



# **2016 Budget Proposal Overview & Policy Discussion**

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**November 23, 2016**

# **The 2016 Peduto Budget**

**\$524.7 Million Revenue and \$518.7M Expenditure Budget**  
**Expenditures increase by \$11M over 2015 Budget**

**Budgetary 892 Police Officers maintained – 120 Recruits**  
**1% salary increase for non-union and some union employees,**  
**Implementation of other contracts**

**City's Total Portion of Pension will be \$65M**

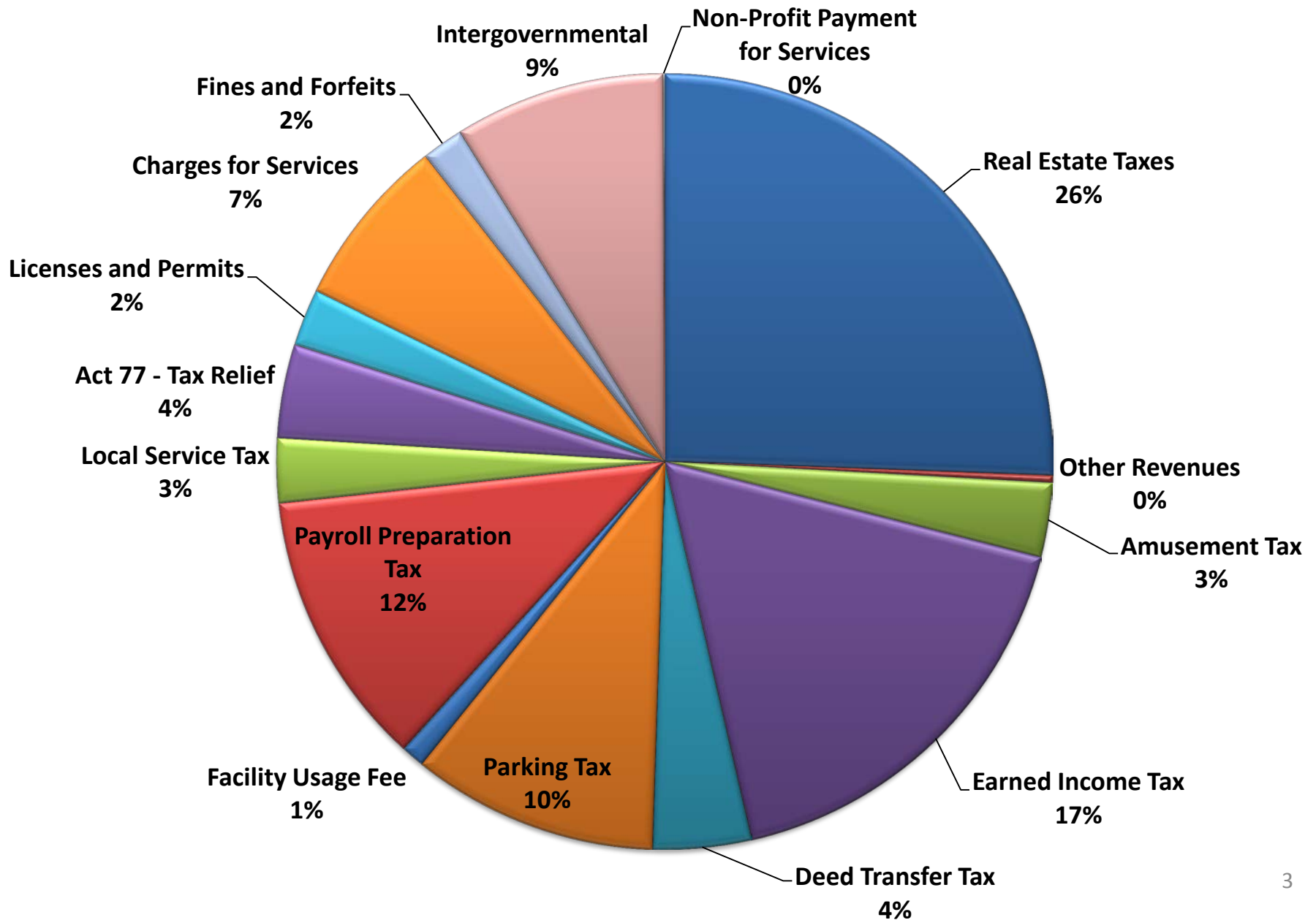
- **\$44.5 Million MMO, \$13.4 Million Parking, \$7 Million MMO+**
  - **Additionally \$2.5m for OPEB Trust Fund**

