



2015 Budget Proposal Overview & Policy Discussion

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The 2015 Peduto Budget

\$516.5 Million Revenue and \$508M Expenditure Budget
Departmental Expenditures increase by \$10M over 2014

Budgetary 892 Police Officers maintained
0% salary increase for non-union and some union employees,
Implementation of other contracts

City's Total Portion of Pension will be \$61M

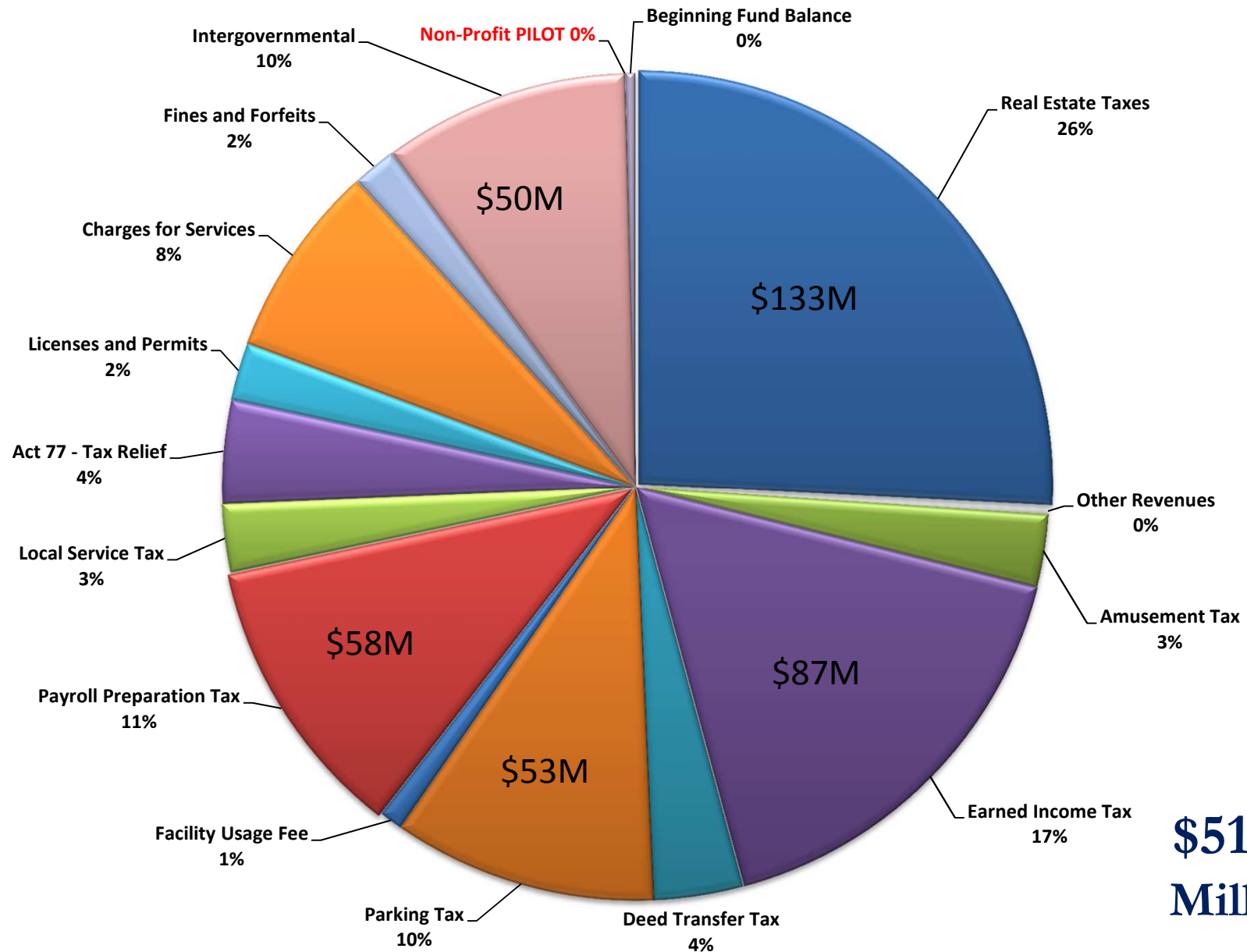
- **\$42 Million MMO, \$13 Million Parking, \$5 Million MMO+**
 - **Additionally \$2.5m for OPEB Trust Fund**

