

2019 Budget Proposal Overview & Policy Discussion

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The 2019 Peduto Budget Proposal

\$579.4 Million Revenue and \$571.5M Expenditure Budget
Expenditures increase by \$25M over 2018 Budget

Budgetary 900 Police Officers – 120 Recruits

**2% salary increase for non-union, reduction in Healthcare Benefits,
Implementation of other contracts**

City's Total Portion of Pension will be \$94.3M

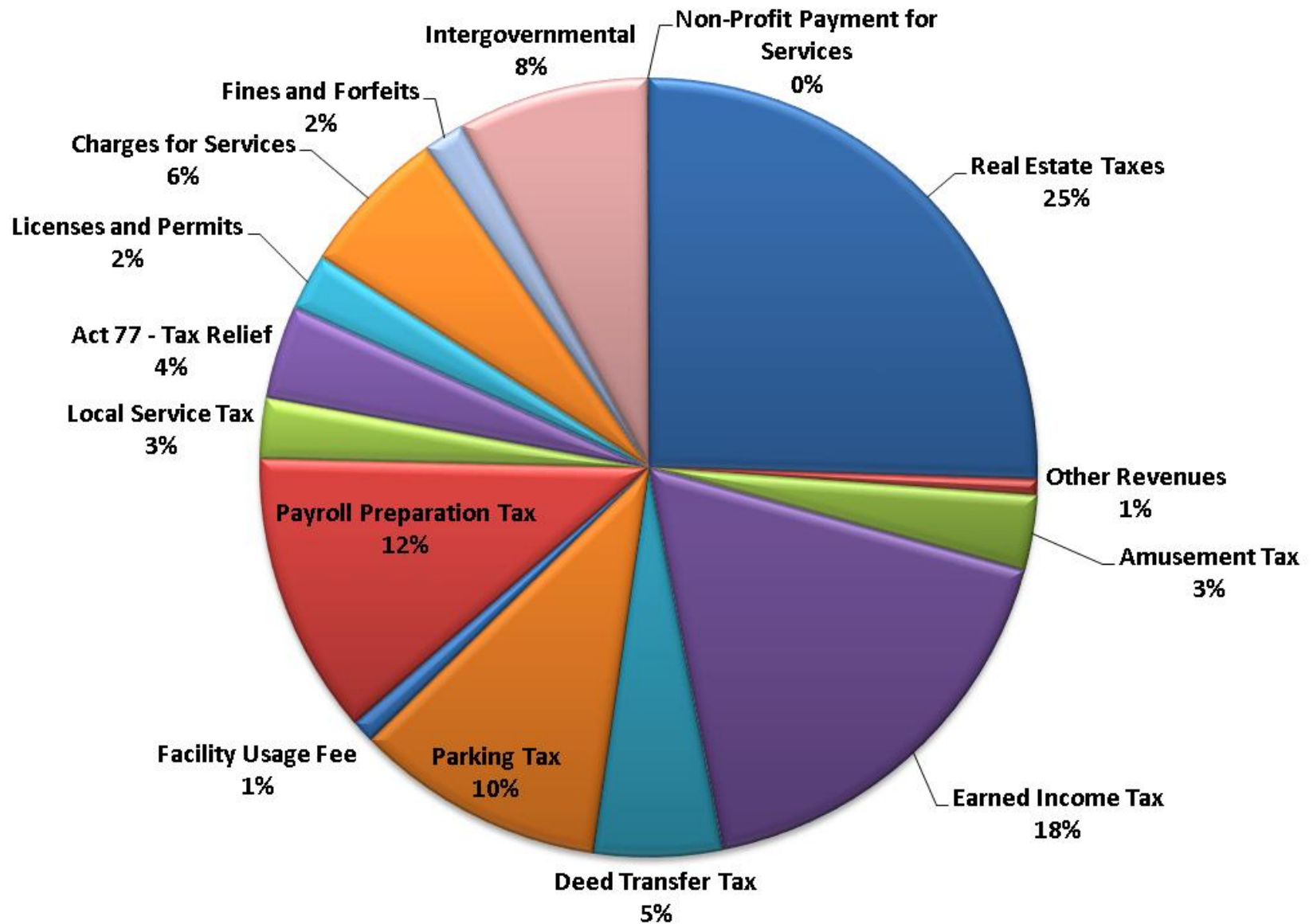
- **\$51 Million MMO, \$26.7 Million Parking, \$16.6 Million MMO+**

Retiree Healthcare Awards for Police, Fire & Paramedics

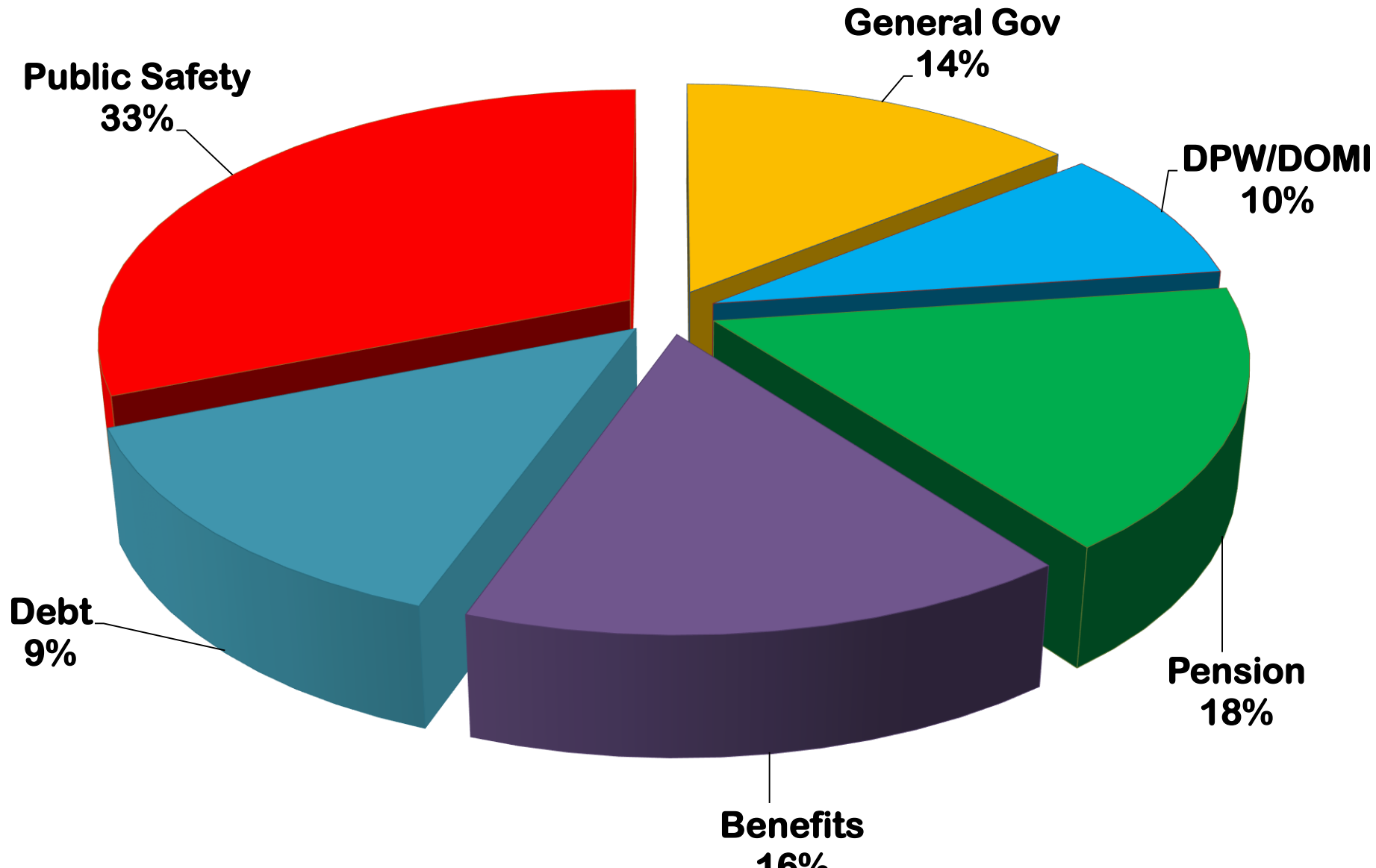
\$15 Million Transfer from Fund Balance to PAYGO