**\$10 Million Transfer from Fund Balance to PAYGO**

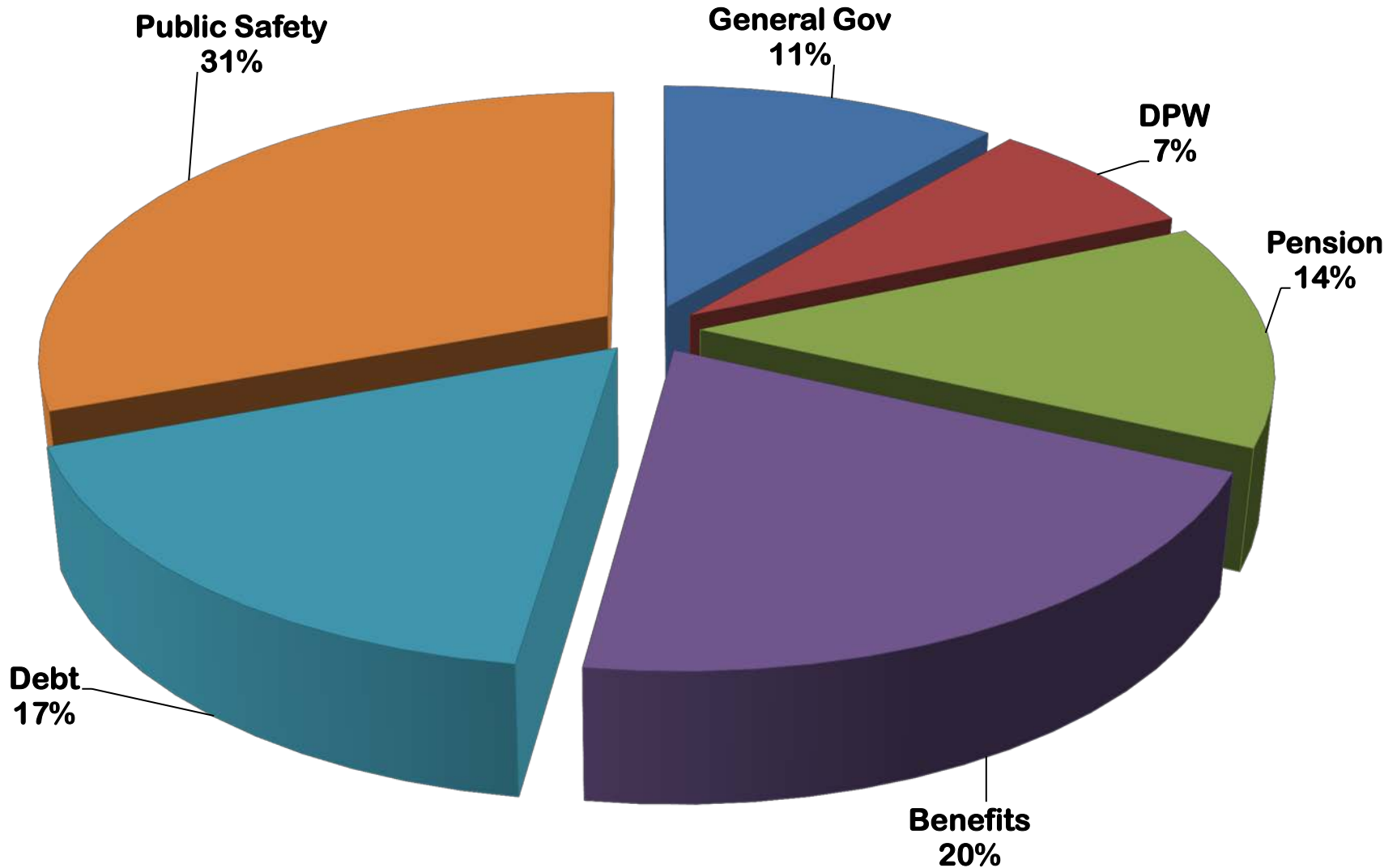
**\$35 Million Funded Capital Budget**

**\$25 M Bond + \$10M Paygo**

# Revenues 2016 - \$524.7 Million



# 2016 Expenditures \$518.7 Million



# 2016 Expenditure Cost Drivers

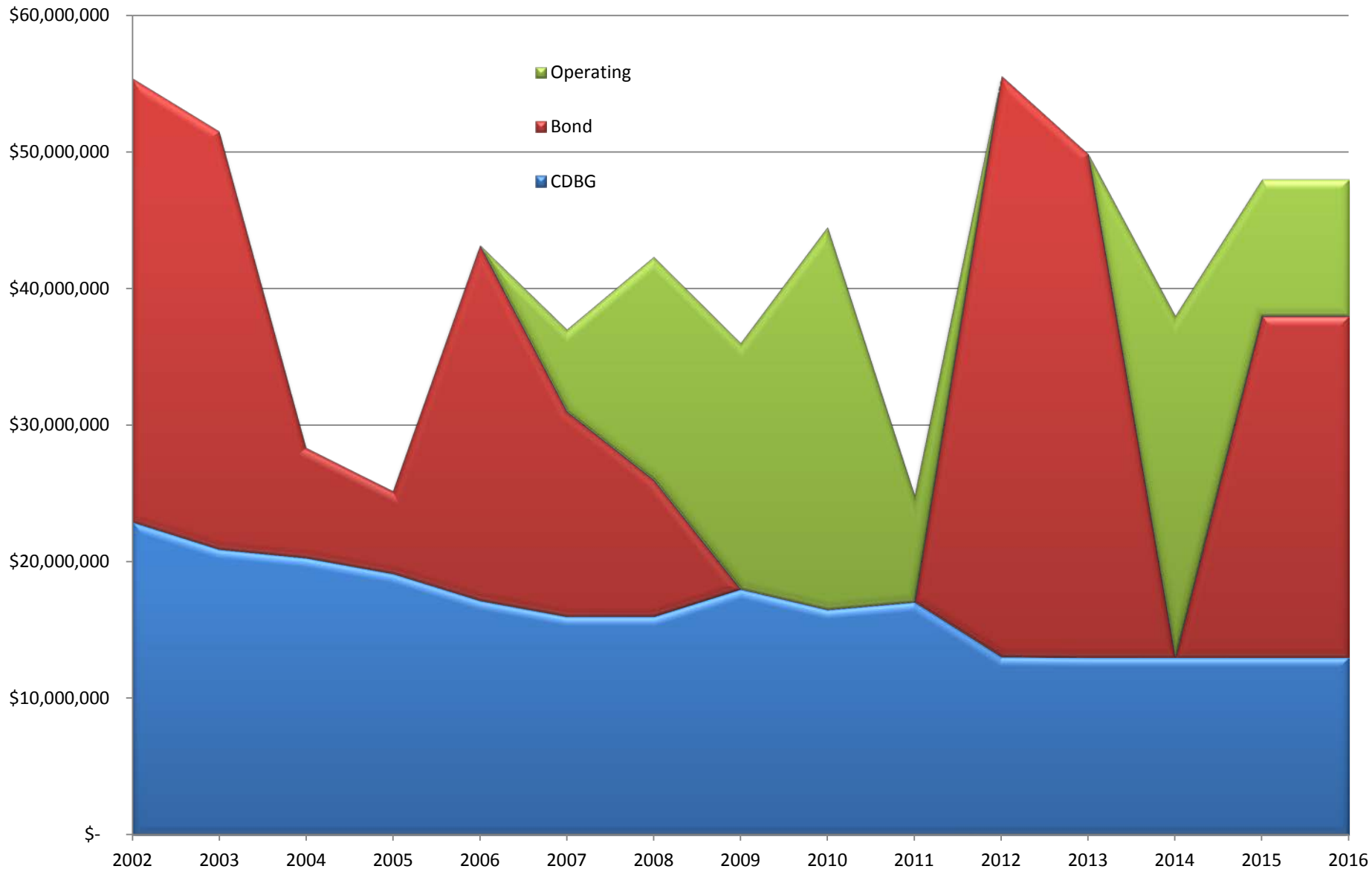
	2015 Actual	2016 Budget	Difference +/-(-)
<b>EXPENDITURES</b>	<b>\$504,575,975</b>	<b>\$518,742,310</b>	<b>\$14,166,335</b>
Operating Departments	\$265,803,522	\$274,347,364	\$8,543,842
Pension/OPEB	\$66,283,439	\$69,754,272	\$3,470,833
Healthcare, Workers Comp	\$83,237,885	\$86,028,440	\$2,790,555
Debt Service	<u>\$89,251,129</u>	<u>\$88,612,225</u>	<u>-\$ 638,904</u>
	<b>\$504,575,975</b>	<b>\$518,742,310</b>	<b>\$14,166,335</b>

- Increases:
- Salaries & Wages: \$3.8 M Fire
- \$1 Million Commitment to EARN (summer youth) Program
- Capital to Operating
- Pension \$3.5
- Healthcare + \$2.8M
- Debt Service -600k decrease