\$10 Million Transfer from Fund Balance to PAYGO

\$35 Million Funded Capital Budget

\$25 M Bond + \$10M Paygo

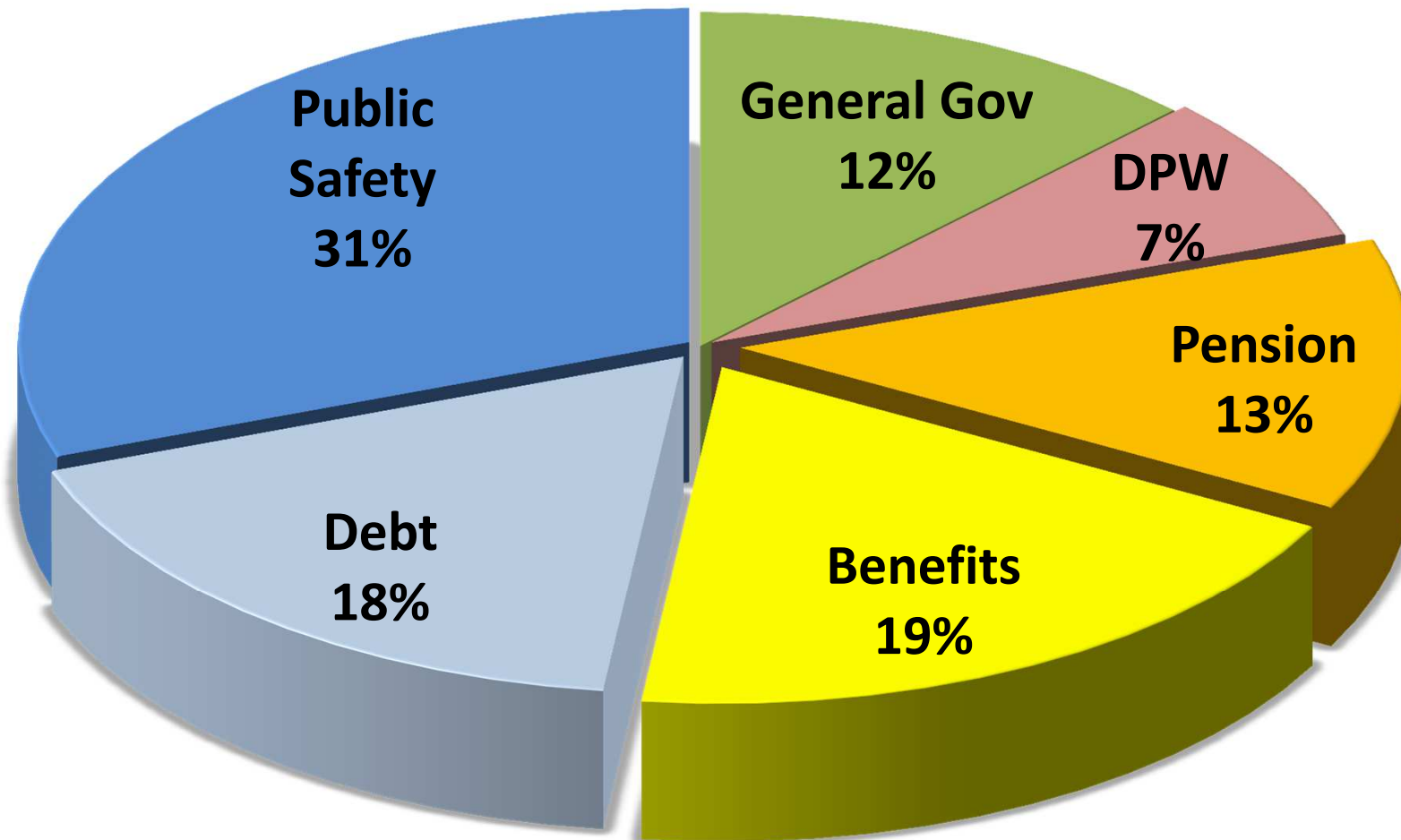
Revenues 2015 - \$516.5 Million



**\$516.5
Million**

2015 Expenditures

\$507.8 Million



2015 Expenditure Cost Drivers

	2014	2015	Difference +/-
EXPENDITURES	\$485,975,455	\$507,817,535	\$21,842,080
Operating Departments	\$257,400,768	\$266,908,016	\$9,507,248
Pension/OPEB	\$55,271,338	\$66,771,353	\$11,500,015
Healthcare, Workers Comp	\$78,367,022	\$84,848,999	\$6,481,977
Debt Service	<u>\$87,018,557</u>	<u>\$89,289,167</u>	<u>\$2,270,610</u>
	\$478,057,685	\$507,817,535	\$29,759,850

- Increases:
- Salaries & Wages: \$5.5M Police, EMS
- Capital to Operating \$4M
- Pension \$11.5M – “Experience” study & 7.5% investment return reduction
- Healthcare + \$6.5M
- Debt Service +2.3M

2015 Financial Outlook

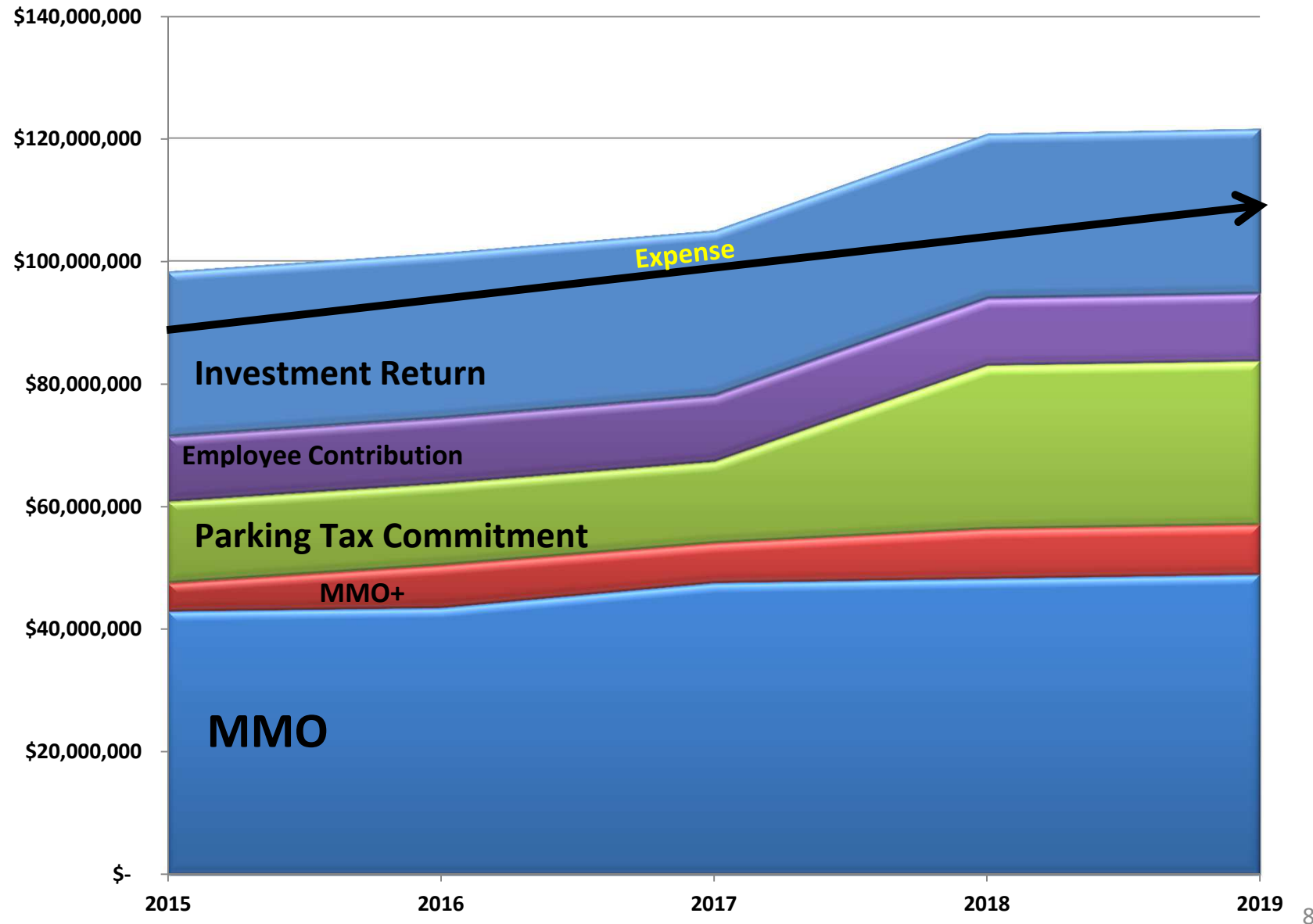
Revenues		\$ 516,550,156
Expenditures		
Operating Departments		\$266,908,016
Pension		\$66,771,353
Healthcare, Workers Comp		\$84,848,999
Debt Service		<u>\$89,289,167</u>
Total Expenditures		\$507,817,535
Operating Result		\$ 8,732,621
Beginning Fund Balance		\$ 57,843,686
Transfer to PayGo		\$ (10,000,000)
(SIP) Reserve Fund Balance Transfer		\$ (1,902,000)
Ending Reserve Fund Balance		\$ 54,674,307
Fund Balance as % of Expenditures		10.8%

