			43,528
Private equity funds	23,688		136,338	160,026
Energy master limited partnerships			131,506	131,506
Risk parity fund			88,688	88,688
Real estate	140,096		169,751	309,847
Total other	1,136,962	13,876	1,428,261	2,579,099
Total investments	1,351,864	20,355	2,264,889	3,637,108
Less: Cash and cash equivalents	25,337	90	39,010	64,437
Total net investments	$ 1,326,527	$ 20,265	$ 2,225,879	$ 3,572,671

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 Employees' Retirement System Board of Trustees has adopted a policy that the external managers demonstrate sensitivity to currency risk. The foreign currency exposure of the 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 currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted.

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

The foreign currency risk for each system at June 30, 2013, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	$ 27,916	$ 61,813	$ 89,729
British Pound Sterling	31,407	54,994	86,401
Japanese Yen	9,877	35,104	44,981
South Korean Won	826	4,032	4,858
Hong Kong Dollar	8,096	13,998	22,094
Swiss Franc	4,481	19,802	24,283
Mexican New Peso	880	201	1,081
South African Comm Rand	2	911	913
Nigerian Naira		245	245
New Zealand Dollar	490	132	622
Philippines Peso		78	78
New Taiwan Dollar		3,674	3,674
Brazil Real	993	1,172	2,165
Canadian Dollar	4,439	3,207	7,646
New Turkish Lira		543	543
Australian Dollar	3,122	2,268	5,390
Swedish Krona	1,601	2,545	4,146
Norwegian Krone	326	3,028	3,354
Singapore Dollar	9,063	4,403	13,466
Indonesian Rupiah	1	1,076	1,077
Danish Krone	2,929	635	3,564
Thailand Baht		712	712
Chilean Peso		536	536
Polish Zloty		264	264
Total Foreign Currency	$ 106,449	$ 215,373	$ 321,822
U.S. Dollars (Held in international equity)	$ 92,171	$ 122,462	$ 214,633

Interest rate risk — The Fire and Police Employees' 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 Barclay Capital Aggregate benchmark.

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.

The credit ratings and durations of investments at June 30, 2013, are as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC thru C	DDD thru D	Not Rated
Employees' Retirement System:							
U.S. Treasury notes and bonds	6.81	$ 39,441	$ 39,437				$ 4
U.S. Government agency bonds	4.78	55,107	31,445				23,662
Corporate bonds	4.08	95,017	24,321	$ 12,580	$ 3,999		54,117
Mutual funds	0.09	25,337					25,337
Total debt securities		214,902	95,203	12,580	3,999		103,120
Elected Officials' Retirement System:							
Corporate bonds	3.88	6,389					6,389
Mutual funds	0.00	90					90
Total debt securities		6,479					6,479
Fire and Police Employees' Retirement System:							
U.S. Treasury notes and bonds	12.20	175,795	175,795				
U.S. Government agency bonds	4.94	134,308	134,308				
Barclay aggregate index	5.48	12,938	12,938				
Corporate bonds	5.66	391,125	248,341	135,307	7,055	$ 149	273
Mutual funds	0.08	39,010					39,010
Emerging markets debt fund	4.75	83,452		83,452			
Total debt securities		$ 836,628	$ 571,382	$ 218,759	$ 7,055	$ 149	$ 39,283

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 loan 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.

At June 30, 2013, 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, 2013, was $178,574,000, and the market value of the collateral received for those securities on loan was $183,584,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its 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 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 holdings 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 invested assets of the OPEB Trust Fund at June 30, 2013, are as follows (expressed in thousands):

		Investment Maturities (In Months)		
Investment Type	Fair Value	Less than 6	6 to 12	Greater than 12
Cash and cash equivalents	$ 34,195	$ 34,195		
Bonds	89,107			$ 89,107
Total	123,302	$ 34,195		$ 89,107
Stock	188,988			
Total investments	312,290			
Less: cash and cash equivalents	34,195			
Total net investments	$ 278,095			

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.

Baltimore City Public School System

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, 2013, are presented below. All investments are presented by investment type (expressed in thousands).

		Investments Maturities (In Months)			
Investment Type	Fair Market Value	Less Than 4	4 to 12	Percent	Max. allowed per Investment Policy
Money market funds	$ 20,087	$ 20,087		12.5%	100.0%
Commercial paper	6,545	4,046	$ 2,499	4.1	5.0
Repurchase agreement	18,853	18,853		11.7	100.0
U.S. Government agencies	103,643		103,643	64.5	100.0
U.S. Treasury obligations	11,571		11,571	7.2	100.0
Total invested funds	160,699	$ 42,986	$ 117,713	100.0%	
Less: Cash and cash equivalents	42,986				
Total net investments	$ 117,713				

Investment Ratings

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

Moody	Percent	Fair Value
Aaa	66.3%	$ 106,608
P-1	9.4	15,105
Not rated	24.3	38,986
	100.0%	$ 160,699

S&P	Percent	Fair Value
AAA	12.1%	$ 19,395
A-1	1.1	2,000
A-1+	8.2	13,106
AA+	54.3	87,212
Not rated	24.3	38,986
	100.0%	$ 160,699

Risk Classifications

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.

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 $31,166,000; consisting of repurchase agreements with various financial institutions and government money market funds.

4. Receivables, net

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

Receivables	General Fund	Grants Revenue Fund	Capital Projects Fund	Major Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	$ 19,351					$ 19,351
Service billings				$ 92,792	$ 6,103	98,895
Due from other governments	59,827	$ 50,473	$ 58,165	37,822		206,287
Notes and mortgages receivable	6,531			58,431	568	65,530
Other	17,500		1,212	781	14,810	34,303
Restricted accounts receivable				57,114		57,114
Total	$ 103,209	$ 50,473	$ 59,377	$ 246,940	$ 21,481	$ 481,480

Service billings are reported net of an allowance for doubtful accounts of $28,737,000. Bad debt expense for fiscal year 2013 was $815,000.

5. Capital Assets

Capital assets activity for the year ended June 30, 2013, is as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 144,132	$ 104,083*		$ 248,215
Other	230,101	701	$ 107,693	123,109
Construction in progress	59,587	27,899	34,584	52,902
Construction in progress – infrastructure	174,560	106,516	78,013	203,063
Total capital assets, not being depreciated	608,380	239,199	220,290	627,289
Capital assets, being depreciated:				
Buildings and improvements	1,993,135	20,613		2,013,748
Equipment	437,439	15,182	9,285	443,336
Infrastructure	2,832,472	68,552		2,901,024
Library books	54,801	2,830		57,631
Total capital assets, being depreciated	5,317,847	107,177	9,285	5,415,739
Less: accumulated depreciation for:				
Buildings and improvements	968,892	60,902		1,029,794
Equipment	351,272	19,997	8,781	362,488
Infrastructure	1,095,501	65,884		1,161,385
Library books	29,639	4,877		34,516
Total accumulated depreciation	2,445,304	151,660	8,781	2,588,183
Total capital assets, being depreciated, net	2,872,543	(44,483)	504	2,827,556
Governmental activities capital assets, net	$ 3,480,923	$ 194,716	$ 220,794	$ 3,454,845

* Department of Recreation and Parks assets classified as "Other"in prior years were reclassified as Land in fiscal year 2013.

Business-type Activities Capital Assets:

Class	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 36,597			$ 36,597
Construction in progress	667,943	$ 261,527	$ 192,187	737,283
Total capital assets, not being depreciated	704,540	261,527	192,187	773,880
Capital assets, being depreciated:				
Buildings and improvements	2,738,913	58,588	255	2,797,246
Equipment	189,046	11,620	53	200,613
Infrastructure	175,776	125,641		301,417
Total capital assets, being depreciated	3,103,735	195,849	308	3,299,276
Less: accumulated depreciation for:				
Buildings and improvements	840,610	50,758		891,368
Equipment	139,817	6,392	40	146,169
Infrastructure	22,328	4,251		26,579
Total accumulated depreciation	1,002,755	61,401	40	1,064,116
Total capital assets, being depreciated, net	2,100,980	134,448	268	2,235,160
Business-type activities capital assets, net	$ 2,805,520	$ 395,975	$192,455	$3,009,040

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2013 (amounts expressed in thousands):

Governmental activities:

General government	$ 10,250
Public safety and regulation	9,126
Conservation of health	372
Social services	39
Education	30,427
Public library	5,794
Recreation and parks	7,863
Highways and streets	74,145
Sanitation and waste removal	1,873
Public service	3,001
Economic development	875
Internal service funds	7,895
Total	$ 151,660

Business-type activities:

Water	$ 21,122
Wastewater	36,794
Parking	2,598
Conduits	887
Total	$ 61,401

At June 30, 2013, the outstanding commitments relating to projects of the City of Baltimore amount to approximately $5,702,000 for governmental activities and $397,444,000 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. Interest is also capitalized on proprietary fund capital assets acquired with tax-exempt debt. During fiscal year 2013, net interest cost of $23,574,000 (net of interest income of $2,765,000) was capitalized.

6. Interfund Balances and Activity

A. Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2013, were as follows (amounts expressed in thousands):

Fund	Interfund Receivable	Interfund Payable
General	$ 138,572	
Grants revenue		$ 79,583
Capital projects	9,927	21,461
Water utility		17,600
Nonmajor governmental	1,358	10,409
Nonmajor proprietary		9,927
Internal service		10,662
Agency		215
Totals	$ 149,857	$ 149,857

The interfund balances are primarily the result of the City's policy not to reflect cash deficits in its individual funds. Also, at June 30, 2013, certain transactions between funds had not been completed.

B. Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2013, consist of the following (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Governmental	Parking	Internal Service	Total Transfers To
General				$ 41,988	$ 28,368	$ 70,356
Grants revenue				5,754		5,754
Capital projects	$ 21,100		$ 9,599			30,699
Nonmajor governmental	91,578	$ 4,385				95,963
Total transfers from	$ 112,678	$ 4,385	$ 9,599	$ 47,742	$ 28,368	$ 202,772

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

C. Deficits

The following funds had a deficit fund balance/net position at June 30, 2013 (amounts expressed in thousands):

Special Revenue Funds:	
Grants revenue	$ 62,864
CDBG (nonmajor governmental fund)	9,255
Internal Service Funds:	
Risk management	152,299
Reproduction and printing	7,167
Municipal telephone exchange	1,543
Energy conservation	1,542
Building maintenance	770
Municipal post office	731

The deficit in the Grants Revenue Fund is primarily the result of timing differences related to non-exchange transactions. Revenues to cover this deficit are expected to be received in fiscal year 2014 through expenditure reimbursements. Any amounts determined to be uncollectible may be funded through transfers from the General Fund.

The City plans to implement a multi-step approach to reducing the accumulated deficit in the Risk Management Fund. In addition to increasing agency premiums in excess of those needed to cover expected operating expenses, the City will prioritize using a portion of surplus funds each year to reduce the remaining unfunded liability. The

City is also evaluating its investment approach to determine if it is appropriate to invest more aggressively given the long-term nature of the fund. The additional investment yield may aid in further reducing the unfunded liability.

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, 2013, are as follows (amounts expressed in thousands):

	June 30, 2012	New Debt Issued	Debt Retired	June 30, 2013	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds:					
Highways	$ 6,937	$ 5,069	$ 5,994	$ 6,012	$ 668
Health	3,049	1,049	1,297	2,801	221
Public Safety	6,166	1,220	2,508	4,878	763
Off-street parking	10,273	1,646	4,907	7,012	474
Parks and recreation	21,439	14,158	8,833	26,764	1,903
Public buildings and facilities	60,438	33,111	28,311	65,238	4,211
Schools	190,487	74,973	78,819	186,641	10,311
Urban renewal	262,204	93,316	93,096	262,424	21,797
Unallocated	9,155	6,008	7,836	7,327	750
Total general obligation bonds	570,148	230,550	231,601	569,097	41,098
Special Obligation Bonds:					
Special obligation bonds	114,993		558	114,435	611
Long-term financing with the Federal Government:					
Federal economic development loans	39,355		2,894	36,461	3,000
Long-term financing with the State of Maryland:					
State economic development loans	705		195	510	184
Grand Prix loan	1,150		230	920	230
Total long-term financing with the State of Maryland	1,855		425	1,430	414
Total governmental activities	$ 726,351	$ 230,550	$ 235,478	$ 721,423	$ 45,123
BUSINESS-TYPE ACTIVITIES					
Long-term financing with the State of Maryland:					
Sewer construction loans	$19		$19		
Total business type activities	$19		$19		
COMPONENT UNIT - BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
Bonds:					
Schools	$ 146,340		$ 5,825	$ 140,515	$ 6,095

Variable Rate General Obligation Bonds

On January 30, 2013, the City issued general obligation bonds, Series 2013 A, 2013 B, 2013 C and 2013 D, in the amounts of $46,275,000, $164,590,000, $13,725,000, and $5,960,000, respectively, and totaling $230,550,000. Of this amount, $60,000,000 were issued for various capital projects, and $170,550,000 were refunding bonds that current refunded certain outstanding maturities totaling $131,695,000, and advanced refunded certain outstanding maturities totaling $46,965,000. A majority of the savings facilitated the refunding of the City's auction rate debt portfolio and the termination of the underlying interest rate exchange agreements. Interest on the bonds is due each October 15th and April 15th, and mature between 2020 and 2032 depending on the particular series.

The Series 2013 general obligation refunding bonds were issued for economic gain, to eliminate exposure to failed auction bonds and reduce the City's derivative swap exposure. A majority of the economic gain or savings associated with the refunding was used to terminate swaps associated with the failed auction bonds.

The Series 2013 general obligation refunding bonds were issued for a net present value economic gain of $22,900,000. Of this amount, $18,700,000 was used to eliminate exposure to the City's failed auction bonds and reduce derivative swap exposure. The remaining balance of $4,200,000 was used to reduce the City's future debt service costs.

The City has $27,120,000 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 Remarking Agent on a weekly basis. Under terms of the indenture, 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 in the amount of $31,213,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires August 1, 2014, but can be extended for additional years. 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 remarked. The interest rate on draws made under this agreement includes a base rate defined as the greater of prime rate plus 1.0%, federal funds rate plus 2.0% or 8.5%.

The City is required to pay the Bank fees throughout the term of the agreement equal to 0.49% per annum of the average daily amount of the available commitment.

During fiscal year 2013, the City made no draws under the agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2013.

At June 30, 2012, the City had $146,625,000 of Series 2001 A&B and Series 2003 A&B auction rate notes outstanding. These notes were retired in fiscal year 2013.

The liabilities for governmental activities are principally liquidated by the general and capital projects funds. Long-term debt payable on the statement of net position is presented net of $11,484,000 of unamortized losses on early extinguishment of debt.

The following is a summary of debt activity other than general obligation bonds:

- *Special Obligation Bonds:* The City borrowed funds to provide funding for capital projects in the development district. At June 30, 2013, principal owed for these bonds was $114,435,000, and interest of $145,832,000 at the interest rates ranging from 5.5% to 7.0% per annum will be due in future years.

- *Federal Economic Development Loan:* The City borrowed funds from the Federal government to provide for various development projects. At June 30, 2013, the principal owed to the Federal government was $36,461,000, and interest of $9,465,000 will be due thereon in future years. The loan bears interest at rates ranging from 6.0% to 10.9% and matures serially through 2024.

- *State Economic Development Loans:* The City borrowed $24,685,000 from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopments Act. At June 30, 2013, the principal owed to the State was $510,000, and interest of $23,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.0% to 11.2% and the final payment is due in 2016.

- *State Grand Prix Loan:* The City borrowed $1,380,000 from the State of Maryland, as an interest free loan, to be used to improve downtown City streets and sidewalks, traffic signals and signage and other transportation-related infrastructure necessitated by the Grand Prix races. At June 30, 2013, the loan balance amount owed to the State was $920,000. Payments of 16.66% of the loan amount are due annually with the final payment due by June 30, 2017.

- *Sewer Construction Loans:* Under the provisions of Chapter 445, laws of Maryland 1968, and Chapter 286, laws of Maryland 1974, loans were made available to counties and municipalities charged with providing sewerage facilities to assist in the construction of such facilities. Since December 1980, the City has borrowed a total of $1,184,000 for sewer projects. The remaining balance was paid in fiscal year 2013.

Compensated Absences

Compensated absences at June 30, 2013, totaled $124,123,000 for governmental activities and $13,332,000 for business-type activities, of which $46,770,000 and $5,324,000 respectively, were due within one year. For the Baltimore City Public School System, compensated absences totaled $64,041,000, of which $6,404,000 were due within one year.

Changes in compensated absences during fiscal year 2013 (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2012	$ 121,635	$ 13,079	$ 134,714
Leave earned	49,258	5,577	54,835
Leave used	(46,770)	(5,324)	(52,094)
Balance, June 30, 2013	$ 124,123	$ 13,332	$ 137,455

B. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2013, are as follows (amounts expressed in thousands):

	Governmental Activities								
	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds		Long-Term Financing with State of Maryland	
Fiscal Year	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 41,098	$ 23,558	$ 1,178	$ 3,000	$ 1,407	$ 611	$ 6,638	$ 414	$12
2015	34,958	22,445	1,095	3,104	1,319	669	6,599	412	8
2016	36,036	21,167	1,000	3,225	1,221	995	7,485	374	3
2017	36,270	19,789	916	3,340	1,111	1,104	7,892	230	
2018	30,610	18,411	868	3,472	990	1,270	7,819		
2019-2023	206,640	67,941	2,835	14,654	3,044	8,804	37,646		
2024-2028	126,780	28,248		5,666	373	19,031	33,347		
2029-2033	56,705	4,620				30,950	24,714		
2034-2038						37,856	12,620		
2039-2043						13,145	1,072		
Totals	$ 569,097	$ 206,179	$ 7,892	$ 36,461	$ 9,465	$ 114,435	$ 145,832	$ 1,430	$ 23

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2013, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2013, are as follows:

		Outstanding		Authorized But Unissued
Purpose	Due Dates	Interest Rates	Amount	Amount
Fire, police, and public protection	2013 to 2032	1.0% to 7.5%	$ 4,878	$ 148
Off-street parking	2013 to 2025	1.0% to 7.3%	7,012	345
Parks and recreation	2013 to 2032	1.0% to 6.0%	26,765	35,712
Public buildings and facilities	2013 to 2032	1.0% to 7.5%	65,237	52,195
Schools	2013 to 2032	1.0% to 6.0%	186,641	81,395
Urban renewal and development	2013 to 2032	1.0% to 8.3%	262,424	93,608
Highways	2013 to 2025	0.3% to 5.5%	6,013	220
Finance				20,000
Health	2013 to 2031	3.0% to 7.5%	2,800	4,070
Unallocated	2013 to 2025	1.0% to 5.0%	7,327	
Totals			$ 569,097	$ 287,693

Baltimore City Public School System (BCPSS) Bonds

BCPSS has issued $52,460,000 of Series 2003A revenue bonds (the Series 2003A Bonds), maturing through the year ending June 30, 2018. The net proceeds of the Series 2003A Bonds were used to finance and refinance the costs of acquisition, construction, renovation and certain capital improvements of the BCPSS. These include various capital improvements of the existing schools within the BCPSS, renovations to facilitate the conversion of Pre K to 8 schools, and the conversion of existing large neighborhood high schools to smaller community based high schools, other capital improvements associated with alleviating overcrowding at certain facilities, water filtration equipment for installation at certain facilities with drinking water determined to have higher than normal lead content and certain other capital projects included in the Strategic Facilities Plan approved by the School Board.

As the BCPSS entered into capital project contracts with one or more contractors, funds were drawn from the Series 2003A Bonds escrow account to fund capital expenditures. Interest rates range from 2.0% to 5.0% and interest was payable semiannually on November and May 1 of each year.

The Series 2003A Bonds were the debt and obligation of the BCPSS and were not a debt or obligation of, or pledge of, the faith and credit of the City of Baltimore. On December 17, 2009, BCPSS refunded $25,295,000 of the Series 2003A Bonds. During fiscal year 2013, the remaining balance was paid in full.

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 the 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. As of June 30, 2013, the outstanding balance of the Series 2009 Construction Bonds is $50,800,000.

BCPSS has issued the City School Refunding Bonds Series 2009 (the Series 2009 Refunding Bonds) in the amount of $32,335,000, maturing through the year ending June 30, 2018. The proceeds of the Series 2009 Refunding Bonds were used to refund a portion of the Series 2000 and Series 2003A Bonds. The interest rate ranges from 4.00% to 5.00% and interest is payable semiannually on May 1 and November 1 of each year. As of June 30, 2013, the outstanding balance on the Series 2009 Refunding Bonds is $28,890,000.

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, 2025. 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, 2013, the outstanding balance on the Series 2011 Bonds is $60,825,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2013 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2014	$ 6,095	$ 2,262	$ 8,357
2015	7,409	1,958	9,367
2016	8,312	1,638	9,950
2017	9,979	1,302	11,281
2018	11,735	1,066	12,801
2019 - 2023	67,698	4,154	71,852
2024 - 2027	29,287	1,442	30,729
Totals	$ 140,515	$ 13,822	$ 154,337

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 2013, the City's capital lease obligations increased by $13,832,000 (which is net of new leases in the amount of $41,760,000 and lease principal payments of $27,928,000) over the fiscal year 2012 total of $182,164,000. Future minimum lease payments at June 30, 2013, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
2014	$ 36,532	$ 470	$ 4,182	$ 41,184
2015	30,448	468	4,182	35,098
2016	29,443	469	4,182	34,094
2017	26,712	382	4,182	31,276
2018	17,614	294	4,182	22,090
2019-2023	39,268	716	11,675	51,659
2024-2028	8,431	198		8,629
Total minimum lease payments	188,448	2,997	32,585	224,030
Less: deferred interest	(25,036)	(369)	(2,629)	(28,034)
Present value minimum lease payments	$ 163,412	$ 2,628	$ 29,956	$ 195,996

The following is a schedule of leased property under capital leases by major class at June 30, 2013 (amounts expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	$ 173,756			$ 173,756
Equipment	281,626	$ 3,187	$ 29,956	314,769
Total	$ 455,382	$ 3,187	$ 29,956	$ 488,525

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

Baltimore City Public School System (BCPSS)

BCPSS has entered into a $12,370,000 fifteen year capital lease (the 1999 Lease Agreement) with First Municipal Credit Corporation (FMCC) for the purchase and repair of certain boilers at various school locations. Under the terms of the 1999 Lease Agreement, funds were to be deposited into an "Acquisition Account." As the BCPSS entered into purchase agreements with one or more vendors related to the purchase and repair of certain boilers, monies were to be drawn from an "Acquisition Account" to fund actual purchases. As of June 30, 2013, the outstanding balance on the 1999 lease is $3,188,000.