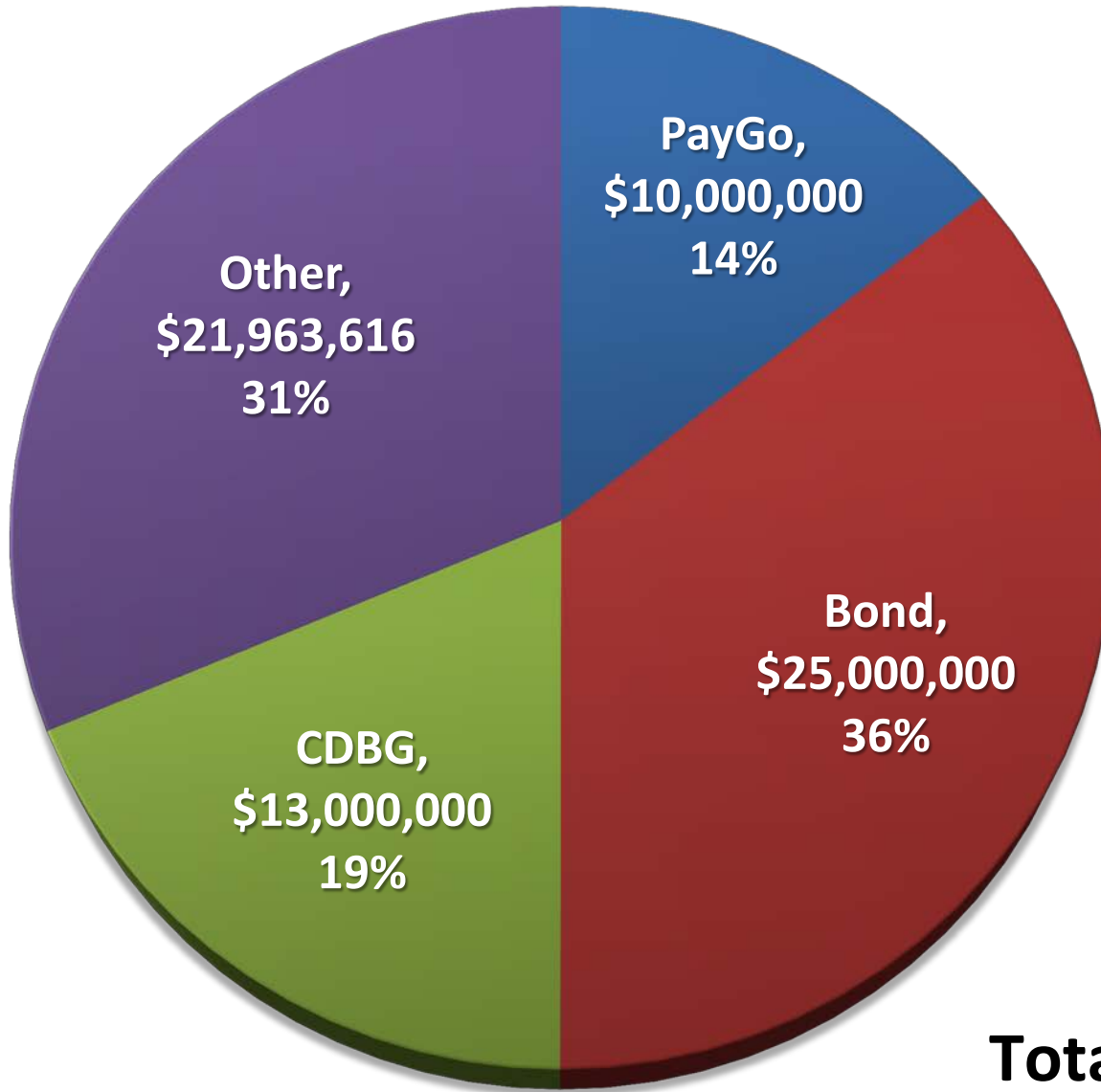
# 2016 Financial Outlook

<b>Revenues</b>		<b>\$ 524,670,455</b>
Expenditures		
Operating Departments		\$ 274,347,364
Pension		\$ 69,754,272
Healthcare, Workers Comp		\$ 86,028,450
Debt Service		\$ 88,612,225
<b>Total Expenditures</b>		<b>\$ 518,742,311</b>
Operating Result		\$ 5,928,144
Beginning Fund Balance		\$ 64,060,707
Transfer to PayGo		\$ (10,000,000)
Reserve Fund Balance Transfer		\$ -
<b>Ending Reserve Fund Balance</b>		<b>\$ 59,988,852</b>
<b>Fund Balance as % of Expenditures</b>		<b>11.6%</b>
<b>Debt as % of Expenditures</b>		<b>17.1%</b>

