



2012 Budget Proposal Overview

William Peduto, Finance Chair

City Council Budget Office

Bill Urbanic, Director

November 29, 2011

The 2012 Ravenstahl Budget

\$468m Revenue and \$467m Expenditure Budget

Departmental Expenditures increase by \$5m over 2011

Increases in police salary & expenditures

- Recruits/4th year moving up the ladder
- Budgetary 892 Officers maintained

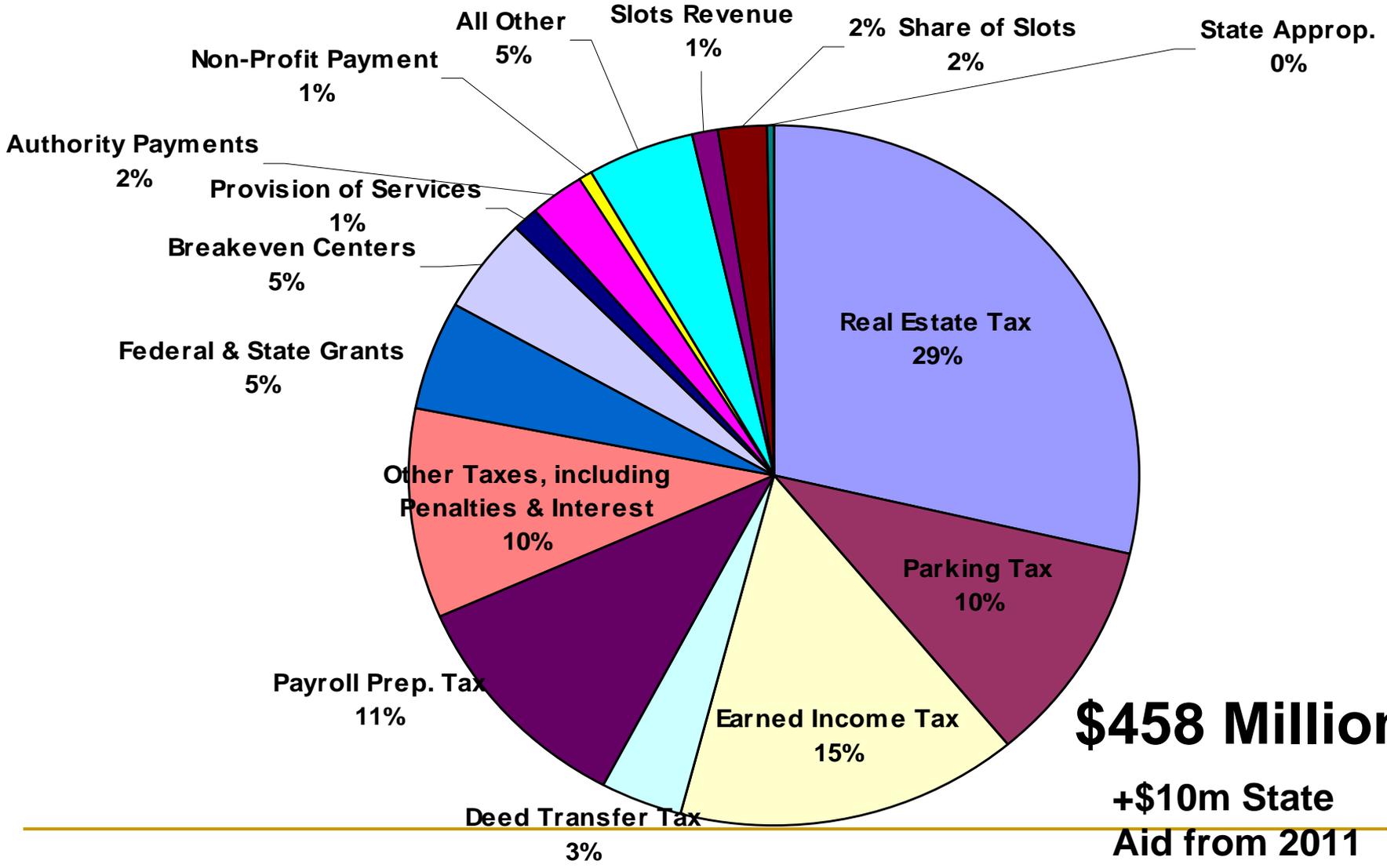
City's Total Portion of Pension will be \$55m

2% salary increase for non-union and some union employees, Implementation of other contracts