Additionally, BCPSS has entered into a $25,000,000 capital lease agreement (the Master Equipment Lease) with US Bank, National Association, for the lease of "Equipment," which includes General Equipment ($1,500,000 at an interest rate of 3.06% for seven years), Oracle Equipment ($13,000,000 at an interest rate of 3.56% for 10 years), Vehicles ($4,500,000 at an interest rate of 2.68% for five years) and Computers ($6,000,000 at an interest rate of 2.68% for five years). Under the terms of the lease, funds were to be deposited into four separate Escrow Fund Accounts at the US Bank. As the Board entered into purchase agreements with one or more vendors, monies were to be drawn from the Escrow Accounts to fund actual purchases. Interest earned on the escrow balance remains in the escrow account and is to be used for the same purposes as the principal. As of June 30, 2013, the outstanding balance on the 2003 Master Lease is $1,175,000.

In November 2011, BCPSS entered into leases with two financial institutions to refinance the 2006 Energy Lease. The 2011 Refunding Lease-1st Niagara 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 $46,500,000 in 2006 leases. BCPSS had no gains or losses as a result of these refinancings. As of June 30, 2013, the outstanding balances on the 1st Niagara and M&T Refunding Leases were $18,511,000 and $20,858,000, respectively.

Future minimum lease payments as of June 30, 2013, are as follows (amounts expressed in thousands):

Fiscal Year	Capital Leases Principal
2014	$ 8,837
2015	7,738
2016	7,081
2017	6,121
2018	4,576
2019 - 2023	13,864
Total minimum lease payments	48,217
Less: deferred interest	(4,485)
Present value minimum lease payments	$ 43,732

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2013 (amounts expressed in thousands):

Classes of Property	
Buildings	$ 72,650
Equipment	24,549
Total	$ 97,199

8. Revenue Bonds

Water and Wastewater 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 $123,629,000 at June 30, 2013, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2013, consist of (amounts expressed in thousands):

	Water Utility Fund	Wastewater Utility Fund
Term bonds series 1993-A with interest at 5.60%, payable semiannually, due July 1, 2013	$ 2,700	$1,600
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	23,900	14,000
Term bonds series 1994-A with interest at 6.00%, payable semiannually, due July 1, 2015	3,400	2,355
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022		7,115
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024	10,280	
Serial bonds series 1994-B maturing in annual installments from $332,000 to $406,000 through February 1, 2015, with interest rate at 2.25%, payable semiannually		802
Serial bonds series 1994-C maturing in annual installments from $310,000 to $387,000 through February 1, 2015, with interest rate at 2.50%, payable semiannually		765
Serial bonds series 1994-D maturing in annual installments from $215,000 to $296,000 through February 1, 2015, with interest rate at 3.60%, payable semiannually		581
Serial bonds series 1996-B maturing in annual installments from $148,000 to $208,000 through February 1, 2017, with interest at 3.17%, payable semiannually		795
Serial bonds series 1998-A maturing in annual installments from $287,000 to $414,000 through February 1, 2019, with interest at 2.87%, payable semiannually		2,320
Serial bonds series 1999-A maturing in annual installments from $122,000 to $167,000 through February 1, 2019, with interest rate at 2.52%, payable semiannually		915
Serial bonds series 1999-B maturing in annual installments from $433,000 to $652,000 through February 1, 2021, with interest rate at 2.61%, payable semiannually		4,215
Serial bonds series 2001-A maturing in annual installments from $569,000 to $819,000 through February 1, 2022, with interest rate at 2.30%, payable semiannually		6,552

	Water Utility Fund	Wastewater Utility Fund
Serial bonds series 2002-A maturing in annual installments from $1,660,000 to $1,145,000 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually		11,730
Serial bonds series 2002-A maturing in annual installments from $1,855,000 to $1,975,000 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually	16,780	
Term bonds series 2002-A with interest at 5.00%, payable semiannually, due July 1, 2023	4,250	2,470
Term bonds series 2002-A with interest at 5.00%, payable semiannually, due July 1, 2027	9,845	6,070
Term bonds series 2002-A with interest at 5.20%, payable semiannually, due July 1, 2032		9,480
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2032	15,385	
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2042	64,840	31,630
Auction rate notes series 2002-B, payable monthly, due July 1, 2032		25,300
Auction rate notes series 2002-B, payable monthly, due July 1, 2037	18,300	
Auction rate notes series 2002-C, payable monthly, due July 1, 2032		45,300
Auction rate notes series 2002-C, payable monthly, due July 1, 2037	40,800	
Serial bonds series 2003-A maturing in annual installments from $1,930,000 to $2,095,000 from July 1, 2023 through July 1, 2025, with interest rate at 4.125 to 4.20% , payable semiannually		6,035
Term bonds series 2003-A with interest at 4.20%, payable semiannually, due July 1, 2028	12,835	
Serial bonds series, 2003-B maturing in annual installments from $308,000 to $984,000 through February 1, 2024, with interest rate at 0.40%, payable semiannually		3,194
Serial bonds series, 2003-B maturing in annual installments from $66,000 to $984,000 through February 1, 2024, with interest rate at 0.40%, payable semiannually	1,242	
Auction rate notes series 2004-A, payable monthly, due July 1, 2034		17,500
Serial bonds series, 2004-A maturing in annual installments from $197,000 to $984,000 through February 1, 2024, with interest rate at 0.45%, payable semiannually	3,983	
Serial bonds series, 2004-B maturing in annual installments from $917,000 to $984,000 through February 1, 2024, with interest rate at 0.45%, payable semiannually		8,216
Auction rate notes series 2004-B, payable monthly, due July 1, 2034	45,100	
Serial bonds series, 2004-C maturing in annual installments from $846,000 to $984,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		9,786
Serial bonds series, 2005-A maturing in annual installments from $1,030,000 to $984,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		10,929
Serial bonds series, 2005-A maturing in annual installments from $3,500,000 to $580,000 from July 1, 2021 through July 1, 2025, with interest rate of 4.00% to 5.00%, payable semiannually	1,670	
Serial bonds series, 2005-B maturing in annual installments from $750,000 to $1,480,000 through July 1, 2025, with an interest of 3.25% to 5.00%, payable semiannually		12,530
Serial bonds series, 2006-A maturing in annual installments from $515,000 to $1,035,000 through July 1, 2026, with interest rates of 4.00% to 4.50%, payable semiannually	11,125	
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2031	5,930	
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2036	7,435	
Serial bonds series, 2006-A maturing in annual installments from $1,380,000 to $1,561,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		17,191
Serial bonds series, 2006-B maturing in annual installments from $338,000 to $362,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		4,420
Serial bonds series, 2006-C maturing in annual installments from $990,000 to $2,090,000 through July 1, 2026, with interest rates of 4.00% to 5.00%, payable semiannually		21,895
Term bond series 2006-C with interest at 5.00%, payable semiannually, due July 1, 2029		6,920
Serial bonds series, 2007-A maturing in annual installments from $64,000 to $80,000 through February 1, 2037, with interest rate at 0.40%, payable semiannually	1,592	
Serial bonds series, 2007-A maturing in annual installments from $1,833,000 to $2,184,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		27,239
Serial bonds series, 2007-B maturing in annual installments from $134,000 to $161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		2,200
Serial bonds series, 2007-B maturing in annual installments from $30,000 to $3,860,000 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually	19,715	
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2032	22,995	
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2035	7,910	
Serial bonds series, 2007-C maturing in annual installments from $35,000 to $3,935,000 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually		10,910
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2032		29,795
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2036		19,255
Serial bonds series, 2007-C maturing in annual installments from $740,000 to $1,570,000 through July 1, 2027, with interest rates of 3.75% to 5.00%, payable semiannually	17,220	
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2032	9,115	
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2037	11,630	

	Water Utility Fund	Wastewater Utility Fund
Serial bonds series, 2007-D maturing in annual installments from $1,890,000 to $4,330,000 through July 1, 2027, with interest rates of 5.00%, payable semiannually		47,180
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2032		25,120
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2037		32,050
Serial bonds series, 2008-A maturing in annual installments from $475,000 to $1,005,000 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually	12,075	
Term bond series 2008-A with interest at 4.625%, payable semiannually, due July 1, 2033	5,740	
Term bond series 2008-A with interest at 4.73%, payable semiannually, due July 1, 2038	1,115	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038	6,150	
Serial bonds series, 2008-A maturing in annual installments from $475,000 to $1,005,000 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually		24,750
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2033		12,205
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038		15,575
Serial bonds series, 2009-A maturing in annual installments from $475,000 to $1,005,000 through July 1, 2021, with interest rates of 2.00% to 4.50%, payable semiannually	4,815	
Term bond series 2009-A with interest at 5.00%, payable semiannually, due July 1, 2024	1,220	
Term bond series 2009-A with interest at 5.125%, payable semiannually, due July 1, 2029	3,630	
Term bond series 2009-A with interest at 5.375%, payable semiannually, due July 1, 2034	4,680	
Term bond series 2009-A with interest at 5.75%, payable semiannually, due July 1, 2039	6,120	
Serial bonds series, 2009-A maturing in annual installments of $426,167 through February 1, 2029, with an interest rate at 0.00%		6,819
Serial bonds series, 2009-B maturing in annual installments of $95,391 through February 1, 2030, with an interest rate at 0.00%		1,466
Serial bonds series, 2009-B maturing in annual installments of $586,172 from February 1, 2015 through February 1, 2043, with an interest rate at 0.00%	17,000	
Serial bonds series, 2009-C maturing in annual installments from $370,000 to $570,000 through July 1, 2022, with interest rates of 2.00% to 4.50%, payable semiannually		6,860
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2024		1,720
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2029		5,115
Term bond series 2009-C with interest at 5.125%, payable semiannually, due July 1, 2034		6,545
Term bond series 2009-C with interest at 5.625%, payable semiannually, due July 1, 2039		8,490
Serial bonds series, 2009-E maturing in annual installments of $586,172 from February 1, 2015 through February 1, 2042, with an interest rate at 0.00%		3,000
Serial bonds series, 2010-A maturing in annual installments of $15,764 to $37,150 through February 1, 2040, with an interest rate at 0.00%		750
Serial bonds series, 2011-A maturing in annual installments of $915,000 to $2,000,000 through July 1, 2031, with interest rates from 2.00% to 5.00%	26,400	
Serial bonds series, 2011-A maturing in annual installments of $1,515,000 to $3,940,000 through July 1, 2031, with interest rates from 3.00% to 5.00%		50,295
Term bond series 2011-A with interest at 4.57%, payable semiannually, due July 1, 2036	11,400	
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	14,345	29,185
Serial bonds series, 2011-B maturing in annual installments of $130,193 to $172,023 from February 1, 2015 through February 1, 2043, with interest rates of 1.00%	4,356	
Serial bonds series, 2011-B maturing in annual installments of $168,332 to $203,363 from February 1, 2014 through February 1, 2033, with interest rates of 1.00%		3,706
Serial bonds series, 2013-A maturing in annual installments of $1,558,483 to $1,798,836 from February 1, 2016 through February 1, 2034, with interest rate at 0.80%, payable semiannually		31,844
	509,023	717,555
Less unamortized charges	6,527	2,638
	$ 502,496	$ 714,917

At June 30, 2013, the Water Utility fund had $104,200,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes was less than 1%.

At June 30, 2013, the Wastewater Utility fund had $88,100,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of the insurance provider on each note issue. The interest rate in the event of a failed auction on these notes was less than 1%.

Parking Facilities Revenue Bonds

The City has issued various funding and refunding 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 $28,568,000 at June 30, 2013, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2013, consist of (amounts expressed in thousands):

Term bonds series 1997-A with interest at 5.90%, payable semiannually, due July 1, 2013	$ 4,865
Term bonds series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018	29,040
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014	1,210
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021	3,300
Serial bonds series 2005 maturing in annual installments from $400,000 to $1,590,000 through July 1, 2015 with interest rates ranging from 4.69% to 5.07%, payable semiannually	4,570
Term bonds series 2005 with interest at 5.27%, payable semiannually, due July 1, 2018	5,315
Term bonds series 2005 with interest at 5.30%, payable semiannually, due July 1, 2027	10,470
Term bonds series 2005 with interest at 5.62%, payable semiannually, due July 1, 2035	1,000
Variable rate demand bonds series 2008, payable monthly, due July 1, 2032	73,540
Serial bonds series 2010 maturing in annual installments from $705,000 to $1,330,000 through July 1, 2015 with interest rates ranging from 1.988% to 3.537%, payable semiannually	4,620
Term bonds series 2010 with interest at 4.336%, payable semiannually, due July 1, 2017	2,075
Term bonds series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020	3,045
Term bonds series 2010 with interest at 6.10%, payable semiannually, due July 1, 2025	4,275
Term bonds series 2010 with interest at 7.00%, payable semiannually, due July 1, 2035	14,025
	163,410
Less deferred loss on bonds refunding and unamortized charges	21,267
	$ 142,143

The City had $73,540,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2013. The bonds mature serially starting on July 1, 2013 through July 1, 2032. 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 range from $915,000 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 terms of the indenture, 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 the bondholders.

In conjunction with the bonds, Bank of America, NA issued an irrevocable letter of credit in the amount of $78,774,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires November 19, 2014, but can be extended for additional years. 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 remarked. 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 0.53% per annum of the average daily amount of the available commitment. During fiscal year 2013, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2013.

Industrial Development Revenue Bonds

The City has $77,900,000 variable rate demand revenue bonds Series 1986 outstanding as of June 30, 2013. These bonds were issued through the Baltimore Industrial Development Authority of the Mayor and City Council (IDA). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or in part prior to maturity. The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis.

Bayerische Landesbank (BL) issued an irrevocable letter of credit in favor of the City and M&T Bank as trustee and The Chase Manhattan Bank as fiscal agent for the bondholders. 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 letter of credit will expire on November 30, 2015, but may be extended. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. The interest rate draws made from the letter of credit are at BL's prime interest rate. The City is required to pay BL a fee throughout the period of effectiveness of the letter of credit equal to 0.35% per annum of the daily average unutilized amount and 0.2% per annum of the daily average utilized amount. During fiscal year 2013, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2013.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City to refund the $56,385,000 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, 2013, the balance outstanding on the Series 1998 bonds was $26,805,000, and includes $6,695,000 in 5.5% term bonds which are due to mature on September 1, 2014, $3,625,000 in 5.5% term bonds which are due to mature on September 1, 2015, and $16,485,000 in 5.0% term bonds which are 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, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from $3,260,000 to $3,345,000. 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, 2016, at annual principal amounts ranging from $3,825,000 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 issued a Stormwater Special Revenue Bond, Series 2004 with $3,254,000 outstanding at June 30, 2013. This bond will fund 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 entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with $95,665,000 outstanding at June 30, 2013. The proceeds from these bonds will be used to fund certain highway improvements throughout the City. These bonds are secured by a pledge of the City's share of the State 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, 2013, consist of (amounts expressed in thousands):

Serial bond series 2006 A maturing in installments from $1,680,000 to $9,345,000 through September 2028, with interest rates ranging from 3.61% to 4.38% payable semiannually	$ 82,105
Term bonds series 2006 A with interest at 4.60% due September 1, 2030	20,935
Term bonds series 2006 A with interest at 5.00% due September 1, 2032	24,080
Term bonds series 2006 A with interest at 5.25% due September 1, 2039	118,315
Term bonds series 2006 B with interest at 5.00% due September 1, 2016	2,555
Term bonds series 2006 B with interest at 5.875% due September 1, 2039	50,885
Totals	$ 298,875

Changes in revenue bond obligations for the year end June 30, 2013, are as follows (amounts expressed in thousands):

	June 30, 2012	New Debt Issues	Debt Retired	June 30, 2013	Due within One Year
Governmental Activities					
Convention Center and Hotel	$ 330,840		$ 5,160	$ 325,680	$ 5,680
Storm Water	3,612		358	3,254	359
Transportation	76,925	$ 38,255	19,515	95,665	6,755
Total governmental activities	$ 411,377	$ 38,255	$ 25,033	$ 424,599	$ 12,794
Business-Type Activities					
Water	$ 519,367		$ 10,344	$ 509,023	$ 10,830
Wastewater	708,386	$ 31,844	22,675	717,555	24,099
Parking Facilities	171,820		8,410	163,410	9,280
Industrial Development	77,900			77,900	
Total business-type activities	$ 1,477,473	$ 31,844	$ 41,429	$ 1,467,888	$ 44,209

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

	Governmental Activities							
	Hotel Revenue Bonds		Convention Center		Storm Water		Transportation Revenue Bonds	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 2,420	$ 15,722	$ 3,260	$ 1,302	$ 359	$ 13	$ 6,755	$ 3,793
2015	2,795	15,592	3,435	1,118	361	12	7,070	3,572
2016	3,190	15,442	3,625	924	362	10	8,990	3,241
2017	3,605	15,272	3,825	729	363	9	9,380	2,890
2018	4,050	15,074	4,015	533	365	7	9,810	2,514
2019-2023	28,170	71,353	8,645	437	1,444	14	38,235	6,918
2024-2028	44,570	61,709					15,425	890
2029-2033	66,080	47,454						
2034-2038	94,320	26,664						
2039-2043	49,675	2,755						
Totals	$ 298,875	$ 287,037	$ 26,805	$ 5,043	$ 3,254	$ 65	$ 95,665	$ 23,818

	Business-type Activities											
	Water Utility			Waste Water Utility			Parking Facilities			Industrial Development Authority		
Fiscal Year	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)
2014	$ 10,830	$ 17,907	$ (196)	$ 24,099	$ 24,128	$ 3,890	$ 9,280	$ 9,351	$ 4,251		$ 16	$ 2,663
2015	12,170	17,515	(156)	24,743	23,594	3,880	9,800	8,837	4,184		17	2,663
2016	12,740	17,103	(120)	26,682	22,945	3,826	10,600	8,278	4,111		17	2,663
2017	13,403	16,683	(89)	27,417	22,295	3,726	10,710	7,686	4,032	$ 77,900	8	1,332
2018	13,851	16,218	(74)	27,590	21,597	3,609	11,490	7,062	3,950			
2019-2023	77,655	72,996	(402)	141,474	96,632	15,754	31,605	28,405	18,141			
2024-2028	85,861	59,086	(696)	132,343	77,274	10,774	31,675	20,132	13,461			
2029-2033	109,241	42,659	(856)	148,056	53,823	4,379	42,550	8,886	5,425			
2034-2038	108,403	23,964	(724)	115,140	26,176	134	5,700	608				
2039-2043	64,869	7,449	(309)	50,011	5,514							
Totals	$ 509,023	$ 291,580	$ (3,622)	$ 717,555	$ 373,978	$ 49,972	$ 163,410	$ 99,245	$ 57,555	$ 77,900	$ 58	$ 9,321

(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, 2013, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

9. Pledged Revenue

The Water and Wastewater Utility Funds

The Water and Wastewater Utility Funds have pledged future customer revenues to repay $509,023,000 and $717,555,000 of revenue bond debt, respectively. Proceeds from these revenue bonds were used to build and improve various aspects of the City's Water and Wastewater Utility systems. The bonds are payable solely from the revenues of the two Utility Funds and are payable through 2042. Annual principal and interest payments on these revenue bonds are expected to require 23% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water and Wastewater Utility Funds are $796,981,000 and $1,141,505,000 respectively. Principal and interest paid for the current year and current pledged revenue for the Water Utility Fund were $33,887,000 and $27,054,000, respectively. Principal and interest paid for the current year and current pledged revenue for the Wastewater Utility Fund were $51,586,000 and $1,077,000, respectively.

The Parking Facility Fund

The Parking Facility fund has pledged future revenue from parking fees and fines to repay $163,410,000 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 less than 24% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is $320,210,000. For the current year, principal and interest payments and current pledged revenue were $18,239,000 and $71,207,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay $114,435,000 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 the sufficient incremental taxes to pay principal and interest requirements, 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 $260,268,000. For the current year, principal and interest payments and current pledged revenue were $5,844,000 and $9,975,000, 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 $300,940,000 Convention Center Headquarter 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 $585,912,000. For the current year, principal and interest payments were $15,834,000.

Baltimore Convention Center

The City has pledged a portion of future revenue from Convention Center operations to repay $26,805,000 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 2019. 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 $31,848,000. For the current year, principal and interest payments and current pledged revenue were $4,570,000 and $4,577,000.

10. Prior-Year Defeasance of Debt

Primary Government

On January 30, 2013, the City issued four series of general obligation project and refunding bonds totaling $230,550,000. Of that, $60,000,000 were issued for various capital projects, and $170,550,000 were refunding bonds that refunded certain outstanding maturities totaling $178,660,000. Interest on the bonds is due each October 15th and April 15th, and mature between 2020 and 2032 depending on the particular series. The total debt defeased but still outstanding at June 30, 2013, attributed to the Series 2013 general obligation bonds was $46,965,000.