# 2002-2016 Capital Budget



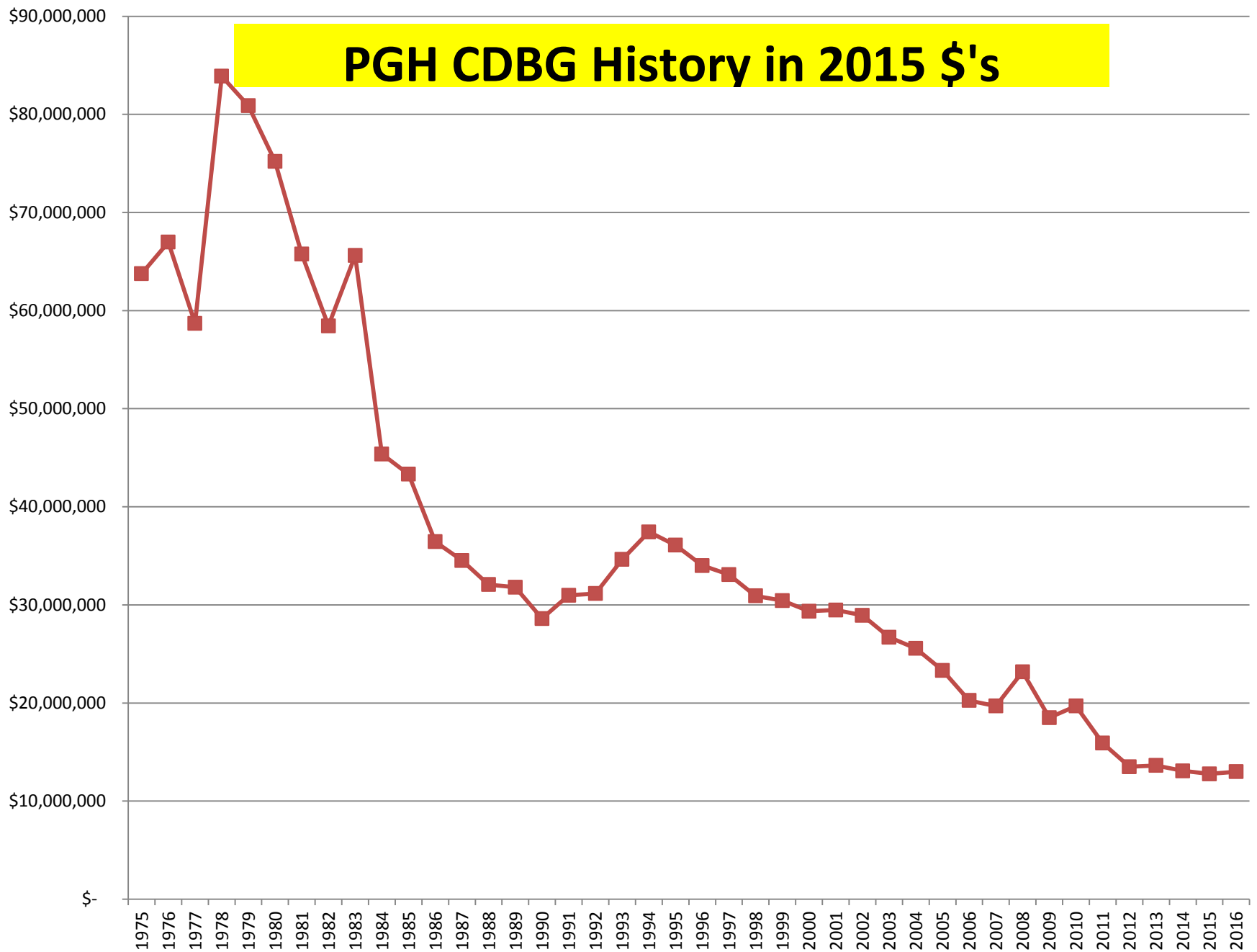
# 2016 Capital Budget by Fund Source



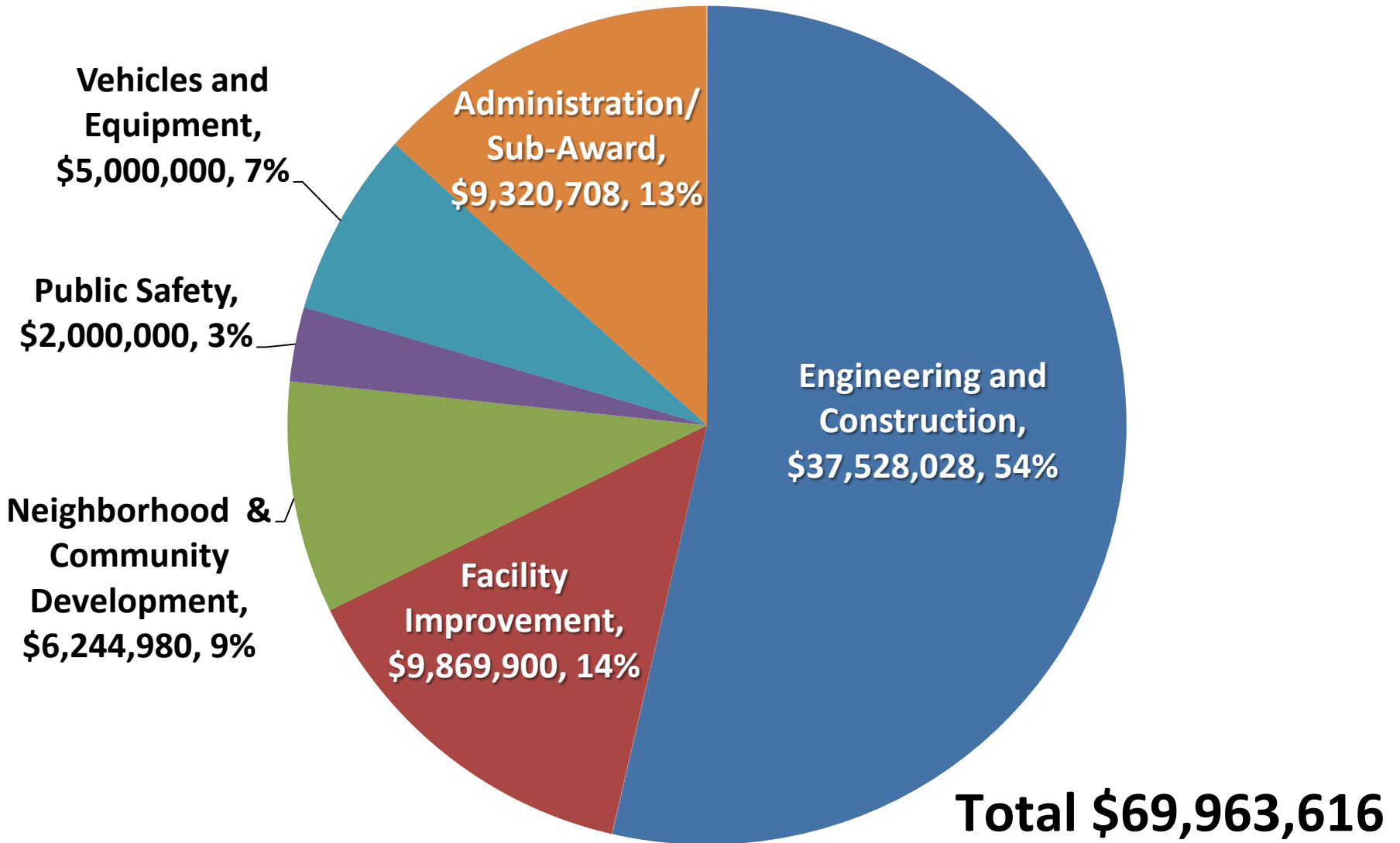
**Total \$69,963,616**



# PGH CDBG History in 2015 \$'s



# 2016 Capital Budget By Functional Area



# 2016 Requests v 2016 Funding

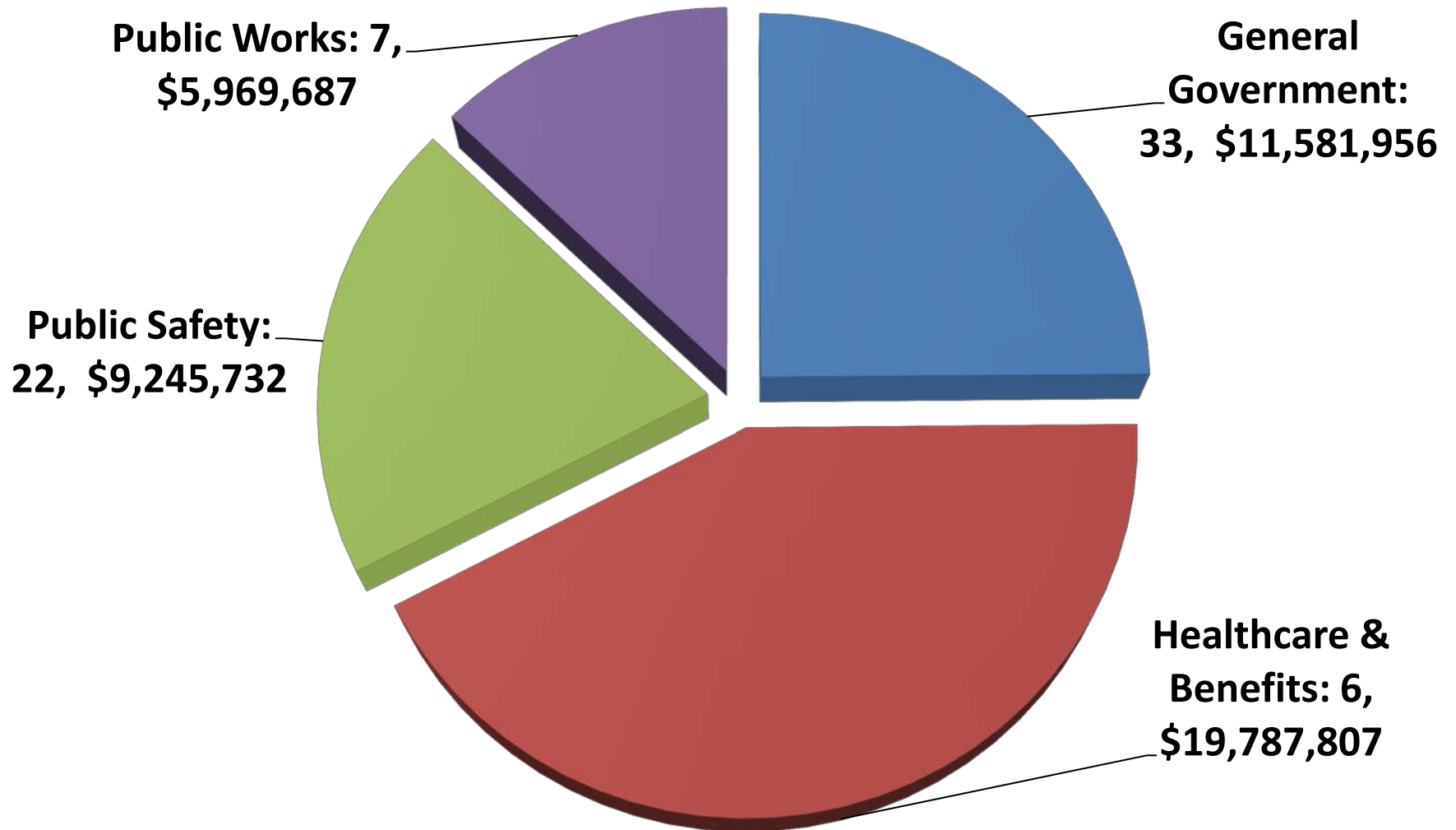
Department	Requested	Budgeted
Public Works	71,524,699	4,487,900
Public Works, T&E	58,064,353	42,440,028
URA	14,712,480	8,072,480
City Planning	6,002,808	4,663,208
Parks and Recreation	3,997,000	700,000
PL&I	2,625,000	2,000,000
Bureau of Fire	2,500,000	-
Personnel	1,000,000	1,000,000
I&P	450,000	150,000
Bureau of Police	385,000	-
ELA	5,089,867	5,000,000
Human Relations	-	100,000
Mayor	-	500,000
Council	-	850,000
	166,351,207	69,963,616

# 2016-2021 Capital Improvement Plan

	2015	2016	2017	2018	2019	2020	2021
CDBG	\$ 12,766,552	\$ 13,000,000	\$ 13,000,000	\$ 13,000,000	\$ 13,000,000	\$ 13,000,000	\$ 13,000,000
Bond	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
PayGo	\$ 10,000,000	\$ 10,000,000	\$ 3,000,000	\$ 3,000,000	\$ 15,000,000	\$ 10,000,000	\$ 15,000,000
Other	\$ 28,759,617	\$ 21,963,616	\$ 21,983,394	\$ 16,288,402	\$ 12,376,034	\$ 16,680,708	\$ 22,280,708
Total	\$ 76,526,169	\$ 69,963,616	\$ 62,983,394	\$ 57,288,402	\$ 90,376,034	\$ 89,680,708	\$100,280,708

# Trust Funds

## \$46 million



## **Ordinance #19 of 2014**

- **Requires Council to Vote on a 5 Year Plan**
- **Requires 5 year plan is constructed using best practice**
- **Requires Quarterly Public Reports**
- **Requires a Minimum Pension Calculation exceeding State formulas by meeting pension fund expenses**