\$80m Bond Issuance - \$42.5M Capital Budget

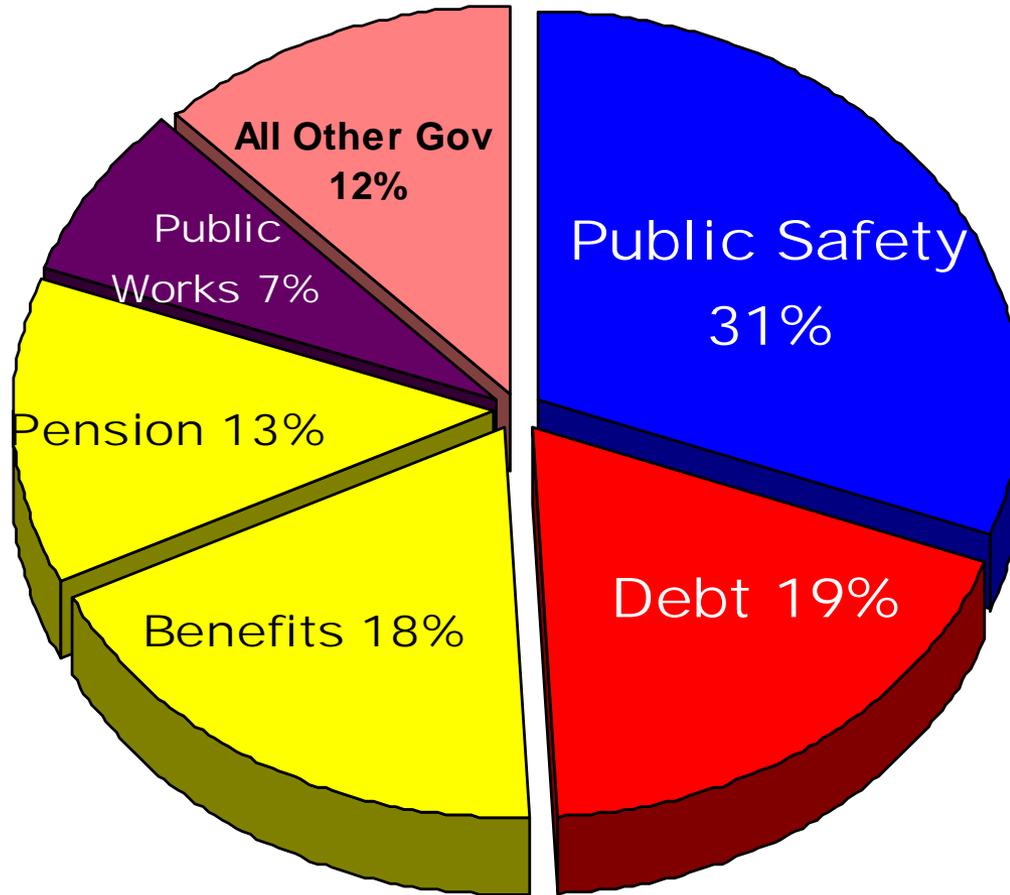
\$0 PAYGO Budget proposed

Revenues 2012 - \$468 Million



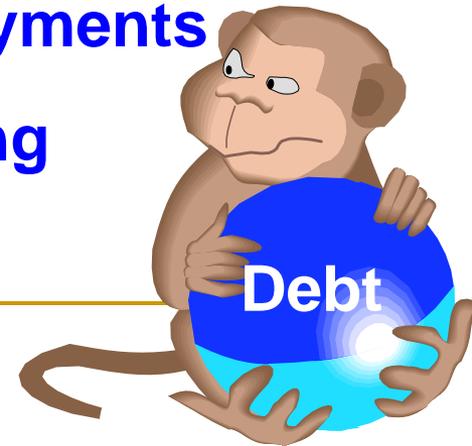
2012 Proposed Expenditures

\$467 Million



Debt Service 18.7% of Budget

- **Best practice would be 10% of Budget**
- **Debt service has been reduced significantly over past 5 years but is still higher than desired**
- **PayGo Capital set aside not budgeted**
- **Need to borrow money to fund capital budget and structure deal to:**
 - 1. Allow for reasonable debt service payments**
 - 2. Allow for future responsible borrowing**
 - 3. Maintain debt cliff**



2012 Financial Outlook

	2012
	Budget
Revenues	\$ 468,189,108
Expenditures	
Operating Depts.	\$ 213,970,784
Pension, Healthcare, Worker's Comp	\$ 146,610,725
Utilities, Judgements, Tax refunds	\$ 18,713,620
Misc. other non-deptmtl.	\$ 40,000
Debt Service	\$ 87,688,654
Total Expenditures	\$ 467,023,783
Operating Result	\$ 1,165,325
Beginning Fund Balance	\$ 32,605,543
Transfer to PAYGO	\$ -
Reserve Fund Balance Transfer to Pension	\$ -
Ending Reserve Fund Balance	\$ 33,770,868
Fund Balance as % of Expenditures	7.2%

2012-2016 Pension Commitment

City of Pittsburgh

Non-Departmentals

2012 Operating Budget

Personnel Related

Subclass Description		2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget
40	Fringe Benefits	\$ 86.20	\$ 89.90	\$ 94.70	\$ 100.00	\$ 105.10
180	Pension	\$ 60.50	\$ 51.30	\$ 52.20	\$ 53.00	\$ 53.50
TOTAL \$ Millions		\$ 146.7	\$ 141.2	\$ 146.9	\$ 153.0	\$ 158.6

•Funds that actually go into the Pension Trust fund are about \$5 Million less than stated on the Pension line above

•Pension is funded properly for 2012 budget but 5 year plan falls back to relying on a broken state funding formula and better than 8% investment return to break even

•If markets stay flat we will need \$10 Million more each year 2013-2016

* Council Controller Plan addressed the \$10M deficit – not implemented

2011 Current Capital Status

- The need for capital expenditures continue to exceed available resources.
- There wasn't enough PAYGO funding to support \$19 Million worth of new 2011 projects.
- Council voted to clean up and close old completed projects from 2010 and prior years. All the remaining projects match the current available PAYGO balance of \$27 Million.
- There was enough capacity to support the following priorities:

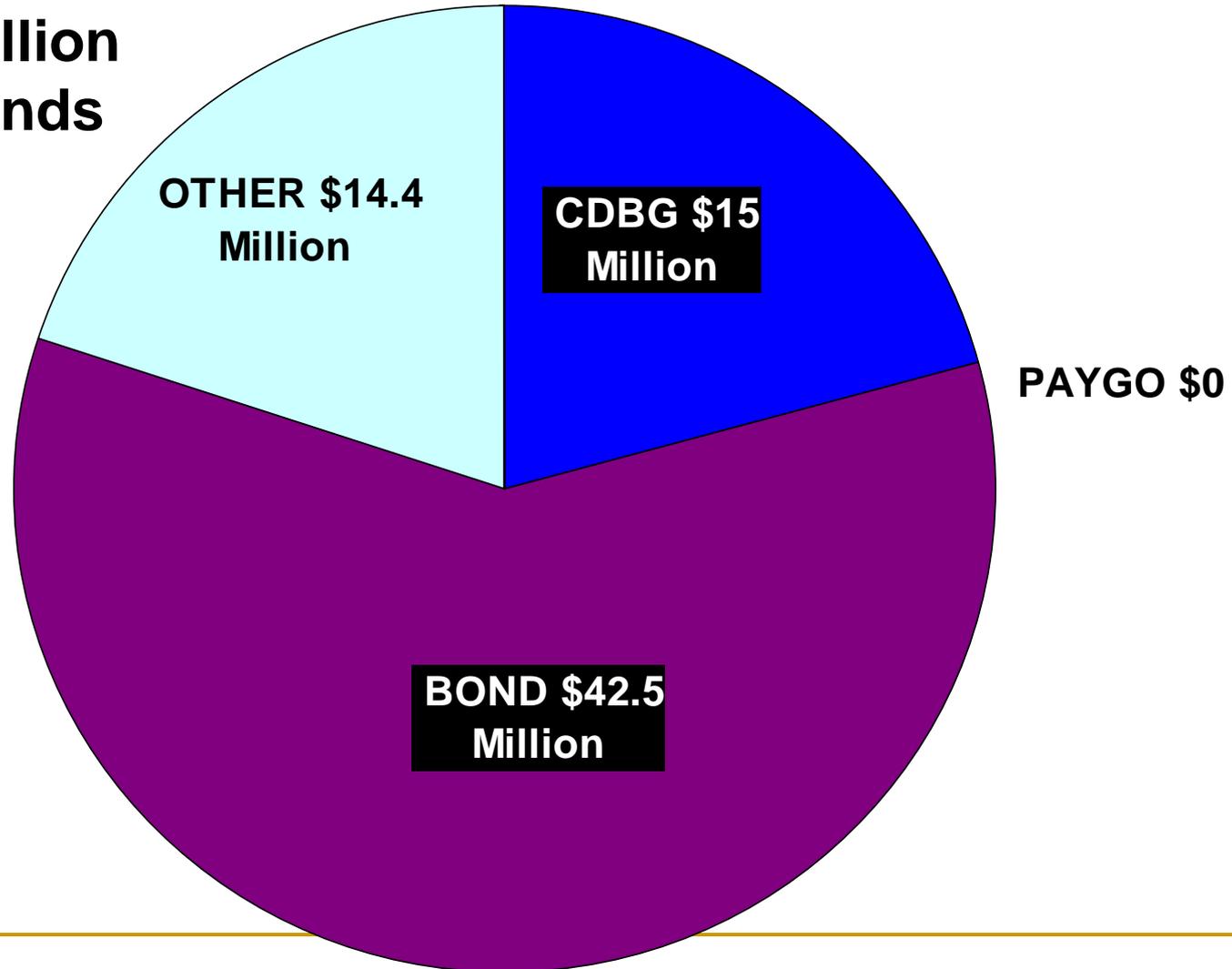
Building Maintenance Program	\$	415,000
Capital Acquisition – Public Safety Vehicles	\$	2,100,000
Enterprise Resource Consultant	\$	725,000
Information Systems Modernization	\$	300,000
Public Safety Systems	\$	200,000
Street Resurfacing	\$	<u>3,000,000</u>
Total Actual 2011 Allocation	\$	6,740,000