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, 2013, $199,560,000 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, 2013, 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, 2013, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of $ (4,309,776) and $ (71,281,604), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2013, were $27,120,000 and $356,715,000, for governmental and business-type activities, respectively. During fiscal year 2013, the fair values of these instruments decreased $21,800,222 and $32,686,470 for governmental and business-type activities, respectively. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2013:

SWAP PROFILE as of June 30, 2013

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							
Floating to Fixed Swaps							
2003 Bonds	1/15/2010	10/15/2020	4.215%	1M LIBOR	$ 9,965,000	$ (756,910)	A+/A2
2003 Bonds	1/15/2010	10/15/2022	4.970%	1M LIBOR	17,155,000	(3,552,866)	A+/A2
Total Governmental Activities					$ 27,120,000	$ (4,309,776)	
Hedged Derivative Instruments - Business-type Activities							
Industrial Development Authority Revenue Bonds							
Floating to Fixed Swaps							
1986 Revenue Bonds	11/1/2001	8/1/2016	3.4975%	SIFMA	$77,900,000	$ (7,336,448)	A-/Baa1
Water Utility Fund Revenue Bonds Series							
Floating to Fixed Swaps							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.548%	67% LIBOR	$ 59,100,000	$ (19,620,620)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	2,170,000	(19,986)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,325,000	(51,836)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,615,000	(51,835)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	(68,396)	A-/Baa1
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA	45,100,000	(13,926,572)	A-/Baa1
Total Water Utility Fund					$ 111,995,000	$ (33,739,245)	
Wastewater Utility Fund Revenue Bonds Series							
Floating to Fixed Swaps							
2002 Revenue Bonds	5/7/2002	7/1/2032	4.555%	67% LIBOR	$ 70,000,000	$ (19,016,865)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	1,960,000	(18,052)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,040,000	(45,482)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,240,000	(39,799)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	(51,956)	A-/Baa1
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA	17,500,000	(5,428,873)	A-/Baa1
Total Wastewater Utility Fund					$ 94,020,000	$ (24,601,027)	
Parking Revenue Bonds Series							
Floating to Fixed Swaps							
2008 Bonds	6/19/2002	7/1/2032	3.666%	1M LIBOR	$ 64,800,000	$ (4,949,673)	A/A2
2008 Bonds	6/19/2002	7/1/2025	3.563%	1M LIBOR	8,000,000	(655,211)	A/A2
Total Parking Facilities Fund					$ 72,800,000	$ (5,604,884)	
Total Business-type Activities					$ 356,715,000	$ (71,281,604)	

Credit risk — As of June 30, 2013, 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, thirteen swaps or approximately 74% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A-/Baa1. Of the remaining swaps, the City holds two swaps with a counterparty rated A/A2, approximatetly 19% of the outstanding notional value, and two swaps with one counterparty rated A+/A2, approximately 7% of the outstanding notional value.

Basis risk — The City's variable rate bonds are of three types: remarketed variable rate demand bonds (VRDBs), auction rate bonds (ARBs), and CPI index bonds. For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on either the SIFMA Index or one-month LIBOR. For the SIFMA based swaps, the City is exposed to basis risk should the spread between the SIFMA and the VRDBs or ARBs rates change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. As of June 30, 2013, the SIFMA rate for the prior 52-week period ranged from 0.06% to 0.23%, whereas the City tax-exempt market ranged from 0.04% to 0.38%. For six 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 swap 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, 2013, LIBOR for the prior 52 weeks ranged from 0.19% to 0.24%, whereas the City's taxable market ranged from 0.14% to 0.26%. For those swaps associated with CPI index bonds, there is no basis risk, because the floating rate on the swaps is identical to the floating rate on the bonds.

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, 2013 are as follows:

Investment Derivative Instruments

	Changes in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Business-type Activities					
Water Utility Fund					
Fixed to Floating	Investment Revenue	$ (53,073)	Debt	$ (261,516)	$ (13,220,453)
Floating to Fixed	Investment Revenue	(242,857)	Debt	(8,978,926)	(71,455,000)
Total Water Utility Fund		(295,930)		(9,240,442)	(84,675,453)
Wastewater Utility Fund					
Fixed to Floating	Investment Revenue	(29,195)	Debt	(155,059)	(7,469,047)
Industrial Development Authority					
Fixed to Floating	Investment Revenue	623,555	Debt	(2,081,329)	(22,100,000)
Total Business-type Activities		$ 298,430		$ (11,476,830)	$ (114,244,500)

Credit Risk — At June 30, 2013, the city 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 counterparty's credit rating at June 30, 2013, was A+/Aa3 for four derivative instruments held by the Wastewater Utility Fund and A-/Baa1 for one derivative instrument held by the Industrial Development Authority. For the Water Utility Fund the counterparty rating was A+/Aa3 for four derivative instruments and one swap representing with a counterparty rating of Aa2/AAA. The change in the fair value of investment swaps in the amount of a gain of $298,430 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.

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, 2013:

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)
Australian Dollar	$ 1,308,354	$ 3,241,893	$ 1,228,048	$ 2,921,497	$ 240,090
Brazil Real	919,000	306,958	875,019	307,209	(44,232)
British Pound Sterling	3,262,136	3,218,392	3,226,489	3,141,832	40,913
Canadian Dollar	252,856	8,546	244,072	8,514	(8,752)
Chinese Yuan Renminbi	1,838,387	1,818,057	1,840,715	1,840,715	(20,330)
Euro Currency Unit	8,546,981	12,415,666	8,487,808	12,322,608	33,885
Hong Kong Dollar		22,588		22,590	(2)
Japanese Yen	8,091,207	14,033,359	8,085,250	13,801,725	225,677
Mexican New Peso		960,774		904,434	56,340
New Zealand Dollar		940,318		857,797	82,521
Norwegian Krone	6,209	6,209	6,205	6,209	(4)
Singapore Dollar	50,263	50,263	50,249	50,404	(155)
South African Rand	16,609	16,609	16,609	16,827	(218)
South Korean Won	79,750	79,750	79,861	79,750	111
Swiss Franc	104,197		103,343		(854)
U.S. Dollar	30,280,690	17,637,257	30,280,690	17,637,257	
Total	$ 54,756,639	$ 54,756,639	$ 54,524,358	$ 53,919,368	$ 604,990

12. Pension Plans

Plan Descriptions

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).

The City contributes to three single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System, established July 1, 1962, the Employees' Retirement System, established January 1, 1926 and the Elected Officials' Retirement System, established December 5, 1983. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The 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 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. Those reports may be obtained by writing to the Retirement Systems at the following addresses:

For Employees' Retirement System and Elected Officials' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 12th Floor
Baltimore, Maryland 21202-3470

For Fire and Police Employees' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

Significant Accounting Policies

Basis of Accounting. The financial statements for the City's three Plans 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.

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. Real estate holdings are valued based on current appraisals.

Funding Policy and Annual Pension Cost

The Baltimore City Code establishes the contribution requirements for plan members and the City for each of the three plans. The City's annual pension cost for the current year and related information for each plan is as follows:

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution ratios as a percentage of covered payroll:			
Employer	38.8%	22.5%	33.9%
Employee	9.1%	0.1%	4.9%
Annual pension cost	$ 107,779	$ 88,300	$ 419
Contributions made	$ 107,779	$ 88,300	$ 419
Actuarial cost method	Projected Unit Credit Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	20 years	18 years	14 years
Assets valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.75%	7.75%	7.25%
Post-retirement	7.75%	6.55%	5.0%
Projected salary increases	4.25-11.75%	2.75%	5.0%
Includes inflation rate at	3.75%	2.75%	5.0%
Cost-of-living adjustment	0-2%	1.5-2%	5.0%

The information presented in the following schedules for the Fire and Police Employees' Retirement System, the Employees' Retirement System, and the Elected Officials' Retirement System is from the financial reports dated June 30, 2013 and the actuarial valuation dated June 30, 2013.

Three-Year Trend Information

(Dollars Expressed in Thousands)

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fire and Police Employees' Retirement System:			
June 30, 2013	$ 107,779	100%	$ 0
June 30, 2012	107,488	100	0
June 30, 2011	107,540	100	0
Employees' Retirement System:			
June 30, 2013	$ 88,300	100%	$ 0
June 30, 2012	77,995	100	0
June 30, 2011	62,375	100	0
Elected Officials' Retirement System:			
June 30, 2013	$ 419	100%	$ 0
June 30, 2012	998	100	0
June 30, 2011	957	100	0

Schedule of Funding Progress for Fiscal Year Ended June 30, 2013
Pension Trust Funds

(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System:						
June 30, 2013	$ 2,502,406	$ 3,267,573	$ 765,167	76.6%	$ 277,524	275.7%
June 30, 2012	2,475,874	3,188,662	712,788	77.6	284,601	250.5
June 30, 2011	2,546,236	3,104,805	558,569	82.0	275,648	202.6
Employees' Retirement System:						
June 30, 2013	$ 1,465,944	$ 2,151,993	$ 686,049	68.1%	$ 392,868	174.6%
June 30, 2012	1,429,666	2,111,278	681,612	67.7%	390,558	174.5
June 30, 2011	1,410,211	1,940,447	530,236	72.7	392,941	134.9
Elected Officials' Retirement System:						
June 30, 2013	$ 19,136	$ 16,185	$ (2,951)	118.2%	$ 1,236	(238.7)%
June 30, 2012	18,503	16,951	(1,552)	109.2	1,237	(125.5)
June 30, 2011	18,143	17,243	(900)	105.2	1,206	(74.6)

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 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%. 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	Unfunded Accrued Liability
June 30, 2013	$ 705	$ 2,776
June 30, 2012	913	3,545
June 30, 2011	1,184	4,732

The Maryland State Retirement and Pension Systems

Under Maryland law, the Baltimore City Public School System (BCPSS) is not required to make any contributions to the State Systems. The covered employees are required by State statute to contribute to the State Systems. The contribution from employees is 5% for participants in the State Systems retirement plans (with a 5% limit on the annual cost of living allowance and 7% for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index) and 5% for participants in the State System's pension plans to the extent their regular earnings exceed the Social Security wage base. 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, 2013, the State paid $61,400,000 in such costs. This amount has been recorded by the BCPSS as both a revenue and an expenditure in the General Fund in the accompanying Statement of Activities.

The State also makes contributions on behalf of the Enoch Pratt Free Library employees. The State's contributions for the fiscal year ended June 30, 2013, was $1,700,000. This amount has also been recognized as both a revenue and an expenditure in the accompanying Statement of Activities.

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.

13. Other Postemployment Benefits

Plan Description

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in this Note and the City's financial statements. The Plan is a contributory, single 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 or 20 years of service If hired on or after July 1, 2003: Age 50 and 10 years of service or 20 years of service
Employees' Retirement System & Elected Officials' Retirement System	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 statements as an other postemployment benefits trust fund.

The number of participants in the Plan as of July 1, 2013, was as follows:

Number of Participants

	City	School	Total
Active	14,158	8,369	22,527
Retired	10,238	6,013	16,251
Total	24,396	14,382	38,778

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.

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 $58 to $1,331 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.

For fiscal year 2013, City contributions to the Plan were $125.9 million, including $15.7 million of federal retiree drug subsidy payments, which was more than the annual OPEB cost of $108.4 million resulting in a net decrease to the OPEB liability of $17.5 million for the current year. Interest on the OPEB liability amounted to $5.3 million in fiscal year 2013. The OPEB liability at June 30, 2013 was $64.2 million. An additional adjustment in the amount of ($4.3) million was made to the annual required contribution (ARC) based on claims experience.

Annual OPEB Cost and Net OPEB Assets (Obligations):

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost (expense) for fiscal 2013 was $108.4 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2013, June 30, 2012 and June 30, 2011, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

	Fiscal Year Ended		
	June 30, 2011	June 30, 2012	June 30, 2013
Normal Cost	$ 55.2	$ 45.1	$ 42.5
Amortization of Unfunded Actuarial Liability	105.0	72.8	64.9
Annual Required Contribution (ARC)	160.2	117.9	107.4
Interest on Unfunded ARC	5.4	5.0	5.3
Adjustment of ARC	(4.4)	(3.9)	(4.3)
Annual OPEB Cost	161.2	133.7	108.4
Actual Contributions	142.8	157.1	125.9
Increase/(Decrease) in OPEB Obligation	18.4	(23.4)	(17.5)
Net OPEB (Asset) Obligation	105.1	81.7	64.2
Percentage Contributed	89.1%	133.2%	117.2%

Funded Status and Funding Progress:

(Dollars Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2013	$ 322.4	$ 1,655.5	$ 1,333.1	19.5%	$ 1,476.0	90.3%
June 30, 2012	262.4	1,755.7	1,493.3	14.9	1,426.1	104.7
June 30, 2011	207.1	2,229.8	2,022.7	9.3	1,377.9	146.8

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions:

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of June 30, 2013, using census data as of that date and health care claims costs for the year ended June 30, 2013.

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 City has selected the Projected Unit Credit Cost (PUCC) method. Under the projected unit credit cost method, the actuary develops the discounted present value of all future benefit payments. For a retiree, this amount is the actuarial accrued liability. For an employee that has not retired, the actuarial accrued liability is determined as the ratio of the employee's service as of the valuation date to the expected service at retirement. As the valuation uses rates of retirement, the PUCC method determines the Actuarial Accrued Liability as the weighted sum of the pro-rata calculations for expected retirement at each expected retirement age. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis.

In performing their valuation, the actuary used a discount rate of 5.95%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at valuation date. 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 4.8% healthcare trend for fiscal year 2012, reduced by decrements to a rate of 3.8% in 2082. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

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. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. 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 Fund 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 $500,000,000. 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 fund.

All funds of the City and the Baltimore City Public School System participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2013, the City has determined that the range of potential claims liability for the fund to be between $223,826,000 and $340,019,000. The claims liability of $223,826,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). This liability, which has been discounted at 3.0% at June 30, 2013, 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. Any claims in excess of $223,826,000 will be charged to expense in the periods in which they are made.

Changes in the Risk Management Fund's claims liability in fiscal years 2012 and 2013 were (amounts expressed in thousands):

	2013	2012
Unpaid claims, beginning	$ 220,212	$ 181,986
Claims incurred	173,216	243,960
Claims paid	(169,602)	(205,734)
Unpaid claims, ending	$ 223,826	$ 220,212

The City estimates that $69,372,000 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, 2013, future minimum lease payments are as follows (amounts expressed in thousands):

2014	$ 6,350
2015	4,717
2016	3,680
2017	3,177
2018	1,993
2019-2023	8,542
2024-2028	672
2029-2033	137
Total	$ 29,268

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2013, rent expenditures approximated $27,572,000 for all types of leases. 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, 2013, rent and lease expenditures approximated $1,700,000. These expenditures were made primarily from the General Fund. As of June 30, 2013, future minimum lease payments approximate $1,500,000, which relates to July 1, 2013 through November 30, 2014 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 $20,935,000 as of June 30, 2013, which is based on 69.88% usage (filled) of the landfill. This is an increase in the liability of $813,000 since June 30, 2012. This increase is primarily caused by an increase in the estimated usage (filled) of the landfill of 68.28% for the fiscal year 2012 to 69.88% in fiscal year 2013. It is estimated that an additional $9,024,000 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 2027). The estimated total current cost of the landfill closure and postclosure care, $29,959,000, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill was acquired as of June 30, 2013. However, the actual cost of closure and postclosure 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 2014.

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, 2013, investments of $19,037,000 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, 2013, consist of the following:

A. The General Fund has notes receivable of $6,531,000, net of a $1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% and mature over 30 years.

B. The Debt Service Fund has mortgages receivable of $568,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.

C. The Parking Facilities Fund has mortgages receivable of $58,431,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.

D. Governmental activities have notes receivable of $298,875,000 due from the Baltimore Hotel Corporation. These notes bear interest at rates ranging from 3.6% to 5.6% and mature over 30 years.

18. Deferred Revenue

Deferred revenue in the General Fund is associated with property taxes, mortgages receivable and other miscellaneous items.

Deferred revenue in the Grants Revenue Fund is associated with grant funds received as of June 30, 2013, for which related expenditures have not been incurred, or the expenditures have been incurred and the reimbursement funding is not available as of June 30, 2013.

Deferred revenue in Non-Major Funds is associated with the Community Development Block Grant Fund and the Debt Service Fund.

19. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2013 are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances					
Nonspendable:					
Reserved for other assets	$ 5,519				$ 5,519
Restricted:					
Education				$ 6,219	6,219
Highways			27,400		27,400
Public library				2,175	2,175
Recreation and culture				4,754	4,754
Total restricted			27,400	13,148	40,548
Assigned to:					
General government	69,622		$ 2,604	537	72,763
Public safety and regulation	33,616		77		33,693
Conservation of health	3,965				3,965
Education	20,000				20,000
Public library	2,647				2,647
Recreation and culture	5,281		204		5,485
Highways	14,000		789		14,789
Sanitation and waste removal	43,204		259		43,463
Economic development	11,090		1,769		12,859
Debt Service				45,523	45,523
Total assigned	203,425		5,702	46,060	255,187
Unassigned	90,070	$ (62,864)	(3,490)	(9,255)	14,461
Total fund balances	$ 299,014	$ (62,864)	$ 29,612	$ 49,953	$ 315,715

20. 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 $200,000 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 Wastewater Utility has received Federal grants 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 with grantors' requirements. Any disallowances as a result of these audits become a liability of the Wastewater Utility. As of June 30, 2013, the Wastewater Utility estimates that no material liabilities will result from such audits.

As of June 30, 2013, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately $1,500,000.

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 waste water 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 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 is a component of the tipping fee. The Wastewater Utility's current tipping fee expense per wet ton for delivering sewerage sludge was $86.47 and $42.67 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2013 were $2.329 million. The maximum commitment by the City is 54,750 wet tons per year. The agreement has been extended through June 30, 2018.

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 20,000 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 Wastewater Utility's current base tipping fees expense for delivering biosolids is $274,065 and $265,915 for the Back River and Patapsco Wastewater Treatment Plants, respectively. The service tipping fees were $385.37 and $388.66 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2013 were $20.651 million. The agreements extend to 2014 and 2017 for the Back River and Patapsco Wastewater Treatment Plants, respectively.

The City has voluntarily entered into a Consent Decree to rehabilitate its aging sewer infrastructure and correct historical overflow mechanisms. The Consent Decree is one of many that the U.S. Department of Justice has currently negotiated with major east coast cities with aged sewer and storm water infrastructures. The City is proactively negotiating to increase its remedial efforts to address discharge and overflow concerns of the State and Federal regulatory agencies. These efforts are ambitious and the costs of the construction and maintenance are estimated to be greater than $1 billion. The City has committed to financing these remedial efforts through a combination of water and waste water revenue bonds in conjunction with all available State and Federal assistance.

21. Subsequent Events

Effective July 1, 2013, City employees participating in the Employees' Retirement System (System) began making mandatory contributions of one percent of their salaries to the System. The contributions are scheduled to increase by one percent each fiscal year until they reach the target contribution level of five percent in fiscal year 2018. Increases in the System contributions are tied to projected annual salary increases of two percent for these City employees through the same time period.

On December 3, 2013, the City issued Water and Wastewater Project and Refunding Revenue Bonds, Series 2013 in the amount of $317.8 million and $251.0 million, respectively. The bonds will fund capital projects of each enterprise fund and refund certain outstanding auction and fixed rate bonds. The majority of the savings was used to terminate outstanding swaps associated with the refunded auction bonds. The interest rates range from 3.00% to 5.00%, and interest is payable semiannually on July 1 and January 1 of each year beginning on July 1, 2014.

Effective July 1, 2014, the City will implement a new policy decreasing the amount of accrued vacation and personal leave that can be accumulated by the employees. This change in policy will have an impact on compensated absences beginning in fiscal year 2015.

Council Bill 13-0247 established a new defined benefit and defined contribution Retirement System to provide separate eligibility, contributions, and benefits provisions for employees initially employed or re-employed with the City on or after July 1, 2014. These employees must, as a condition of employment, elect either: (i) a non-hybrid membership in the Retirement Savings Plan, or (ii) a hybrid membership consisting of a Class D membership in the Employees' Retirement System and membership in the Retirement Savings Plan. This change was enacted to strengthen the City's Employees' Retirement System starting in fiscal year 2015.

Required Supplementary Information

See Independent Auditors' Report

CITY OF BALTIMORE

Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1), (2)

General Fund

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes - local	$ 1,183,045	$ 1,183,045	$ 1,219,656	$ 36,611
State shared revenue	124,818	124,818	128,707	3,889
Licenses and permits	29,995	29,995	40,572	10,577
Fines and forfeitures	25,384	25,384	29,445	4,061
Interest, rentals and other investment income	18,190	18,190	16,816	(1,374)
Federal grants	179	179	245	66
State grants	77,563	77,563	91,676	14,113
Other grants	55	55	25	(30)
Charges for current services	44,289	44,289	44,146	(143)
Miscellaneous	1,532	1,532	4,365	2,833
Total revenues	1,505,050	1,505,050	1,575,653	70,603
Expenditures and encumbrances:				
Baltimore City Public School System	239,301	252,224	249,853	2,371
Board of Liquor License Commissioners	2,055	2,055	2,055	
City Council	5,321	5,321	5,285	36
Civil Service Commission	5,048	5,048	5,048	
Comptroller	5,955	5,955	5,618	337
Courts	9,412	9,414	9,139	275
Department of Finance	18,249	18,249	18,248	1
Department of Fire	175,750	176,850	175,975	875
Department of General Services	16,616	16,616	15,708	908
Department of Health	27,511	27,511	24,608	2,903
Department of Housing and Community Development	60,974	61,274	61,905	(631)
Department of Law	4,165	4,175	3,624	551
Department of Legislative Reference	954	954	825	129
Department of Municipal and Zoning Appeals	539	547	463	84
Department of Planning	3,663	3,747	3,604	143
Department of Police	391,496	391,496	395,661	(4,165)
Department of Public Works	95,818	96,128	96,509	(381)
Department of Recreation and Parks	32,408	32,408	32,161	247
Department of Transportation	90,932	91,732	93,887	(2,155)
Enoch Pratt Free Library	23,101	23,351	22,206	1,145
Mayoralty	202,778	203,289	224,035	(20,746)
Office of Civil Rights	1,048	1,048	910	138
Office of Financial Review	700	700	669	31
Office of Sheriff	15,820	15,820	15,540	280
Office of State's Attorney	29,462	30,062	28,849	1,213
Supervisor of Elections	5,260	5,260	4,769	491
Total expenditures and encumbrances	1,464,336	1,481,234	1,497,154	(15,920)
Excess of revenues over expenditures and encumbrances	40,714	23,816	78,499	54,683
Other financing sources (uses):				
Transfers in	70,356	70,356	70,356	
Transfers out	(101,322)	(101,322)	(112,678)	(11,356)
Total other financing sources (uses)	(30,966)	(30,966)	(42,322)	(11,356)
Net changes in fund balances	9,748	(7,150)	36,177	43,327
Fund balances - beginning	197,545	197,545	197,545	
Fund balances - ending	$ 207,293	$ 190,395	233,722	$ 43,327
Adjustments to reconcile to GAAP basis:				
Addition of encumbrances outstanding			74,227	
Less: Accounts payable not recorded for budgetary purposes			(8,935)	
Fund balance - June 30, 2013 (GAAP basis)			$ 299,014	

(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.