### **5 Year Operating Plan**

**\$2,698,199,778**

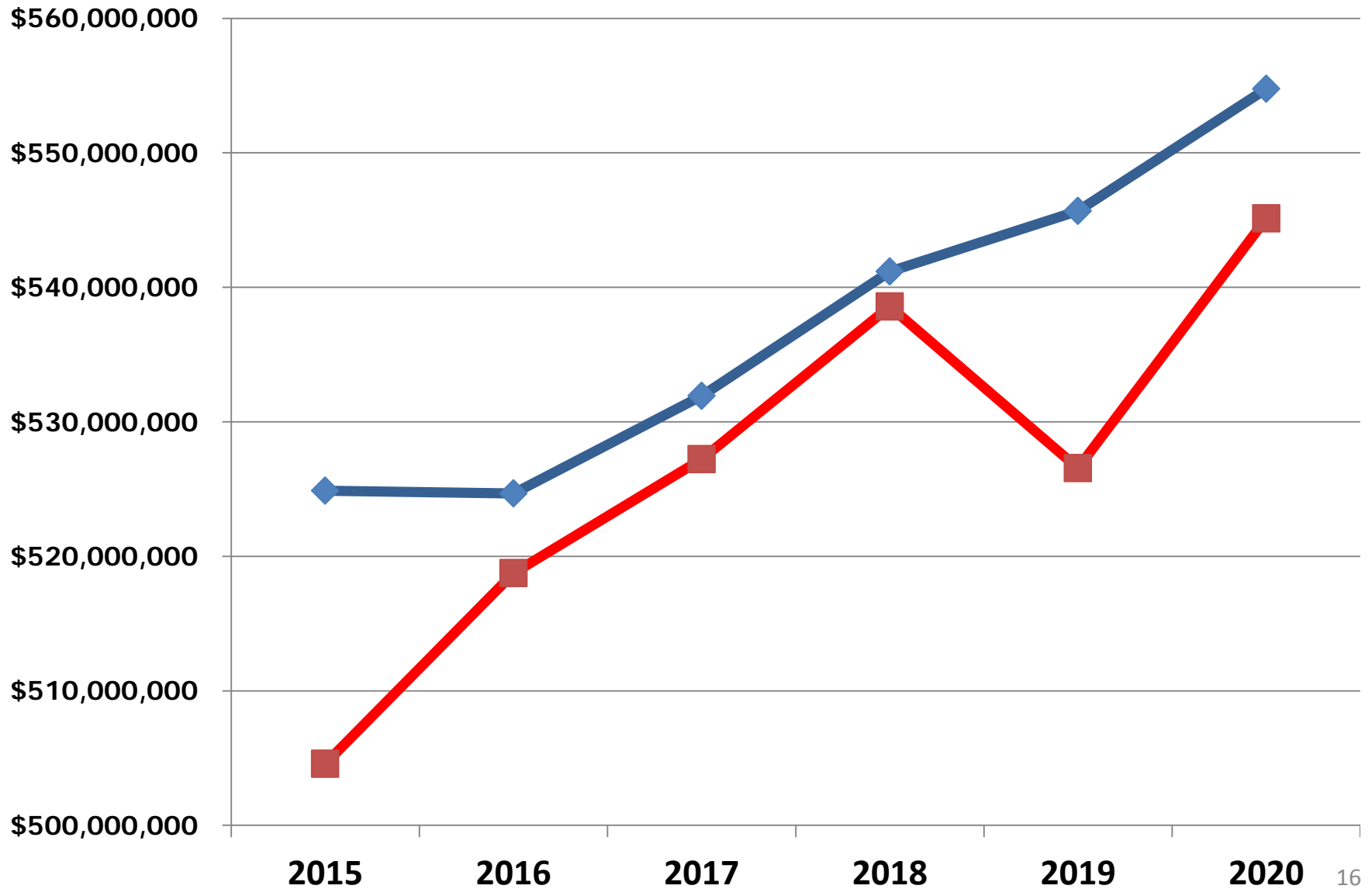
# Proposed 5 Year Plan

		2016	2017	2018	2019	2020
Expend		\$ 518,742,310	\$ 527,212,953	\$ 538,565,748	\$ 526,555,339	\$ 545,121,275
Revenue		\$ 524,670,455	\$ 531,930,054	\$ 541,168,897	\$ 545,678,447	\$ 554,751,925
Surplus / (Deficit)		\$ 5,928,145	\$ 4,717,101	\$ 2,603,149	\$ 19,123,108	\$ 9,630,650

Fund Balance	\$ 64,060,707	\$ 59,988,852	\$ 61,705,953	\$ 61,309,102	\$ 65,432,210
Transfer to Capital	\$ (10,000,000)	\$ (3,000,000)	\$ (3,000,000)	\$ (15,000,000)	\$ (10,000,000)

Fund Balance %	11.6%	11.7%	11.4%	12.4%	11.9%
Debt Service %	17.1%	16.6%	13.8%	8.6%	8.7%

