



# **2014 Budget Proposal Overview & Policy Discussion**

**Rev. Ricky Burgess, Finance Chair**

**City Council Budget Office**

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**November 25, 2013**

# The 2014 Ravenstahl Budget

**\$481m Revenue and \$480.3m Expenditure Budget**

**Departmental Expenditures increase by \$10m over 2013**

**Budgetary 892 Police Officers maintained**

**City's Total Portion of Pension will be \$50m**

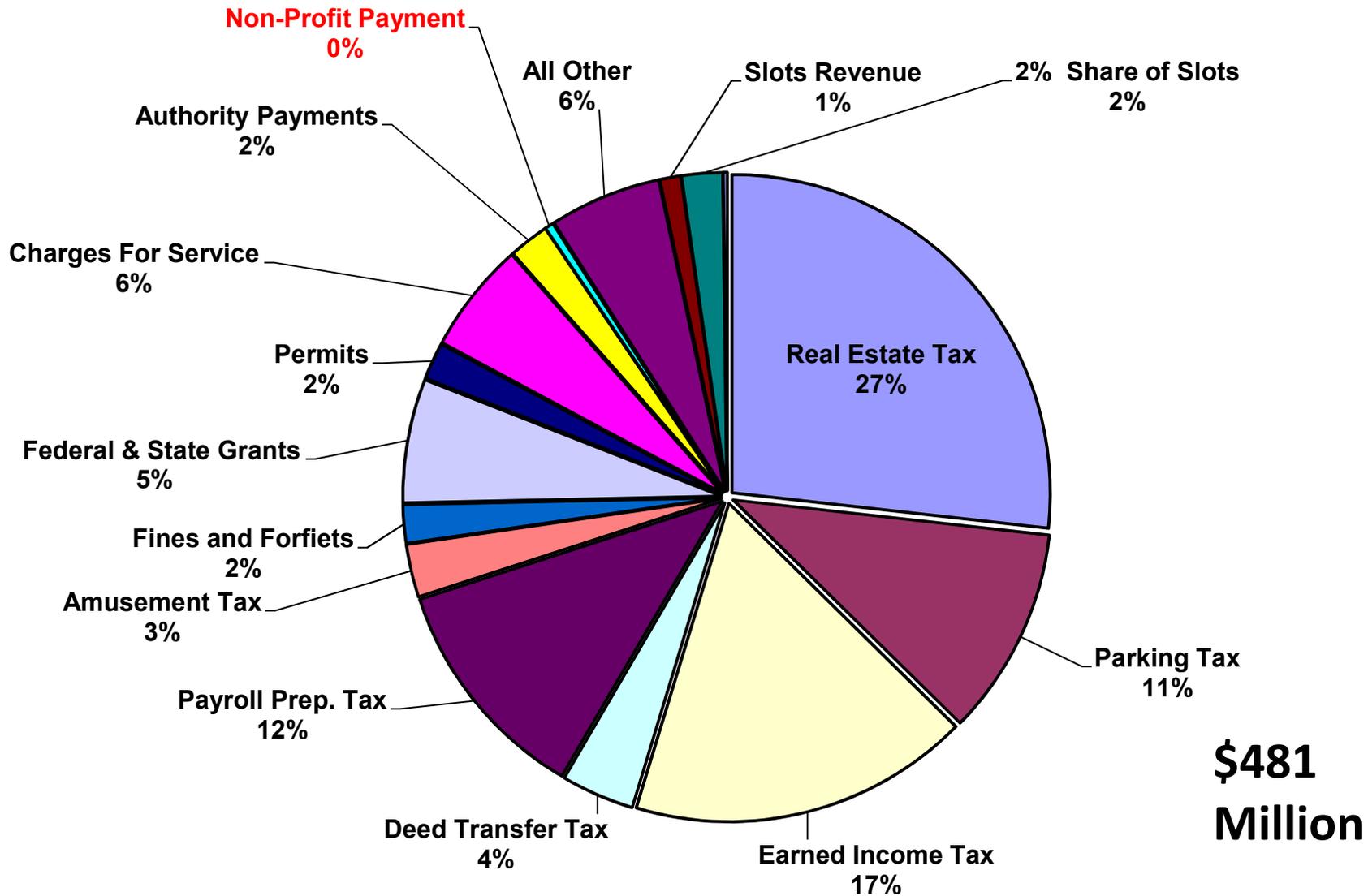
- \$31 million MMO, \$13 million Parking, \$5 million MMO+
  - Additionally \$2.5m for OPEB Trust Fund