\$132 Million Capital Budget

Revenues 2019 - \$579.4 Million



2019 Expenditures \$571.5 Million



2019 Expenditure Cost Drivers

Expenditures	2018 Estimate	2019 Budget	Increase/Decrease	%
Operating Departments	\$ 300,205,515	\$ 331,092,331	\$ 30,886,816	10.3%
Pension	\$ 93,145,662	\$ 101,427,152	\$ 8,281,490	8.9%
Healthcare, Workers Comp	\$ 81,435,977	\$ 87,844,467	\$ 6,408,490	4.3%
Debt Service	\$ 73,682,352	\$ 51,166,684	\$(22,515,668)	-14.5%
Total Expenditures	\$ 548,469,507	\$ 571,531,034	\$ 24,964,345	4.7%

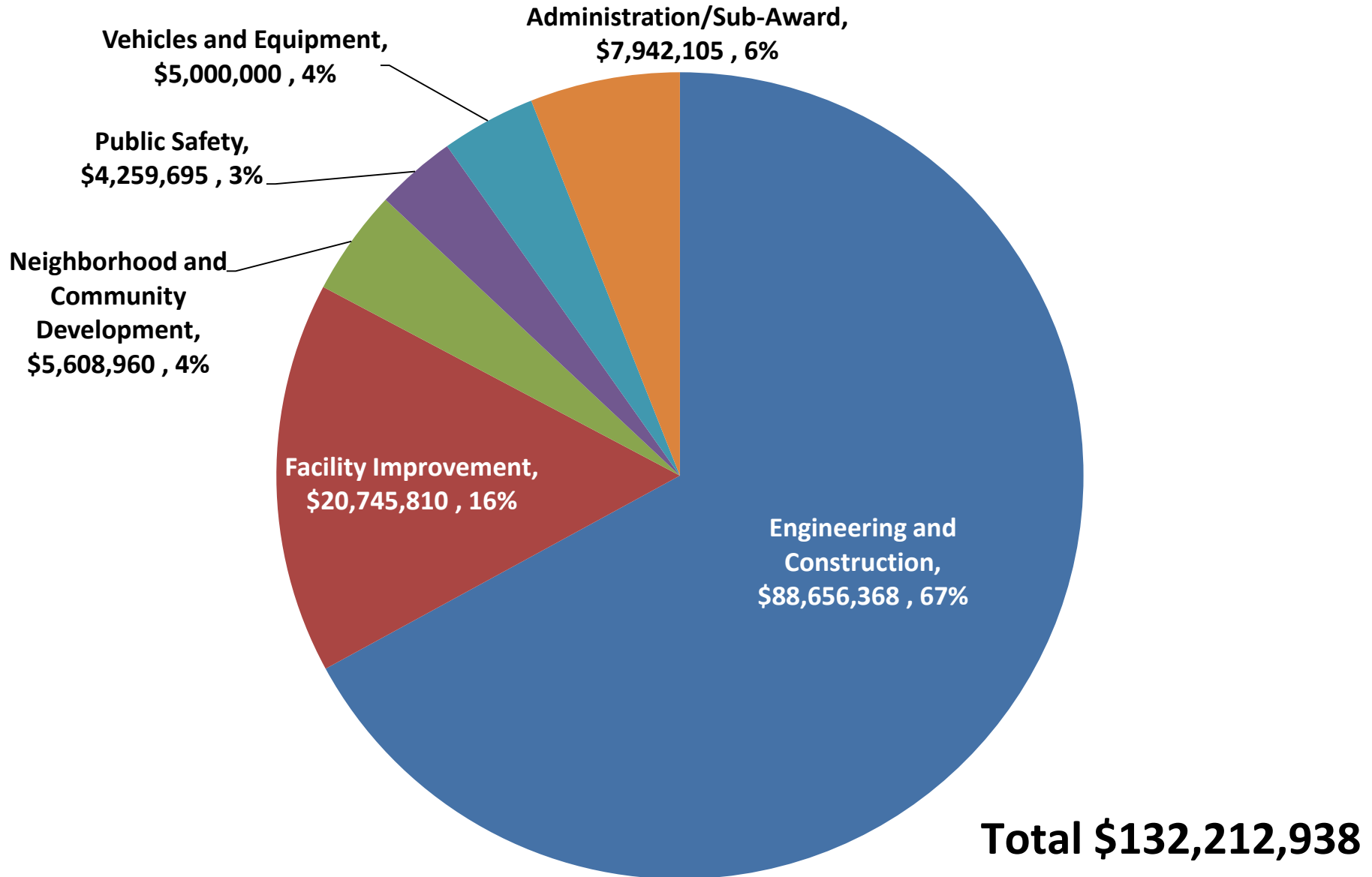
Increases:

- ?Million Retirement Health Care for Public Safety
- 2% Non-Union wage increase Total increase is 4%
- Increases in Public Safety Premium Pay Police, Fire, EMS +\$6M
- Pension +\$8.2 Million
- Healthcare + \$3.6M
- Debt Service -\$22.5M decrease