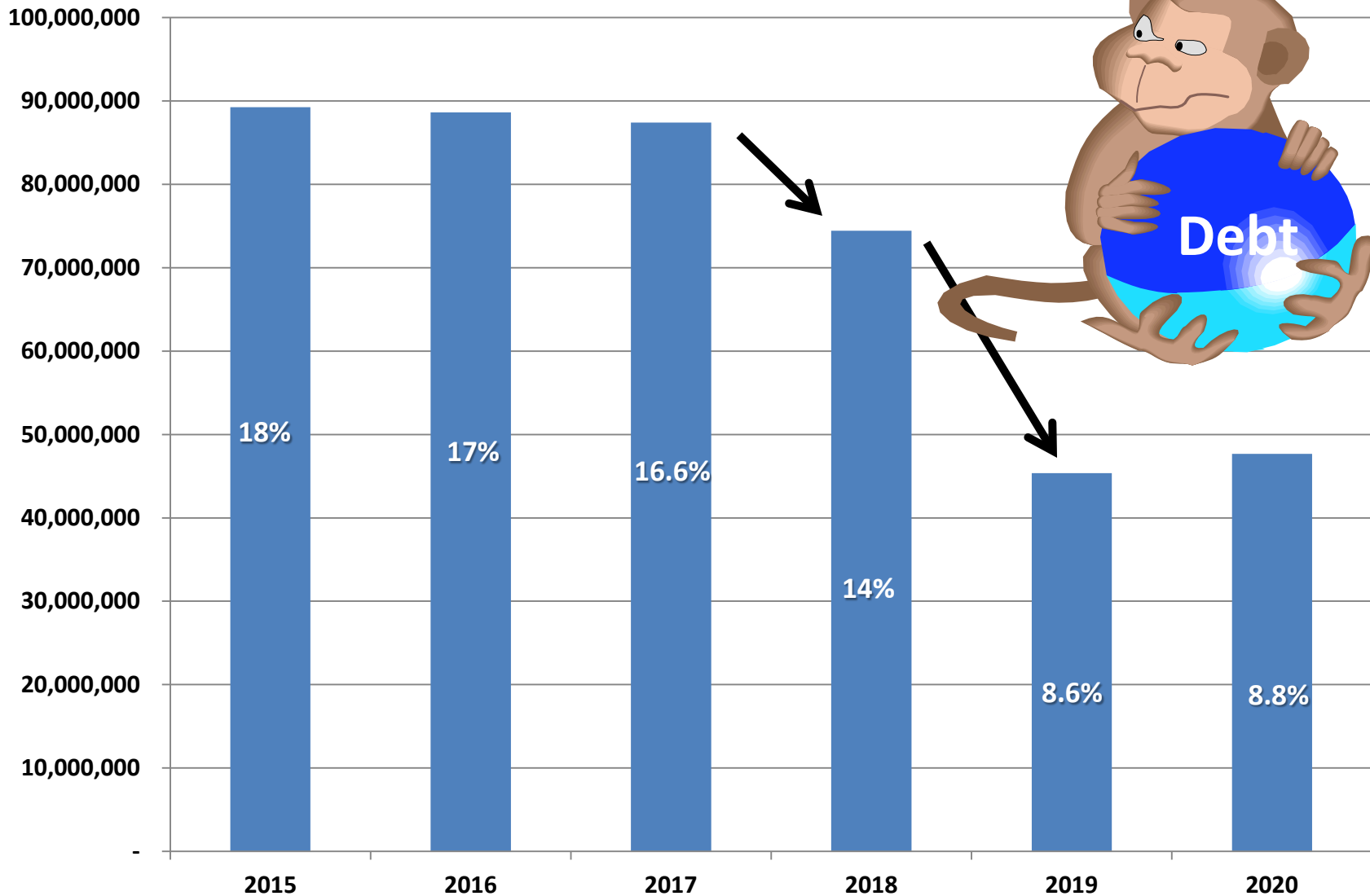
# Revenues vs. Expenditures 2015-2020





# Debt Service 17% of Budget

Debt Service 5 Year Plan

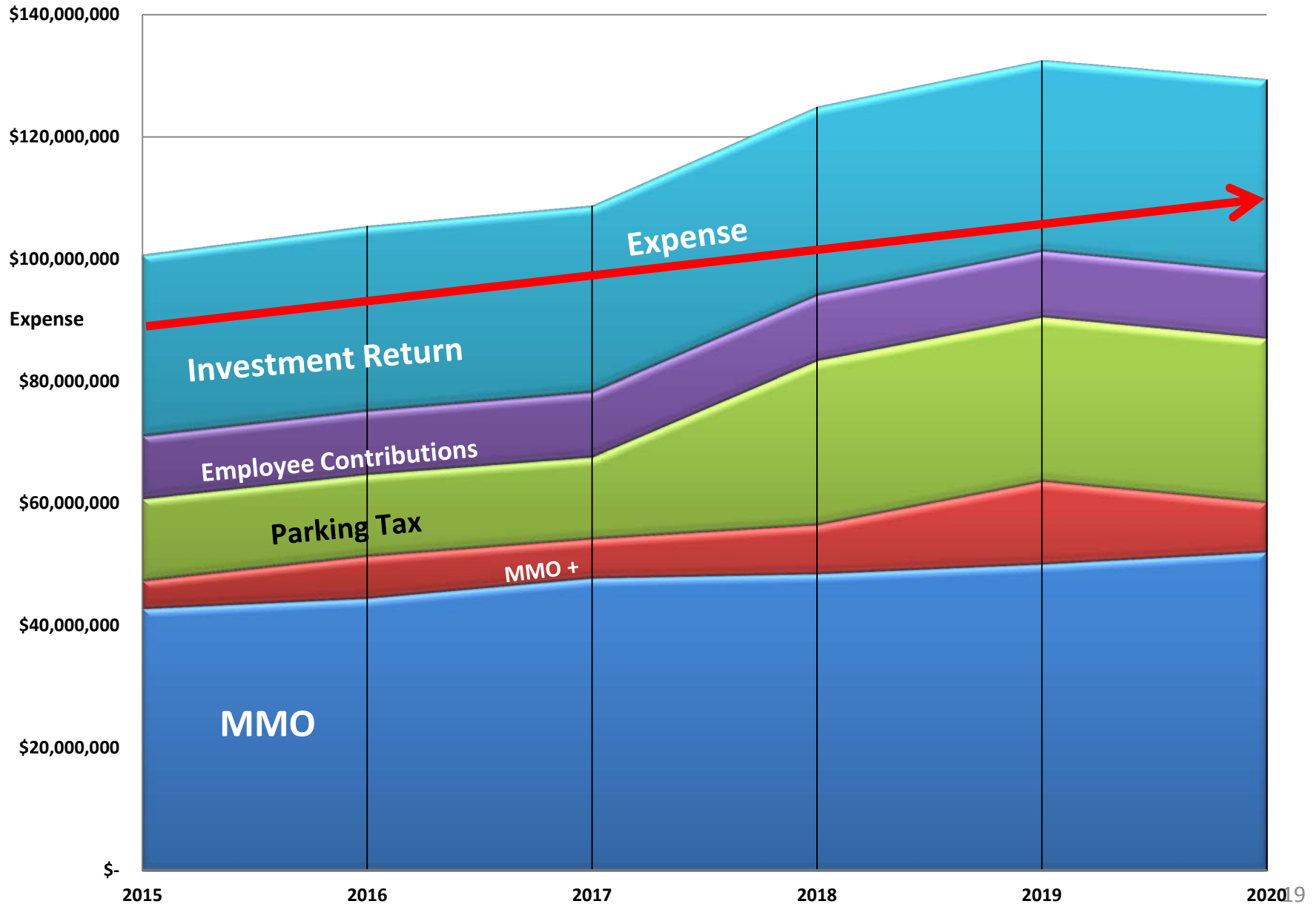


# Ordinance #19 Section 219.5 Pension Contribution

	2015	2016	2017	2018	2019	2020
MMO	\$ 42,860,296	\$ 44,575,000	\$ 47,856,549	\$ 48,551,412	\$ 50,140,000	\$ 52,146,000
MMO + PLUS	4,622,181	6,933,272	6,482,786	8,103,483	13,603,483	8,103,483
Parking Tax	13,376,000	13,376,000	13,376,000	26,752,000	26,752,000	26,752,000
Employee Contributions	\$ 10,350,128	\$ 10,453,629	\$ 10,662,702	\$ 10,769,329	\$ 10,877,022	\$ 10,877,022
Investment Return	\$ 29,491,875	\$ 30,070,500	\$ 30,375,000	\$ 30,750,000	\$ 31,125,000	\$ 31,475,000
Total Revenue In	<b>\$ 100,700,480</b>	<b>\$ 105,408,401</b>	<b>\$ 108,753,037</b>	<b>\$ 124,926,224</b>	<b>\$ 132,497,505</b>	<b>\$ 129,353,505</b>
Total Expense Out	<b>\$ 90,859,000</b>	<b>\$ 93,266,764</b>	<b>\$ 96,158,033</b>	<b>\$ 99,138,932</b>	<b>\$ 101,756,200</b>	<b>\$ 104,442,564</b>
Difference	<b><u>\$ 9,841,480</u></b>	<b><u>\$12,141,638</u></b>	<b><u>\$12,595,004</u></b>	<b><u>\$25,787,292</u></b>	<b><u>\$30,741,305</u></b>	<b><u>\$ 24,910,941</u></b>