2011 Capital Budget Decisions

- Council will have to decide what to do with the remaining 2011 projects - Close, delay or identify new revenue sources.
 - Council's Budget office recommends that they be closed and re-prioritized in 2012.
 - The capital budget may be amended at anytime to add revenue sources and realign priorities.
-

Mayor's Proposed 2012 Capital Budget

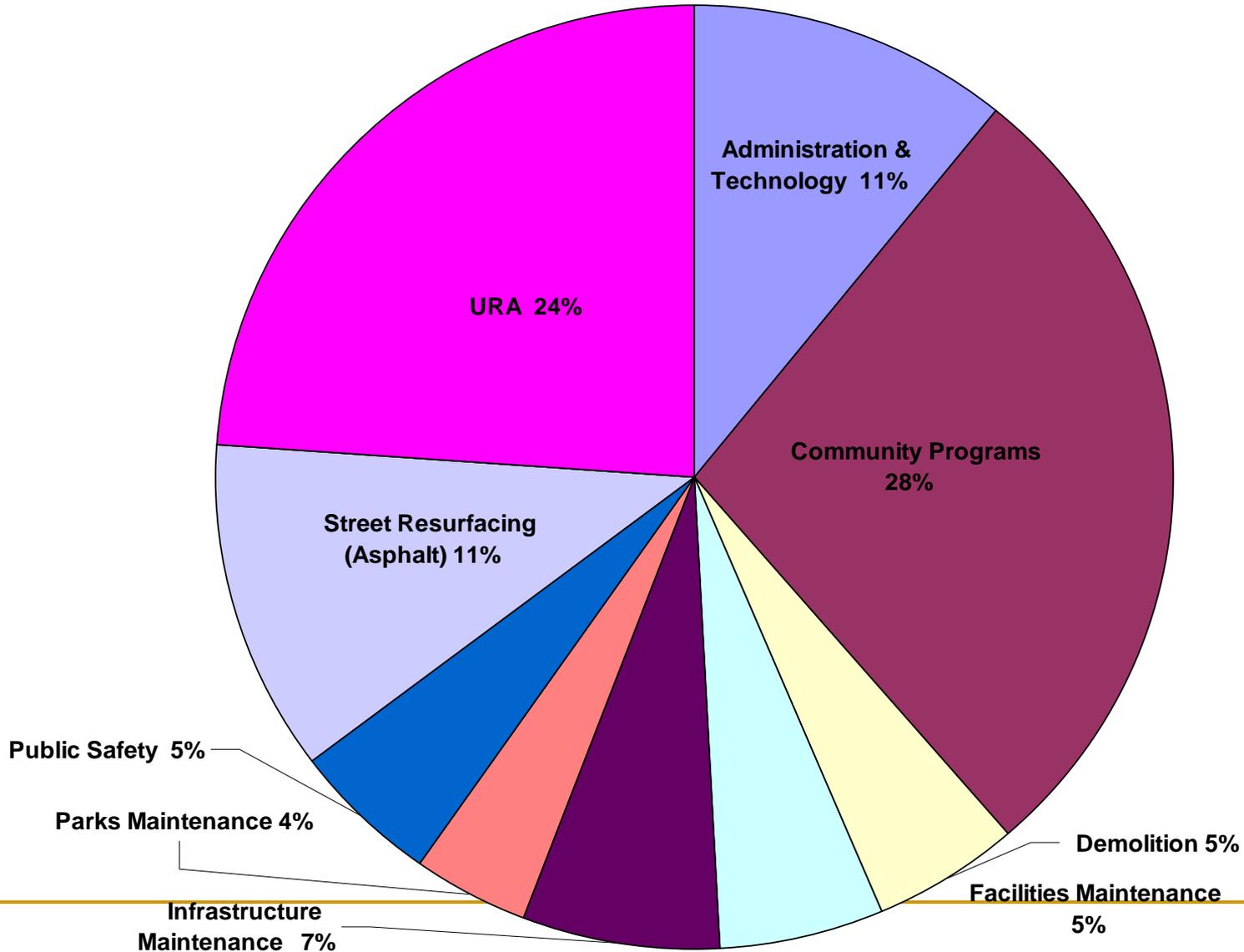
**\$71.9 Million
Total Funds**



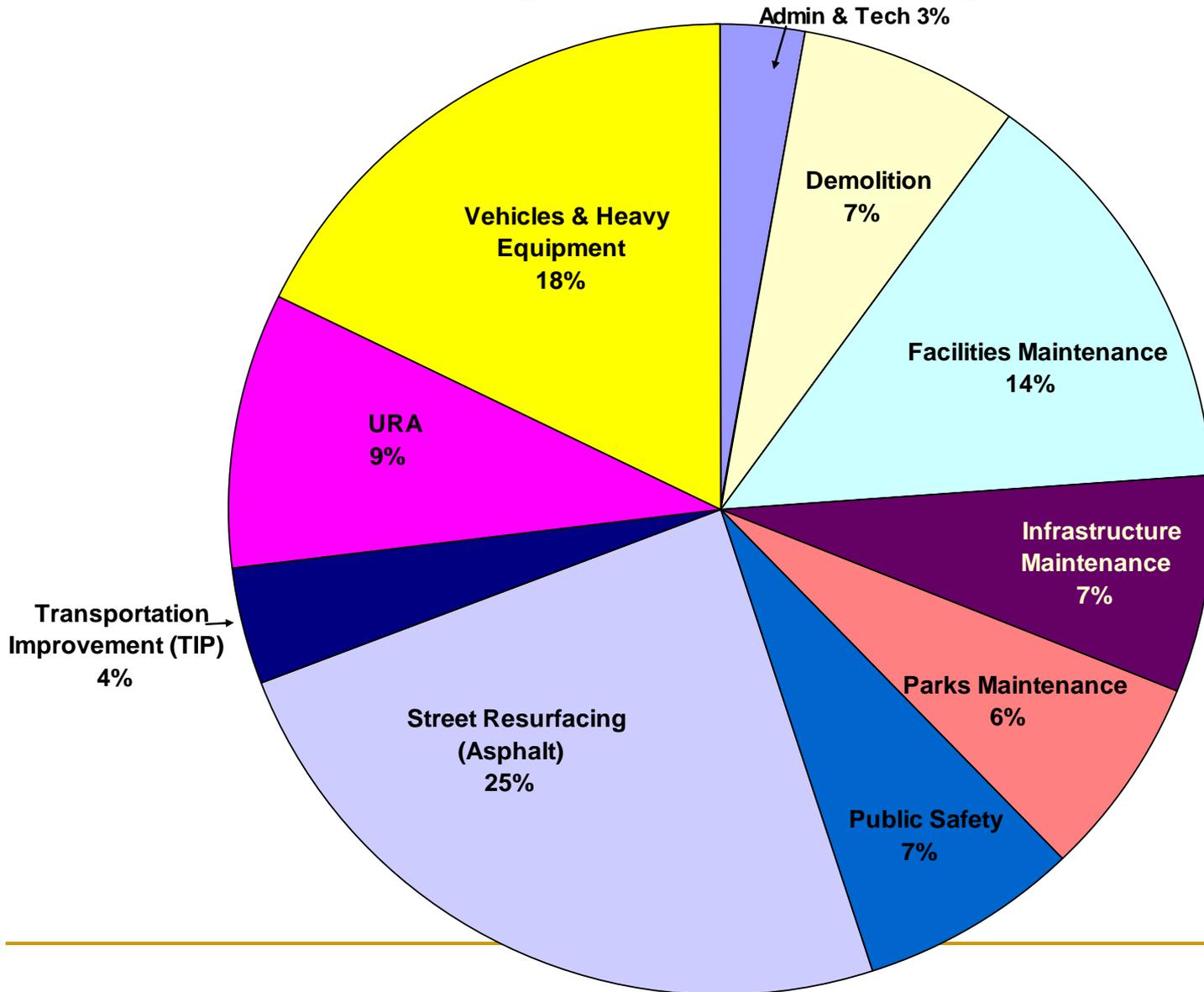
Funds Allocated by Functional Area

	CDBG \$	BOND \$	OTHER \$
Administration & Technology	1,625,000	1,230,000	-
Community Programs	4,185,000	-	1,460,839
Demolition	750,000	3,000,000	-
Facilities Maintenance	800,000	5,875,000	500,000
Infrastructure Maintenance	1,000,000	3,155,000	-
Parks Maintenance	600,000	2,755,000	780,000
Public Safety	740,000	3,100,000	1,000,000
Street Resurfacing (Asphalt)	1,700,000	10,300,000	-
Transportation Improvement (TIP)	-	1,685,000	7,265,000
URA	3,600,000	3,900,000	3,380,954
Vehicles & Heavy Equipment	-	7,500,000	-
Grand Total	15,000,000	42,500,000	14,386,793