2015-2019 Pension Commitment

	2015	2016	2017	2018	2019
MMO +	\$ 60,858,477	\$ 63,769,612	\$ 67,358,786	\$ 83,020,483	\$ 83,694,793
Employee Contribution	\$ 10,350,128	\$ 10,706,000	\$ 10,813,060	\$ 10,921,191	\$ 11,030,403
Investment Return (6.8%)	\$ 26,860,000	\$ 26,860,000	\$ 26,860,000	\$ 26,860,000	\$ 26,860,000
Total In	\$ 98,318,477	\$ 99,189,925	\$ 99,398,998	\$ 117,167,654	\$ 117,275,348
Expense	(89,500,000)	(92,500,000)	(95,500,000)	(98,300,000)	(101,500,000)
Difference	\$ 8,518,477	\$ 8,835,612	\$ 9,531,846	\$ 22,501,674	\$ 20,085,196

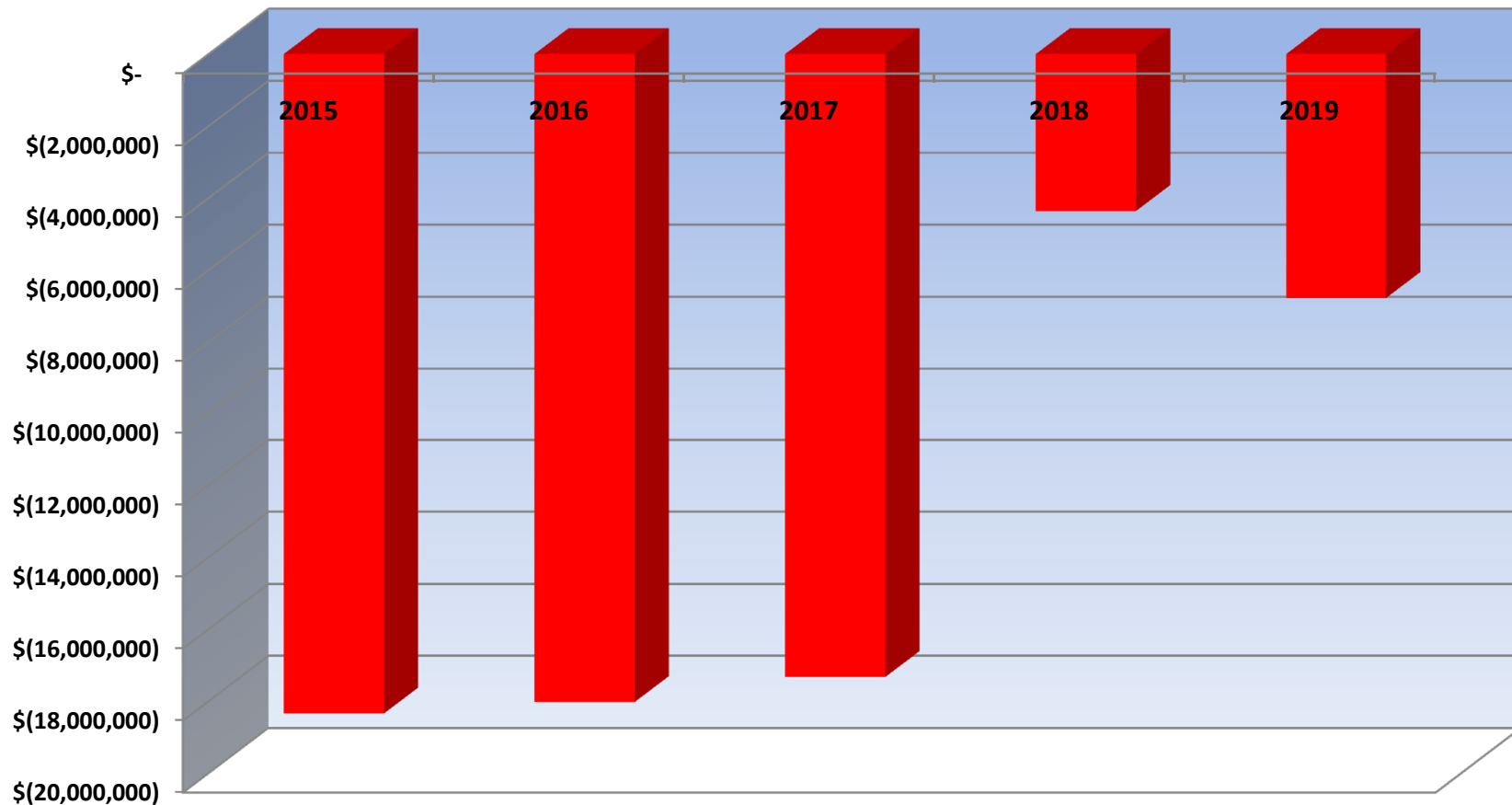
- Minimally the “cash flow” of the Pension will continue to be covered now and in the near future
- There are approximately \$89.5 Million in benefit expenses paid out - \$98 Million is committed to go back in: \$42.8 MMO + \$13.4 Parking Tax + \$4.6M + \$10.4M Employees+ \$26.9M Investment return = \$98.3 Million
- Cost of Pension is driven by Police and Fire and will continue to be a problem until there is reform in Harrisburg
- Increase of MMO+ will need to continue— Returns are Market Dependent