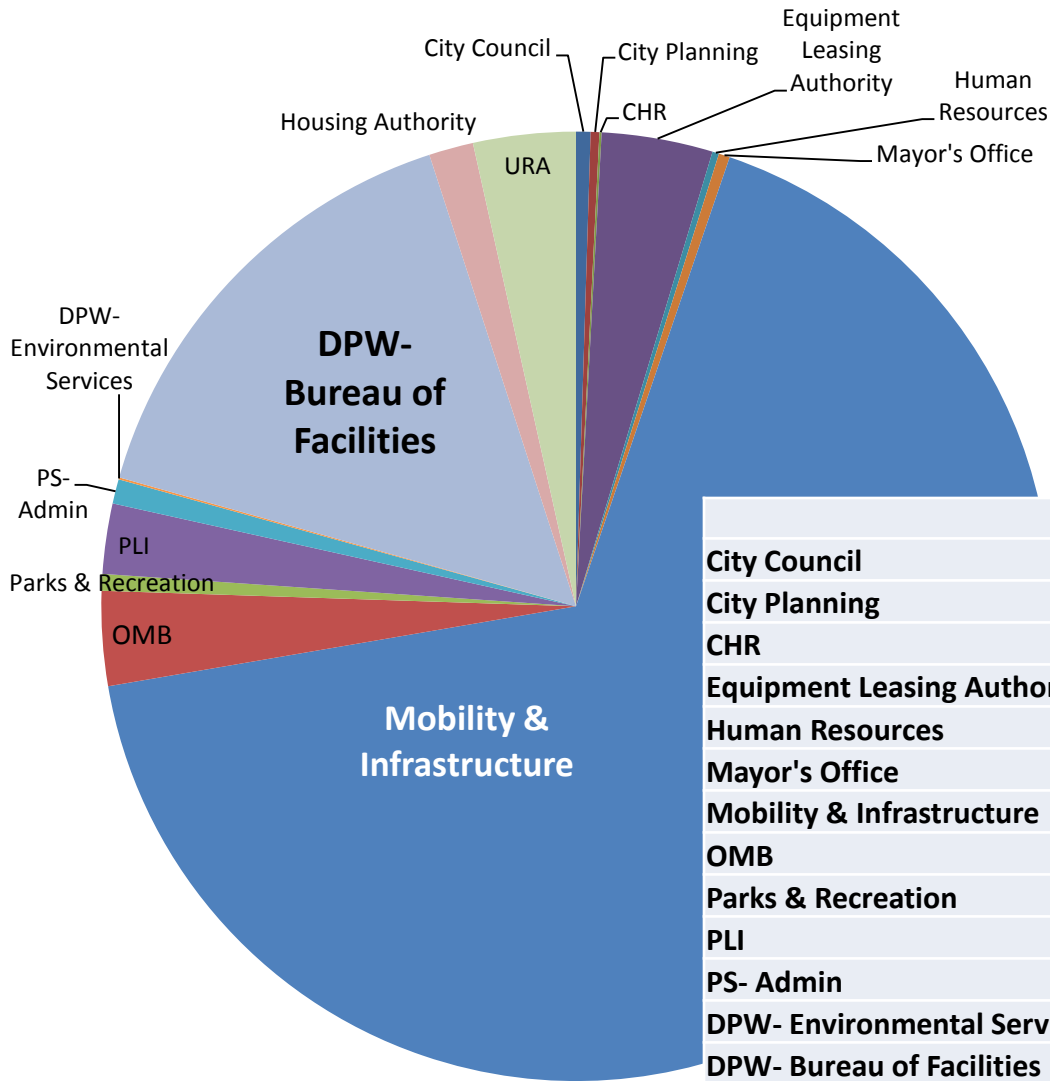
2019 Financial Outlook

Revenues		\$ 579,421,038
Expenditures		
Operating Departments		\$ 331,092,331
Pension		\$ 101,427,152
Healthcare, Workers Comp		\$ 87,844,867
Debt Service		\$ 51,166,684
Total Expenditures		\$ 571,531,034
Operating Result		\$ 7,890,003
Beginning Fund Balance		\$ 72,352,292
Transfer to PayGo		\$ (15,000,000)
Ending Reserve Fund Balance		\$ 65,242,295
Fund Balance as % of Expenditures		11.4%
Debt as % of Expenditures		8.95%