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.

(2) This schedule does not include a non-budgetary revenue and expense item in the amount of $1,700,000 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 Funding Progress(1)
Pension Trust Funds

(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System						
June 30, 2013	$ 2,502,406	$ 3,267,573	$ 765,167	76.6%	$ 277,524	275.7%
June 30, 2012	2,475,874	3,188,662	712,788	77.6	284,601	250.5
June 30, 2011	2,546,236	3,104,805	558,569	82.0	275,648	202.6
Employees' Retirement System						
June 30, 2013	$ 1,465,944	$ 2,151,993	$ 686,049	68.1%	$ 392,868	174.6%
June 30, 2012	1,429,666	2,111,278	681,612	67.7	390,558	174.5
June 30, 2011	1,410,211	1,940,447	530,236	72.7	392,941	134.9
Elected Officials' Retirement System						
June 30, 2013	$ 19,136	$ 16,185	$ (2,951)	118.2%	$ 1,236	(238.7%)
June 30, 2012	18,503	16,951	(1,552)	109.2	1,237	(125.5)
June 30, 2011	18,143	17,243	(900)	105.2	1,206	(74.6)

(1) Analysis of dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going concern basis. Analysis of the plans over time indicates whether the plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

CITY OF BALTIMORE

Schedule of Funding Progress(1)
OPEB Trust Fund

(Dollars Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2013	$ 322.4	$ 1,655.5	$ 1,333.1	19.5%	$ 1,476.0	90.3%
June 30, 2012	262.4	1,755.7	1,493.3	14.9	1,426.1	104.7
June 30, 2011	207.1	2,229.8	2,022.7	9.3	1,377.9	146.8
June 30, 2010	149.1	2,564.3	2,415.2	5.8	1,337.8	180.5
June 30, 2009	110.5	2,497.6	2,387.1	4.4	1,346.4	177.3

(1) Analysis of dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going concern basis. Analysis of the plans over time indicates whether the plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

CITY OF BALTIMORE

Schedule of Employer Contributions
OPEB Trust Fund

(Dollars Expressed in Millions)

Fiscal Year Ended	Annual Required Contribution (a)	Employer Contributions (b)	Percentage Contributed (c) = (b)/(a)
June 30, 2013	$ 107.4	$ 125.9	117.2%
June 30, 2012	117.9	157.1	133.2
June 30, 2011	160.2	142.8	89.1
June 30, 2010	203.4	142.2	69.9
June 30, 2009	179.5	142.2	79.2

CITY OF BALTIMORE

Notes to the Required Supplementary Information

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 the 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 supplemental appropriation ordinances. During fiscal year 2013, supplemental appropriation ordinances were required for the general fund and the capital projects fund in the amounts of $14,522,862 and $11,400,000, respectively.

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

2. Schedule of Funding Progress – Pension Trust Funds

The pension 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. Those reports may be obtained by writing the Retirement Systems at the following addresses:

For Fire and Police Employees' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

For Employees' Retirement System and Elected Officials' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 12th Floor
Baltimore, Maryland 21202-3470

Combining and Individual Fund Statements 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 and Special Racetrack Funds — 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.

Debt Service Fund

Debt Service Fund — This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by the Enterprise Funds.

CITY OF BALTIMORE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds				
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:									
Cash and cash equivalents		$ 537	$ 5,446	$ 5,983	$ 39	$ 463	$ 502	$ 33,171	$ 39,656
Investments			772	772	2,135	4,287	6,422	12,393	19,587
Other receivables, net	$1,178		1	1,179	1	4	5	10	1,194
Due from other funds	1,358			1,358					1,358
Notes and mortgages receivable, net								568	568
Total assets	2,536	537	6,219	9,292	2,175	4,754	6,929	46,142	62,363
Liabilities and fund balances:									
Liabilities:									
Accounts payable and accrued liabilities	144			144				49	193
Due to other funds	10,409			10,409					10,409
Deferred revenue	1,238			1,238				568	1,806
Mature bonds payable								2	2
Total liabilities	11,791			11,791				619	12,410
Fund balances:									
Restricted			6,219	6,219	2,175	4,754	6,929		13,148
Assigned		537		537				45,523	46,060
Unassigned	(9,255)			(9,255)					(9,255)
Total fund balances (deficits)	(9,255)	537	6,219	(2,499)	2,175	4,754	6,929	45,523	49,953
Total liabilities and fund balances	$ 2,536	$ 537	$ 6,219	$ 9,292	$ 2,175	$ 4,754	$ 6,929	$ 46,142	$ 62,363

CITY OF BALTIMORE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds				
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:									
Interest, rentals and other investment income....			$ 57	$ 57	$ 38	$ 165	$ 203	$ 354	$ 614
Federal grants............................	$ 21,246			21,246					21,246
Total revenues.......................	21,246		57	21,303	38	165	203	354	21,860
Expenditures:									
Current:									
General government.......................	2,776			2,776					2,776
Education................................			30	30					30
Public library............................					25		25		25
Recreation and culture......................						70	70		70
Economic development	10,934			10,934					10,934
Debt service:									
Principal................................								69,877	69,877
Interest.................................								23,678	23,678
Other bond costs..........................								8,765	8,765
Total expenditures....................	13,710		30	13,740	25	70	95	102,320	116,155
Excess (deficiency) of revenues over (under) expenditures..............	7,536		27	7,563	13	95	108	(101,966)	(94,295)
Other financing sources (uses):....................									
Transfers in..............................								95,963	95,963
Transfers out.............................	(9,599)			(9,599)					(9,599)
Refunding of general obligation bonds.........								14,730	14,730
Total other financing sources (uses)	(9,599)			(9,599)				110,693	101,094
Net change in fund balances.......	(2,063)		27	(2,036)	13	95	108	8,727	6,799
Fund balances (deficits) - beginning................	(7,192)	$ 537	6,192	(463)	2,162	4,659	6,821	36,796	43,154
Fund balances (deficits) - ending	$ (9,255)	$ 537	$ 6,219	$ (2,499)	$ 2,175	$ 4,754	$ 6,929	$ 45,523	$ 49,953

CITY OF BALTIMORE

Schedule of Revenues, Expenditures and Encumbrances

and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)

Special Racetrack Fund

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenues				
Expenditures and encumbrances:				
Department of Planning	$100	$100		$(100)
Total expenditures and encumbrances	100	100		(100)
Excess of revenues over expenditures and encumbrances	(100)	(100)		100
Fund balances - beginning	537	537	$537	
Fund balances - June 30, 2013 (GAAP basis)	$437	$437	$537	$100

(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.

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.

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.

Loan and Guarantee Program — This fund accounts for the City's economic development financial activities.

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, 2013

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 1,543	$ 36,272	$ 1,830	$ 39,645
Investments		18,071		18,071
Accounts receivable, net:				
Service billings			6,103	6,103
Other		10		10
Total current assets	1,543	54,353	7,933	63,829
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents			5,375	5,375
Capital assets, net of accumulated depreciation			49,031	49,031
Capital assets not being depreciated			4,073	4,073
Issuance costs		103		103
Other assets	32	47,444		47,476
Deferred outflow swaps		7,336		7,336
Total noncurrent assets	32	54,883	58,479	113,394
Total assets	1,575	109,236	66,412	177,223
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	16		82	98
Accrued interest payable		7		7
Due to other funds		9,927		9,927
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			175	175
Total current liabilities	16	9,934	257	10,207
Noncurrent liabilities:				
Revenue bonds payable		77,900		77,900
Other liabilities	1,559		437	1,996
Derivative instrument liability		9,418		9,418
Total noncurrent liabilities	1,559	87,318	437	89,314
Total liabilities	1,575	97,252	694	99,521
Net position:				
Net investment in capital assets			53,104	53,104
Unrestricted		11,984	12,614	24,598
Total net position		$ 11,984	$ 65,718	$ 77,702

CITY OF BALTIMORE

Combining Statement of Revenues, Expenses, and Changes in Net Position

Nonmajor Proprietary Funds

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income	$281	$248	$17,211	$17,740
Interest income on loans	4	656		660
Total operating revenues	285	904	17,211	18,400
Operating expenses:				
Salaries and wages	104		4,148	4,252
Other personnel costs	48		1,285	1,333
Contractual services			1,380	1,380
Program expenses	3,000	320		3,320
Materials and supplies			151	151
Minor equipment			294	294
Depreciation			887	887
Interest		209		209
Total operating expenses	3,152	529	8,145	11,826
Operating income (loss)	(2,867)	375	9,066	6,574
Capital contributions	2,321		655	2,976
Changes in net position	(546)	375	9,721	9,550
Total net position - beginning	546	11,609	55,997	68,152
Total net position - ending		$11,984	$65,718	$77,702

CITY OF BALTIMORE

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers	$ 285	$ 917	$ 13,779	$ 14,981
Payments to employees	(152)		(6,813)	(6,965)
Payments to suppliers	(2,986)	(1,128)	(2,136)	(6,250)
Net cash provided (used) by operating activities	(2,853)	(211)	4,830	1,766
Cash flow from capital and related financing activities:				
Acquisition and construction of capital assets			(4,443)	(4,443)
Other assets		11,880		11,880
Due to other fund		(394)		(394)
Capital contributions	2,321		655	2,976
Net cash provided (used) by capital and related financing activities	2,321	11,486	(3,788)	10,019
Cash flows from investing activities:				
Purchase of investments		(18,071)		(18,071)
Net cash used by investing activities		(18,071)		(18,071)
Net increase (decrease) in cash and cash equivalents	(532)	(6,796)	1,042	(6,286)
Cash and cash equivalents, beginning of year	2,075	43,068	6,163	51,306
Cash and cash equivalents, end of year	$ 1,543	$ 36,272	$ 7,205	$ 45,020
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (2,867)	$ 375	$ 9,066	$ 6,574
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			887	887
Accounts receivable	1	13	(3,432)	(3,418)
Accounts payable and accrued liabilities	2		(40)	(38)
Accrued interest payable		(10)		(10)
Restricted accounts payable			1	1
Due to other funds			(1,647)	(1,647)
Other noncurrent assets		2,233		2,233
Other liabilities	11	(2,822)	(5)	(2,816)
Total adjustments	14	(586)	(4,236)	(4,808)
Net cash provided (used) by operating activities	$ (2,853)	$ (211)	$ 4,830	$ 1,766

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.

Risk Management Fund — This fund accounts for the administration and payment of claims resulting from the City's self-insurance programs, including the Baltimore City Public School System, for general claims, workers' compensation claims, real property liability, motor vehicle liability, fleet driver liability and property damage claims, as well as medical and unemployment insurance for City employees.

CITY OF BALTIMORE
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Building Maintenance	Risk Management	Total
Assets:									
Current assets:									
Cash and cash equivalents		$ 3,365	$ 9,291				$ 217	$ 77,155	$ 90,028
Investments								5,119	5,119
Accounts receivable, net:									
Other			60	$ 67		$ 13		3,732	3,872
Inventories			6,188	1,252	$ 13				7,453
Total current assets		3,365	15,539	1,319	13	13	217	86,006	106,472
Noncurrent assets:									
Restricted cash			29,656						29,656
Capital assets, net			60,748	9				1	60,758
Other assets								3,159	3,159
Total noncurrent assets			90,404	9				3,160	93,573
Total assets		3,365	105,943	1,328	13	13	217	89,166	200,045
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	$ 160	1,165	4,981	181	145	702	724	17,061	25,119
Due to other funds	1,207			8,196	558	701			10,662
Leases payable			3,623						3,623
Estimated liability for claims in progress								69,372	69,372
Other liabilities	175	36	3,233	118	41	153	263	578	4,597
Total current liabilities	1,542	1,201	11,837	8,495	744	1,556	987	87,011	113,373
Noncurrent liabilities:									
Leases payable			26,333						26,333
Estimated liability for claims in progress								154,454	154,454
Total noncurrent liabilities			26,333					154,454	180,787
Total liabilities	1,542	1,201	38,170	8,495	744	1,556	987	241,465	294,160
Net position:									
Net investment in capital assets			61,871	9				1	61,881
Unrestricted (deficit)	(1,542)	2,164	5,902	(7,176)	(731)	(1,543)	(770)	(152,300)	(155,996)
Total net position	$ (1,542)	$ 2,164	$ 67,773	$ (7,167)	$ (731)	$ (1,543)	$ (770)	$ (152,299)	$ (94,115)

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Building Maintenance	Risk Management	Total
Operating revenues:									
Charges for services	$ 1,685	$ 3,487	$ 40,594	$ 2,851	$ 2,696	$ 8,553	$ 9,846	$ 168,875	$ 238,587
Operating expenses:									
Salaries and wages	1,038	66	13,299	763	284	875	1,374	2,700	20,399
Other personnel costs	349	7	5,776	394	159	458	657	1,196	8,996
Contractual services	180	3,454	12,248	1,113	17	8,147	8,357	13,512	47,028
Materials and supplies	1		14,820	580	64	2	225	12	15,704
Minor equipment	15				18	11	3	6	53
Claims paid and incurred								169,602	169,602
Postage and delivery service					2,245				2,245
Depreciation			7,892	4				1	7,897
Total operating expenses	1,583	3,527	54,035	2,854	2,787	9,493	10,616	187,029	271,924
Operating income (loss)	102	(40)	(13,441)	(3)	(91)	(940)	(770)	(18,154)	(33,337)
Nonoperating revenues (expenses):									
Investment income								85	85
Loss on sale of equipment			(363)						(363)
Total nonoperating revenues (expenses), net			(363)					85	(278)
Income (loss) before contributions and transfers	102	(40)	(13,804)	(3)	(91)	(940)	(770)	(18,069)	(33,615)
Capital contributions			6,556						6,556
Transfers out			(28,368)						(28,368)
Change in net position	102	(40)	(35,616)	(3)	(91)	(940)	(770)	(18,069)	(55,427)
Total net position - beginning	(1,644)	2,204	103,389	(7,164)	(640)	(603)		(134,230)	(38,688)
Total net position - ending	$ (1,542)	$ 2,164	$ 67,773	$ (7,167)	$ (731)	$ (1,543)	$ (770)	$ (152,299)	$ (94,115)

CITY OF BALTIMORE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Building Maintenance	Risk Management	Total
Cash flows from operating activities:									
Receipts from customers	$ 1,488	$ 3,487	$ 38,283	$ 2,798	$ 2,676	$ 8,965	$ 9,846	$ 163,106	$ 230,649
Payments to employees	(1,379)	(35)	(19,037)	(1,147)	(451)	(1,272)	(1,682)	(3,887)	(28,890)
Payments to suppliers	(109)	(2,556)	(28,701)	(1,651)	(2,225)	(7,693)	(7,947)	(163,953)	(214,835)
Net cash provided (used) by operating activities		896	(9,455)				217	(4,734)	(13,076)
Cash flows from noncapital financing activities:									
Transfers out			(28,368)						(28,368)
Net cash used by noncapital financing activities			(28,368)						(28,368)
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets			(6,770)						(6,770)
Leases Payable.			29,956						29,956
Capital contributions			6,556						6,556
Net cash provided by capital and related financing activities			29,742						29,742
Cash flows from investing activities:									
Loss on sale of equipment			(363)						(363)
Proceeds from the sale and maturities of investments								5,043	5,043
Purchase of investments								(5,050)	(5,050)
Interest on investments								85	85
Net cash provided (used) by . . investing activities.			(363)					78	(285)
Net increase (decrease) in cash and cash equivalents		896	(8,444)				217	(4,656)	(11,987)
Cash and cash equivalents, beginning of year		2,469	47,391					81,811	131,671
Cash and cash equivalents, end of year . .		$ 3,365	$ 38,947				$ 217	$ 77,155	$ 119,684
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	$ 102	$ (40)	$ (13,441)	$ (3)	$ (91)	$ (940)	$ (770)	$ (18,154)	$ (33,337)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation			7,892	4				1	7,897
Changes in assets and liabilities:									
Accounts receivable.			(14)	254		(2)		(2,919)	(2,681)
Inventories.			(1,997)	(437)	39				(2,395)
Other assets								(2,850)	(2,850)
Accounts payable and accrued liabilities.	84	900	(1,671)	42	119	538	724	4,149	4,885
Other liabilities	11	36	76	10	(8)	(10)	263	5	383
Due to other funds	(197)		(300)	130	(59)	414			(12)
Estimated liability for claims in progress								15,034	15,034
Total adjustments.	(102)	936	3,986	3	91	940	987	13,420	20,261
Net cash provided (used) by operating activities		$ 896	$ (9,455)				$ 217	$ (4,734)	$ (13,076)

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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 Funds — These funds account for assets held by the City as a custodian.

CITY OF BALTIMORE

Combining Statement of Fiduciary Net Position

Pension Trust Funds

June 30, 2013

(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	$ 25,337	$ 90	$ 39,010	$ 64,437
Investments:				
Stocks	996,866	13,877	1,258,510	2,269,253
Bonds	189,564	6,389	797,618	993,571
Real estate	140,097		169,751	309,848
Securities lending collateral	44,832		66,536	111,368
Forward foreign contracts	47,689		6,835	54,524
Other assets	16,895	6	13,793	30,694
Total assets	1,461,280	20,362	2,352,053	3,833,695
Liabilities:				
Obligations under securities lending program	44,832		66,536	111,368
Forward foreign contracts	47,233		6,686	53,919
Accounts payable	44,481	13	10,818	55,312
Pension benefits payable			6,680	6,680
Total liabilities	136,546	13	90,720	227,279
Net position held in trust for pension benefits	$ 1,324,734	$ 20,349	$ 2,261,333	$ 3,606,416

CITY OF BALTIMORE

Combining Statement of Changes in Fiduciary Net Position

Pension Trust Funds

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	$ 88,300	$ 419	$ 107,779	$ 196,498
Employee	224	61	25,381	25,666
Total contributions	88,524	480	133,160	222,164
Investment income:				
Net appreciation in fair value of investments	135,498	2,385	170,829	308,712
Securities lending income	252		464	716
Interest and dividend income	19,360	1	36,866	56,227
Total investment income	155,110	2,386	208,159	365,655
Less: investment expense	6,931	23	7,621	14,575
Net investment income	148,179	2,363	200,538	351,080
Total additions	236,703	2,843	333,698	573,244
Deductions:				
Retirement allowances	124,060	764	212,266	337,090
Death benefits	689		164	853
Administrative expenses	3,555	40	3,569	7,164
Other	163		2,394	2,557
Total deductions	128,467	804	218,393	347,664
Changes in net position	108,236	2,039	115,305	225,580
Net position - beginning of the year	1,216,498	18,310	2,146,028	3,380,836
Net position - end of the year	$ 1,324,734	$ 20,349	$ 2,261,333	$ 3,606,416

CITY OF BALTIMORE

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2013

(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	$ 123			$ 264
Investments				$ 52		52
Accounts receivable					$ 215	215
Total assets	55	86	123	52	215	531
Liabilities:						
Due to other funds					215	215
Other	55	86	123	52		316
Total liabilities	$ 55	$ 86	$ 123	$ 52	$ 215	$ 531

CITY OF BALTIMORE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2013

(Expressed in Thousands)

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Unpresented Stock and Coupon Bonds				
Assets:				
Cash	$ 55			$ 55
Total assets	55			55
Liabilities:				
Other	55			55
Total liabilities	55			55
Property Sold for Taxes				
Assets:				
Cash	86			86
Total assets	86			86
Liabilities:				
Other	86			86
Total liabilities	86			86
Bid Deposit Refunds				
Assets:				
Cash	95	$ 28		123
Total assets	95	28		123
Liabilities:				
Other	95	28		123
Total liabilities	95	28		123
Waterloo Summit				
Assets:				
Investments	52			52
Total assets	52			52
Liabilities:				
Other	52			52
Total liabilities	52			52
Recreation Accessory				
Assets:				
Cash	23	2,549	$ 2,357	215
Total assets	23	2,549	2,357	215
Liabilities:				
Other	23	2,549	2,357	215
Total liabilities	23	2,549	2,357	215
Total All Agency Funds				
Assets:				
Cash	259	2,577	2,357	479
Investments	52			52
Total assets	311	2,577	2,357	531
Liabilities:				
Other	311	2,577	2,357	531
Total liabilities	$ 311	$ 2,577	$ 2,357	$ 531