**3% salary increase for non-union and some union employees,  
Implementation of other contracts**

**\$25 million PAYGO Capital Budget**

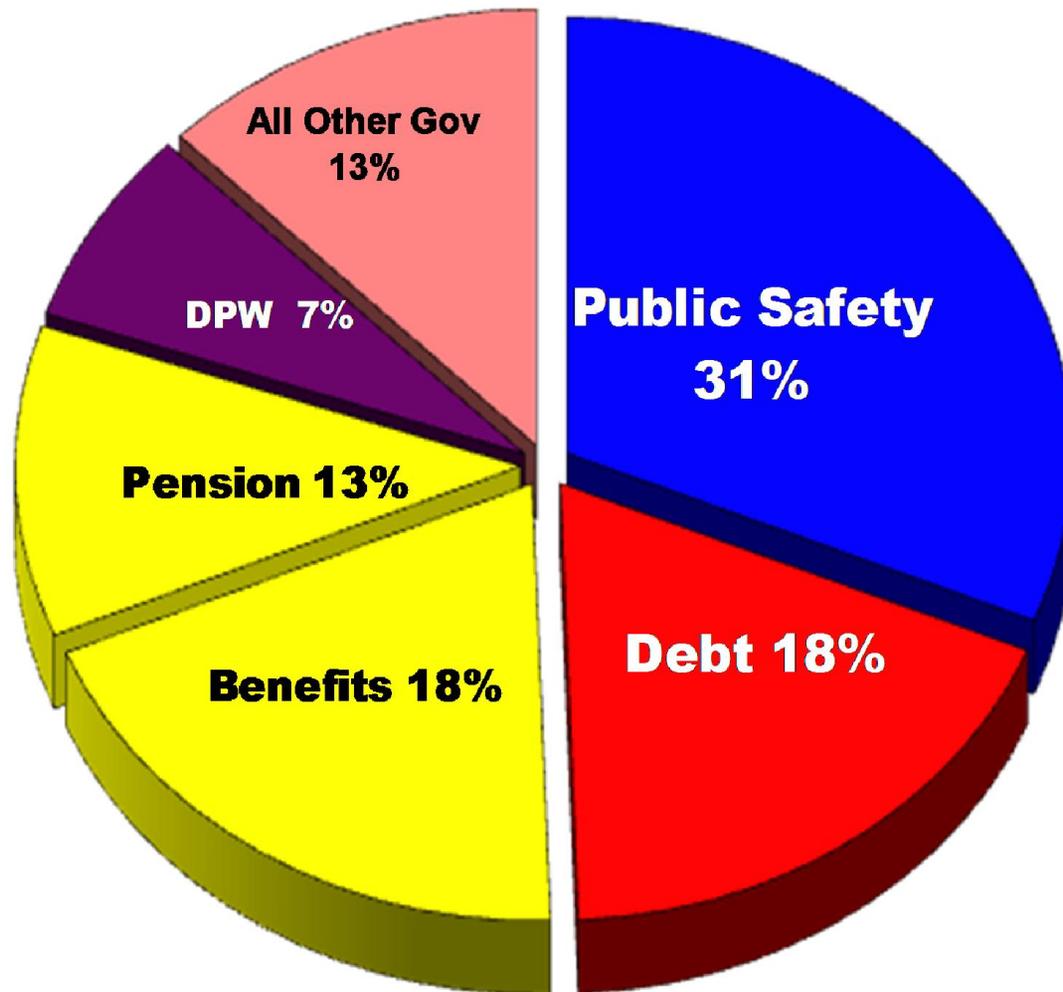
**\$25 million fund balance transfer to PAYGO Budget 2014**