2019 Capital Budget by Functional Area

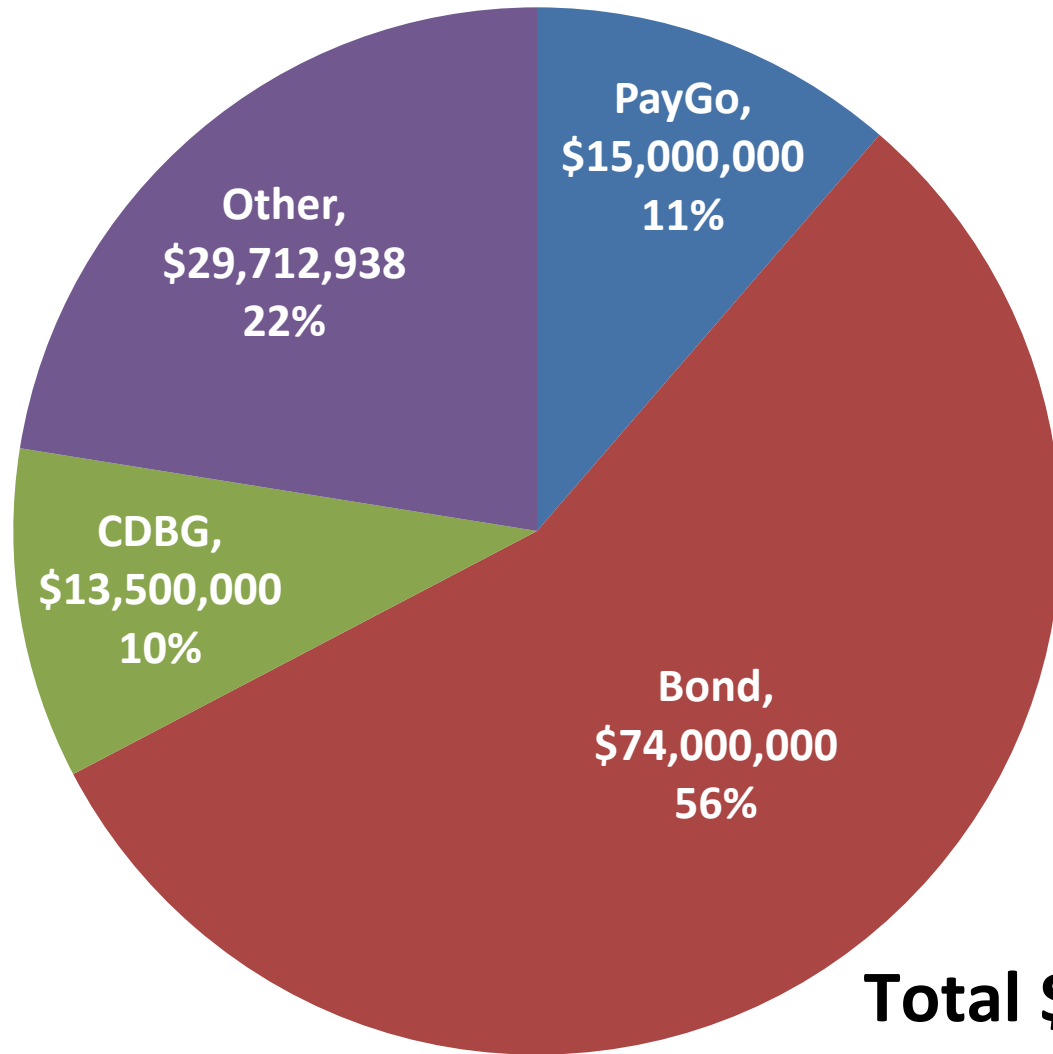


2019 Capital Budget by Department



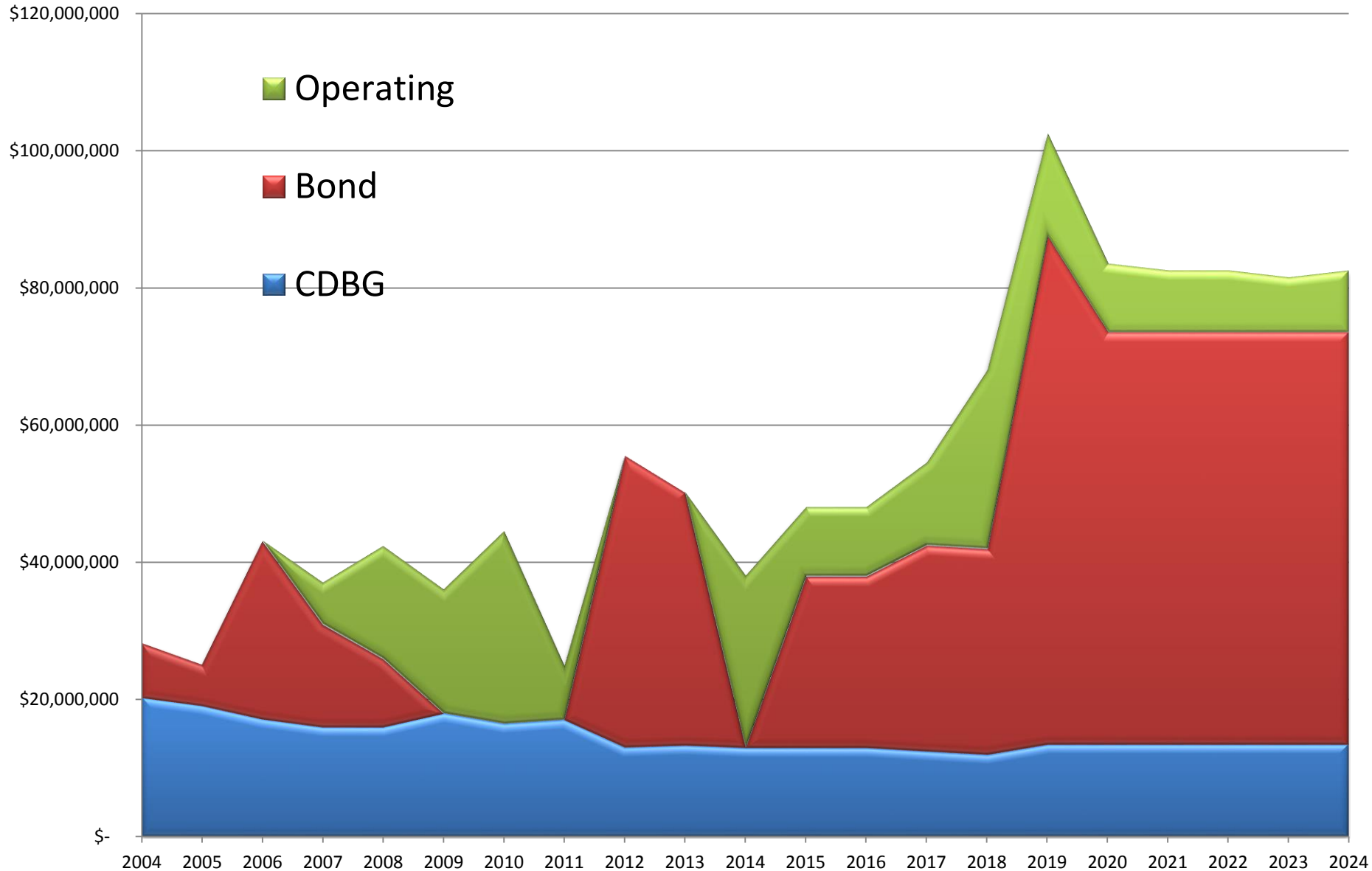
	CDBG	Bond	PayGo	Other	Total
City Council	\$650,000				\$650,000
City Planning	\$40,000		\$250,000	\$100,000	\$390,000
CHR	\$100,000				\$100,000
Equipment Leasing Authority			\$5,000,000		\$5,000,000
Human Resources	\$300,000				\$300,000
Mayor's Office	\$500,000				\$500,000
Mobility & Infrastructure	\$2,650,000	\$58,881,845	\$5,032,345	\$22,092,178	\$88,656,368
OMB	\$2,155,000			\$2,097,105	\$4,252,105
Parks & Recreation	\$750,000				\$750,000
PLI	\$1,449,200		\$1,710,495		\$3,159,695
PS- Admin			\$1,100,000		\$1,100,000
DPW- Environmental Services			\$90,000		\$90,000
DPW- Bureau of Facilities	\$1,315,000	\$15,118,155	\$799,000	\$3,423,655	\$20,655,810
Housing Authority	\$1,500,000			\$500,000	\$2,000,000
URA	\$2,090,800		\$1,018,160	\$1,500,000	\$4,608,960
	\$13,500,000	\$74,000,000	\$15,000,000	\$29,712,938	\$132,212,938

2019 Capital Budget by Fund Source



Total \$132,212,938

Capital funding 2004-2024



2019-2024 Capital Improvement Plan

	2018	2019	2020	2021	2022	2023	2024
CDBG	\$ 13,913,919	\$ 13,500,000	\$ 13,500,000	\$ 13,500,000	\$ 13,500,000	\$ 13,500,000	\$ 13,500,000
Bond	\$ 30,000,000	\$ 74,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000
PayGo	\$ 26,200,000	\$ 15,000,000	\$ 10,000,000	\$ 9,000,000	\$ 9,000,000	\$ 8,000,000	\$ 9,000,000
Other	\$ 39,423,318	\$ 29,712,938	\$ 40,459,923	\$ 36,285,895	\$ 61,688,945	\$ 21,678,945	\$ 7,678,945
Total	\$ 109,537,237	\$ 132,212,938	\$ 123,959,923	\$ 118,785,895	\$ 144,188,945	\$ 103,178,945	\$ 90,178,945

Changes from last year's plan

	2018	2019	2020	2021	2022	2023	2024
CDBG	\$ 1,913,919	\$ 1,500,000	\$ 1,500,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 13,500,000
Bond	\$ -	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000,000
PayGo	\$ 200,000	\$ -	\$ (5,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (7,000,000)	\$ 9,000,000
Other	\$ 36,302	\$ 1,989,894	\$ (3,199,206)	\$ 21,886,395	\$ 49,789,445	\$ 14,291,945	\$ 7,678,945
Total	\$ 2,150,221	\$ 17,489,894	\$ (6,699,206)	\$ 17,636,395	\$ 45,539,445	\$ 9,041,945	\$ 90,178,945

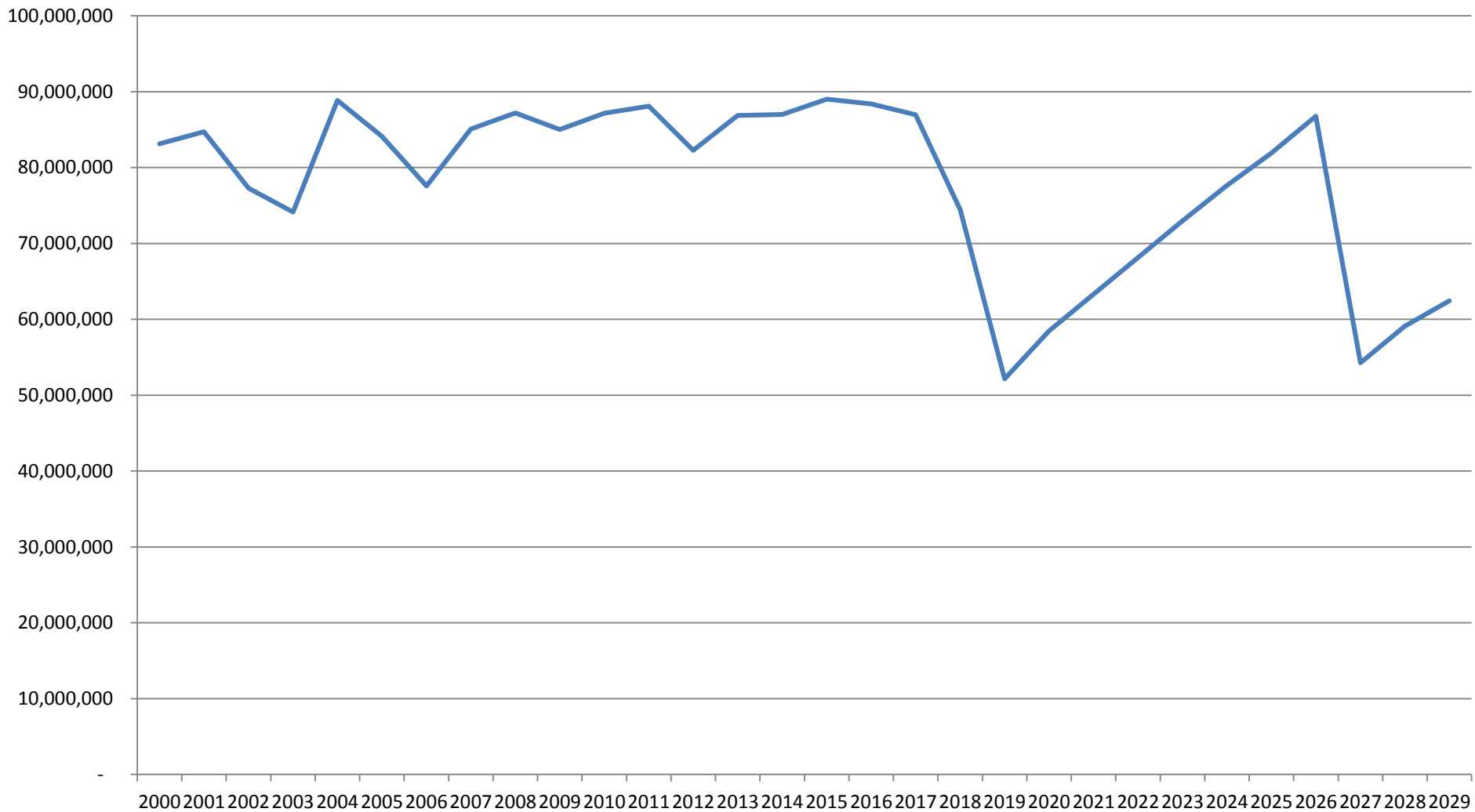
How this interacts with Operating

- The \$60 million in borrowing each year is put on the City's credit card, reflected in the operating budget.
- Debt issued for 20 years (longer if refinanced)
- The \$60 million borrowed this year will cost \$98.2 million to pay off (more if refinanced)
- “rates will never be lower” was true last couple years. Not so in future, especially if municipalities will have to pay taxes on borrowing.