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STATISTICAL SECTION

See Independent Auditors' Report

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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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								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets,									
net of related debt	$ 2,810,155	$ 2,898,611	$ 2,684,600	$ 2,622,303	$ 3,138,558	$ 2,121,998	$ 2,681,668	$ 2,989,607	$ 2,739,761
Restricted	15,084	13,774	13,773	26,516	13,250	13,191	14,787	14,931	13,013
Unrestricted	(439,890)	(428,921)	(367,551)	112,270	(395,378)	(475,903)	(360,180)	(595,687)	(321,033)
Total governmental activities									
net position	$ 2,385,349	$ 2,483,464	$ 2,330,822	$ 2,761,089	$ 2,756,430	$ 1,659,286	$ 2,336,275	$ 2,408,851	$ 2,431,741
Business-type activities									
Invested in capital assets,									
net of related debt	$ 854,007	$ 1,001,112	$ 1,127,216	$ 1,088,511	$ 1,196,193	$ 1,371,993	$ 1,377,641	$ 1,461,618	$ 1,646,769
Restricted	256,964	252,812	282,924	369,069	231,382	260,575	124,756	142,070	160,955
Unrestricted	207,744	125,132	60,639	138,070	245,818	(27,495)	182,655	172,004	83,148
Total business-type activities									
net position	$ 1,318,715	$ 1,379,056	$ 1,470,779	$ 1,595,650	$ 1,673,393	$ 1,605,073	$ 1,685,052	$ 1,775,692	$ 1,890,872
Primary government									
Invested in capital assets,									
net of related debt	$ 3,664,162	$ 3,899,723	$ 3,811,816	$ 3,710,814	$ 4,334,751	$ 3,493,991	$ 4,059,309	$ 4,451,225	$ 4,386,530
Restricted	272,048	266,586	296,697	395,585	244,632	273,766	139,543	157,001	173,968
Unrestricted	(232,146)	(303,789)	(306,912)	250,340	(149,560)	(503,398)	(177,525)	(423,683)	(237,885)
Total primary government									
net position	$ 3,704,064	$ 3,862,520	$ 3,801,601	$ 4,356,739	$ 4,429,823	$ 3,264,359	$ 4,021,327	$ 4,184,543	$ 4,322,613

	Fiscal Year
	2013
Governmental activities	
Net investment in capital	
assets	$ 2,988,956
Restricted	40,548
Unrestricted	(650,914)
Total governmental activities	
net position	$2,378,590
Business-type activities	
Net investment in capital	
assets	$ 1,785,501
Restricted	152,197
Unrestricted	133,419
Total business-type activities	
net position	$ 2,071,117
Primary government	
Net investment in capital	
assets	$ 4,774,457
Restricted	192,745
Unrestricted	(517,495)
Total primary government	
net position	$ 4,449,707

CITY OF BALTIMORE

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	$ 406,520	$ 406,849	$ 339,059	$ 452,353	$ 468,113	$ 521,242	$ 545,037	$ 452,449	$ 443,957	$ 399,166
Public safety and regulation	462,910	476,157	514,299	536,508	575,859	541,778	504,730	525,792	577,963	661,829
Conservation of health	195,024	142,219	162,319	104,879	157,549	147,054	164,751	151,192	154,105	130,911
Social services	36,822	29,451	30,584	2,252	36,202	6,096	435	14,581	31,156	125,515
Education	219,932	226,913	225,890	227,377	224,830	221,829	228,788	265,204	260,935	288,227
Public library	27,251	23,303	30,400	24,006	31,736	33,728	33,915	33,309	33,390	33,184
Recreation and culture	36,326	36,304	33,060	42,420	44,295	42,565	39,205	48,165	49,291	50,297
Highways and streets	186,393	132,909	123,930	122,212	143,340	135,992	191,536	140,309	162,290	159,022
Sanitation and waste removal	34,151	36,836	40,155	44,169	45,366	51,167	52,905	61,605	65,677	73,536
Public service	15,150	15,695	15,218	15,141	16,769	24,637	24,316	25,059	26,676	50,710
Economic development	96,964	80,045	449,746	145,160	184,286	204,557	182,816	183,331	169,896	170,002
Interest	43,588	40,944	50,070	58,327	63,070	37,885	50,105	47,391	32,624	29,605
Total governmental activities expenses	1,761,031	1,647,625	2,014,730	1,774,804	1,991,415	1,968,530	2,018,539	1,948,387	2,007,960	2,172,004
Business-type activities:										
Water	95,745	96,893	95,010	95,576	105,882	116,407	107,982	120,736	131,271	136,171
Wastewater	127,009	133,463	134,290	131,610	145,611	152,595	157,605	159,776	173,106	178,221
Parking	15,272	17,478	19,441	16,520	20,317	23,422	24,832	19,853	25,332	17,681
Nonmajor proprietary	8,355	9,283	14,290	12,657	19,446	12,353	11,538	13,860	13,287	11,826
Total business-type activities expenses	246,381	257,117	263,031	256,363	291,256	304,777	301,957	314,225	342,996	343,899
Total primary government expenses	2,007,412	1,904,742	2,277,761	2,031,167	2,282,671	2,273,307	2,320,496	2,262,612	2,350,956	2,515,903
Program revenues										
Governmental activities:										
Charges for services (a)	88,587	83,950	90,545	93,046	99,185	94,297	85,683	109,872	118,556	114,163
Operating grants and contributions	477,870	401,958	393,328	382,316	386,972	402,343	359,769	399,844	400,678	385,841
Capital grants and contributions	51,910	49,013	57,313	48,085	51,559	23,181	63,437	72,758	71,258	109,488
Total governmental activities revenue	618,367	534,921	541,186	523,447	537,716	519,821	508,889	582,474	590,492	609,492
Business-type activities:										
Charges for services:										
Water	104,436	99,282	109,471	111,052	131,233	119,840	130,512	129,292	132,340	154,680
Wastewater	126,869	134,805	136,405	151,462	157,974	158,305	166,016	160,076	179,873	183,521
Parking	54,196	56,613	61,896	62,706	69,868	64,380	67,760	83,040	81,476	83,542
Nonmajor proprietary	5,332	7,463	9,971	12,598	11,677	12,440	9,989	9,979	12,046	18,400
Capital grants and contributions	55,165	51,057	69,370	78,032	40,928	22,818	38,313	72,257	100,922	129,608
Total business-type activities revenues	345,998	349,220	387,113	415,850	411,680	377,783	412,590	454,644	506,657	569,751
Total primary government revenues	964,365	884,141	928,299	939,297	949,396	897,604	921,479	1,037,118	1,097,149	1,179,243
Net (Expense)/Revenue										
Governmental activities	(1,142,664)	(1,112,704)	(1,473,544)	(1,251,357)	(1,453,699)	(1,448,709)	(1,509,650)	(1,365,913)	(1,417,468)	(1,562,512)
Business-type activities	99,617	92,103	124,082	159,487	120,424	73,006	110,633	140,419	163,661	225,852
Total primary government net expenses	(1,043,047)	(1,020,601)	(1,349,462)	(1,091,870)	(1,333,275)	(1,375,703)	(1,399,017)	(1,225,494)	(1,253,807)	(1,336,660)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	527,215	539,195	558,089	592,065	626,420	693,767	770,320	813,613	769,094	806,258
Income taxes	182,506	199,635	225,517	243,611	267,625	262,901	251,731	234,955	257,893	276,111
Other local taxes	111,980	171,871	208,858	204,685	180,189	148,369	115,472	147,366	178,441	188,803
State shared revenues	169,703	200,199	222,911	226,692	213,899	187,986	135,226	127,433	130,286	128,707
Franchise fees										
Unrestricted investment income	25,032	30,170	41,776	47,560	53,503	35,756	27,308	23,905	17,404	17,879
Miscellaneous	24,498	36,884	29,727	41,557	34,398	14,568	15,806	35,695	36,794	43,861
Transfers	28,401	32,865	34,024	33,870	42,681	34,339	40,707	55,522	50,446	47,742
Total governmental activities	1,069,335	1,210,819	1,320,902	1,390,040	1,418,715	1,377,686	1,356,570	1,438,489	1,440,358	1,509,361
Business-type activities:										
Unrestricted investment income		1,103	1,665			747		5,743	3,075	2,135
Transfers	(28,401)	(32,865)	(34,024)	(33,870)	(42,681)	(34,339)	(40,707)	(55,522)	(50,446)	(47,742)
Total business-type activities	(28,401)	(31,762)	(32,359)	(33,870)	(42,681)	(33,592)	(40,707)	(49,779)	(47,371)	(45,607)
Total primary government	1,040,934	1,179,057	1,288,543	1,356,170	1,376,034	1,344,094	1,315,863	1,388,710	1,392,987	1,463,754
Changes in Net Position										
Governmental activities	73,329)	98,115	(152,642)	138,683	(34,984)	(71,023)	(153,080)	72,576	22,890	(53,151)
Business-type activities	71,216	60,341	91,723	125,617	77,743	36,101	69,926	90,640	116,290	180,245
Total primary government	$ (2,113)	$ 158,456	$ (60,919)	$ 264,300	$ 42,759	$ (34,922)	$ (83,154)	$ 163,216	$ 139,180	$ 127,094

(a) Charges 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 Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
General fund							
Reserved	$ 101,777	$ 119,793	$ 146,107	$ 168,912	$ 180,794	$ 181,585	$ 157,131
Unreserved	37,878	72,762	65,417	56,043	33,629	35,344	20,441
Total general fund	$ 139,655	$ 192,555	$ 211,524	$ 224,955	$ 214,423	$ 216,929	$ 177,572
All other governmental funds							
Reserved	$ 123,991	$ 121,639	$ 138,734	$ 149,684	$ 166,551	$ 119,928	$ 151,855
Unreserved reported in:							
Special revenue funds	(88,188)	(108,326)	(99,577)	(100,707)	(140,026)	(43,679)	(43,687)
Capital projects fund	(44,106)	(83,622)	28,370	56,661	30,251	48,128	(43,974)
Debt service fund	18,099	27,503	26,082	30,296	82,579	41,240	41,319
Permanent funds	6,237	13,774					
Total all other governmental funds	$ 16,033	$ (29,032)	$ 93,609	$ 135,934	$ 139,355	$ 165,617	$ 105,513

	Fiscal Year		
	2011 (1)	2012	2013
General fund			
Nonspendable	$ 6,154	$ 5,519	$ 5,519
Restricted		30,338	
Assigned	104,862	128,415	203,425
Unassigned	93,884	91,700	90,070
Total general fund	$ 204,900	$ 255,972	$ 299,014
All other governmental funds			
Nonspendable			
Motor vehicle fund	$ 2,658		
Other nonmajor funds	2,811		
Restricted			
Capital projects fund			$ 27,400
Other nonmajor funds		$ 13,013	13,148
Assigned			
Motor vehicle fund	15,177		
Capital projects fund	128,813	7,128	5,702
Other nonmajor funds	48,837	37,333	46,060
Unassigned			
Grants revenue fund	(32,688)	(40,248)	(62,864)
Capital projects fund	(80,539)	(12,393)	(3,490)
Other nonmajor funds	(10,733)	(7,192)	(9,255)
Total all other governmental funds	$ 74,336	$ (2,359)	$ 16,701

(1) During fiscal year 2011, the City implemented GASB Statement No. 54 which changed the format for fund balance presentation.

CITY OF BALTIMORE

Changes in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
General fund:										
Taxes— Local	$ 821,701	$ 910,701	$ 992,464	$1,040,361	$1,074,234	$1,105,037	$1,137,523	$ 1,176,038	$ 1,206,584	$ 1,219,656
State shared revenue										128,707
Licenses and permits	26,805	28,570	31,143	32,784	34,717	29,390	34,438	42,129	37,585	40,572
Fines and forfeitures	4,408	3,575	3,372	2,900	7,321	6,896	7,116	8,055	6,604	29,445
Interest, rentals, and other investment income	20,729	25,364	31,206	34,047	38,602	23,616	24,148	21,903	16,244	16,816
Federal grants	111	150	90	93	99	224	213		226	245
State grants	96,412	92,240	91,331	98,120	101,235	99,423	97,320	89,453	95,651	93,376
Other grants	6,064	4,174	75	173	153	154	46	25	25	25
Charges for services	39,692	39,770	42,243	43,697	42,646	41,560	29,251	26,654	35,044	44,146
Miscellaneous	9,889	2,643	8,817	6,420	12,429	234	4,528	18,579	9,976	4,365
Total revenues— general fund	1,025,811	1,107,187	1,200,741	1,258,595	1,311,436	1,306,534	1,334,583	1,382,836	1,407,939	1,577,353
Other governmental funds:										
Motor vehicle fund	187,119	212,477	238,002	244,316	232,716	206,015	156,590	160,974	169,768	
Grants revenue fund	324,317	263,542	280,232	258,288	231,047	338,749	270,692	292,887	285,240	251,949
Capital projects fund	68,647	64,031	84,247	66,341	65,129	46,028	75,296	84,230	93,966	121,065
Other funds	29,820	37,334	32,251	55,941	36,696	33,030	28,641	26,245	29,339	21,860
Total revenues— other governmental funds	609,903	577,384	634,732	624,886	565,588	623,822	531,219	564,336	578,313	394,874
Total revenues all governmental funds	1,635,714	1,684,571	1,835,473	1,883,481	1,877,024	1,930,356	1,865,802	1,947,172	1,986,252	1,972,227
Expenditures:										
General fund:										
General government	267,527	273,606	290,727	337,700	368,022	368,279	410,746	375,814	387,650	223,730
Public safety and regulation	376,052	383,318	416,781	446,072	475,629	474,031	437,031	452,977	463,410	594,077
Conservation of health	23,528	24,442	30,507	28,948	29,371	33,066	44,950	44,076	44,033	20,811
Social services	2,032	2,146	2,138	3,007	4,498	6,057	396	1,361	707	89,235
Education	202,192	205,067	205,552	206,016	205,858	205,909	207,657	247,074	254,626	257,770
Public library	20,124	18,093	20,853	23,135	24,253	25,720	24,246	23,890	23,829	23,131
Recreation and culture	27,143	26,464	29,151	34,568	37,707	35,163	30,212	37,981	34,749	39,235
Highways and streets	244	407	312	484	720	244	16,376	16,838	19,336	83,051
Sanitation and waste removal	29,209	28,109	37,474	39,754	40,032	40,593	37,862	39,503	40,936	69,381
Public service	12,234	12,715	12,448	12,210	13,259	17,510	21,455	16,403	17,350	43,024
Economic development	19,262	18,854	21,420	30,440	39,616	36,573	36,186	36,589	46,741	48,544
Total expenditures— general fund	979,547	993,221	1,067,363	1,162,334	1,238,965	1,243,145	1,267,117	1,292,506	1,333,367	1,491,989
Other governmental funds:										
Motor vehicle fund	148,268	148,974	157,248	164,419	175,354	173,570	191,558	140,223	148,769	
Grants revenue fund	342,586	282,888	272,814	257,756	259,387	238,399	280,603	292,497	298,287	280,319
Capital projects fund	217,621	208,219	568,951	246,775	317,031	267,641	275,701	199,217	208,837	202,458
Debt service fund:										
Principal	36,209	42,048	48,073	53,351	56,694	52,651	60,054	61,282	64,781	69,877
Interest	29,674	30,197	30,555	47,302	51,198	26,144	39,014	38,256	32,624	23,678
Other bond costs		1,357	1,861	6,829		13,945	9,847	5,882		
Other funds	22,752	25,052	22,038	17,015	14,161	18,052	11,863	14,330	17,116	22,600
Total expenditures other governmental funds	797,110	738,735	1,101,540	793,447	873,825	790,402	868,640	751,687	770,414	598,932
Total expenditures all governmental funds	1,776,657	1,731,956	2,168,903	1,955,781	2,112,790	2,033,547	2,135,757	2,044,193	2,103,781	2,090,921
Excess (deficiency) of revenues over expenditures	(140,943)	(47,385)	(333,430)	(72,300)	(235,766)	(103,191)	(269,955)	(97,021)	(117,529)	(118,694)
Other financing sources (uses):										
Transfers, net	28,401	33,873	16,568	20,694	36,044	27,839	40,707	27,422	50,446	76,110
Capital leases	25,136	10,189	10,265	25,447	7,372	3,956	75,099	11,020	41,460	11,804
Face value of bonds and loans	65,996	49,689	379,676	81,915	154,914	100,164	54,688	54,730		283,535
Refunding of bonds										(214,336)
Swaps terminations										(18,760)
Premium (discount) on sale of bonds	731									42,443
Payments to escrow agents	(11,760)									
Demand obligation transferred from fund liability	51,900	(38,531)	38,531							
Total other financing sources	160,404	55,220	445,040	128,056	198,330	131,959	170,494	93,172	91,906	180,796
Net changes in fund balances	$ 19,461	$ 7,835	$ 111,610	$ 55,756	$ (37,436)	$ 28,768	$ (99,461)	$ (3,849)	$ (25,623)	$ 62,102
Debt service as a percentage of noncapital expenditures	4.17%	4.57%	1.78%	5.62%	5.64%	3.50%	5.26%	5.24%	5.03%	4.87%

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 the Fiscal Year of the Levy	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2004	$ 523,226	$ 510,710	97.6%	$ 14,235	$ 524,945	100.3%
2005	548,552	529,074	96.4	6,144	535,218	97.6
2006	565,648	544,463	96.3	8,161	552,624	97.7
2007	599,534	577,759	96.4	6,776	584,535	97.5
2008	655,080	605,961	92.5	10,601	616,562	94.1
2009	728,359	671,869	92.2	16,238	688,107	94.5
2010	751,510	723,533	96.3	60,319	783,852	104.3
2011	777,332	750,144	96.5	29,647	779,791	100.3
2012	761,237	743,352	97.7	23,320	766,672	100.7
2013	763,106	732,467	96.0	22,837	755,304	99.0

CITY OF BALTIMORE

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Dollars Expressed in Thousands)

	Real Property		Personal Property		Total			
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
2004	$ 17,844,363	$ 18,594,723	$ 1,764,282	$ 1,764,282	$ 19,608,645	$ 20,359,005	96.3%	$ 2.460
2005	18,781,171	19,783,195	1,847,190	1,847,190	20,628,361	21,630,385	95.4	2.460
2006	19,918,443	21,334,553	1,783,249	1,783,249	21,701,692	23,117,802	93.9	2.440
2007	21,254,392	23,236,872	1,893,973	1,893,973	23,148,365	25,130,845	92.1	2.400
2008	23,943,402	27,398,671	1,965,726	1,965,726	25,909,128	29,364,397	88.2	2.380
2009	26,601,299	32,038,540	2,145,251	2,145,251	28,746,550	34,183,791	84.1	2.380
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

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 re-evaluated every three years. Tax rates are for each $100 of assessed valuation.

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)
2004	$ 2.328	$.132	$ 2.460
2005	2.328	.132	2.460
2006	2.308	.132	2.440
2007	2.288	.112	2.400
2008	2.268	.112	2.380
2009	2.268	.112	2.380
2010	2.268	.112	2.380
2011	2.268	.112	2.380
2012	2.268	.112	2.380
2013	2.268	.112	2.380

Notes:

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

(2) The State tax rate is shown for informational purposes 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 Taxpayers

Current Year and Nine Years Ago

(Dollars Expressed in Thousands)

	2013			2004		
	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)	$ 682,593	1	2.2%	$ 565,845	1	2.9%
Verizon - Maryland	197,766	2	0.6	390,601	2	2.0
CSX Transportation	191,840	3	0.6	77,236	6	0.4
100 East Pratt Street Business	175,700	4	0.6			
Harbor East Limited - Parcel B	170,000	5	0.6			
Baltimore Hotel Corporation	163,991	6	0.5			
Baltimore Center Associates	159,241	7	0.5	145,919	3	0.7
Harbor East Limited	151,857	8	0.5	103,342	5	0.5
New Community College of Baltimore	76,834	9	0.3			
Canton Crossing Tower, LLC	74,180	10	0.2			
ABB South Street Associates, LLC				76,000	7	0.4
Boston Properties, Inc				134,360	4	0.7
TMCT, LLC				61,128	8	0.3
Travis Real Estate Group				57,811	9	0.3
U.S. Bank National				55,205	10	0.3
Total	$ 2,044,002		6.6%	$ 1,667,447		8.5%

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)

	Governmental Activities					Business-type Activities					
Fiscal Year	General Obligation Bonds	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Private	Water	Wastewater	Sewer Construction Loans	Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
2004	$ 579,382	$ 23,324	$ 30,681	$ 4,872		$ 1,037	$ 1,963	$ 542	$ 641,801	2.92%	$ 999
2005	579,960	23,324	42,141	4,519		908	1,719	485	653,056	2.72	1,028
2006	588,604	26,301	51,311	3,697		746	1,413	425	672,497	3.48	1,051
2007	609,950	26,211	46,926	2,266		855	1,616	360	688,184	3.47	1,073
2008	646,533	93,018	51,429	1,945		897	1,330	292	795,444	3.43	1,248
2009	629,018	116,508	50,803	1,553		941	438	221	799,482	3.42	1,254
2010	631,993	116,205	45,436	1,186		118	458	143	795,539	3.25	1,281
2011	630,957	115,600	42,151	925				63	789,696	3.03	1,275
2012	570,148	114,993	39,355	1,855				19	726,370	N/A	7,169
2013	569,097	114,435	36,461	1,430					721,423	N/A	N/A

(a) Per capita calculations 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. Dept. 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	Funds Available in Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
2004	$ 579,382	$ 18,099	$ 561,283	2.76%	$ 873.32
2005	579,960	27,503	552,457	2.55	868.23
2006	588,604	26,082	562,522	2.43	884.73
2007	609,950	30,296	579,654	2.31	909.33
2008	646,533	82,579	563,954	1.92	885.44
2009	629,018	41,240	587,778	1.72	922.12
2010	631,993	41,319	590,674	1.58	951.23
2011	630,957	36,261	594,696	1.54	959.97
2012	570,148	36,796	533,352	1.69	917.61
2013	569,097	45,523	523,574	1.45	N/A

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

(b) Externally restricted for repayment of principal on debt.