# Revenues 2014 - \$481 Million



# 2014 Proposed Expenditures

**\$480.5 Million**



# 2014 Cost Drivers

	2013 Estimate	2014 Proposed Budget	
<b>EXPENDITURES</b>	<b>\$469,918,144</b>	<b>\$480,962,319</b>	<b>\$11,044,175</b>
Operating Departments	\$237,358,153	\$245,146,041	\$7,787,888
Pension	\$55,282,500	\$55,462,797	\$180,297
Healthcare, Workers Comp	\$88,853,605	\$92,419,122	\$3,565,517
Debt Service	\$87,342,275	\$87,269,068	(\$73,207)
	<b>\$468,836,533</b>	<b>\$480,297,028</b>	<b>\$11,460,495</b>

- **Increases: City-wide 3% Employee Salaries – Act 47 PLAN**
- **Fire Overtime +\$2M**
- **Finance Fleet & Procurement +\$1M**
  - Implementation of Prevailing Wage Security/Cleaning Contract
  - FVS contract and parts
- **Healthcare + \$3.8M**
  - Active + \$2.7M - Retiree +1.3M

# 2014 Financial Outlook

<b>Revenues</b>		<b>\$ 480,962,319</b>
<b>Expenditures</b>		
	Operating Departments	\$ 245,146,041
	Pension	\$ 55,462,797
	Healthcare, Workers Comp	\$ 92,419,122
	Debt Service	\$ 87,135,417
<b>Total Expenditures</b>		<b>\$ 480,297,028</b>
<b>Operating Result</b>		<b>\$ 665,292</b>
<b>Beginning Fund Balance</b>		<b>\$ 66,816,932</b>
	Transfer to PayGo	<b>\$ 25,000,000</b>
	Reserve Fund Balance Transfer	\$ -
<b>Ending Reserve Fund Balance</b>		<b>\$ 42,482,224</b>
<b>Fund Balance as % of Expenditures</b>		<b>8.7%</b>

# Debt Service 18% of Budget

- **Debt service has been reduced significantly over past 6 years - Percentage of budget continues to shrink**
- **PayGo Capital set aside for 2014**
- **Council Debt Policy Objectives are on track to be met**
- **City can responsibly borrow in the future**
- **Assumed Borrowing in 2015**