\$15 Million Community Development Block Grant Budget



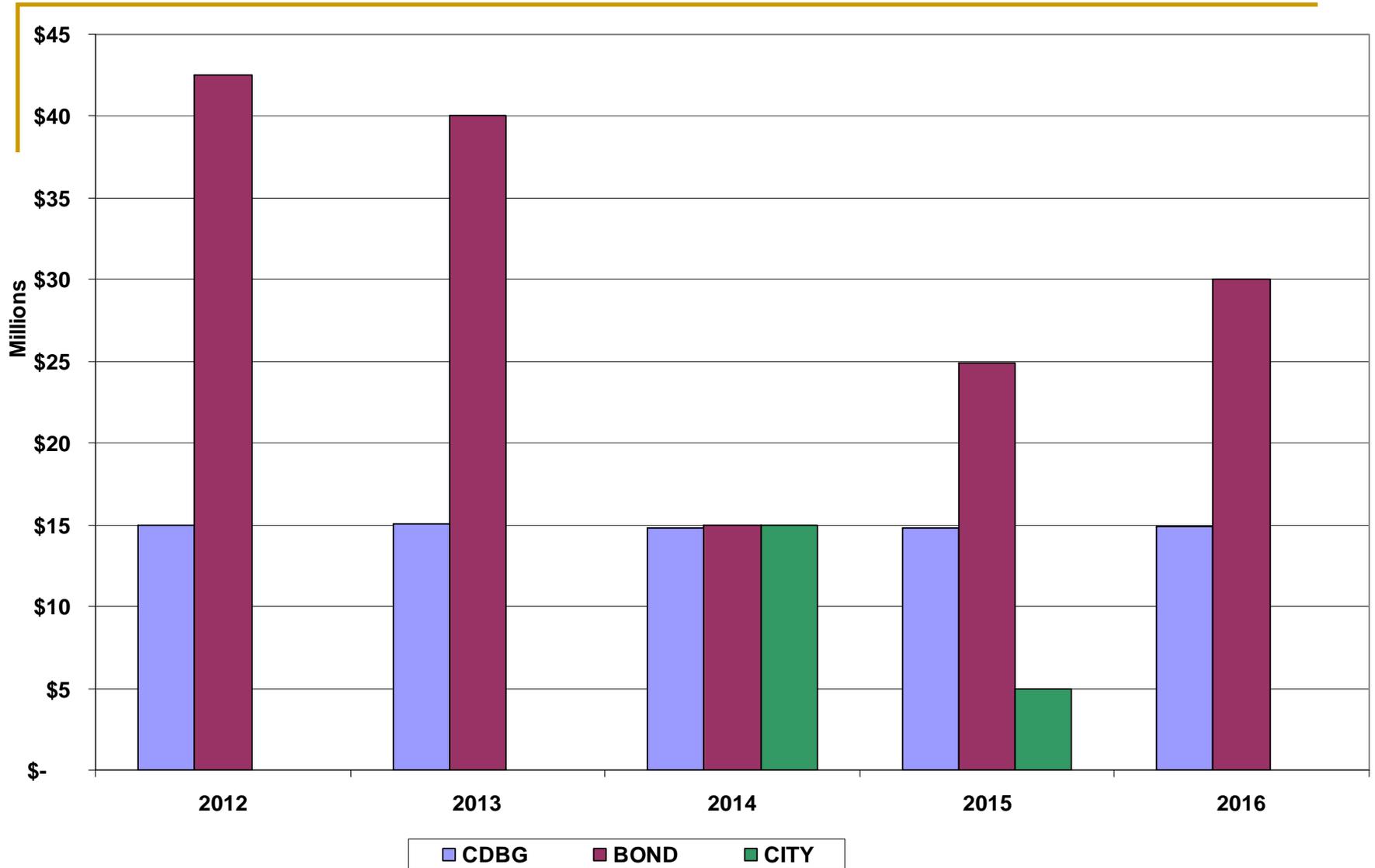
\$42.5 Million Capital Bond Program



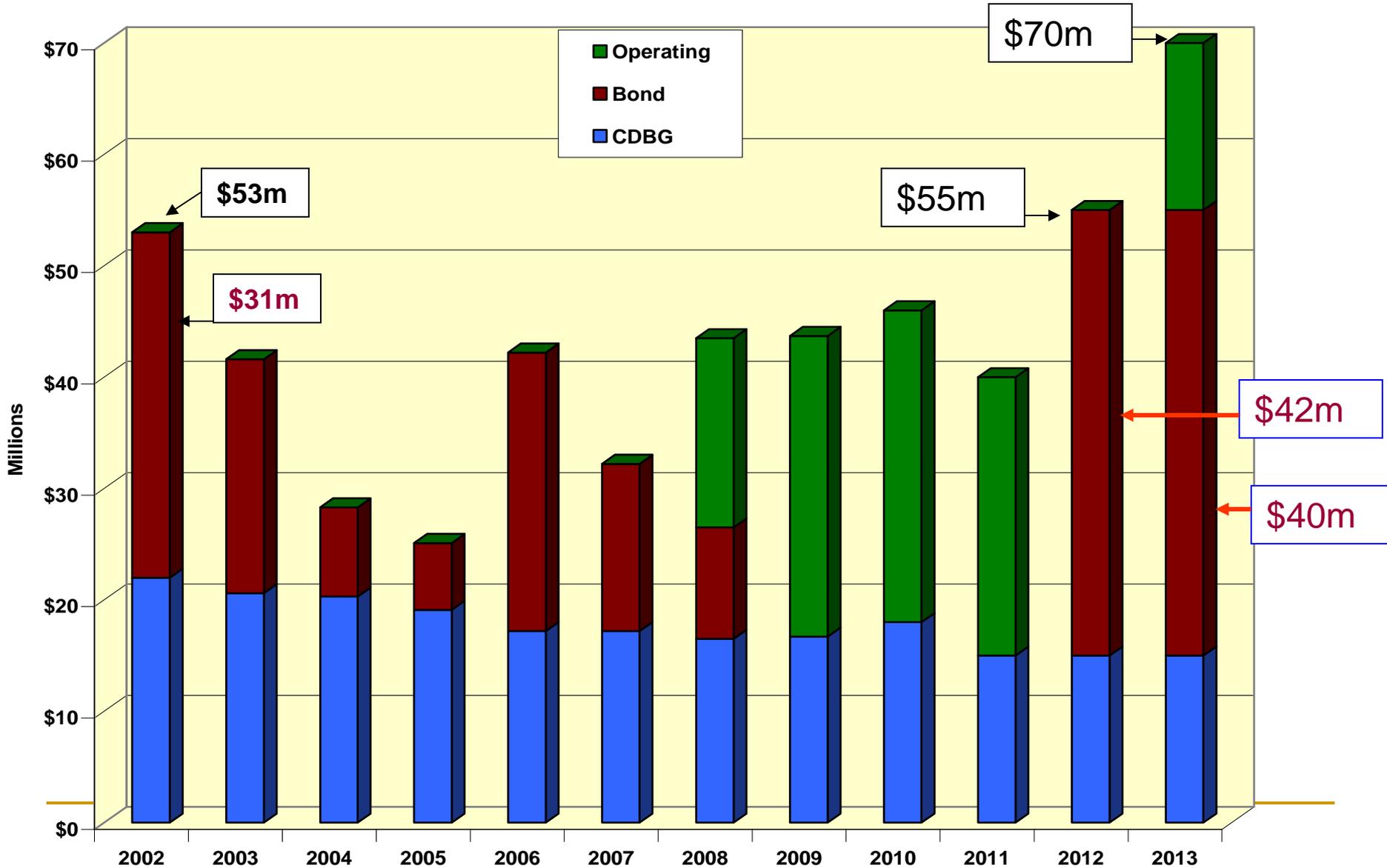
2012-2016 Capital Improvement Plan (CIP)

- The Mayor proposes \$80 Million bond issuance to be spent over 2012 and 2013 budget years.