N/A Information not available.

CITY OF BALTIMORE

Direct and Overlapping Governmental Activities Debt

June 30, 2013

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE

Legal Debt Margin Information

June 30, 2013

The City has no Legal Debt Margin.

CITY OF BALTIMORE

Pledged Revenue Coverage

Last Ten Fiscal Years

(Dollars Expressed in Thousands)

	Water Revenue Bonds						Wastewater Revenue Bonds					
	Water Utility	Less: Operating	Net Available	Debt Service			Wastewater Utility	Less: Operating	Net Available	Debt Service		
Fiscal Year	Revenues	Expenses	Revenue	Principal	Interest	Coverage	Revenues	Expenses	Revenue	Principal	Interest	Coverage
2004	$ 102,612	$ 76,616	$ 25,996	$ 2,295	$ 10,529	2.03	$ 125,942	$ 104,859	$ 21,083	$ 4,660	$ 9,595	1.48
2005	99,282	76,772	22,510	2,655	16,091	1.20	134,805	105,030	29,775	4,794	12,559	1.72
2006	109,471	77,776	31,695	2,779	17,137	1.59	136,405	113,542	22,863	7,658	12,630	1.13
2007	111,052	81,722	29,330	2,920	15,818	1.57	151,462	110,877	40,585	9,405	16,631	1.56
2008	131,233	84,223	47,010	3,574	16,279	2.37	157,974	118,600	39,374	13,027	13,517	1.48
2009	120,292	94,547	25,745	3,273	20,692	1.07	161,061	121,123	39,938	13,480	22,133	1.12
2010	129,579	88,394	41,185	6,264	20,202	1.56	166,072	115,762	50,310	16,822	25,627	1.19
2011	129,292	90,586	38,706	8,036	22,507	1.27	160,076	110,131	49,945	20,090	25,031	1.11
2012	132,340	95,386	36,954	8,937	22,239	1.19	179,873	119,356	60,517	22,595	27,412	1.21
2013	154,680	100,845	53,835	10,344	23,544	1.59	183,521	125,215	58,306	22,675	28,910	1.13

	Parking Facilities Revenue Bonds						Convention Center Revenue Bonds				
	Parking Facilities	Less: Operating	Net Available	Debt Service			Convention Center	Net Available	Debt Service		
Fiscal Year	Revenues	Expenses	Revenue	Principal	Interest	Coverage	Revenues	Revenue	Principal	Interest	Coverage
2004	$ 53,539	$ 7,447	$ 46,092	$ 4,355	$ 11,999	2.82	$ 4,579	$ 4,579	$ 2,010	$ 2,596	0.99
2005	56,613	6,986	49,627	4,680	11,812	3.01	4,566	4,566	2,095	2,508	0.99
2006	61,896	9,697	52,199	4,900	9,828	3.54	3,904	3,904	2,185	2,415	0.85
2007	62,706	8,509	54,197	5,080	6,967	4.50	4,523	4,523	2,280	2,310	0.99
2008	69,868	10,622	59,246	5,815	8,956	4.01	4,516	4,516	2,193	2,395	0.98
2009	64,380	12,170	52,210	6,060	14,224	2.57	4,463	4,463	2,515	2,070	0.97
2010	67,760	10,866	56,894	6,915	9,352	3.50	4,344	4,344	2,645	1,794	0.98
2011	83,040	10,728	72,312	7,250	8,934	4.47	4,654	4,654	2,770	1,796	1.02
2012	81,476	10,937	70,539	8,395	10,324	3.77	4,655	4,655	2,935	1,637	1.02
2013	83,542	9,737	73,805	8,410	9,829	4.05	4,577	4,577	3,095	1,475	1.00

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.

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Demographic and Economic Information

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CITY OF BALTIMORE

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) *(thousands of dollars)*	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
2004	641,004	$ 19,022,755	$ 29,676	253,695	7.3%
2005	640,064	20,057,835	31,337	255,081	6.9
2006	640,961	20,926,218	32,648	257,382	6.2
2007	640,150	22,072,895	34,481	261,628	5.5
2008	638,091	23,300,745	36,516	262,357	6.6
2009	637,418	23,398,934	36,709	251,252	10.8
2010	620,961	24,502,772	39,459	243,208	11.9
2011	620,216	26,040,916	41,987	246,957	10.5
2012	621,342	27,502,677	44,263	250,818	10.2
2013	N/A	N/A	N/A	N/A	N/A

Source:

(a) Maryland State Department of Planning

(b) U.S. Bureau of Economic Analysis

(c) Per capita personal income is calculated based on the personal income divided by the estimated population

(d) Maryland Department of Labor, Licensing and Regulation

N/A Information not available

CITY OF BALTIMORE

Principal Employers

Current Year and Nine Years Ago

Employer	2013 Employees	2013 Rank	2013 Percentage of Total City Employment	2004 Employees	2004 Rank	2004 Percentage of Total City Employment
Government [1]						
State	35,443	1	10.71	38,066	1	10.57%
Other government authority (City, Schools, etc.)	26,827	2	8.11	29,973	2	8.32
Federal	9,918	3	3.00	10,038	3	2.79
Subtotal Government	72,188		21.82	78,077		21.69
Ten Largest Private Sector Employers [2]						
Johns Hopkins University	22,000	1	6.65	27,700	1	7.69
Johns Hopkins Hospital and Health System	18,090	2	5.47	15,388	2	4.27
University of Maryland Medical System	9,423	3	2.85	11,000	3	3.05
University System of Maryland	8,900	4	2.69			
MedStar Health	6,010	5	1.82			
LifeBridge Health	5,213	6	1.58	5,860	5	1.63
Mercy Health Services	3,738	7	1.13	3,174	8	0.88
BGE (Baltimore Gas & Electric Company)	3,116	8	0.94	5,786	6	1.61
St. Agnes HealthCare	2,833	9	0.86	3,054	10	0.85
Kennedy Krieger Institute	2,449	10	0.74			
Verizon Maryland, Inc.				6,000	4	1.67
General Motors Baltimore Assembly Plant				3,200	7	0.89
T. Rowe Price Group				3,065	9	0.85
Subtotal Ten Largest Private Sector Employers	81,772		24.72	84,227		23.39
Total Government and Ten Largest Private Sector Employers	153,960		46.54%	162,304		45.08%

Source:

[1] For the government sector: Maryland Dept. of Labor Licensing and Regulations, Employment data - Average of the first three quarters of the corresponding fiscal years. No data was available for fourth quarter of FY 2013.

[2] For the private sector: 2013 data has not been released; therefore, we used 2012, Department of Business and Economic Development data files as of November 2012; For 2004, Baltimore Business Journal, Book of Lists 2005.

Operating Information

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CITY OF BALTIMORE

Full Time Equivalent Employees By Function

Last Ten Years

	Full-time equivalent Employees at June 30									
Function/program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	1,695	1,722	1,710	1,690	1,720	1,733	1,725	1,700	1,754	1,674
Public safety										
Police	4,030	3,983	3,935	3,937	3,930	3,909	3,897	3,897	3,892	3,796
Fire	1,737	1,741	1,743	1,743	1,796	1,800	1,795	1,795	1,789	1,732
Other	725	727	735	752	766	793	795	791	721	683
Conservation of health	742	719	680	671	761	883	878	875	873	862
Public library	432	421	417	418	437	430	432	430	399	399
Recreation and parks	368	362	364	364	369	404	400	399	389	368
Highways and streets	1,511	1,515	1,510	1,518	1,523	1,514	1,499	1,458	1,382	1,352
Public works										
Water	957	936	926	900	901	893	878	875	850	893
Wastewater	1,091	1,086	1,069	1,059	1,031	1,014	1,011	1,012	991	985
Solid waste	891	872	868	863	899	876	875	856	889	853
Other	609	570	598	606	607	627	621	625	579	537
Public service	64	64	64	68	68	68	68	67	62	70
Economic development	533	528	518	541	518	598	564	563	554	560
	15,385	15,246	15,137	15,130	15,326	15,542	15,438	15,343	15,124	14,764

Source: Baltimore City Bureau of Budget and Management Research

CITY OF BALTIMORE

Operating Indicators By Function/Program

Last Ten Fiscal Years

Function/program	Fiscal Year 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Arrests*	100,388	99,981	92,904	81,105	75,552	72,106	62,341	56,606	53,169	45,275
Fire										
Fire Suppression Units Dispatched	106,822	120,906	126,942	132,560	137,272	136,003	135,421	121,483	129,977	137,677
Structural Fires	2,132	2,370	2,372	2,275	2,177	2,100	2,154	2,460	2,682	2,401
EMS Transports	83,348	83,828	86,881	89,331	88,831	86,128	86,985	86,901	90,615	94,883
Inspections	14,707	20,250	20,543	23,630	26,594	25,654	24,156	N/A	N/A	N/A
Solid Waste										
Refuse Collected (tons)	218,324	220,063	218,194	206,333	195,601	181,397	148,077	145,345	144,926	142,543
Recyclables Collected (tons)	N/A	N/A	166,656	167,236	13,465	15,914	25,836	25,557	24,929	26,468
Water/Wastewater										
Number of Accounts	N/A	N/A	409,208	439,327	439,676	440,215	441,209	445,335	446,142	450,427
Average Daily Water Production (MGD)	N/A	N/A	251	251	226	226	218	218	218	218
Average Daily Sewage Treatment (MGD)	N/A	N/A	210	210	192	192	192	208	208	208
Transportation (DOT)										
Miles Streets Resurfaced/Reconstructed	38.7	113.5	13.5	136.6	220.2	188.1	152.0	185.0	189.0	98.0
Potholes Repaired	11,592	19,000	16,054	15,345	15,478	14,879	15,121	15,045	12,847	11,208
Traffic Citations Issued **	9,760	12,422	7,744	4,488	4,909	3,186	1,341	63	63	63
Parking Citations Issued	340,448	340,444	364,041	400,263	368,099	389,642	379,633	388,338	355,344	331,067
Traffic Signals Repaired	8,274	10,973	11,482	9,737	5,513	5,124	6,901	5,538	4,751	4,312
Street Lights Repaired	13,345	12,982	21,527	27,459	24,847	22,008	25,415	29,012	29,633	28,096
Housing										
Number of inspections (housing and code enforcement)	179,385	199,830	169,727	180,073	190,031	198,742	206,467	363,720	267,508	270,607
Number of permits issued	26,692	32,780	38,787	38,455	34,565	33,068	36,630	27,600	25,307	24,537
Property Management Service Requests Completed***	13,109	15,635	30,537	36,810	83,207	82,311	62,359	75,251	64,997	43,897
Recreation and Parks										
Enrollment at Recreation Centers	152,660	155,193	138,583	141,232	142,009	139,632	135,547	154,528	169,608	146,598
Permits Issued for Park Facilities	572	808	661	723	698	789	653	741	1,518	1,581
Library										
Volumes in Circulation (millions)	2.7	2.2	2.3	2.6	2.5	2.5	2.6	2.6	2.0	2.4
Volumes Borrowed (millions)	1.4	1.4	1.4	1.4	1.3	1.5	1.5	1.7	1.7	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

	Fiscal Year									
Function/program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police/Sheriff										
Buildings	N/A	10	10	10	10	10	10	13	12	16
Marked patrol units	N/A	N/A	525	466	473	471	487	479	373	403
Other vehicles	N/A	N/A	616	654	639	645	633	616	602	448
Fire Stations										
Buildings	N/A	39	39	39	39	39	39	39	41	61
Fire/EMS apparatus (tankers/ladders/medics/fleet)	N/A	N/A	160	160	160	160	160	137	122	154
Other vehicles	N/A	N/A	152	168	164	164	164	176	235	142
Recreation and Parks										
Buildings	N/A	147	148	148	148	148	148	148	148	210
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827
Vehicles	N/A	N/A	127	129	125	119	123	120	119	120
Equipment	N/A	N/A	304	309	295	286	296	183	157	157
Public Works (Transportation, Solid Waste, and General Services)										
Buildings	N/A	30	30	30	30	30	30	30	82	119
Vehicles	N/A	N/A	990	971	980	968	952	984	967	942
Equipment	N/A	N/A	496	509	515	503	515	595	545	552
Streets (miles)	N/A	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water/Wastewater										
Treatment plants	N/A	5	5	5	5	5	5	5	5	5
Other buildings	N/A	31	31	31	31	31	31	31	95	221
Vehicles	N/A	N/A	611	625	615	608	599	632	608	631
Equipment	N/A	N/A	411	412	420	418	429	495	487	489
Water mains (miles)	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Water treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,340	1,340	1,340	1,340	1,335	1,335	1,335	1,335	1,335	1,335
Storm sewers (miles)	1,080	1,080	1,080	1,080	1,100	1,100	1,100	1,100	1,100	1,100
Wastewater treatment capacity (MGD)	250	250	253	253	253	253	253	253	253	253
Libraries										
Buildings	N/A	32	32	33	34	34	34	22	30	30
Vehicles	N/A	N/A	17	17	17	16	16	20	18	16
Other-General Government										
Buildings	N/A	1,353	1,353	1,353	1,353	1,353	1,353	4,250	4,250	132*
Vehicles	N/A	N/A	197	211	799	1,017	1,141	753	907	869
Equipment	N/A	N/A	59	62	66	64	61	249	151	101

* 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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APPENDIX C-1

OFFICIAL NOTICE OF SALE

$42,855,000*
MAYOR AND CITY COUNCIL OF BALTIMORE
(City of Baltimore, Maryland)
General Obligation Bonds
Consolidated Public Improvement Bonds, Series 2014 A (Tax-Exempt)

NOTICE IS HEREBY GIVEN that electronic bids will be received on the date and up to the time specified below:

SALE DATE: **Wednesday, July 30, 2014**

SALE TIME: **11:00 a.m. Local Baltimore, Maryland Time**

ELECTRONIC BIDS: Must be submitted through ***PARITY®*** as described below.
No other form of bid or provider of electronic bidding services will be accepted.

Notice is hereby given that electronic bids only for the purchase of all, but not less than all, of the Consolidated Public Improvement Bonds, Series 2014A (Tax-Exempt) Bonds (the "Bonds") will be received by the Board of Finance (the "Board of Finance") of the City of Baltimore, Maryland (the "City") to be issued by the City. The Bonds are more particularly described in the Preliminary Official Statement dated July 21, 2014 relating to the Bonds, (the "POS") available at www.tm3.com.

Consideration of the bids and the award will be made by the City on the Sale Date as set forth herein. The City also reserves the right to make certain adjustments to the aggregate principal amount and the principal amounts of each maturity of the Bonds being offered, to eliminate maturities, to change the terms of the Bonds, to postpone the sale of the Bonds to a later date, or to cancel the sale of the Bonds as further described herein. See "Adjustment of Amounts and Maturities" and "Change or Cancellation of Sale Date and/or Date of Delivery and/or Other Revised Terms."

Contact Information

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MCKENNON SHELTON & HENN LLP (BOND COUNSEL)
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I-DEAL/PARITY® (ELECTRONIC BIDDING PLATFORM)
Client Services
Phone: (212) 849-5024
Email: parity@i-deal.com

*Preliminary, subject to change.

*Bidding Parameters Table**

INTEREST		PRICING	
Dated Date:	Date of Delivery	Max. Aggregate Bid Price:	105%
Anticipated Date of Delivery:	August 13, 2014	Min. Aggregate Bid Price:	100%
Interest Payment Dates:	October 15 and April 15		
First Interest Payment Date:	October 15, 2014	Max. Reoffering Price (each maturity):	Unlimited
Coupon Multiples:	1/8 or 1/20 of 1%	Min. Reoffering Price (each maturity):	98.5%
Maximum Coupon:	N/A		
Minimum Coupon:	N/A		
Maximum TIC:	N/A		
Maximum Difference Between Coupons:	4%		
No Zero Coupon may be specified			
PRINCIPAL		**PROCEDURAL**	
Optional Redemption:	Bonds maturing on and after October 15, 2023 are callable on October 15, 2022 and thereafter at par	Sale Date: Sale Time:	July 30, 2014 11:00 a.m., Local Baltimore, Maryland Time
Post-bid Principal Increases Each Maturity: Aggregate:	 unlimited 15%	Bid Submission:	Electronic bids through PARITY only
Post-bid Principal Reductions Each Maturity: Aggregate:	 unlimited 15%	All or None?	Yes
Term Bonds:	Two or more consecutive annual principal maturities may be designated as a term bond that matures on the maturity date of the last annual principal payment of the sequence.	Bid Award Method:	Lowest True Interest Cost (as defined herein)
		Bid Confirmation:	Notification from the City
		Awarding of Bid:	On the Sale Date by the City
		Good Faith Deposit:	$428,550; as more fully described herein. See “Good Faith Deposit.”

* If numerical or date references contained in the body of this Official Notice of Sale conflict with the Bidding Parameters Table, the Bidding Parameters Table of this Official Notice of Sale shall control. Consult the body of this Official Notice of Sale for a detailed explanation of the items contained in the Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items.

Bond Amortization Schedule*

The Bonds will be issued in serial or term bond form as designated by the successful bidder for the Bonds in its proposal, as described below. The principal of the Bonds shall be payable in installments on the dates in the following years and in the following amounts:

$42,855,000* Consolidated Public Improvement Bonds, Series 2014 A (Tax-Exempt)

Maturity Date* (Oct. 15)	Amount Maturing*	Maturity Date* (Oct. 15)	Amount Maturing*
2015	$1,390,000	2025	$2,180,000
2016	1,460,000	2026	2,245,000
2017	1,535,000	2027	2,310,000
2018	1,615,000	2028	2,385,000
2019	1,695,000	2029	2,460,000
2020	1,785,000	2030	2,550,000
2021	1,875,000	2031	2,655,000
2022	1,970,000	2032	2,765,000
2023	2,050,000	2033	2,865,000
2024	2,115,000	2034	2,950,000

*Preliminary, subject to change.

The Bonds

Security

The Bonds shall constitute general obligations of the City, for which the full faith and credit of the City are pledged. The Bonds are payable as to principal and interest from ad valorem taxes which the City is empowered, obligated and directed by law to levy, without limitation, upon all assessable property within the corporate boundaries of the City, in each year in rate and amount sufficient for such purpose until all of the Bonds and the interest thereon shall have been paid or provision shall have been made for such payment.

Use of Proceeds

The proceeds of the Bonds will be used to fund certain capital projects of the City, as described in the Preliminary Official Statement, as approved by voters of the City and by either resolutions of the City Delegation to the General Assembly or the Acts of the General Assembly.

Description of the Bonds

General. The Bonds will be dated as of the Date of Delivery (“Dated Date”), expected to be on or about August 13, 2014, and will be in fully registered form in denominations of $5,000 each or any integral multiple thereof.

Interest on the Bonds will accrue from the Dated Date, and will be payable October 15, 2014 and semiannually thereafter on each April 15 and October 15 until maturity or earlier redemption. The Bonds will mature on October 15 of each year as specified in the Bond Amortization Schedule above.

Term Bond Option. Bidders may designate in their proposal two or more consecutive annual principal maturities as a term bond that matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal maturity designated for inclusion in such term bond. There is no limitation on the number of term bonds in the Bonds.

Form of Bonds. The Bonds shall be issued only in fully registered form without coupons. One bond representing each maturity of the Bonds in principal amount equal to the aggregate principal amount of such maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the bonds purchased. The winning bidder, as a condition to delivery of the Bonds, must consent that the bond certificates representing each maturity will be deposited with DTC.

So long as the Bonds are maintained under a book-entry only system, the Bond Registrar and Paying Agent for the Bonds will be the City or any other Bond Registrar and Paying Agent designated by the City. All payments of the principal of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Optional Redemption

The Bonds maturing on or before October 15, 2022 are not subject to optional redemption prior to their fixed maturity dates. The Bonds maturing on or after October 15, 2023, are subject to redemption prior to maturity, at the option of the City, on or after October 15, 2022, in whole or in part at any time, at the principal amount thereof (without premium), plus accrued interest on such principal amount to the date of redemption.

Adjustment of Amounts and Maturities

Prior to the Sale Date, the City may adjust the preliminary aggregate principal amount of the Bonds and the preliminary principal amount and maturity of each serial installment of the Bonds as set forth in this Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Principal Amount", and collectively the "Preliminary Amounts"). **ANY SUCH REVISIONS MADE PRIOR TO THE OPENING OF THE BIDS** (the "Aggregate Principal Amount" and the "Principal Amount", and collectively the "Amounts") **WILL BE PUBLISHED ON THOMPSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 4:00 P.M., LOCAL BALTIMORE, MARYLAND TIME, ON THE BUSINESS DAY IMMEDIATELY PRIOR TO THE SALE DATE FOR THE BONDS.**

In the event that no such revisions are made prior to the opening of the bids, the Preliminary Amounts will constitute the Amounts. Bidders shall submit bids based on the Amounts, and the Amounts will be used to compare bids and select a winning bidder.

After the opening of the bids, the City may further adjust the Amounts of the Bonds. Changes to be made will be communicated to the successful bidder not later than three (3) hours after the bids have been received and opened and in no case will such changes reduce or increase the Aggregate Principal Amount of the Bonds by more than 15 percent. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the Aggregate Principal Amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes within these limits.

The "Underwriter's Discount" shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Aggregate Principal Amount and Principal Amounts of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the Underwriter's Discount and original issue discount/premium, if any, but will not change the Underwriter's Discount, per $1,000 of par amount of the Bonds from the Underwriter's Discount that would have been received based on the purchase price in the winning bid and the initial public offering prices.