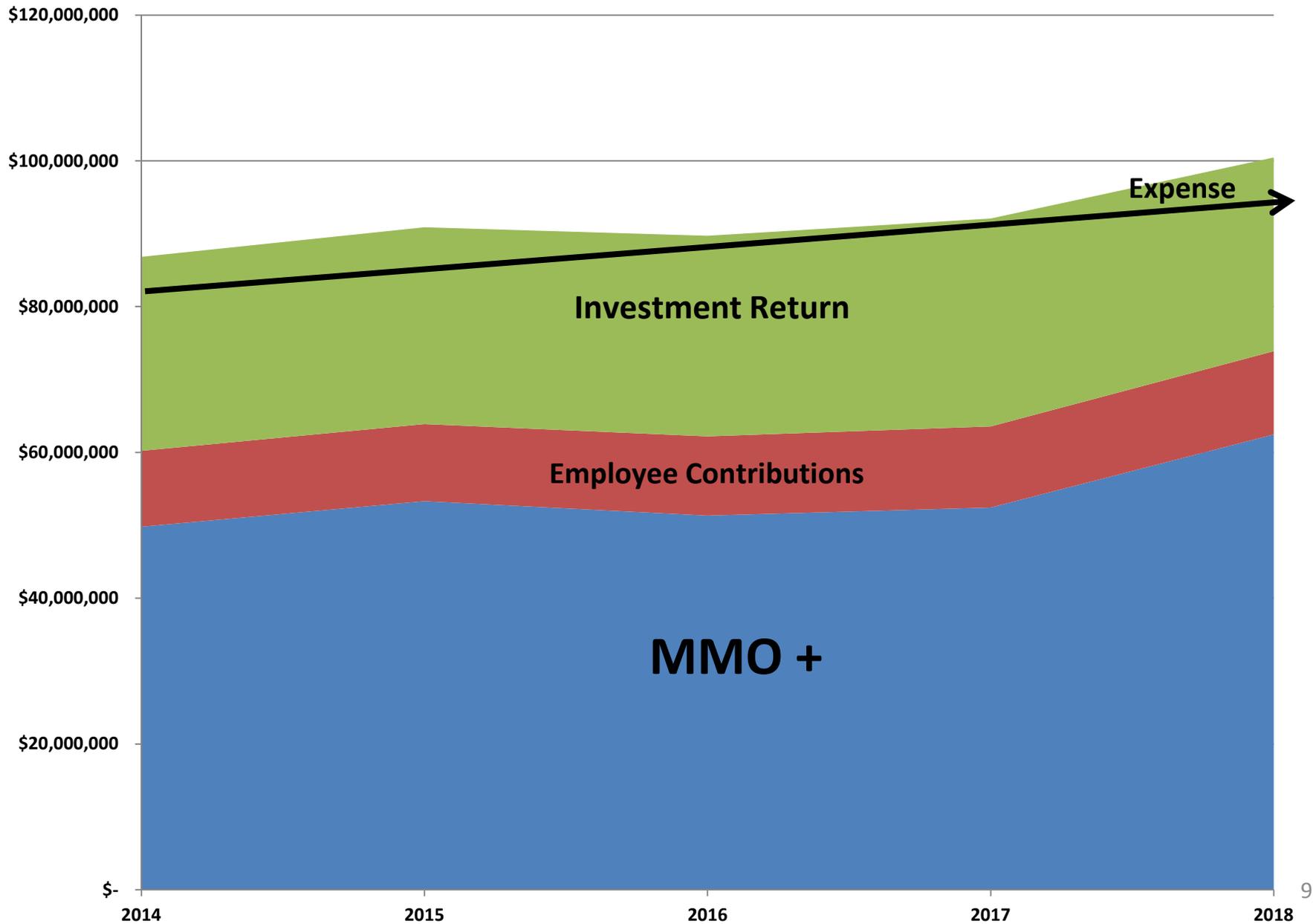


# 2014-2018 Pension Commitment

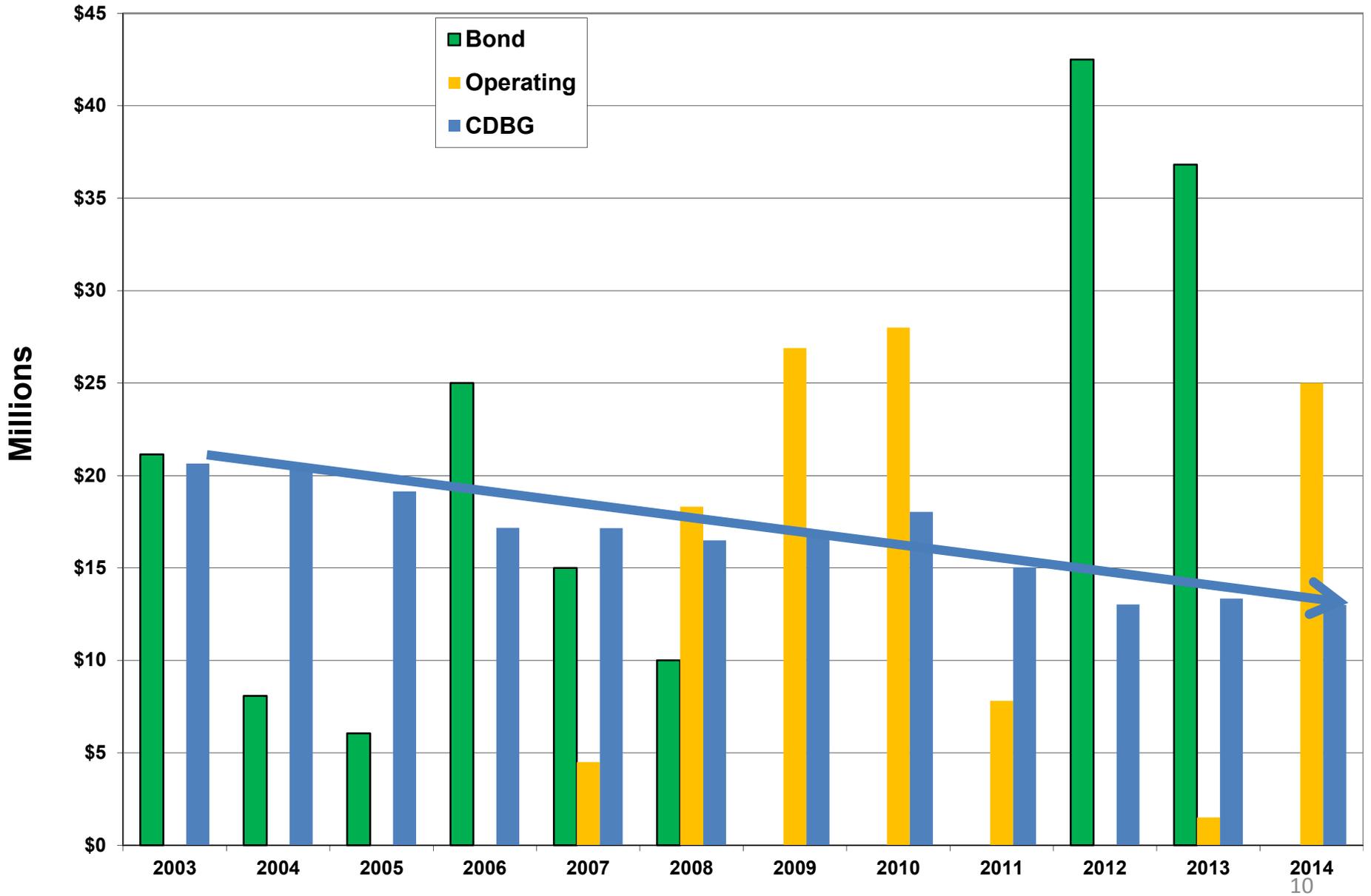
	2014	2015	2016	2017	2018
MMO +	\$ 49,814,297	53,296,000	51,339,000	52,440,000	62,453,000
Employee Contribution	10,400,000	10,600,000	10,865,000	11,136,625	11,415,041
Investment Return (7%)	26,600,000	27,000,000	27,500,000	28,500,000	26,600,000
Total In	\$ 86,814,297	\$ 90,896,000	\$ 89,704,000	\$ 92,076,625	\$ 100,468,041
Expense	\$ 84,300,000	86,600,000	89,200,000	92,000,000	95,400,000
Difference	\$ 2,514,297	\$ 4,296,000	\$ 504,000	\$ 76,625	\$ 5,068,041

- Minimally the “cash flow” of the Pension will continue to be covered now and in the near future
- There are approximately \$83 Million in benefit expenses paid out - \$86 Million is committed to go back in: \$31.5 MMO + \$18.4 Additional + \$11 Employees+ \$26 Investment return = \$86 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 happen in 2018 – Returns are Market Dependent