2015-2019 Pension Commitment



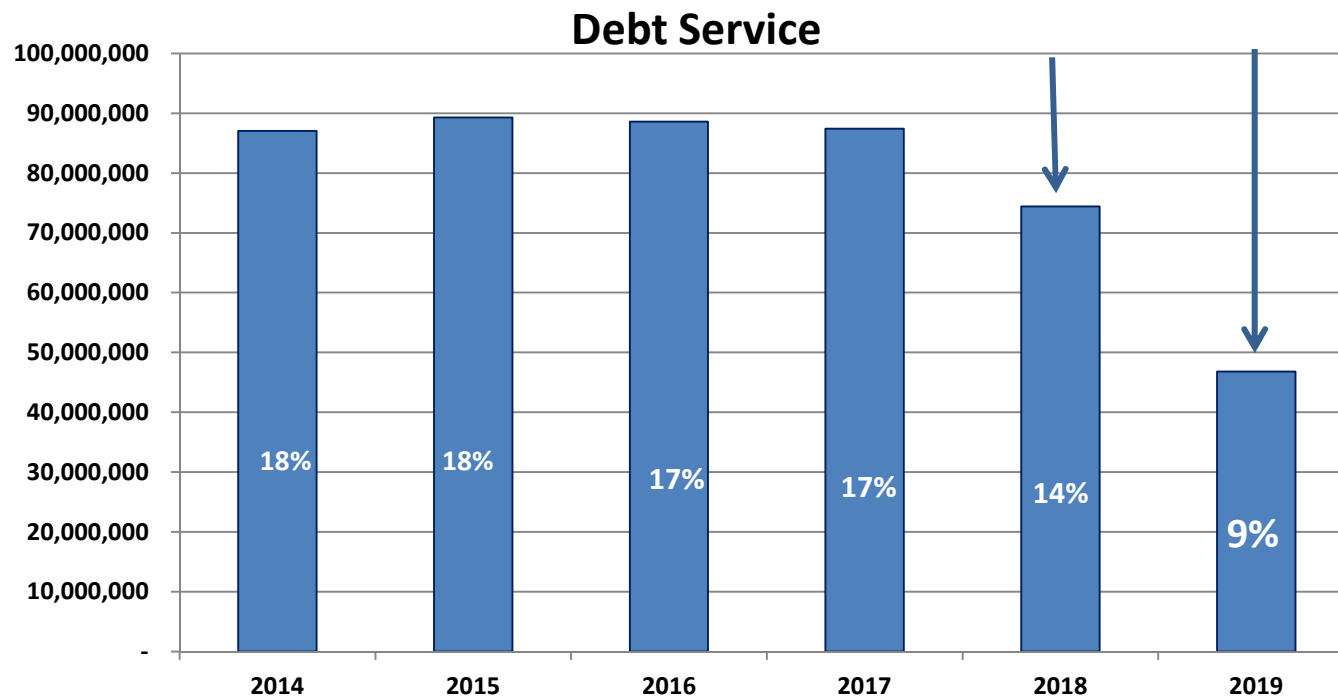
2015-2019 Pension Market Dependent

Pension Cash flow Dependent on Investment Return

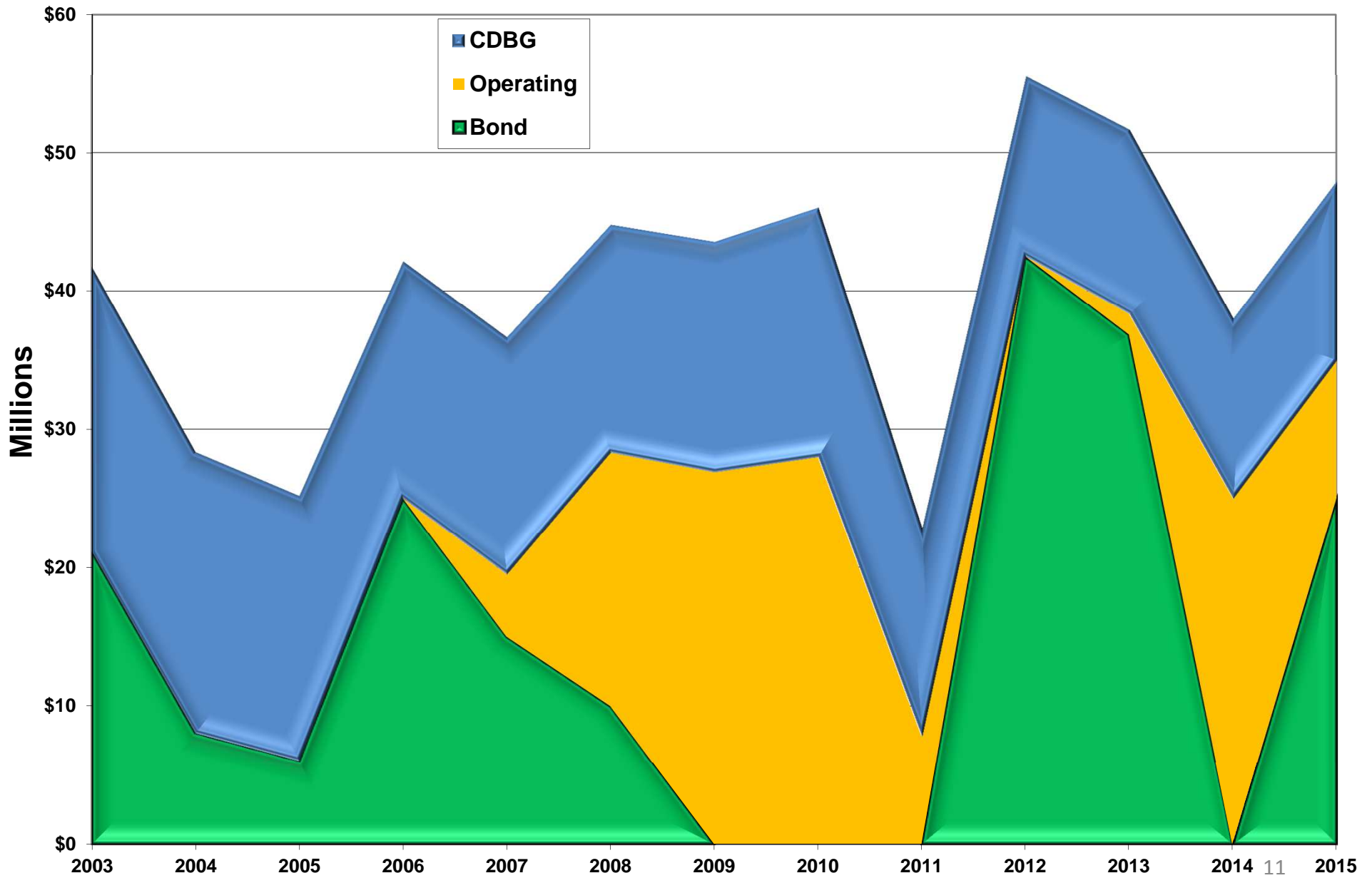


Debt Service 18% of Budget

- Debt service has been reduced significantly over past 6 years - Percentage of budget continues to shrink
- PayGo Capital 2015 \$10 Million 2016 \$5 Million
- Bond Funds 2015 \$25 Million 2016 \$25 Million
- Council Debt Policy Objectives are on track to be met
- Debt “Cliff” Maintained