Change or Cancellation of Sale Date and/or Date of Delivery and/or Other Terms

The City may cancel or postpone the sale of the Bonds prior to the Sale Date. Notice of a cancellation or postponement will be announced via the TM3 wire at *www.tm3.com*. Notice of any new date and time of sale will be announced at least 24 hours prior to the time bids are to be submitted and will specify changes in the principal amount or other features, if any.

The City may change the scheduled delivery date, the dates of the semiannual interest payments and annual principal payments, or the optional redemption date or revise any other terms for the Bonds by notice given in the same manner as that set forth above.

Preliminary Official Statement; Continuing Disclosure

The City has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of certain information permitted to be omitted by said Rule. As soon as practicable after the Sale Date, the City will publish a complete final Official Statement (the "Official Statement") that will contain this information. The City agrees to deliver to the successful bidder for its receipt no later than seven business days after the Sale Date such quantities of the Official Statement as the successful bidder shall request, provided, that the City shall deliver up to 25 copies of such Official Statement without charge to the successful bidder.

The City has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12(b)(5). Such covenants are described in the Preliminary Official Statement.

Electronic Bidding

Bidders may only submit bids via PARITY.

A prospective bidder may only bid electronically for the Bonds via PARITY pursuant to this Official Notice of Sale. By submitting its bid for the Bonds, a prospective bidder represents and warrants to the City that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Additional information concerning bidding through the system may be directed to the PARITY Help Desk at (212) 849-5021.

Disclaimer. Each prospective electronic bidder shall be solely responsible to register to bid via PARITY as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the City nor PARITY shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor PARITY shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The City is using PARITY as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Submissions" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone PARITY New Issues Desk at (212) 849-5021 and notify the City by e-mail at steve.kraus@baltimorecity.gov.

Electronic Bidding Procedures. Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY. Bids will be communicated electronically to the City at **11:00 a.m.** local Baltimore, Maryland time, on July 30, 2014. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid via PARITY, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the City each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the City, as described under "Award of Bid" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Bid Submissions

Each bid must be in conformity with this Official Notice of Sale.

All bids must be delivered to the City via PARITY, before **11:00 a.m.**, local Baltimore, Maryland time, on July 30, 2014, at which time they will be received by the City. As described above, the City reserves the right to postpone the date for receipt of bids.

Minority Business Enterprise Participation

THE CITY STRONGLY ENCOURAGES EACH BIDDER FOR THE BONDS TO MAKE A GOOD FAITH EFFORT TO INCLUDE MINORITY BUSINESS ENTERPRISES IN THE SYNDICATE PURCHASING THE BONDS. THE SUCCESSFUL BIDDER WILL BE REQUESTED TO PROVIDE A LIST OF SYNDICATE MEMBERS WHICH IDENTIFIES THE MINORITY BUSINESS ENTERPRISE MEMBERS AND INDICATES THEIR PERCENTAGES OF PARTICIPATION.

Right of Rejection

The City expressly reserves the right (i) to waive any informalities, (ii) to reject all bids, any incomplete bid or any bid not fully complying with all of the requirements set forth herein, and (iii) to solicit new bids or proposals for the sale of the Bonds or otherwise provide for the public sale of the Bonds if all bids are rejected or the winning bidder defaults, including, without limitation, sale of the Bonds to one or more of the losing or rejected bidders without regard to their original bid or its relationship to any other bid.

Preliminary Award; Reoffering Prices and Certificate

As promptly as reasonably practicable after the bids are received and reviewed, but not later than **12:30 p.m.** local Baltimore, Maryland time on the Sale Date (unless bids have been postponed), the City will notify the apparently successful bidder of the Preliminary Award of the Bonds. The successful bidder shall make a bona fide public offering of all of the Bonds and shall represent to the City that such offering is in compliance with all applicable securities laws of the jurisdictions in which such Bonds are offered. **Within 30 minutes after being notified of the Preliminary Award of the Bonds, the successful bidder shall advise the City in writing (via e-mail transmission) to Linda Ginty or Trina Smith at gintyl@pfm.com or smithtr@pfm.com, respectively, of such reoffering prices of the Bonds (the "Reoffering Prices").**

The apparent successful bidder will also be required to wire to the City a Good Faith Deposit as further described herein. Timely notification of the Final Award is subject to the City's receipt of the Good Faith Deposit.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE CITY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF EACH MATURITY OF THE BONDS AT THE REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF THE BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE REOFFERING PRICES, AND (III) A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE REOFFERING PRICES OR SUCH OTHER FACTS REGARDING THE ACTUAL SALE OF THE BONDS AS BOND COUNSEL SHALL REQUEST, AS DESCRIBED BELOW. Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of each maturity of the Bonds at the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Award of Bid

Award of Bid

The City expects to make its award of the Bonds to the winning bidder on the Sale Date. It is anticipated that all bids will be reviewed by the City at the time stated above and will be acted on following the opening, tabulation and verification of the bids received. The decision by the City as to the award of the Bonds will be final. Bids may not be withdrawn prior to the award.

All bids shall be for cash on delivery and shall be based on an offering to pay not less than 100% of the par value of the Bonds. Each bidder shall indicate in its bid the rate of interest to be paid on the Bonds of each maturity. All bids for Bonds of any maturity must be greater than or equal to 98.5%. Each rate of interest shall be a multiple of 1/20 or 1/8 of one percent, but all Bonds of any one maturity must bear interest at the same rate. Any rate named may be repeated. The difference between the maximum and minimum interest rates may not be greater than 4%. A zero rate may not be named.

The Bonds will be awarded by the City on the Sale Date to the bidder whose bid complies with this Official Notice of Sale and results in the lowest true interest cost ("TIC") to the City. The lowest TIC will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the Date of Delivery of the Bonds and to the aggregate amount bid for the Bonds. If two or more responsible bidders have made bids resulting in the same lowest TIC to the City, the Bonds shall be awarded by lot to one of these bidders.

Good Faith Deposit

A Good Faith Deposit in the amount of $428,550 is required only of the winning bidder for the Bonds. The winning bidder for the Bonds is required to submit such Good Faith Deposit payable to the order of the City in the form of a wire transfer in federal funds as instructed by the City's Financial Advisor, Public Financial Management Inc. The winning bidder shall submit the Good Faith Deposit not later than 2:00 p.m. (local Baltimore, Maryland time) on the Sale Date. The winning bidder should provide as quickly as it is available, evidence of wire transfer by providing the City with the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the City may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is nonetheless obligated to pay to the City the sum of $428,550 as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit.

Submission of a bid to purchase the Bonds serves as acknowledgement and acceptance of the terms of the Good Faith Deposit requirement.

The Good Faith Deposit so wired will be retained by the City until the delivery of the Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Bonds or the Good Faith Deposit will be retained by the City as partial liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of this Official Notice of Sale and of its bid. No interest on the Good Faith Deposit will be paid by the City. The balance of the purchase price must be wired in federal funds to the account detailed in the closing memorandum, simultaneously with delivery of the Bonds.

Delivery and Payment

Delivery of the Bonds will be made by the City to DTC in book-entry only form, in New York, New York on or about the anticipated Date of Delivery, or on or about such other date as may be agreed on by the City and the successful bidder.

At the time of delivery of the Bonds, payment of the amount due for the Bonds must be made by the successful bidder to the order of the City in immediately available federal funds or other funds immediately available to the City, or by such other means as may be acceptable to the City. Any expense incurred in providing immediately available funds, whether by transfer of federal funds or otherwise, shall be borne by the successful bidder.

CUSIP Numbers; Expenses of the Bidder

It is anticipated that CUSIP numbers will be assigned to each of the Bonds, but neither the failure to type or print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The successful bidder will be responsible for applying for and obtaining, subject to the CUSIP Service Bureau policy and procedures, CUSIP numbers for the Bonds promptly upon award of the bid. All expenses of typing or printing CUSIP numbers for the Bonds will be paid for by the City; provided the CUSIP Service Bureau charges for the assignment of the numbers shall be the responsibility of and shall be paid for by the successful bidder.

All charges of DTC and all other expenses of the successful bidder will be the responsibility of the successful bidder for the Bonds.

Tax Status, Legal Opinions, Closing Documents and No Litigation

The approving legal opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, will be furnished without cost to purchaser of the Bonds. A summary description of the tax treatment of the Bonds is contained in the Preliminary Official Statement under the heading "Tax Matters." The proposed form of legal opinion of bond counsel with respect to the Bonds is included in Appendix D to the Preliminary Official Statement.

Delivery of the Bonds will be accompanied by the customary closing documents, including a no-litigation certificate effective as of the date of delivery of the Bonds stating that there is no litigation pending affecting the validity of the Bonds. Simultaneous with or before delivery and payment of the Bonds, the purchaser shall be furnished a certificate or certificates of the appropriate City officials to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Prices provided by the purchaser and information regarding DTC and DTC's book-entry system, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds, did not and does not contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements therein, in light of circumstances under which they were made, not misleading, and that between the date of sale and the date of delivery of the Bonds, there has been no material adverse change in the financial position or revenues of the City, except as may have been disclosed in or contemplated by the Official Statement.

Additional Information

This Official Notice of Sale is not a summary of the terms of the Bonds. Reference is made to the Preliminary Official Statement for a further description of the Bonds and the City. Prospective investors or bidders for the Bonds must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision. The Preliminary Official Statement is deemed final by the City as of its date for purposes of the Rule but is subject to revision, amendment and completion in a final Official Statement. Additional information concerning the matters discussed in this Official Notice of Sale and copies of the Preliminary Official Statement may be obtained online or by request from Steve Kraus, the City's Chief, at (410) 396-4750 or from Linda Ginty or Trina Smith at, respectively, gintyl@pfm.com or (410) 461-3605, or smithtr@pfm.com or (215) 567-6100.

Stephanie Rawlings-Blake
Mayor

Harry E. Black
Director of Finance

Stephen M. Kraus
Chief, Bureau of Treasury Management

APPENDIX C-2

OFFICIAL NOTICE OF SALE

$20,800,000*
MAYOR AND CITY COUNCIL OF BALTIMORE
(City of Baltimore, Maryland)
General Obligation Bonds
Consolidated Public Improvement Bonds, Series 2014 B (Taxable)

NOTICE IS HEREBY GIVEN that electronic bids will be received on the date and up to the time specified below:

SALE DATE: **Wednesday, July 30, 2014**

SALE TIME: **11:15 a.m. Local Baltimore, Maryland Time**

ELECTRONIC BIDS: Must be submitted through ***PARITY®*** as described below.
No other form of bid or provider of electronic bidding services will be accepted.

Notice is hereby given that electronic bids only for the purchase of all, but not less than all, of the Consolidated Public Improvement Bonds, Series 2014B (Taxable) Bonds (the "Bonds") will be received by the Board of Finance (the "Board of Finance") of the City of Baltimore, Maryland (the "City") to be issued by the City. The Bonds are more particularly described in the Preliminary Official Statement dated July 21, 2014 relating to the Bonds, (the "POS") available at www.tm3.com.

Consideration of the bids and the award will be made by the City on the Sale Date as set forth herein. The City also reserves the right to make certain adjustments to the aggregate principal amount and the principal amounts of each maturity of the Bonds being offered, to eliminate maturities, to change the terms of the Bonds, to postpone the sale of the Bonds to a later date, or to cancel the sale of the Bonds as further described herein. See "Adjustment of Amounts and Maturities" and "Change or Cancellation of Sale Date and/or Date of Delivery and/or Other Revised Terms."

Contact Information

CITY OF BALTIMORE (ISSUER)
Stephen M. Kraus, *Chief*
City of Baltimore
200 Holliday Street, Room 7
Baltimore, MD 21201
Phone: (410-396-4750)
Email: steve.kraus@baltimorecity.gov

PUBLIC FINANCIAL MANAGEMENT, INC. (FINANCIAL ADVISOR)
Trina Smith, *Senior Analyst*
Two Logan Square, Suite 1600
18th & Arch Streets
Philadelphia, PA 19103
Phone: (215) 557-1430
Email: smithtr@pfm.com

MCKENNON SHELTON & HENN LLP (BOND COUNSEL)
Paul D. Shelton, *Partner*
David W. Gregory, *Partner*
401 East Pratt Street, Suite 2600
Baltimore, MD 21202
Phone: (410)-843-3512
Email: paul.shelton@mshllp.com
david.gregory@mshllp.com

I-DEAL/PARITY® (ELECTRONIC BIDDING PLATFORM)
Client Services
Phone: (212) 849-5024
Email: parity@i-deal.com

*Preliminary, subject to change.

Bidding Parameters Table*

INTEREST		PRICING	
Dated Date:	Date of Delivery	Max. Aggregate Bid Price:	Unlimited
Anticipated Date of Delivery:	August 13, 2014	Min. Aggregate Bid Price:	100%
Interest Payment Dates:	October 15 and April 15		
First Interest Payment Date:	October 15, 2014	Max. Reoffering Price (each maturity):	Unlimited
Coupon Multiples:	1/8 1/20 or 1/100 of 1%	Min. Reoffering Price (each maturity):	98.5%
Maximum Coupon:	N/A		
Minimum Coupon:	N/A		
Maximum TIC:	N/A		
Maximum Difference Between Coupons:	4%		
No Zero Coupon may be specified			
PRINCIPAL		**PROCEDURAL**	
Optional Redemption:	Bonds maturing on and after October 15, 2025 are callable on October 15, 2024 and thereafter at par	Sale Date: Sale Time:	July 30, 2014 11:15 a.m., Local Baltimore, Maryland Time
Post-bid Principal Increases Each Maturity: Aggregate:	 Unlimited 15%	Bid Submission:	Electronic bids through PARITY only
Post-bid Principal Reductions Each Maturity: Aggregate:	 Unlimited 15%	All or None?	Yes
Term Bonds:	Two or more consecutive annual principal maturities may be designated as a term bond that matures on the maturity date of the last annual principal payment of the sequence.	Bid Award Method:	Lowest True Interest Cost (as defined herein)
		Bid Confirmation:	Notification from the City
		Awarding of Bid:	On the Sale Date by the City
		Good Faith Deposit:	$208,000; as more fully described herein. See "Good Faith Deposit."

* If numerical or date references contained in the body of this Official Notice of Sale conflict with the Bidding Parameters Table, the Bidding Parameters Table of this Official Notice of Sale shall control. Consult the body of this Official Notice of Sale for a detailed explanation of the items contained in the Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items.

Bond Amortization Schedule*

The Bonds will be issued in serial or term bond form as designated by the successful bidder for the Bonds in its proposal, as described below. The principal of the Bonds shall be payable in installments on the dates in the following years and in the following amounts:

$20,800,000* Consolidated Public Improvement Bonds, Series 2014 B (Taxable)

Maturity Date* (Oct. 15)	Amount Maturing*	Maturity Date* (Oct. 15)	Amount Maturing*
2015	$820,000	2025	$1,015,000
2016	825,000	2026	1,050,000
2017	830,000	2027	1,085,000
2018	840,000	2028	1,125,000
2019	860,000	2029	1,165,000
2020	875,000	2030	1,210,000
2021	900,000	2031	1,255,000
2022	925,000	2032	1,305,000
2023	955,000	2033	1,360,000
2024	985,000	2034	1,415,000

*Preliminary, subject to change.

The Bonds

Security

The Bonds shall be general obligations of the City, for which the full faith and credit of the City are pledged. The Bonds are payable as to principal and interest from ad valorem taxes which the City is empowered, obligated and directed by law to levy, without limitation, upon all assessable property within the corporate boundaries of the City, in each year in rate and amount sufficient for such purpose until all of the Bonds and the interest thereon shall have been paid or provision shall have been made for such payment.

Use of Proceeds

The proceeds of the Bonds will be used to fund certain capital projects of the City, as described in the Preliminary Official Statement, as approved by voters of the City and by either resolutions of the City Delegation to the General Assembly or the Acts of the General Assembly.

Description of the Bonds

General. The Bonds will be dated as of the Date of Delivery ("Dated Date"), expected to be on or about August 13, 2014, and will be in fully registered form in denominations of $5,000 each or any integral multiple thereof.

Interest on the Bonds will accrue from the Dated Date, and will be payable October 15, 2014 and semiannually thereafter on each April 15 and October 15 until maturity or earlier redemption. The Bonds will mature on October 15 of each year as specified in the Bond Amortization Schedule above.

Term Bond Option. Bidders may designate in their proposal two or more consecutive annual principal maturities as a term bond that matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal maturity designated for inclusion in such term bond. There is no limitation on the number of term bonds in the Bonds.

Form of Bonds. The Bonds shall be issued only in fully registered form without coupons. One bond representing each maturity of the Bonds in principal amount equal to the aggregate principal amount of such maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the bonds purchased. The winning bidder, as a condition to delivery of the Bonds, must consent that the bond certificates representing each maturity will be deposited with DTC.

So long as the Bonds are maintained under a book-entry only system, the Bond Registrar and Paying Agent for the Bonds will be the City or any other Bond Registrar and Paying Agent designated by the City. All payments of the principal of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Optional Redemption

The Bonds maturing on or after October 15, 2025, are subject to redemption prior to maturity, at the option of the City, on or after October 15, 2024, in whole or in part at any time, at the principal amount thereof (without premium), plus accrued interest on such principal amount to the date of redemption.

Adjustment of Amounts and Maturities

Prior to the Sale Date, the City may adjust the preliminary aggregate principal amount of the Bonds and the preliminary principal amount and maturity of each serial installment of the Bonds as set forth in this Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Principal Amount", and collectively the "Preliminary Amounts"). **ANY SUCH REVISIONS MADE PRIOR TO THE OPENING OF THE BIDS** (the "Aggregate Principal Amount" and the "Principal Amount", and collectively the "Amounts") **WILL BE PUBLISHED ON THOMPSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 4:00 P.M., LOCAL BALTIMORE, MARYLAND TIME, ON THE BUSINESS DAY IMMEDIATELY PRIOR TO THE SALE DATE FOR THE BONDS.**

In the event that no such revisions are made prior to the opening of the bids, the Preliminary Amounts will constitute the Amounts. Bidders shall submit bids based on the Amounts, and the Amounts will be used to compare bids and select a winning bidder.

After the opening of the bids, the City may further adjust the Amounts of the Bonds. Changes to be made will be communicated to the successful bidder not later than three (3) hours after the bids have been received and opened and in no case will such changes reduce or increase the Aggregate Principal Amount of the Bonds by more than 10 percent. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the Aggregate Principal Amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes within these limits.

The "Underwriter's Discount" shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Aggregate Principal Amount and Principal Amounts of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the Underwriter's Discount and original issue discount/premium, if any, but will not change the Underwriter's Discount, per $1,000 of par amount of the Bonds from the Underwriter's Discount that would have been received based on the purchase price in the winning bid and the initial public offering prices.

Change or Cancellation of Sale Date and/or Date of Delivery and/or Other Terms

The City may cancel or postpone the sale of the Bonds prior to the Sale Date. Notice of a cancellation or postponement will be announced via the TM3 wire at *www.tm3.com*. Notice of any new date and time of sale will be announced at least 24 hours prior to the time bids are to be submitted and will specify changes in the principal amount or other features, if any.

The City may change the scheduled delivery date, the dates of the semiannual interest payments and annual principal payments, or the optional redemption date or revise any other terms for the Bonds by notice given in the same manner as that set forth above.

Preliminary Official Statement; Continuing Disclosure

The City has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of certain information permitted to be omitted by said Rule. As soon as practicable after the Sale Date, the City will publish a complete final Official Statement (the "Official Statement") that will contain this information. The City agrees to deliver to the successful bidder for its receipt no later than seven business days after the Sale Date such quantities of the Official Statement as the successful bidder shall request, provided, that the City shall deliver up to 25 copies of such Official Statement without charge to the successful bidder.

The City has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12(b)(5). Such covenants are described in the Preliminary Official Statement.

Electronic Bidding

Bidders may only submit bids via PARITY.

A prospective bidder may only bid electronically for the Bonds via PARITY pursuant to this Official Notice of Sale. By submitting its bid for the Bonds, a prospective bidder represents and warrants to the City that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds. Additional information concerning bidding through the system may be directed to the PARITY Help Desk at (212) 849-5021.

*Disclaimer***.** Each prospective electronic bidder shall be solely responsible to register to bid via PARITY as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the City nor PARITY shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor PARITY shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The City is using PARITY as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Submissions" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone PARITY New Issues Desk at (212) 849-5021 and notify the City by e-mail at steve.kraus@baltimorecity.gov.

*Electronic Bidding Procedures***.** Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY. Bids will be communicated electronically to the City at **11:15 a.m.** local Baltimore, Maryland time, on July 30, 2014. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid via PARITY, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the City each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the City, as described under "Award of Bid" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Bid Submissions

Each bid must be in conformity with this Official Notice of Sale.

All bids must be delivered to the City via PARITY, before **11:15 a.m.**, local Baltimore, Maryland time, on July 30, 2014, at which time they will be received by the City. As described above, the City reserves the right to postpone the date for receipt of bids.

Minority Business Enterprise Participation

THE CITY STRONGLY ENCOURAGES EACH BIDDER FOR THE BONDS TO MAKE A GOOD FAITH EFFORT TO INCLUDE MINORITY BUSINESS ENTERPRISES IN THE SYNDICATE PURCHASING THE BONDS. THE SUCCESSFUL BIDDER WILL BE REQUESTED TO PROVIDE A LIST OF SYNDICATE MEMBERS WHICH IDENTIFIES THE MINORITY BUSINESS ENTERPRISE MEMBERS AND INDICATES THEIR PERCENTAGES OF PARTICIPATION.

Right of Rejection

The City expressly reserves the right (i) to waive any informalities, (ii) to reject all bids, any incomplete bid or any bid not fully complying with all of the requirements set forth herein, and (iii) to solicit new bids or proposals for the sale of the Bonds or otherwise provide for the public sale of the Bonds if all bids are rejected or the winning bidder defaults, including, without limitation, sale of the Bonds to one or more of the losing or rejected bidders without regard to their original bid or its relationship to any other bid.