 - The Mayor's CIP also contemplates borrowing \$40 Million 2014-15 and then \$30-\$60 Million 2016-2017
 - Only \$20 Million of PAYGO funds are planned for the next 5 years (\$15 Million for 2014 and \$5 Million for 2015).
 - CDBG entitlement is estimated to be fairly steady at approximately \$15 Million a year.
-

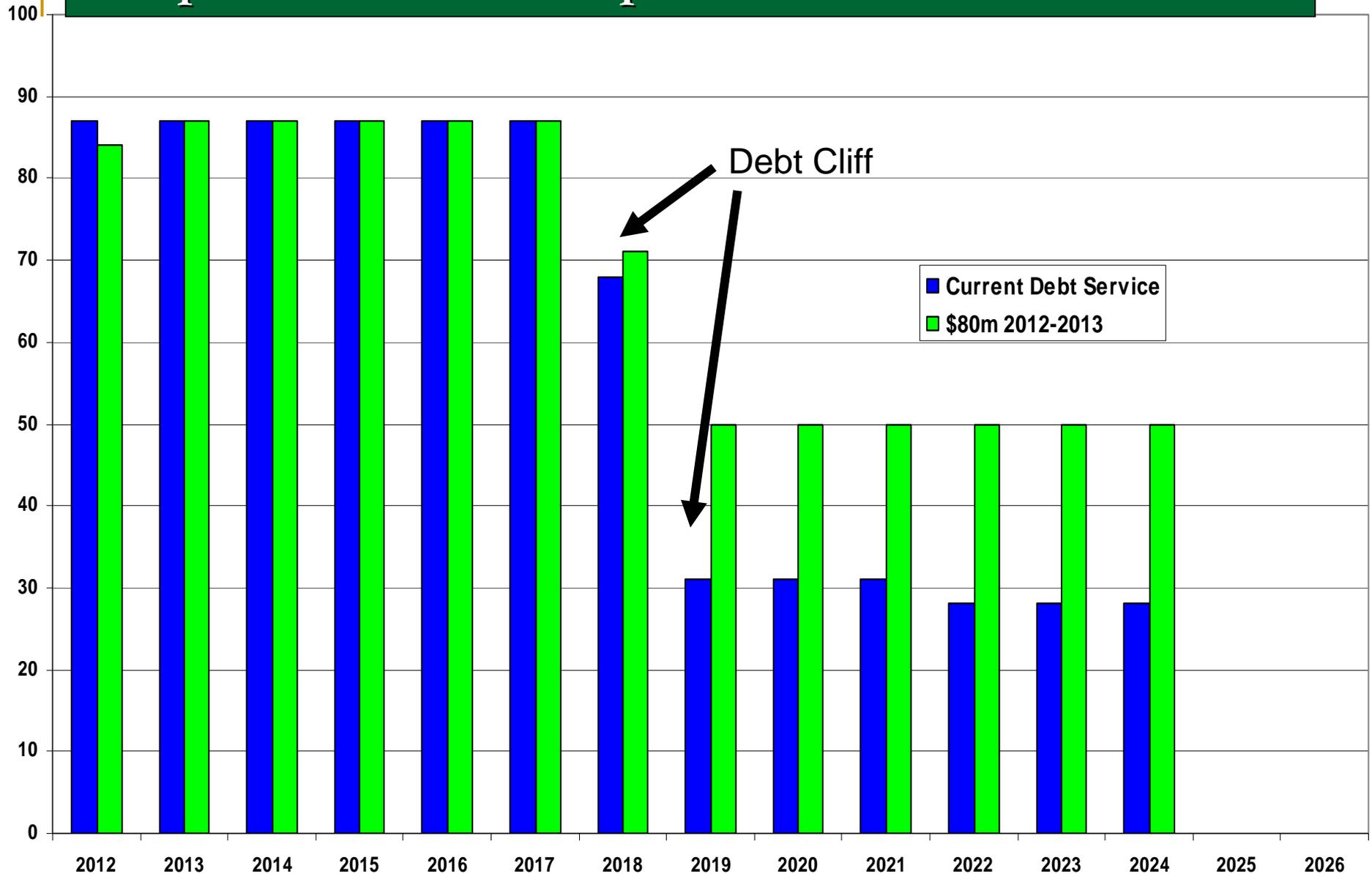
2012-2016 Sources Capital Improvement Plan