2003-2015 Capital Budget

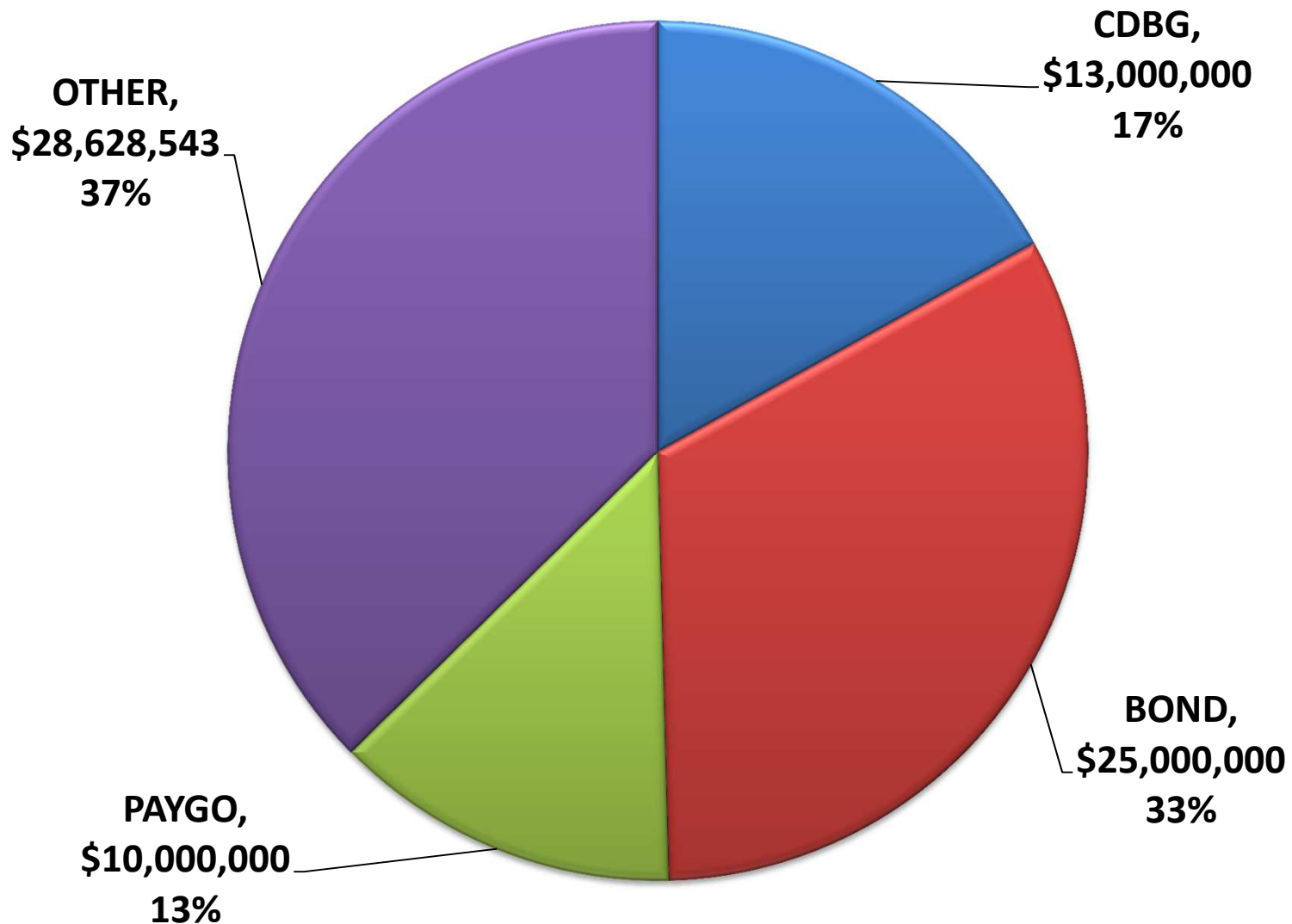


Current Capital Status

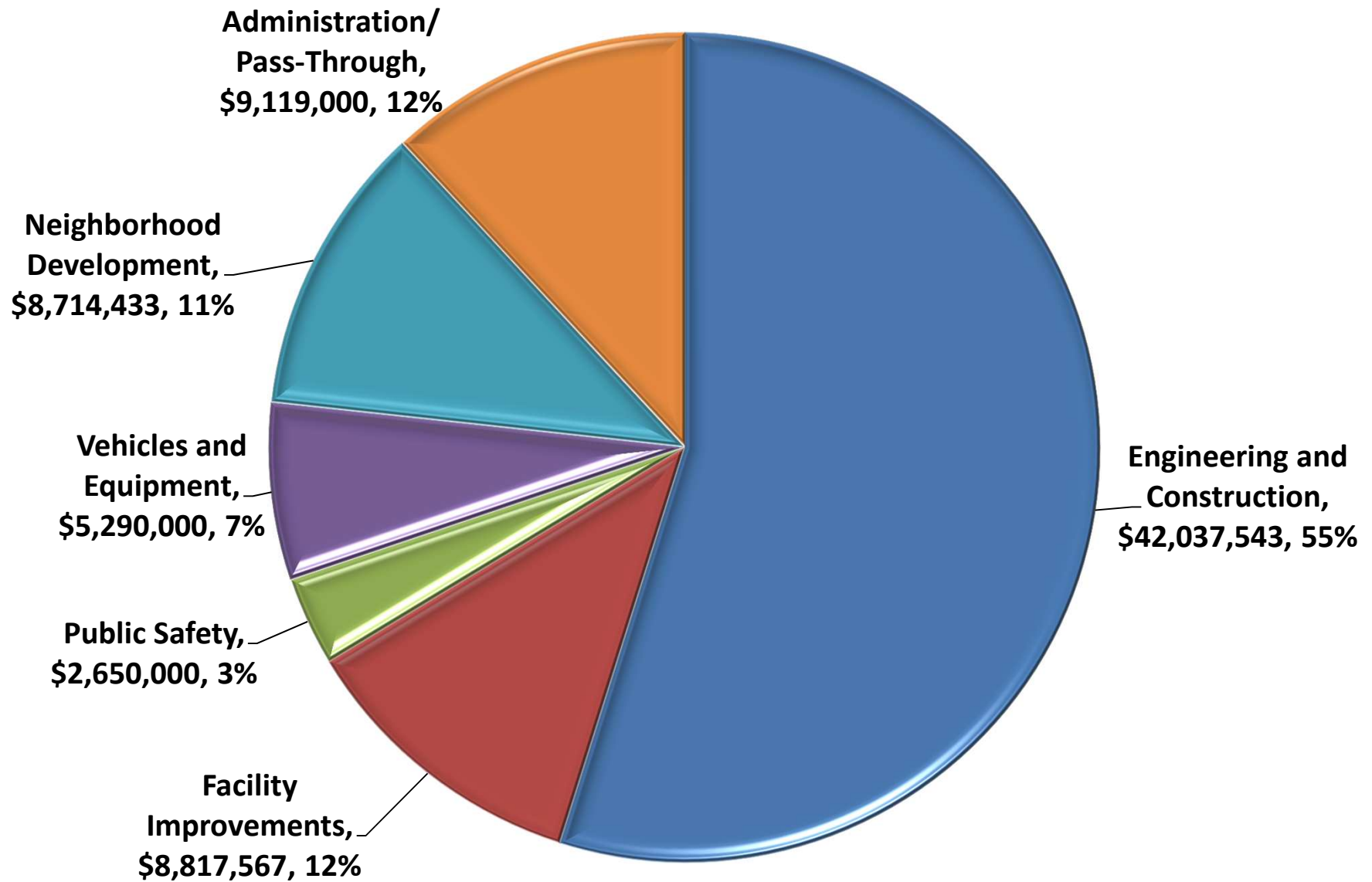
- \$25 million in bond proceeds are planned in 2015 and 2016
- The Mayor is proposing another \$10 Million in PAYGO in 2015
- The City is estimating \$13 Million in CDBG again in 2015 but that remains dependent on the actions of Congress
- The need for capital expenditures continue to exceed available resources. Paving, vehicle replacements, and demolition of condemned buildings are in perpetual backlog
- Movement of \$4 Million in maintenance items to the operating budget will give additional funding to take care of truly capital projects
- The City continues to look for grants and other funding opportunities to add to the capital projects.

\$76.6 Million Capital Budget

2015 Capital Budget by Fund Source



2015 Capital Budget By Functional Area



2015 Capital Budget by Functional Area

FUNCTIONAL AREA	Bond	%	PAYGO	%	CDBG	%	OTHER	%	TOTAL	%
Engineering and Construction	13,247,500	53%	2,400,000	24%	2,357,500	18%	24,032,543	84%	42,037,543	55%
Facility Improvement	5,527,500	22%	1,428,567	14%	961,500	7%	900,000	3%	8,817,567	12%
Public Safety	500,000	2%	2,000,000	20%	150,000	1%	-	0%	2,650,000	3%
Vehicles and Equipment	5,290,000	21%	0	0%	0	0%	-	0%	5,290,000	7%