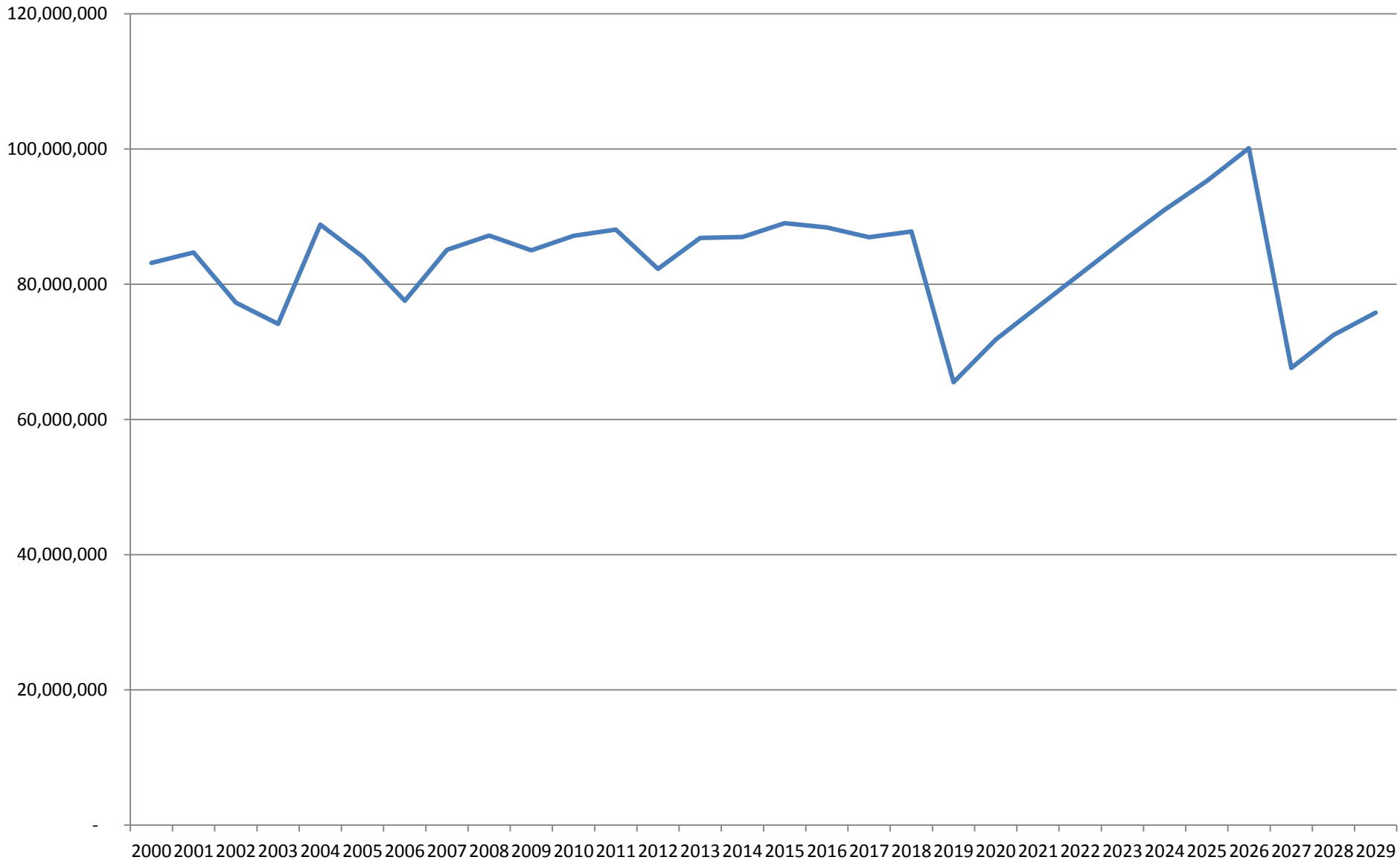


Debt Service, including planned borrowing

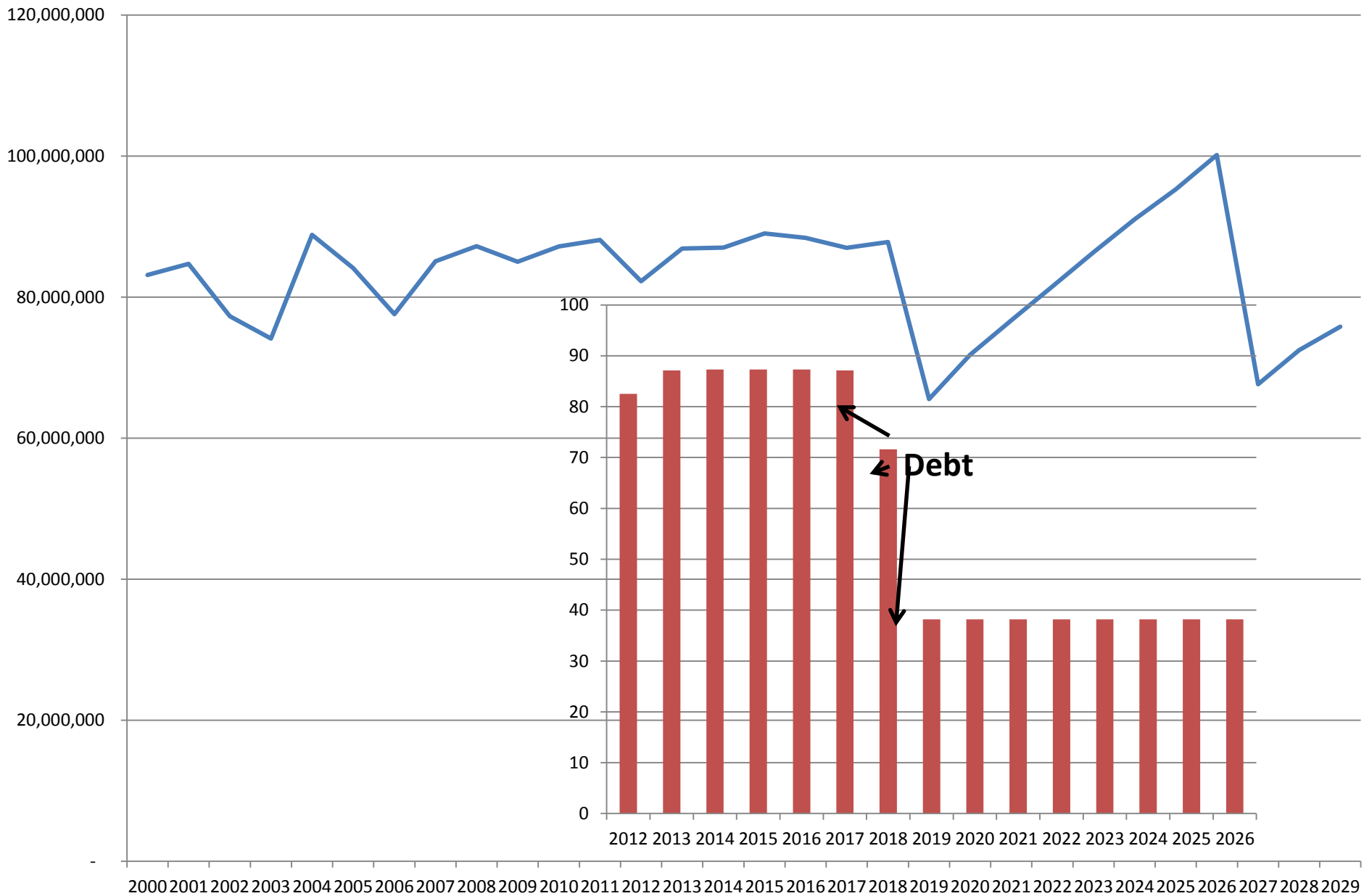
Debt Service



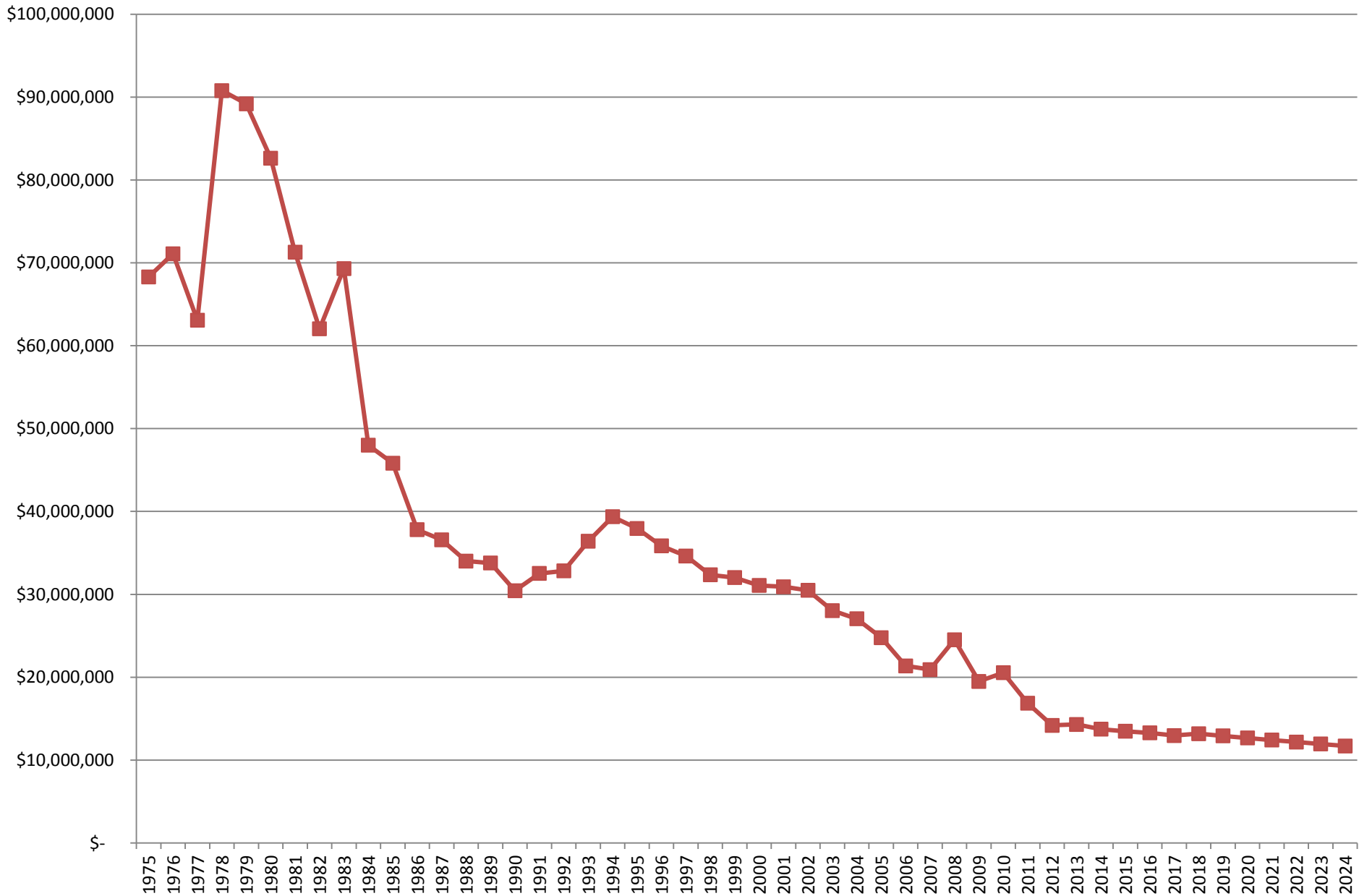
Planned debt, plus the Parking Tax diversion for pensions



Debt cliff?



Pittsburgh CDBG adjusted for inflation



5 Year Operating Plan

\$3,023,907,881

City Council Ordinance #19 of 2014

- Requires Council to Vote on a 5 Year Plan
- Requires 5 year plan is constructed using GFOA best practices