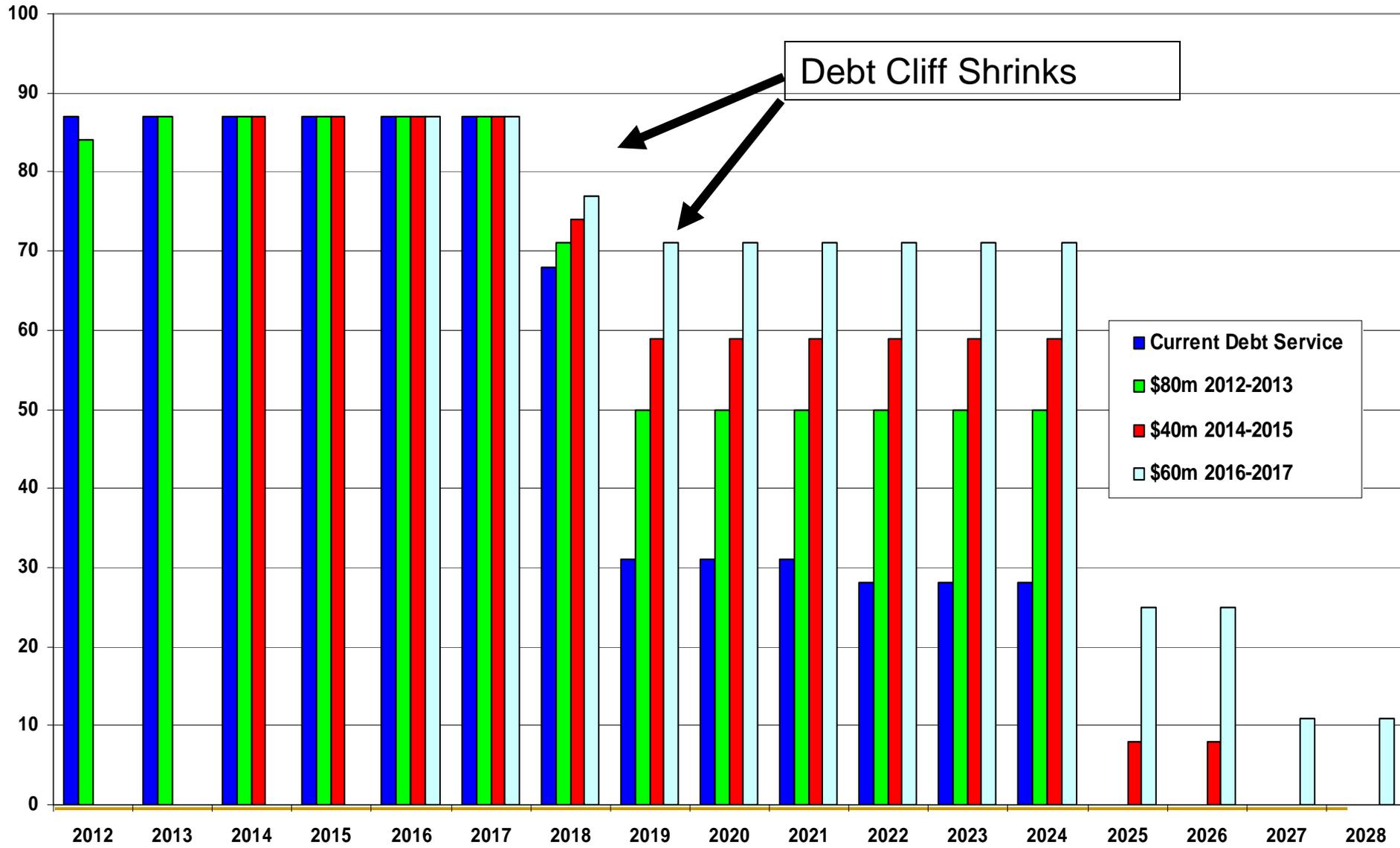
Largest Bond Allocation in City's History



Sample Current and Proposed Debt Schedule



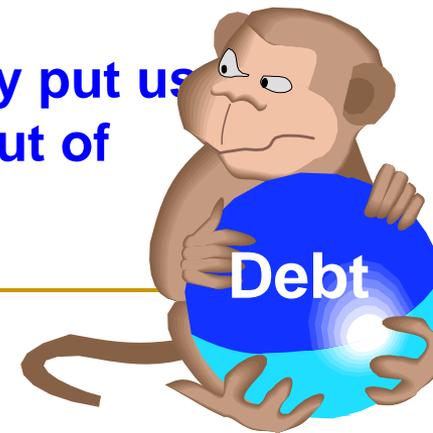
Mayor's Proposed 2012-16 Debt Plan - \$150 Million



Hypothetical Scenario

Concerns and Questions on Capital Debt

- We all anticipated that borrowing would be necessary in 2012
- Community expectations may be too high – the amount of funds needed for basic maintenance are huge let alone many stand alone projects
- Does the City have the capacity to expend the funds within 3 years
- What will the debt structure really look like
- What impact will that have on current and future debt service
- What will the future borrowings really cost
- Returning to a practice of borrowing every 2 years may put us back into the same situation we've been trying to dig out of