Neighborhood and Community Development	335,000	1%	4,171,433	42%	2,318,000	18%	1,890,000	7%	8,714,433	11%
Administration and Pass-Through	100,000	0%	0	0%	7,213,000	55%	1,806,000	6%	9,119,000	12%
TOTAL	25,000,000	100%	10,000,000	100%	13,000,000	100%	28,628,543	100%	76,628,543	100%

BY FUND

33%

13%

17%

37%

2015-2018

Capital Improvement Plan

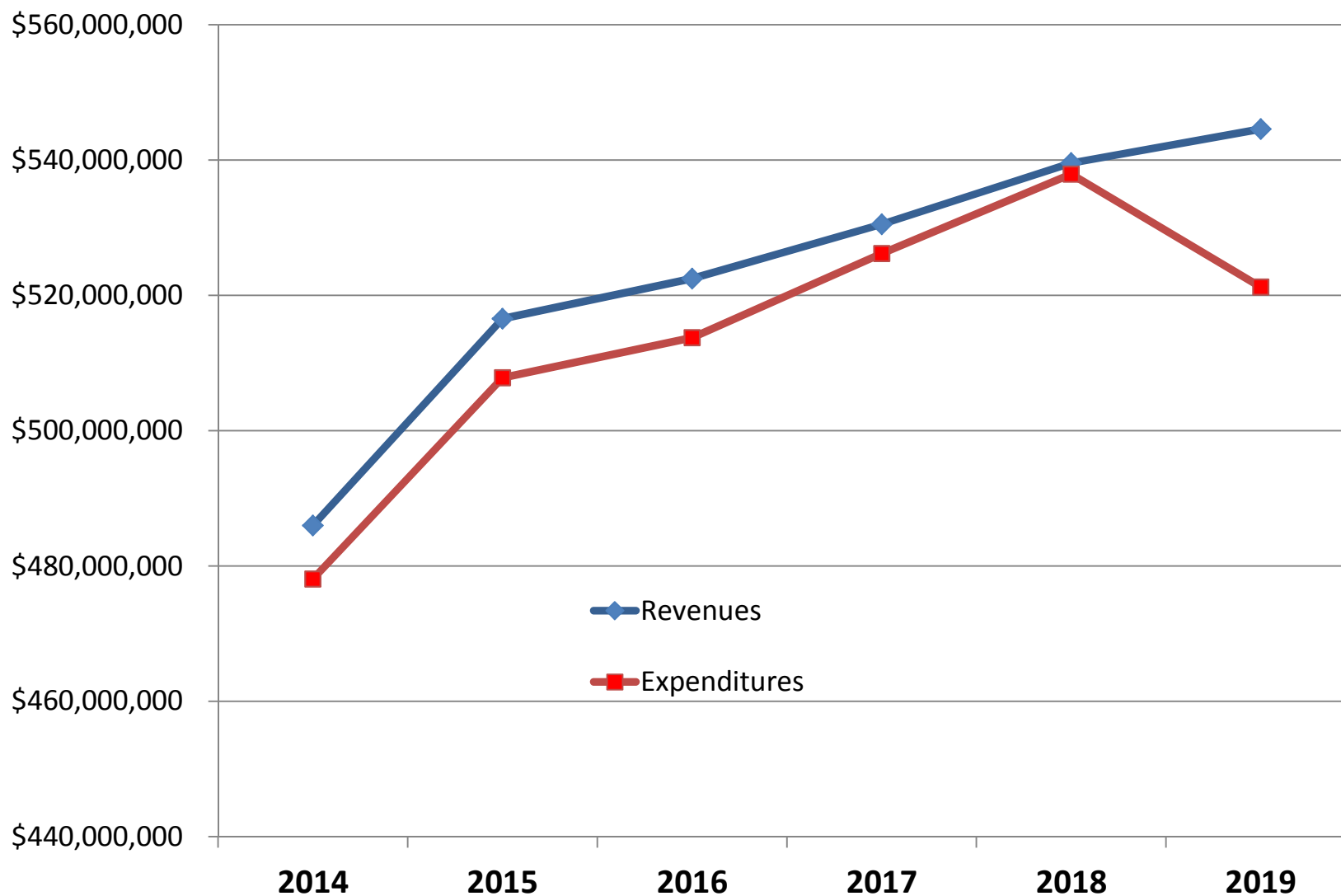
- The Mayor proposes \$10 million in general fund revenue (PAYGO) be transferred for the 2015 capital budget.
 - The CIP \$50 million in new bond issuance for 2015-2016.
 - CDBG entitlement is estimated to be fairly steady at approximately \$13 million a year. (with \$1.8 million carved out for Larimer)
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- Street resurfacing is consistently backlogged. If we are to catch up on this backlog, we need \$21.5 million a year for the next 5 years to catch up - then get on a regular maintenance schedule of 86 miles a year.
 - We need approx. \$5-\$6 million a year to catch up on the perpetual backlog of condemned structures.
 - We have \$9 million worth of landslides that need repaired (not counting the private property owners costs)
 - We need \$10 to \$20 Million more to address our current facilities
 - There is currently \$34.2 million of prior years capital funds, which should be regularly looked at for closure or reallocation.