# 2014-2018 Pension Commitment



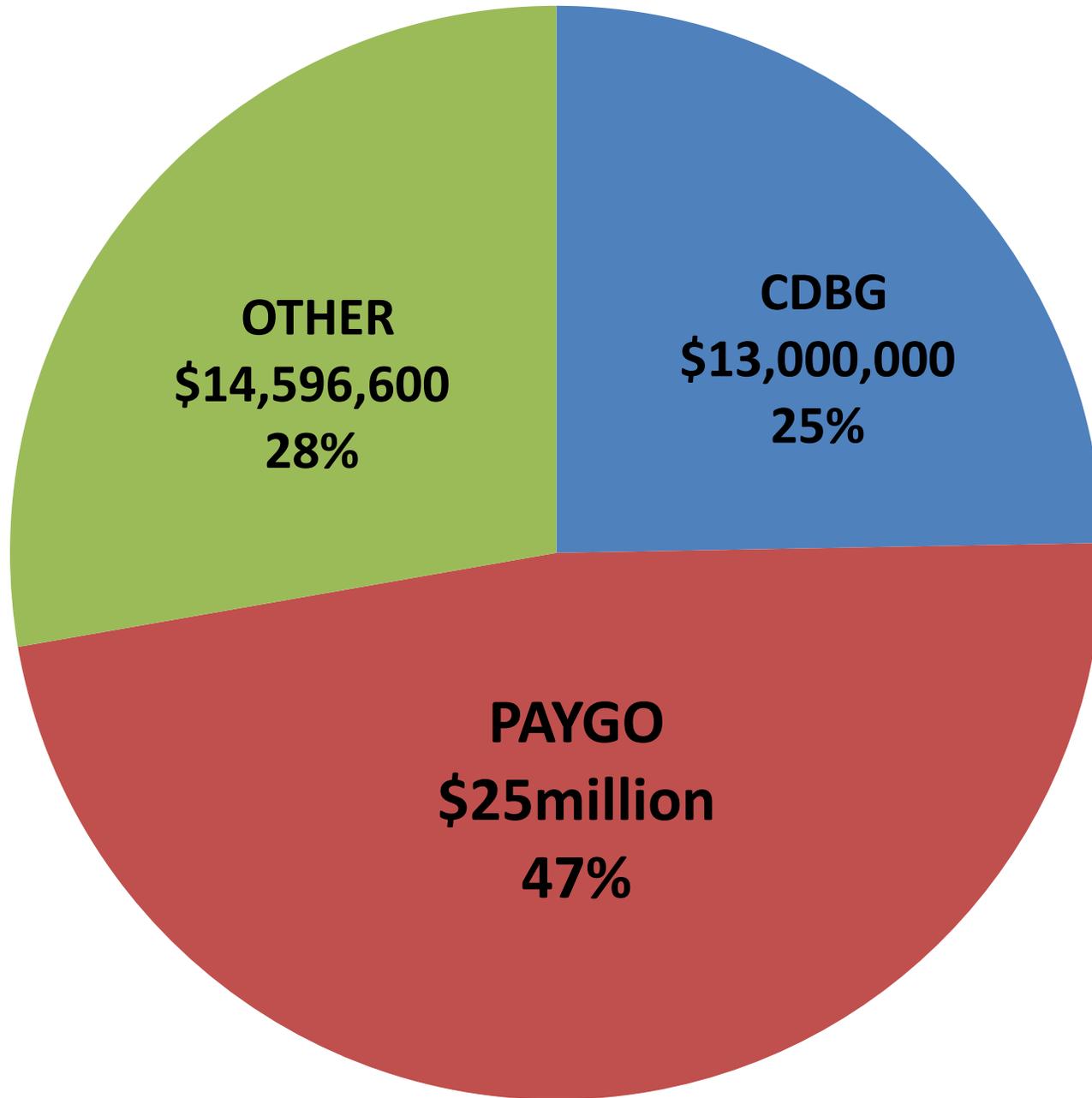
### 2002-2012 Capital Budget



# Current Capital Status

- **The City budgeted the entire \$80 million bond proceeds in 2012 and 2013. There are no new proceeds available for 2014, however, there are \$4 Million in bond funds available in projects that remain unexpended in prior years**
- **The Mayor is proposing \$25 million of PAYGO funding in the 2014 capital budget.**
- **The final 2013 Community Development Block Grant allocation was just over \$13 million. The City is estimating \$13 Million again in 2013 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.**
- **The City continues to look for grants and other funding opportunities to add to the capital projects.**