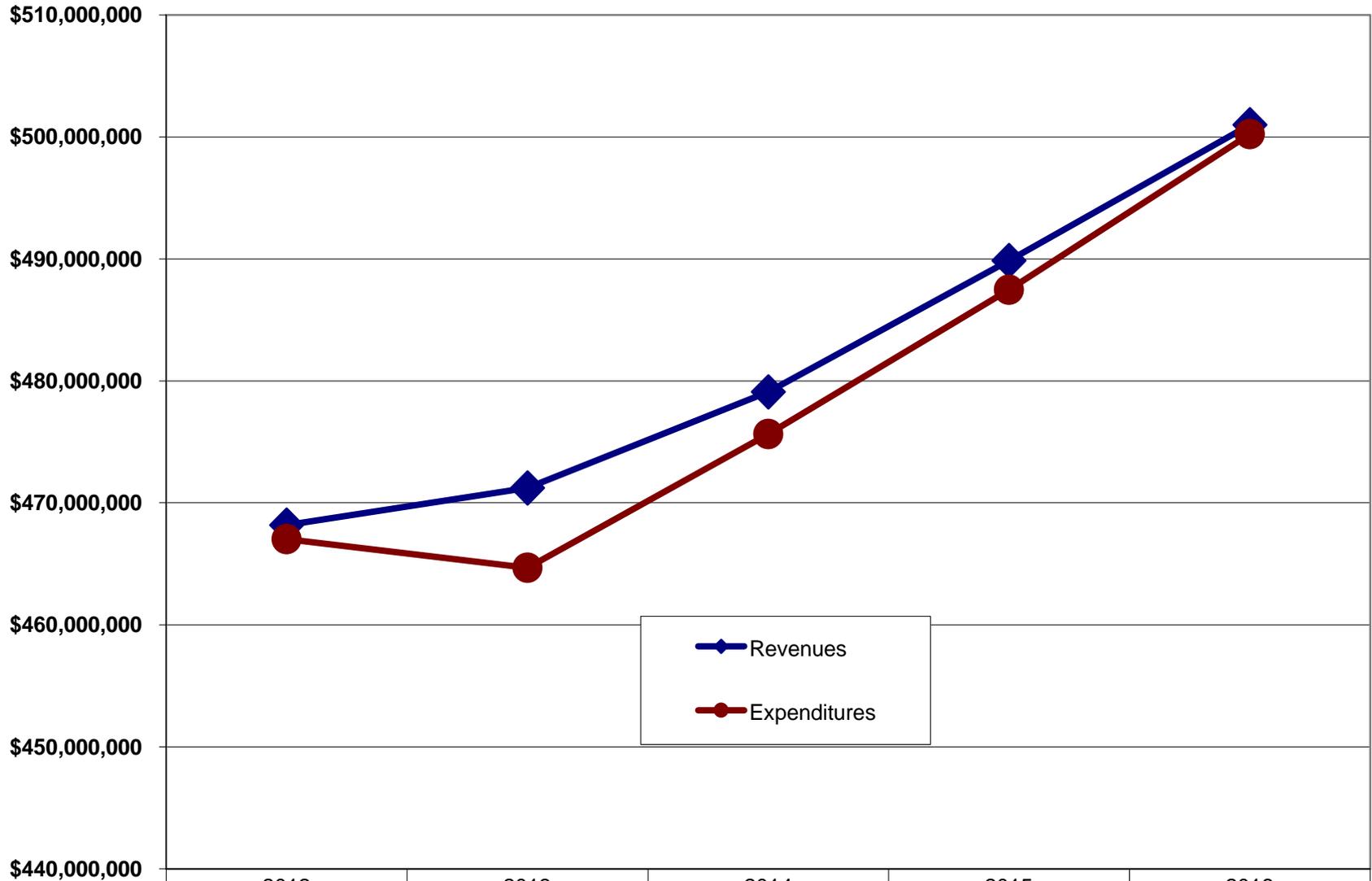
ERP – The Need for Specificity

- On Jan 1, 2012 the City will go live with the JD Edwards Financial System
 - What is our approval process in 2012?
 - What projects are being done?
 - Budget is a plan – What are the specifics of the plan?
 - What is the Capital Budget Policy?
 - What about Accountability?
-

Proposed 5 Year Plan

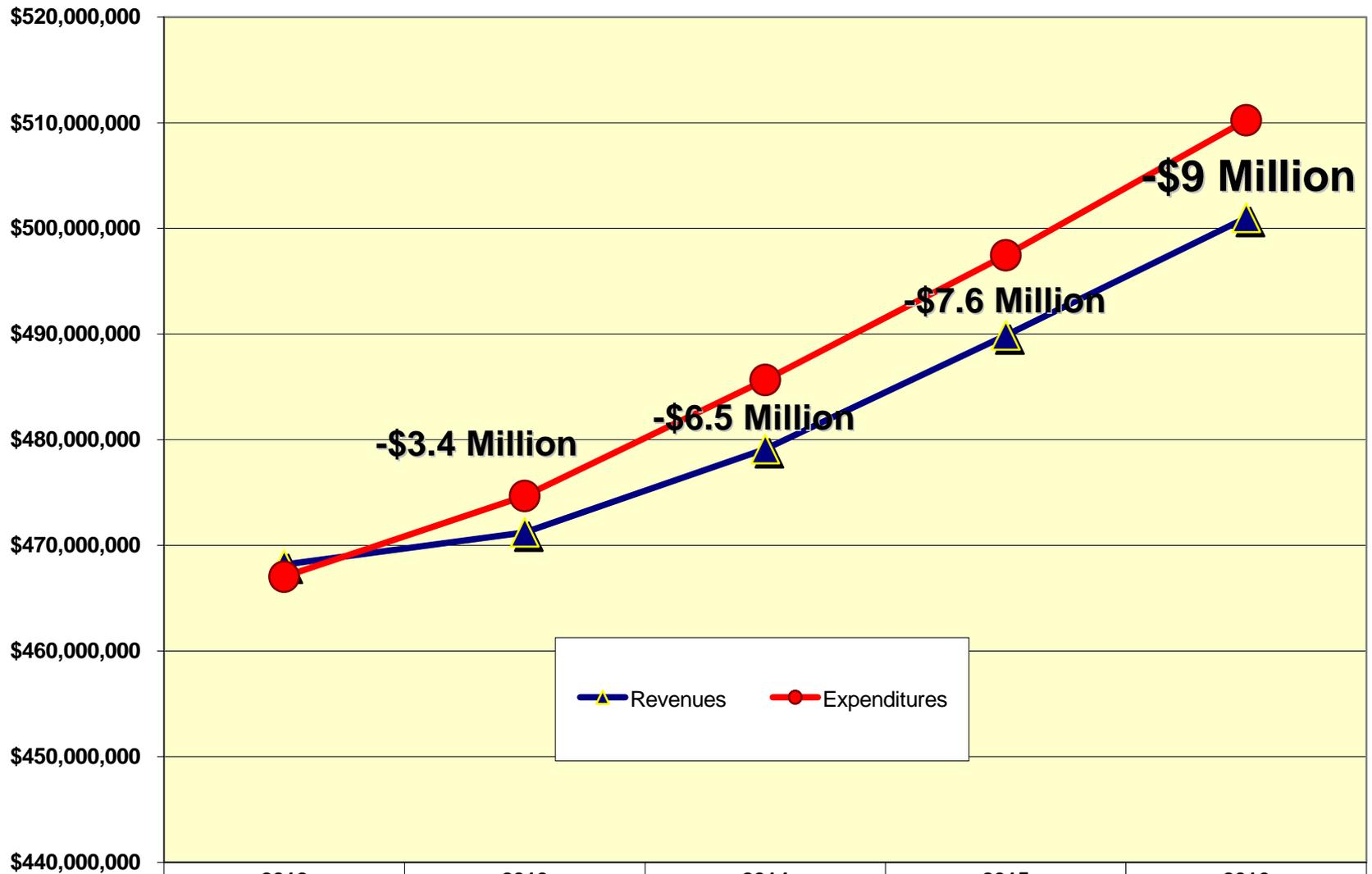
	2012	2013	2014	2015	2016
Revenues	\$ 468,189,108	\$ 471,234,905	\$ 479,101,759	\$ 489,860,754	\$ 500,996,524
Expenditures	\$ 467,023,783	\$ 464,678,599	\$ 475,641,475	\$ 487,467,535	\$ 500,240,408
Operating Result	\$ 1,165,325	\$ 6,556,306	\$ 3,460,284	\$ 2,393,219	\$ 756,116
Beginning Fund Balance	\$ 32,605,543	\$ 33,770,868	\$ 25,327,174	\$ 23,787,458	\$ 26,180,677
Transfer to PAYGO	\$ -	\$ (15,000,000)	\$ (5,000,000)	\$ -	\$ -
Reserve Fund Balance Transfer to Pension	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Reserve Fund Balance	\$ 33,770,868	\$ 25,327,174	\$ 23,787,458	\$ 26,180,677	\$ 26,936,793
Fund Balance as % of Expenditures	7.2%	5.5%	5.0%	5.4%	5.4%
Debt Service as a % of Expenditures	18.7%	18.6%	18.3%	17.9%	17.5%