Proposed 5 Year Plan

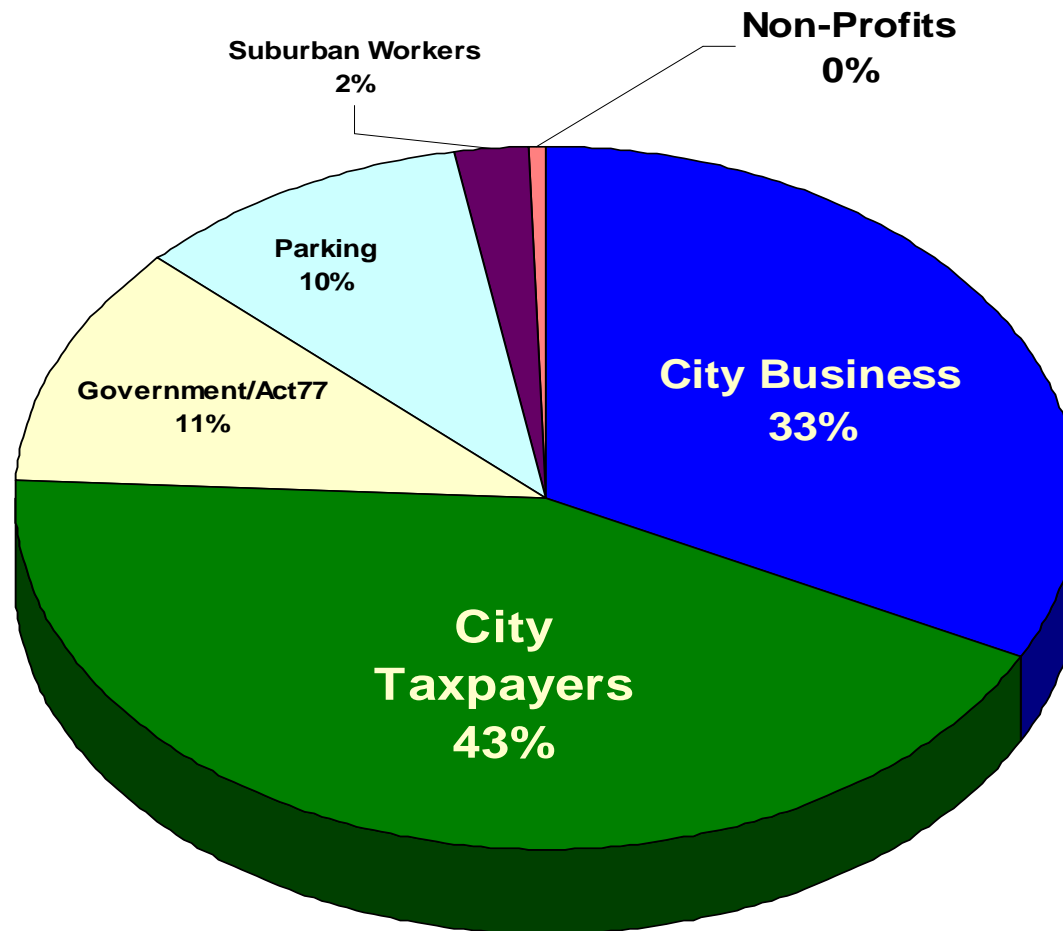
		2015	2016	2017	2018	2019
Expend		507,817,535	513,743,279	526,177,944	537,927,577	521,249,929
Revenue		516,550,156	522,478,186	530,534,038	539,558,578	544,579,245
Surplus / (Deficit)		8,732,621	8,734,907	4,356,094	1,631,001	23,329,316

Fund Balance	\$ 57,843,686	\$ 54,674,307	\$ 57,934,213	\$ 62,290,308	\$ 63,921,308
Transfer to Capital/SIP	(11,902,000)	(5,475,000)	-	-	(25,000,000)

Revenues vs. Expenditures 2013-2018



Who Pays in 2015?



Who Should Pay?