- Requires Quarterly Public Reports
- Requires a Minimum Pension Calculation exceeding State formulas by meeting pension fund expenses
- Council's capital budget ordinance provides further efficiencies and best practices

Proposed 5 Year Plan

5 Year Plan Highlights

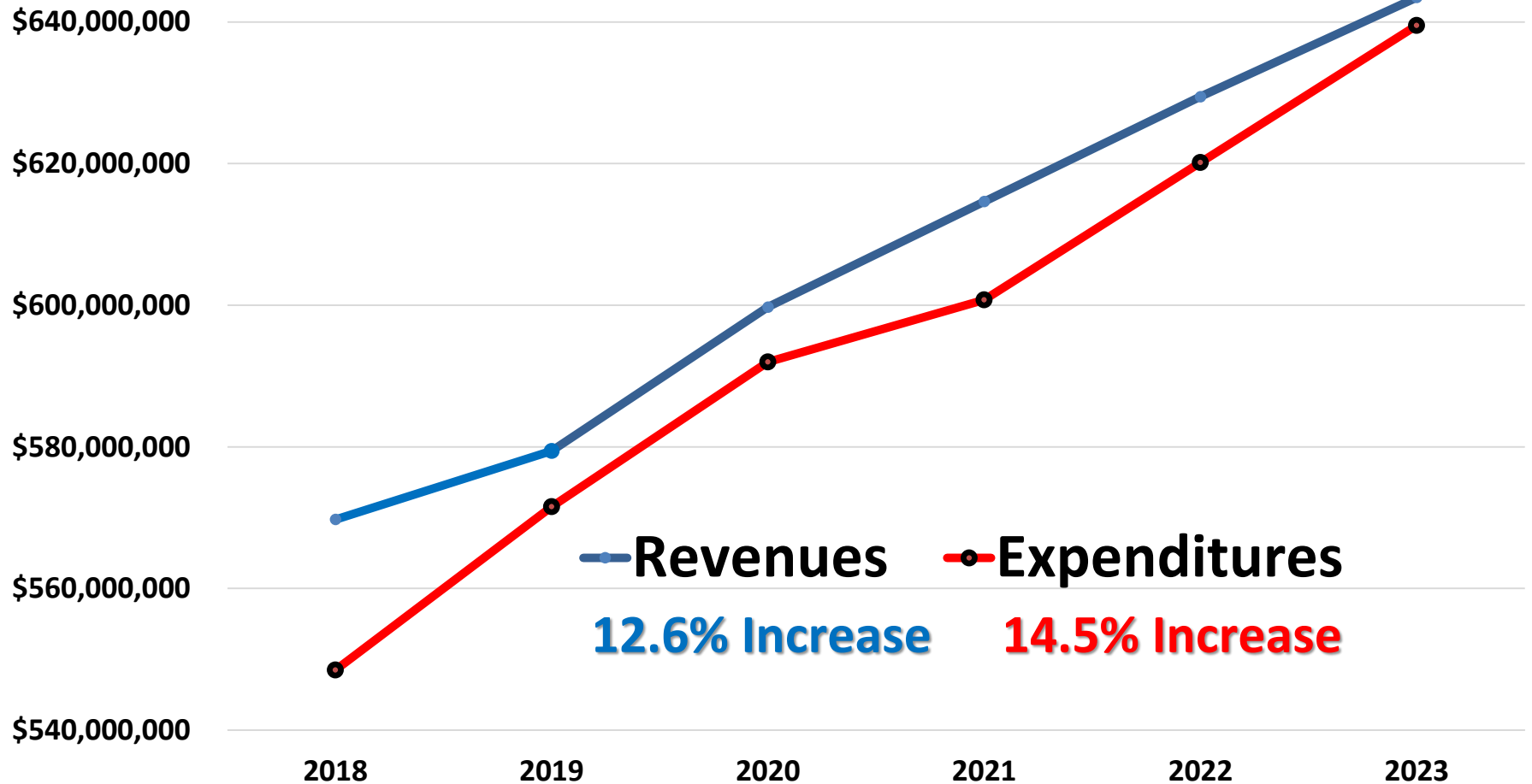
- \$15M Paygo out of fund balance in 2019 then \$36M 2020-2023
- \$60 Million Bonds for Capital every year
- Pay As You Go Pension Commitment Continues