Preliminary Award

As promptly as reasonably practicable after the bids are received and reviewed, but not later than **12:30 p.m.** local Baltimore, Maryland time on the Sale Date (unless bids have been postponed), the City will notify the apparently successful bidder of the Preliminary Award of the Bonds.

The apparent successful bidder will also be required to wire to the City a Good Faith Deposit as further described herein. Timely notification of the Final Award is subject to the City's receipt of the Good Faith Deposit.

Award of Bid

Award of Bid

The City expects to make its award of the Bonds to the winning bidder on the Sale Date. It is anticipated that all bids will be reviewed by the City at the time stated above and will be acted on following the opening, tabulation and verification of the bids received. The decision by the City as to the award of the Bonds will be final. Bids may not be withdrawn prior to the award.

All bids shall be for cash on delivery and shall be based on an offering to pay not less than 100% of the par value of the Bonds. Each bidder shall indicate in its bid the rate of interest to be paid on the Bonds of each maturity. All bids for Bonds of any maturity must be greater than or equal to 98.5%. Each rate of interest shall be a multiple of 1/20, 1/8 or 1/100 of one percent, but all Bonds of any one maturity must bear interest at the same rate. Any rate named may be repeated. The difference between the maximum and minimum interest rates may not be greater than 4%. A zero rate may not be named.

The Bonds will be awarded by the City on the Sale Date to the bidder whose bid complies with this Official Notice of Sale and results in the lowest true interest cost ("TIC") to the City. The lowest TIC will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the Date of Delivery of the Bonds and to the aggregate amount bid for the Bonds. If two or more responsible bidders have made bids resulting in the same lowest TIC to the City, the Bonds shall be awarded by lot to one of these bidders.

Good Faith Deposit

A Good Faith Deposit in the amount of $208,000 is required only of the winning bidder for the Bonds. The winning bidder for the Bonds is required to submit such Good Faith Deposit payable to the order of the City in the form of a wire transfer in federal funds as instructed by the City's Financial Advisor, Public Financial Management Inc. The winning bidder shall submit the Good Faith Deposit not later than 2:00 p.m. (local Baltimore, Maryland time) on the Sale Date. The winning bidder should provide as quickly as it is available, evidence of wire transfer by providing the City the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the City may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is nonetheless obligated to pay to the City the sum of $208,000 as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit.

Submission of a bid to purchase the Bonds serves as acknowledgement and acceptance of the terms of the Good Faith Deposit requirement.

The Good Faith Deposit so wired will be retained by the City until the delivery of the Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Bonds or the Good Faith Deposit will be retained by the City as partial liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of this Official Notice of Sale and of its bid. No interest on the Good Faith Deposit will be paid by the City. The balance of the purchase price must be wired in federal funds to the account detailed in the closing memorandum, simultaneously with delivery of the Bonds.

Delivery and Payment

Delivery of the Bonds will be made by the City to DTC in book-entry only form, in New York, New York on or about the anticipated Date of Delivery, or on or about such other date as may be agreed on by the Treasurer and the successful bidder.

At the time of delivery of the Bonds, payment of the amount due for the Bonds must be made by the successful bidder to the order of the City in immediately available federal funds or other funds immediately available to the City, or by such other means as may be acceptable to the City. Any expense incurred in providing immediately available funds, whether by transfer of federal funds or otherwise, shall be borne by the successful bidder.

CUSIP Numbers; Expenses of the Bidder

It is anticipated that CUSIP numbers will be assigned to each of the Bonds, but neither the failure to type or print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The successful bidder will be responsible for applying for and obtaining, subject to the CUSIP Service Bureau policy and procedures, CUSIP numbers for the Bonds promptly upon award of the bid. All expenses of typing or printing CUSIP numbers for the Bonds will be paid for by the City; provided the CUSIP Service Bureau charges for the assignment of the numbers shall be the responsibility of and shall be paid for by the successful bidder.

All charges of DTC and all other expenses of the successful bidder will be the responsibility of the successful bidder for the Bonds.

Tax Status, Legal Opinions, Closing Documents and No Litigation

The approving legal opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, will be furnished without cost to purchaser of the Bonds. A summary description of the tax treatment of the Bonds is contained in the Preliminary Official Statement under the heading “Tax Matters.” The proposed form of legal opinion of bond counsel with respect to the Bonds is included in Appendix D to the Preliminary Official Statement.

Delivery of the Bonds will be accompanied by the customary closing documents, including a no-litigation certificate effective as of the date of delivery of the Bonds stating that there is no litigation pending affecting the validity of the Bonds. Simultaneous with or before delivery and payment of the Bonds, the purchaser shall be furnished a certificate or certificates of the appropriate City officials to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Prices provided by the purchaser and information regarding DTC and DTC’s book-entry system, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds, did not and does not contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements therein, in light of circumstances under which they were made, not misleading, and that between the date of sale and the date of delivery of the Bonds, there has been no material adverse change in the financial position or revenues of the City, except as may have been disclosed in or contemplated by the Official Statement.

Additional Information

This Official Notice of Sale is not a summary of the terms of the Bonds. Reference is made to the Preliminary Official Statement for a further description of the Bonds and the City. Prospective investors or bidders for the Bonds must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision. The Preliminary Official Statement is deemed final by the City as of its date for purposes of the Rule but is subject to revision, amendment and completion in a final Official Statement. Additional information concerning the matters discussed in this Official Notice of Sale and copies of the Preliminary Official Statement may be obtained online or by request from Steve Kraus, the City's Chief, at (410) 396-4750 or from Linda Ginty or Trina Smith at, respectively, gintyl@pfm.com or (410) 461-3605, or smithtr@pfm.com or (215) 567-6100.

Stephanie Rawlings-Blake
Mayor

Harry E. Black
Director of Finance

Stephen M. Kraus
Chief, Bureau of Treasury Management

APPENDIX D

FORM OF BOND COUNSEL OPINION FOR TAX-EXEMPT BONDS

{Closing Date}

Mayor and City Council of Baltimore
Baltimore, Maryland

Dear Mayor and Members of the City Council:

We have examined a record of proceedings relating to the issuance by the Mayor and City Council of Baltimore (the "City") of $____________ general obligation bonds designated "Consolidated Public Improvement Bonds, Series 2014A (Tax-Exempt)" (the "Bonds").

The Bonds are dated as of the date of their issue, with interest payable on October 15, 2014, and semiannually thereafter on each April 15 and October 15 until maturity or prior redemption; are in fully registered form in the denomination of $5,000 each or any integral multiple thereof and are issued under the authority of: (i) Section 7 of Article XI of the Constitution of Maryland; (ii) Section 33 of Article II of the Charter of the City (the "Charter"); (iii) Section 19 of Article VII of the Charter; (iv) a Resolution of the Board of Finance of the City adopted on April 28, 2014 (the "Resolution"); and (v) Section 19-101 of the Local Government Article of the Annotated Code of Maryland (2013 Volume). The debt to be incurred by the issuance of the Bonds was (i) authorized by certain City Ordinances (collectively, the "Authorizing Ordinances") which were approved by the City Council and Mayor of the City, (ii) either (a) presented to and approved by a majority of the members of the General Assembly of the State of Maryland (the "General Assembly") representing the City or (b) authorized by an Act of the General Assembly (the "General Assembly Resolutions") and (iii) submitted to the legal voters of the City and approved by a majority of the votes cast. The Bonds mature, subject to prior redemption, in annual serial installments on October 15 in each of the years 20__ to 20__, inclusive, and bear interest as set forth in the Bonds. The description and terms of the Bonds are contained in the Bonds and the Resolution.

In rendering this opinion, we have relied without investigation on the City's Tax and Section 148 Certificate dated this date made on behalf of the City by officers thereof with respect to certain material facts within the knowledge of the City relevant to the tax-exempt status of interest on the Bonds.

With respect to the first executed and authenticated Bond, which we have examined, and Bonds similarly executed and authenticated and identical thereto in form except for numbers, denominations, interest rates and maturities, and under existing statutes, regulations and decisions, we are of the opinion that:

(a) The City is a validly created and existing body politic and corporate of the State of Maryland (the "State"), possessing authority under the Constitution of Maryland, the Charter, the General Assembly Resolutions, the Authorizing Ordinances and the Resolution to issue the Bonds.

(b) The Bonds are valid and legally binding general obligations of the City to which its full faith and credit and taxing power are pledged, and for the payment of which the City is empowered and directed to levy ad valorem taxes upon real and tangible personal property and certain intangible personal property subject to assessment for City taxation.

(c) To provide for the payment of the principal of and interest on the Bonds, the City is empowered and obligated to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) Interest on the Bonds and profit realized from the sale and exchange of the Bonds will be exempt from State income taxation; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(e) Assuming compliance with certain covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The City has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(f) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to tax may be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" may include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

FORM OF BOND COUNSEL OPINION FOR TAXABLE BONDS

{Closing Date}

Mayor and City Council of Baltimore
Baltimore, Maryland

We have examined a record of proceedings relating to the issuance by the Mayor and City Council of Baltimore (the "City") of $__________ general obligation bonds designated "Consolidated Public Improvement Bonds, Series 2014B (Taxable)" (the "Bonds").

The Bonds are dated as of the date of their issue, with interest payable on October 15, 2014, and semiannually thereafter on each April 15 and October 15 until maturity or prior redemption; are in fully registered form in the denomination of $5,000 each or any integral multiple thereof and are issued under the authority of: (i) Section 7 of Article XI of the Constitution of Maryland; (ii) Section 33 of Article II of the Charter of the City (the "Charter"); (iii) Section 19 of Article VII of the Charter; (iv) a Resolution of the Board of Finance of the City adopted on April 28, 2014 (the "Resolution"); and (v) Section 19-101 of the Local Government Article of the Annotated Code of Maryland (2013 Volume). The debt to be incurred by the issuance of the Bonds was (i) authorized by certain City Ordinances (collectively, the "Authorizing Ordinances") which were approved by the City Council and Mayor of the City, (ii) either (a) presented to and approved by a majority of the members of the General Assembly of the State of Maryland (the "General Assembly") representing the City or (b) authorized by an Act of the General Assembly (the "General Assembly Resolutions") and (iii) submitted to the legal voters of the City and approved by a majority of the votes cast. The Bonds mature, subject to prior redemption, in annual serial installments on October 15 in each of the years 20__ to 20__, inclusive, and in the years 20__ and 20__, and bear interest as set forth in the Bonds. The description and terms of the Bonds are contained in the Bonds and the Resolution.

With respect to the first executed and authenticated Bond, which we have examined, and Bonds similarly executed and authenticated and identical thereto in form except for numbers, denominations, interest rates and maturities, and under existing statutes, regulations and decisions, we are of the opinion that:

(a) The City is a validly created and existing body politic and corporate of the State of Maryland (the "State"), possessing authority under the Constitution of Maryland, the Charter, the General Assembly Resolutions, the Authorizing Ordinances and the Resolution to issue the Bonds.

(b) The Bonds are valid and legally binding general obligations of the City to which its full faith and credit and taxing power are pledged, and for the payment of which the City is empowered and directed to levy ad valorem taxes upon real and tangible personal property and certain intangible personal property subject to assessment for City taxation.

(c) To provide for the payment of the principal of and interest on the Bonds, the City is empowered and obligated to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) Interest on the Bonds and profit realized from the sale and exchange of the Bonds will be exempt from State income taxation; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(e) Interest on the Bonds will be includable in gross income for federal income tax purposes.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

$63,655,000*
MAYOR AND CITY COUNCIL OF BALTIMORE
(City of Baltimore, Maryland)
General Obligation Bonds

$42,855,000*	$20,800,000*
Consolidated Public Improvement Bonds	**Consolidated Public Improvement Bonds**
Series 2014A	**Series 2014B**
(Tax-Exempt)	**(Taxable)**

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by Mayor and City Council of Baltimore (the "City") in connection with the issuance of $42,855,000* general obligation bonds designated Consolidated Public Improvement Bonds, Series 2014A (Tax-Exempt) (the "Series 2014A Bonds") and $20,800,000* Consolidated Public Improvement Bonds, Series 2014B (Taxable) (collectively, the "Series 2014 Bonds"). The Series 2014 Bonds are being issued under the authority of Section 7 of Article XI of the Constitution of Maryland, as amended, Article II, Section 33 of the Charter of the City, as amended (the "Charter"), Article VII, Section 21 of the Charter, certain Acts of the General Assembly of Maryland or Resolutions of the Baltimore City Delegation to the General Assembly of Maryland, Ordinances of the Mayor and City Council of Baltimore (collectively, the "Enabling Acts"), Section 19-101 of the Local Government Article of the Annotated Code of Maryland (2013 Volume), and a Resolution of the Board of Finance of the City adopted on April 28, 2014 (the "Resolution"). The City, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City and for the benefit of the registered owners or the Beneficial Owners of the Series 2014 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5) (the "Rule").

SECTION 2. Definitions. In addition to the definitions set forth above, which apply to any such capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean an individual or entity designated in writing by the City to act in such a role on the City's behalf and who has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)1 of the Securities Exchange Act of 1934, as amended.

"EMMA" shall mean the continuing disclosure service established by the MSRB known as the Electronic Municipal Market Access System. For more information on EMMA, see www.emma.msrb.org.

*Preliminary, subject to change

"Participating Underwriters" shall mean any of the original underwriters of the Series 2014 Bonds required to comply with the Rule.

"State" shall mean the State of Maryland.

SECTION 3. Provision of Annual Financial Information and Operating Data.

(a) The City shall provide annually, not later than 245 days after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2014, to EMMA, financial information and operating data of the type set forth on Exhibit A to this Disclosure Certificate, such financial information and operating data to be updated as of the end of the preceding fiscal year.

(b) The City shall provide annually, not later than 245 days after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2014, to EMMA, the audited financial statements of the City for the preceding fiscal year, if prepared and available by such date. If such audited financial statements are not available on or before such date, the City promptly shall provide such audited financial statements, when and if available. In the event that such audited financial statements are not prepared and available within 245 days after the end of the City's fiscal year, the City shall provide, not later than nine months after the end of the City's fiscal year, unaudited financial statements in a format similar to the audited financial statements contained in the final Official Statement relating to the Series 2014 Bonds.

(c) The presentation of any financial statements provided in accordance with subsections (a) and (b) above shall be made in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

(d) If any of the financial information or operating data to be provided annually pursuant to subsections (a) or (b) above can no longer be generated because the operations to which it related have been materially changed or discontinued, the City shall include a statement to such effect in the financial information or operating data to be provided annually pursuant to subsections (a) or (b) above, as applicable.

(e) Any or all of the information to be provided pursuant to subsections (a) or (b) above may be set forth in a document or set of documents, or may be included by specific reference to documents previously provided to EMMA, or filed with the SEC. If the document is an official statement, it must be available from EMMA. The City shall identify clearly each other document so included by specific reference.

(f) If the City is unable to provide to EMMA, any financial information or operating data required by subsections (a) or (b) above by the date specified in subsections (a) or (b) above, as applicable, the City shall provide, in a timely manner, a notice of such failure to EMMA.

(g) If the fiscal year of the City changes, the City shall provide notice of such change to EMMA prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year, as changed.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall provide notice of the occurrence of any of the following events with respect to the Series 2014 Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014A Bonds, or other material events affecting the tax-exempt status of the Series 2014A Bonds;

(7) modifications to rights of bondholders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution or sale of property securing repayment of the Series 2014 Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, in a timely manner and not in excess of ten (10) business days after the occurrence of such event, file a notice of such occurrence with EMMA.

SECTION 5. Termination of Obligations. The City's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all the Series 2014 Bonds. In addition, the City may terminate its obligations under this Disclosure Certificate in any other circumstance permitted by the Rule or SEC interpretations of the Rule. If any such termination occurs prior to the scheduled final maturity of the Series 2014 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 6. Amendment.

(a) Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, provided that the following conditions are satisfied:

(1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City, or type of business conducted;

(2) this Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2014 Bonds, after taking into account any amendments or SEC interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of the registered owners or the Beneficial Owners of the Series 2014 Bonds, as determined by nationally recognized bond counsel selected by the City.

(b) In the event this Disclosure Certificate is amended pursuant to subsection (a) above with respect to the financial information or operating data to be provided annually in accordance with Section 3(a) or (b), the financial information and operating data provided by the City in accordance with Section 3(a) or (b), as applicable, that contains the amended financial information or operating data shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data being provided.

(c) If an amendment is made to this Disclosure Certificate regarding the accounting principles to be followed in preparing financial statements, the financial information provided pursuant to Section 3(a) or (b), as applicable, for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible, the comparison also shall be quantitative. The City shall provide to EMMA a notice of the change in the accounting principles.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any financial information or operating data provided annually pursuant to Section 3 or any notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any financial information or operating data provided annually pursuant to Section 3 or any notice of the occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future information or operating data provided annually pursuant to Section 3 or any notice of the occurrence of a Listed Event.

SECTION 8. Failure to Comply. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any registered owner or Beneficial Owner of the Series 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A failure to comply with the provisions of this Disclosure Certificate shall not be deemed an event of default under the Enabling Acts, the Resolution or the Series 2014 Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

The City shall be given written notice at the address set forth below of any claimed failure by the City to perform any such undertaking, and the City shall be given 15 days to remedy such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the City must be filed in the Circuit Court for Baltimore City, Maryland, and any party maintaining such suit or other proceeding shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action.

Baltimore City Law Department
City Hall, Room 100
100 Holliday Street
Baltimore, Maryland 21202
Attention: City Solicitor

SECTION 9. Limitation of Forum. This Disclosure Certificate, and any claim made with respect to the performance by the City of its obligations hereunder, shall be governed by, subject to, and construed in accordance with the laws of the State.

SECTION 10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 11. Performance of Obligations. Notwithstanding anything to the contrary contained in this Disclosure Certificate, the City's obligations as set forth in this Disclosure Certificate shall be undertaken and performed in accordance with the Rule, SEC interpretations of the Rule as published or provided from time to time, and applicable federal securities laws.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City and the registered owners and Beneficial Owners from time to time of the Series 2014 Bonds, and shall create no rights in any other person or entity.

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IN WITNESS WHEREOF, this Continuing Disclosure Certificate has been executed on behalf of the City by its duly authorized signatory as of the date set forth below.

MAYOR AND CITY COUNCIL OF BALTIMORE

By:______________________________________
Stephen M. Kraus, Chief
Bureau of Treasury Management

Dated: ____________, 2014

EXHIBIT A

Financial Information and Operating Data
to be Provided Annually Pursuant to Section 3(a)

Appendix A -- “Certain Information Regarding Mayor and City Council of Baltimore” and Appendix B - “City of Baltimore Comprehensive Annual Financial Report” of the Official Statement for MAYOR AND CITY COUNCIL OF BALTIMORE $42,855,000* CONSOLIDATED PUBLIC IMPROVEMENT BONDS, SERIES 2014A (TAX-EXEMPT) and $20,800,000* CONSOLIDATED PUBLIC IMPROVEMENT BONDS, SERIES 2014B (TAXABLE).

* Preliminary, subject to change.

DESCRIPTION OF THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix has been obtained from sources that the Mayor and City Council of Baltimore (the "City") believes to be reliable, but the City does not take any responsibility for the accuracy thereof. Capitalized terms used in this Appendix and not defined herein shall have the meaning set forth in the Official Statement unless the context requires otherwise.

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC" or, together with any successor securities depository for the Bonds, the "Securities Depository"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity and will be deposited with DTC or its agent.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Ownership of Bonds

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry only system for the Bonds is discontinued under the circumstances described below under "Discontinuance of Book-Entry Only System."*

To facilitate subsequent transfers, all Bonds deposited by Direct and Indirect Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

So long as a nominee of DTC is the registered owner of the Bonds, references herein to the Bondholders or the holders or owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Bonds. The City and the Bond Registrar will recognize DTC or its nominee as the holder of all of the Bonds for all purposes, including the payment of the principal or redemption price of and interest on, and the purchase price of, the Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the bondholders. Neither the City nor the Bond Registrar will have any responsibility or obligation to Direct or Indirect Participants or Beneficial Owners with respect to payments or notices to Direct or Indirect Participants or Beneficial Owners.

Payments on and Redemption or Purchase of Bonds

So long as the Bonds are held by DTC under a book-entry system, principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information from the Paying Agent on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

So long as the Bonds are held by DTC under a book-entry only system, the Bond Registrar will send any notice of redemption or purchase with respect to the Bonds only to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption or purchase of the Bonds or of any other action premised on such notice. If fewer than all of the Bonds of any one maturity are selected for redemption or purchase, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed or purchased, except as otherwise directed by the City.

Neither the City nor the Paying Agent can give any assurances that DTC or the Direct or Indirect Participants will distribute payments of the principal or redemption price of and interest on or the purchase price of, the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption, purchase or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuance of Book-Entry Only System

DTC may discontinue its services as a securities depository for the Bonds at any time by giving reasonable notice to the City, or the City may discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds are required to be printed and delivered in fully certificated form to the Participants shown on the records of DTC provided to the Bond Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Bonds shown on the records of such Participant provided to the Bond Registrar.

Registration and Exchange of Bonds

So long as the Bonds are maintained under a book-entry system, transfers of ownership interests in the Bonds will be made as described above under "Book-Entry Only System." If the book-entry only system is discontinued, any Bond may be exchanged for an equal aggregate principal amount of Bonds maturing on the same date and bearing interest at the same rate of other authorized denominations, and the transfer of any Bond may be registered, upon presentation and surrender of such Bond at the designated office of the Bond Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative. The City and the Bond Registrar may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith. Neither the City or the Bond Registrar shall be required to register the transfer of any Bond or make any such exchange of any Bond (1) during the 15 days preceding the date of mailing of any notice of redemption of Bonds of the same maturity or (2) after a notice of redemption of such Bond or any portion thereof has been mailed.

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