**Additional \$116 Million over expenses**

# 2015-2020 Ord #19 Annual Pension Commitment



# 2016-2020 Pension Market Dependent

% return needed  
to meet  
expenditures

**4.9%**

**4.5%**

**4.5%**

**1.2%**

**0.1%**

**1.6%**

**2015**

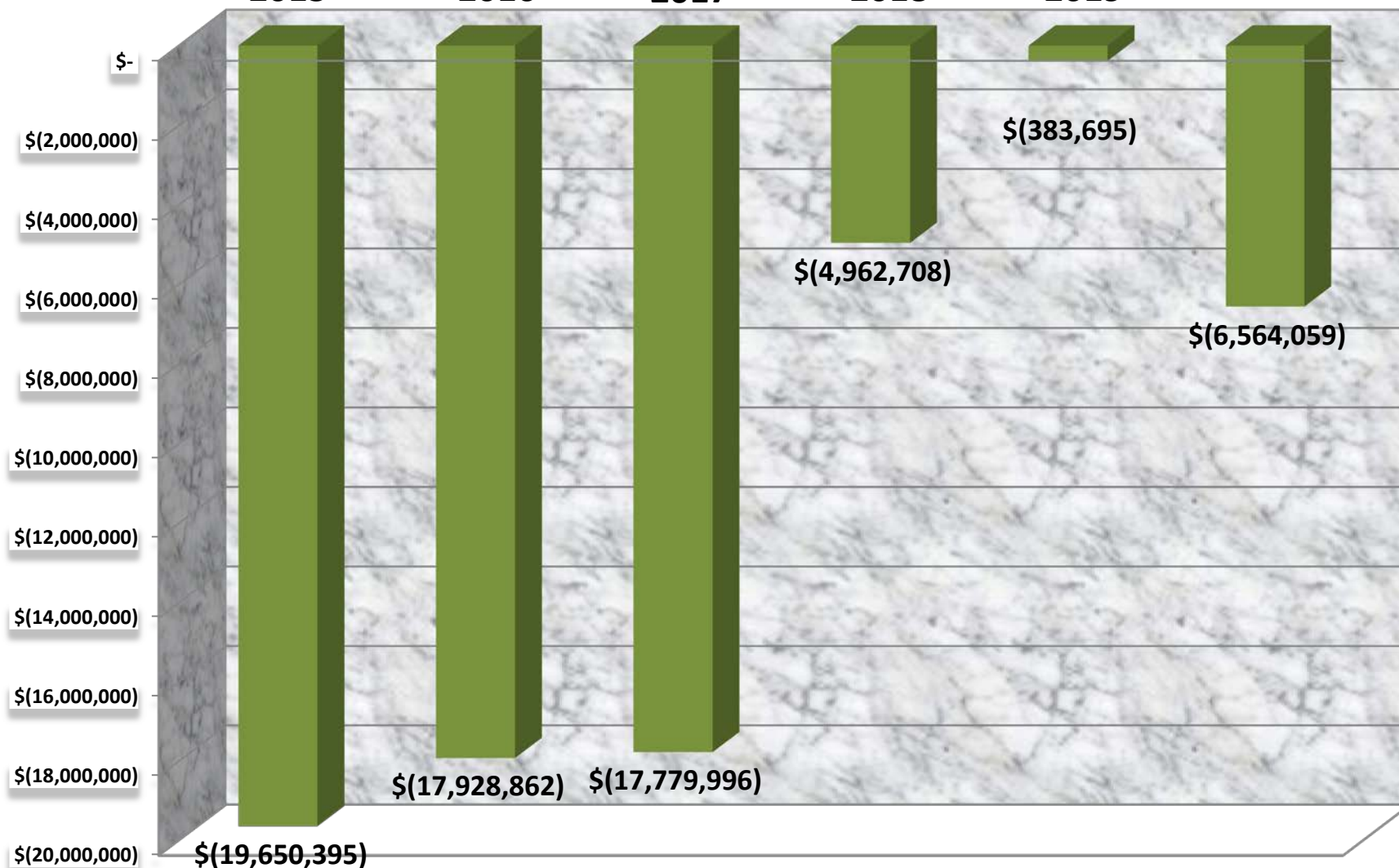
**2016**

**2017**

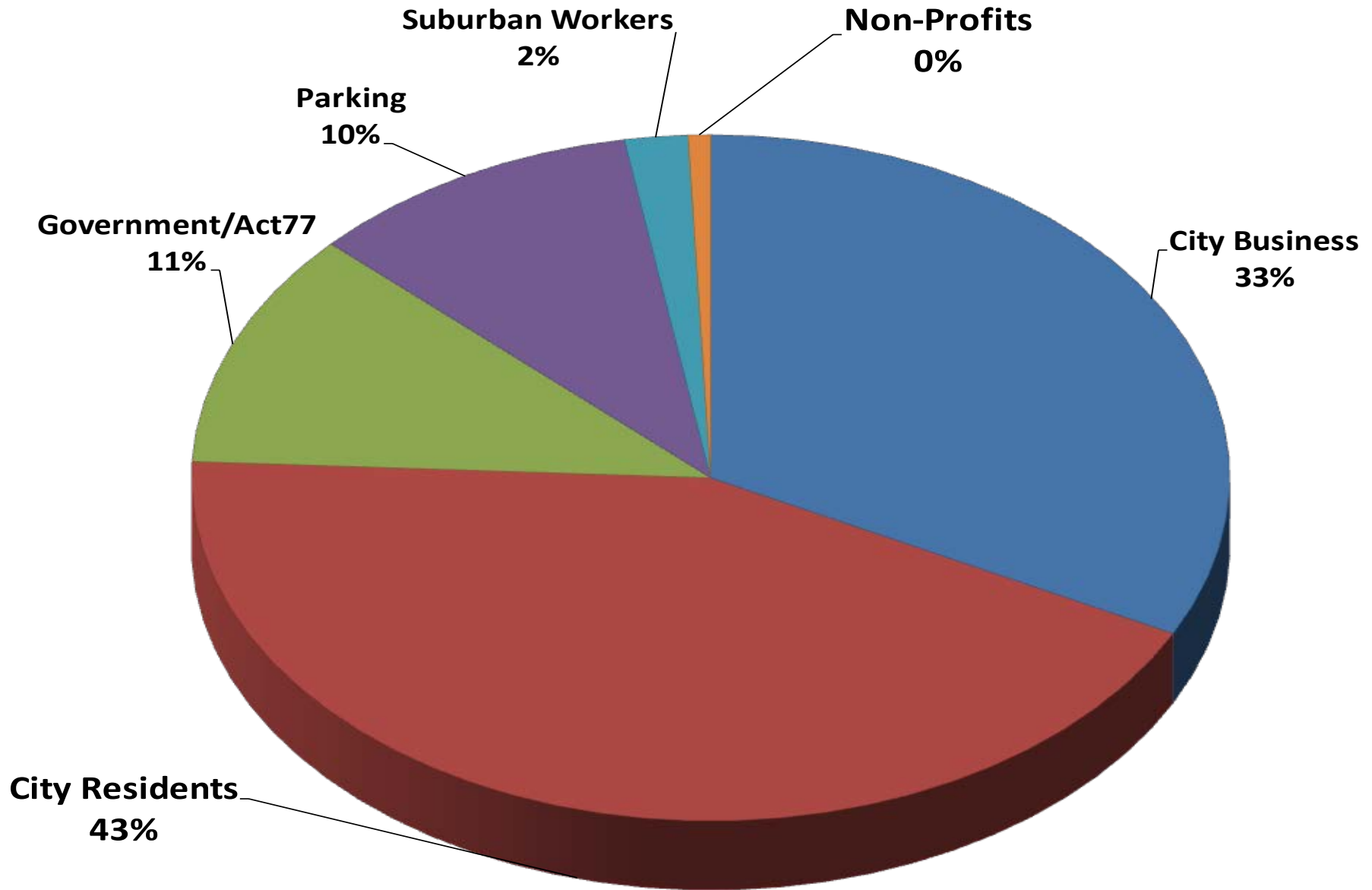
**2018**

**2019**

**2020**



# Who Pays in 2016?



# 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. NON-Profit Impact Fee.

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 222 (payroll tax) or a voluntary arrangement in Act 55. 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

# Policy Changes/Initiatives

- **Implemented changes in personnel budgets**
  - Healthcare is now part of departmental budgets
  - Self Insured – City pays claims – not premiums
  - Closer budgeted amounts in Public Safety Salaries and Over-time
  - Push to Hire closer levels of Police and Fire/Retirements
  - Changes to Finance Department
  - Procurement in OMB
  - Implementation of new payroll system
  - Continued cash management reform
  - Maintaining the Debt Cliff
  - 60 Mile of asphalt – Commitment to facilities (fix it first)
  - Re-commitment to Earn & Learn summer youth program

# **Future Legislative Challenges**

- **The Great Inversion – Gentrification**
  - Affordable Housing, Rent Control, Inspection
- **Changing demographics**
- **Keeping up with Technology**
  - Telecom, Software, Apps, Air BnB
- **Police Relations – Body Cameras**
- **Pension securitization**
- **State Help with Non-profits**



# Summary

- We have addressed nearly all of our underlying problems with the help of Act 47 Oversight – Ordinance #19 shows the reason to loosen the reins on 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
- Although this budget provides more revenue, more is needed annually for as a cushion for pension, PayGo and Infrastructure and technology Investment from now and into the future
- 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

# 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 or simply Amend the Payroll Tax to delete exemption
- These are easy asks that have been overly politicized
- Need help, yet ICA has not carried the appropriate message to the legislature