	2018	2019	2020	2021	2022	2023
Revenues	\$ 569,740,203	\$ 579,421,038	\$ 599,735,823	\$ 614,621,481	\$ 629,451,898	\$ 643,445,158
Expenditures	\$ 548,469,507	\$ 571,531,034	\$ 591,985,634	\$ 600,737,355	\$ 620,163,191	\$ 639,490,667
Op Result	\$ 21,270,696	\$ 7,890,004	\$ 7,750,189	\$ 13,884,126	\$ 9,288,707	\$ 3,954,491

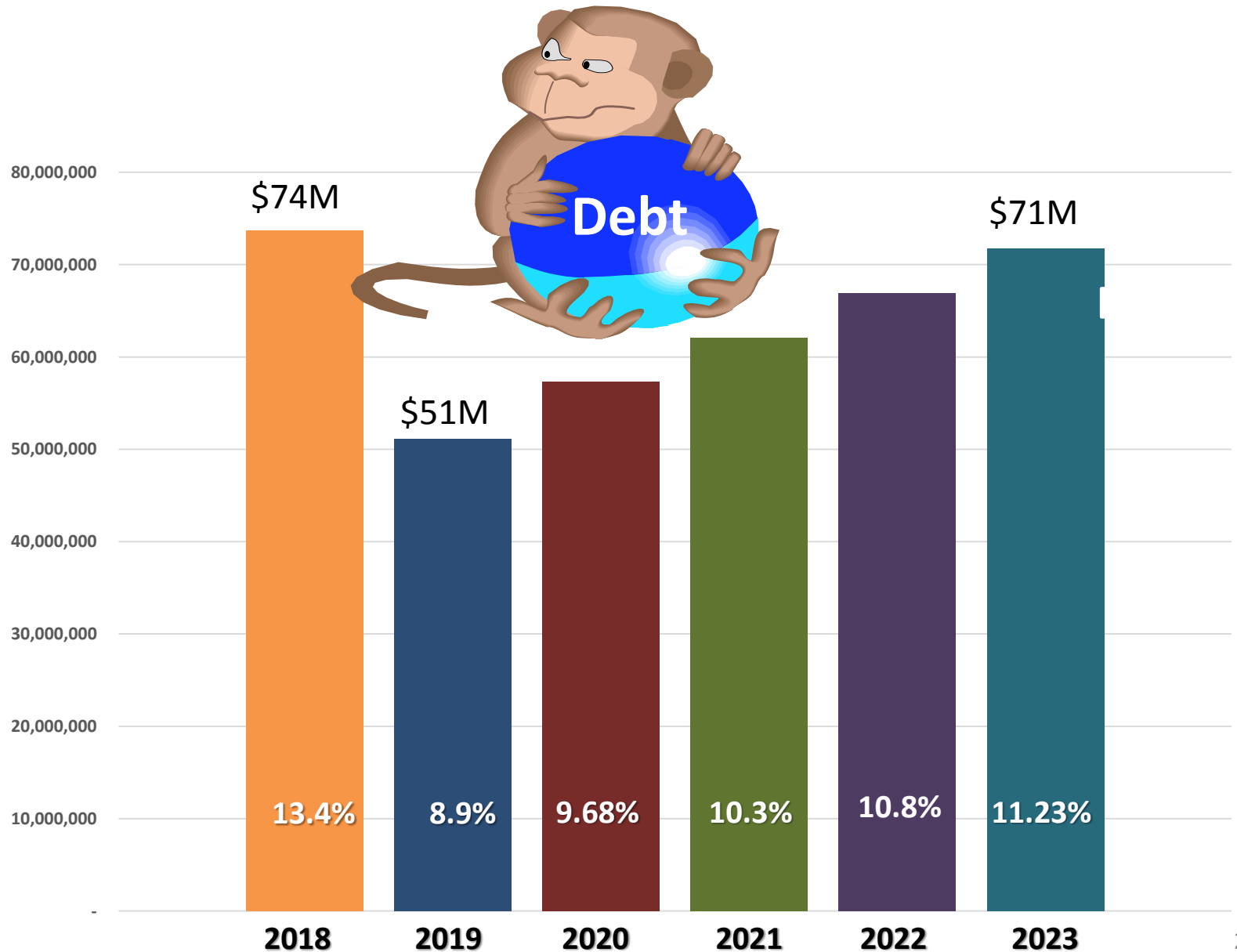
Beginning FB	\$ 89,081,596	\$ 80,242,296	\$ 72,992,485	\$ 76,876,611	\$ 77,165,318	\$ 72,119,809
PayGo Transfer *	\$ (38,000,000)*	\$ (15,000,000)	\$ (10,000,000)	\$ (9,000,000)	\$ (9,000,000)	\$ (8,000,000)
Ending FB	\$ 72,352,292	\$ 65,242,296	\$ 62,992,485	\$ 67,876,611	\$ 68,165,318	\$ 64,119,809

Fund Balance %	13.2%	11.4%	10.6%	11.3%	11.0%	10.0%
Debt Service%	13.43%	8.95%	9.68%	10.34%	10.79%	11.22%