Simple – the Large Non-profits should pay at least a “suggested donation” based on ½ of 1 percent of the compensation they pay out

Why? Because, although there is a benefit to having many in the non-profit Community in our borders, there is a large cost impact from hosting . Additionally, for the biggest NPs the region receives a greater benefit. In the scheme of things this is a small amount for providing millions of dollars in services to the nearly 100,000 employees, 40,000 students and nearly 1 Million health care customers annually – Consider it an impact fee that raises \$20 Million

How? A small amendment to Act 55 or a voluntary arrangement here in Pittsburgh. Allow the first \$5 Million in compensation be exempt. Of the 830+ non-profits in the City only about 40 would pay anything. We would forgo any challenges on Real Estate Assessment with those in the agreement.

This should be applied statewide in a municipal specific form as it would solve a major problem for almost all Act 47 communities and have a one time ,negligible impact on large non-profits – it also ends the dilemma

Real Estate Millage Correction

Millage rate was improperly set in 2013 due to the delay in Court Ordered Assessment

- City needed to set rate and send out bills in order to make the March 1st Debt service payment and payroll
- Increase in the homestead exemption combined with change in value caused by assessment challenges created a deficit of more than \$7 Million Dollars in the City's largest source of revenue and one of the few that we have the ability to change
- In Act 47 Plan that the Coordinators required that we adjust the millage back to achieve 2012 Current Year Real Estate revenue numbers.
- ADJUSTMENT IS ½ of 1 Mill

Here's what it looks like for a \$100,000 assessed home owning resident:

\$100,000 (assessed value)
\$ -15,000 (homestead)
\$85,000 *.0005
+ \$42.50 annually

Combined with the School District , Library and City Tax, the City still remains one of the best real estate tax deals in the Region!

Other Revenue Enhancements 2015

New Parking Authority Agreement with Meter Revenue

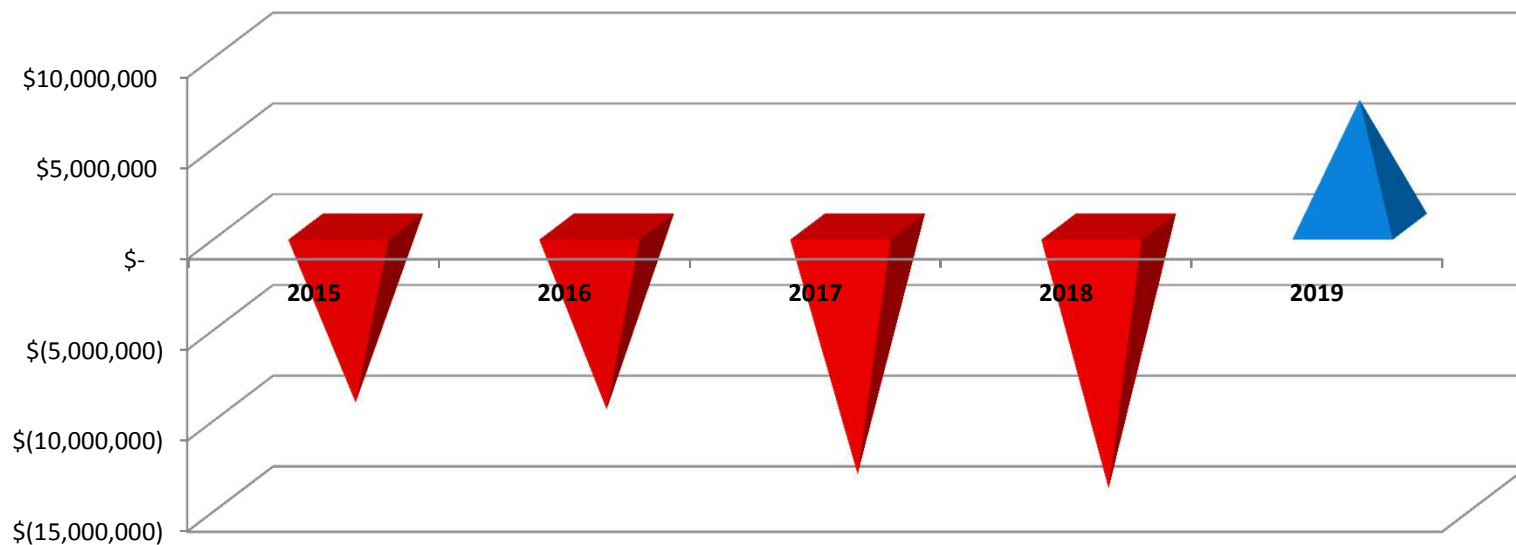
- Previously City only received 7.5% of meter revenue
- New agreement provides for 90% to the City after expense
- \$7 Million

Increase in Meter Rates \$2 Million

Rental Registration Fee Program \$1.6 Million not additional revenue funds are used to offset cost of program

Without Revenue Enhancements 2015

Structural Deficit without additional revenue



Policy Changes/Initiatives

- BBI changes to Permits, Licenses and Inspections
- “Truth in Budgeting”- Changes in personnel budgets
 - Mixture of funds in Capital Budget
 - Secondary Employment TF in budget
 - Closer budgeted amounts in Public Safety Salaries and Over-time
 - Changes to Finance Department continues / New Procurement Strategy
 - Maintaining the Debt Cliff
 - Consolidation of Facility work into DPW Budget
 - Implementation of cash management policies
- *MISSING*: Performance Measures and Health Care Allocation to Departments in 2015 Budget
 - New 311 CRM, Study of a new payroll system
 - Implementation of a permit license system and DPW activity tracker may help ‘pave” the way for 2016

Summary

- We have addressed many of our underlying problems with the help of Act 47 Oversight
- The capital budget shows a better commitment to infrastructure, however CDBG funding continues to be reduced – need to replace those dollars
- The Operating Budget proposal shows a commitment of responsibility through truth in budgeting and by once again staying balanced
- Revenue enhancements include a millage correction, a new Parking Authority Agreement, an increase in meter revenue.
- Although this budget provides more revenue, more is needed annually for as a cushion for pension, PayGo and Infrastructure Investment from now through 2018
- City should insist on a “non-profit payroll donation indexed” contribution
- Any other options that do not increase resident taxes should be considered: A review and potential increases of fees, State enabled taxation and relief through pension reform
- CDBG funding

Suggestions

- Harrisburg needs to be asked to give us the tools for us to help ourselves
- Act 205 Reform for Pensions
- Increase public safety retirement age
- Legislate recommendations from the non-partisan Orio/Frankel Report to increase aid for Pittsburgh and other Act 47 communities
- Ask for change to Act 55 for non-profit impact fee based on payroll
- These are easy asks that should not be overly politicized
- Need help from ICA and Act 47 Coordinators to carry the message to the legislature