Revenues vs. Expenditures 2012-2016



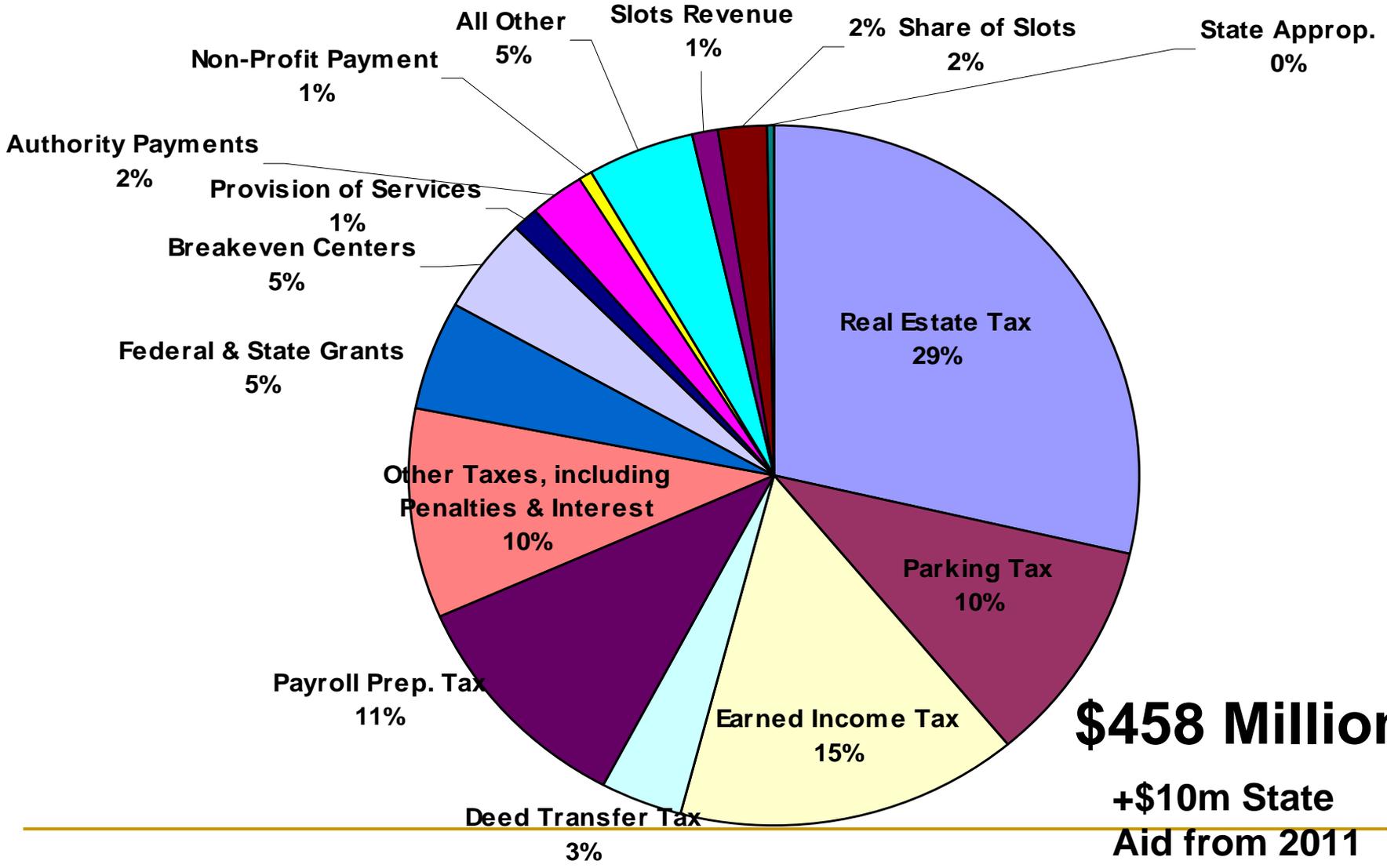
◆ Revenues	\$468,189,108	\$471,234,905	\$479,101,759	\$489,860,754	\$500,996,524
● Expenditures	\$467,023,783	\$464,678,599	\$475,641,475	\$487,467,535	\$500,240,408

Revenues vs Expenditures w/ Additional Pension

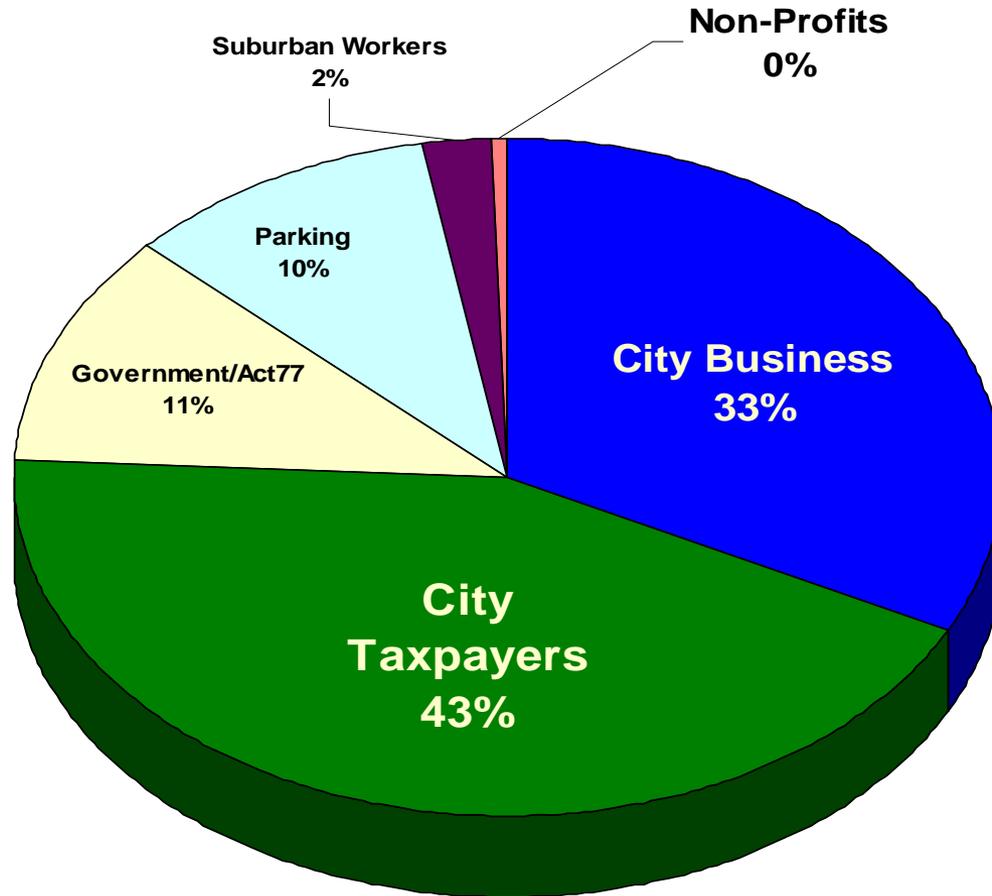


	2012	2013	2014	2015	2016
Revenues	\$468,189,108	\$471,234,905	\$479,101,759	\$489,860,754	\$500,996,524
Expenditures	\$467,023,783	\$474,678,599	\$485,641,475	\$497,467,535	\$510,240,408

Revenues 2012 - \$468 Million



Who Paid in 2012?



Summary

- **We have eased some of our underlying problems but many remain**
 - **Revenue is still and will be an issue**
 - **\$10 Million is needed annually for pension in the future and more needs to be allocated to PayGo to minimize future need for debt**
 - **City should insist on a non-profit payroll tax (MegaHealthcare)**
 - **Any other options that do not increase resident taxes should be considered**
 - **Assumed CDBG funding may be optimistic**
 - **A capital borrowing is a necessity**
 - **Need to be extremely cautious with the issuance of debt and its structure**
-