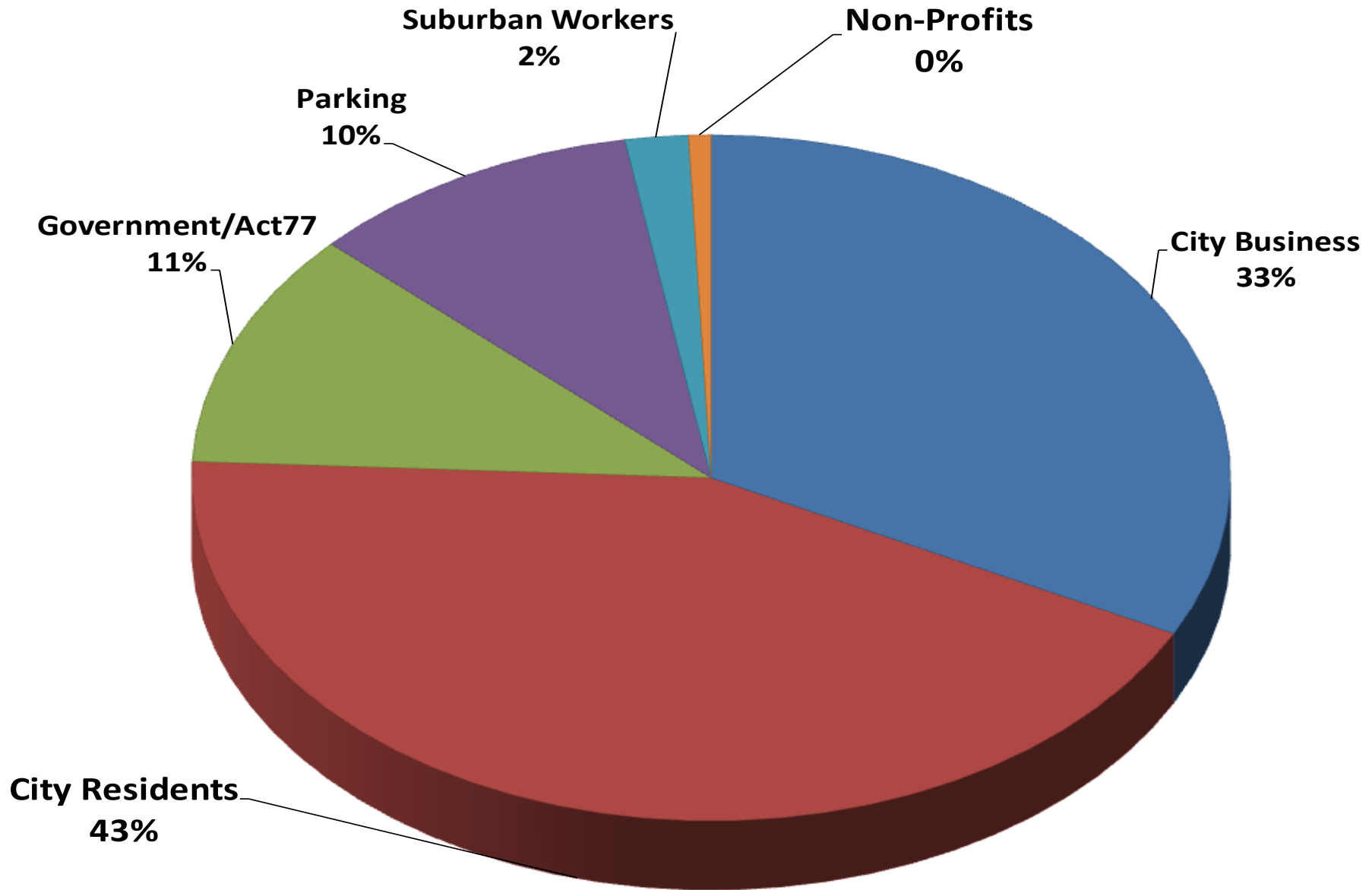
Revenues vs. Expenditures 2019-2023



Debt Service 8.9-11.2% of Expenditures



Who Pays in 2019?



2019-2023 CHALLENGES

- Revenues – missing: Billboard tax, Non-profit Agreement, MBRO
- Harrisburg issues: Pension Reform, Non-profits, Act 111 etc... Can we depend on State?
- Public Safety Contracts – Public Safety Retirement Healthcare – OVERSIGHT IS OVER
- Stop losing in Negotiations - Arbitration
- Federal Uncertainty: CDBG and Tax-exempt Bond Status etc...

STAY OUT of Act 47!

How to stay out of Act 47

It wasn't just one big bad decision that got us into Act 47, it was hundreds of small ones.

- Control Legacy Costs
 - Question, analyze and cost out every new initiatives
 - Make good choices
 - Limit debt borrowings, be analytical and question debt and debt structuring. Utilize PayGo capital funding – Capital investments to save \$ -
 - More efficient Resurfacing
 - Seek changes in Harrisburg on Pension, Non-profit contributions, development, and sane labor law
- NO PROGRESS**
- Continue to apply Best Practices from Act 47 & ICA

It's City Council's Budget Now



Future Legislative Challenges

2016 Slide Hasn't Changed

- **The Great Inversion – Gentrification**
 - **AFFORDABLE HOUSING, Rent Control, Inspection**
- **Changing demographics – *Pre-K***
- **Keeping up with Technology**
 - **Telecom, Software, Apps, Air BnB's**
- **Police Relations – Body Cameras**
- **Pension asset securitization**
- **State Help with Non-profits/Pensions**

Who Should Pay?

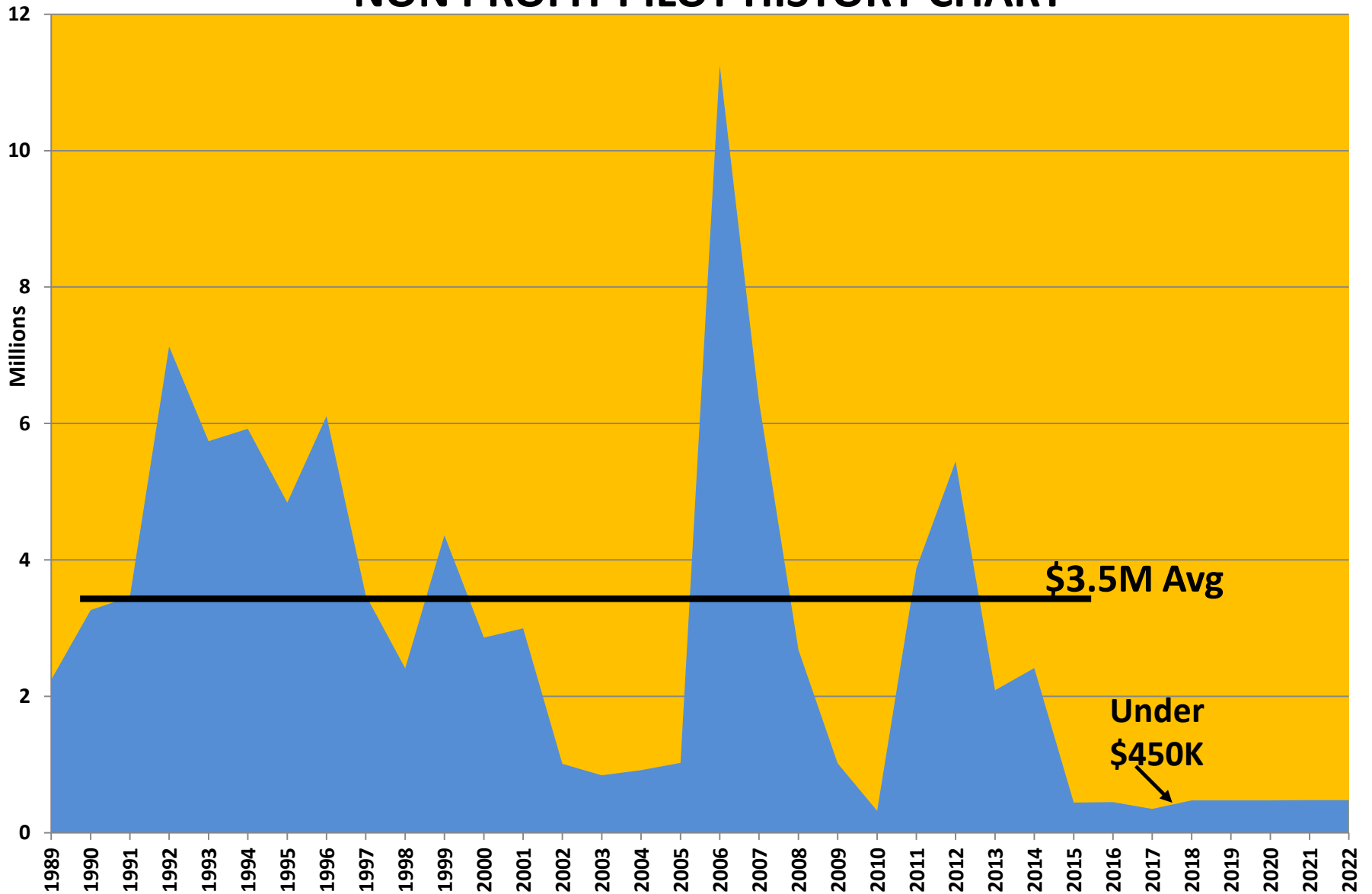
Simple – the Large Non-profits should pay at least a “suggested donation” based on $\frac{1}{2}$ of 1 percent of the compensation they pay out. NON-Profit Impact Fee.

Why? Because, although there is a benefit to having many in the non-profit Community in our borders, there is a fiscal 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 could raise \$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

NON PROFIT PILOT HISTORY CHART



Missing Non-Profit Agreement since 2013

People Costs