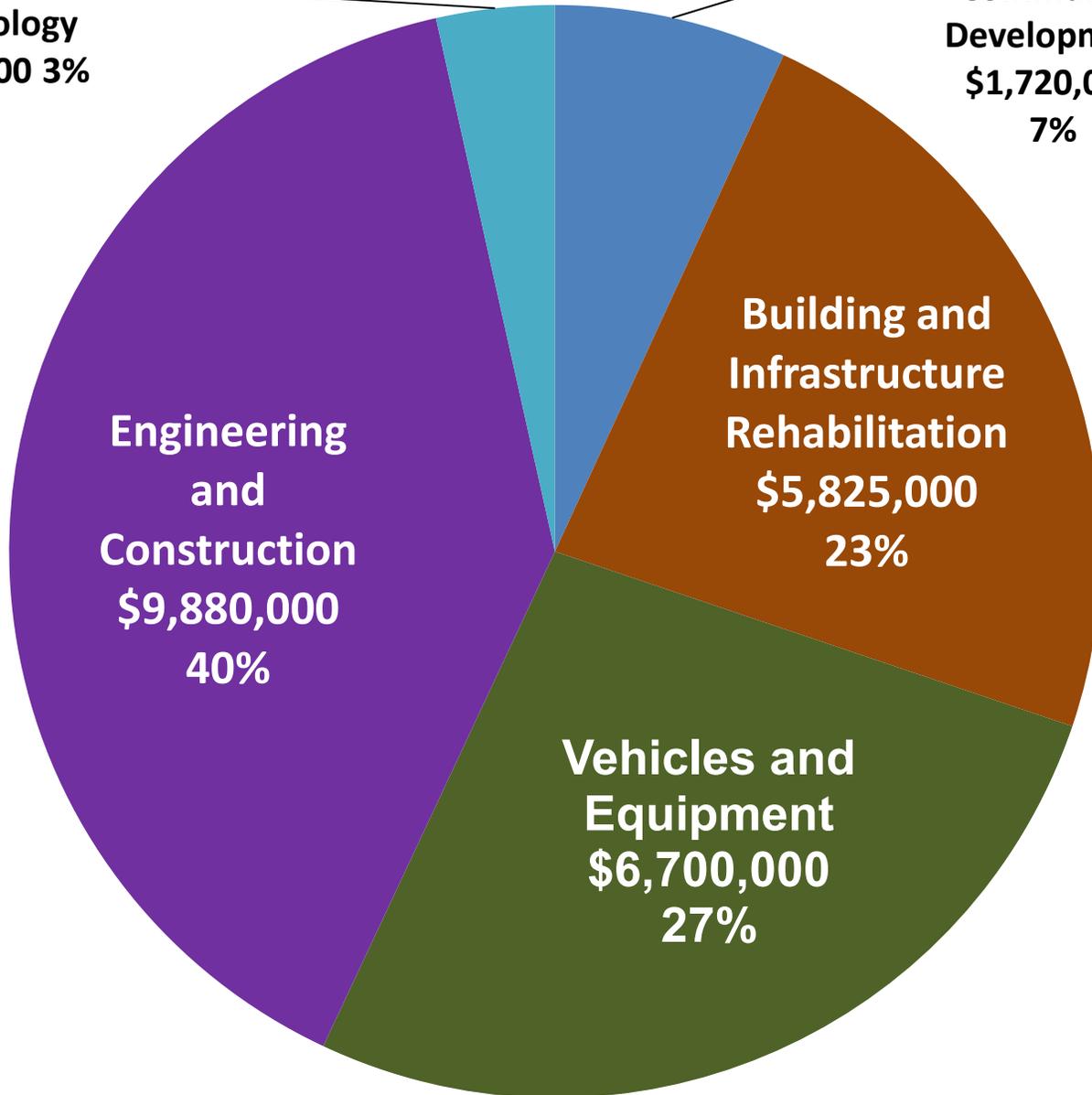
**2014 - \$52.6 MILLION CAPITAL BUDGET**



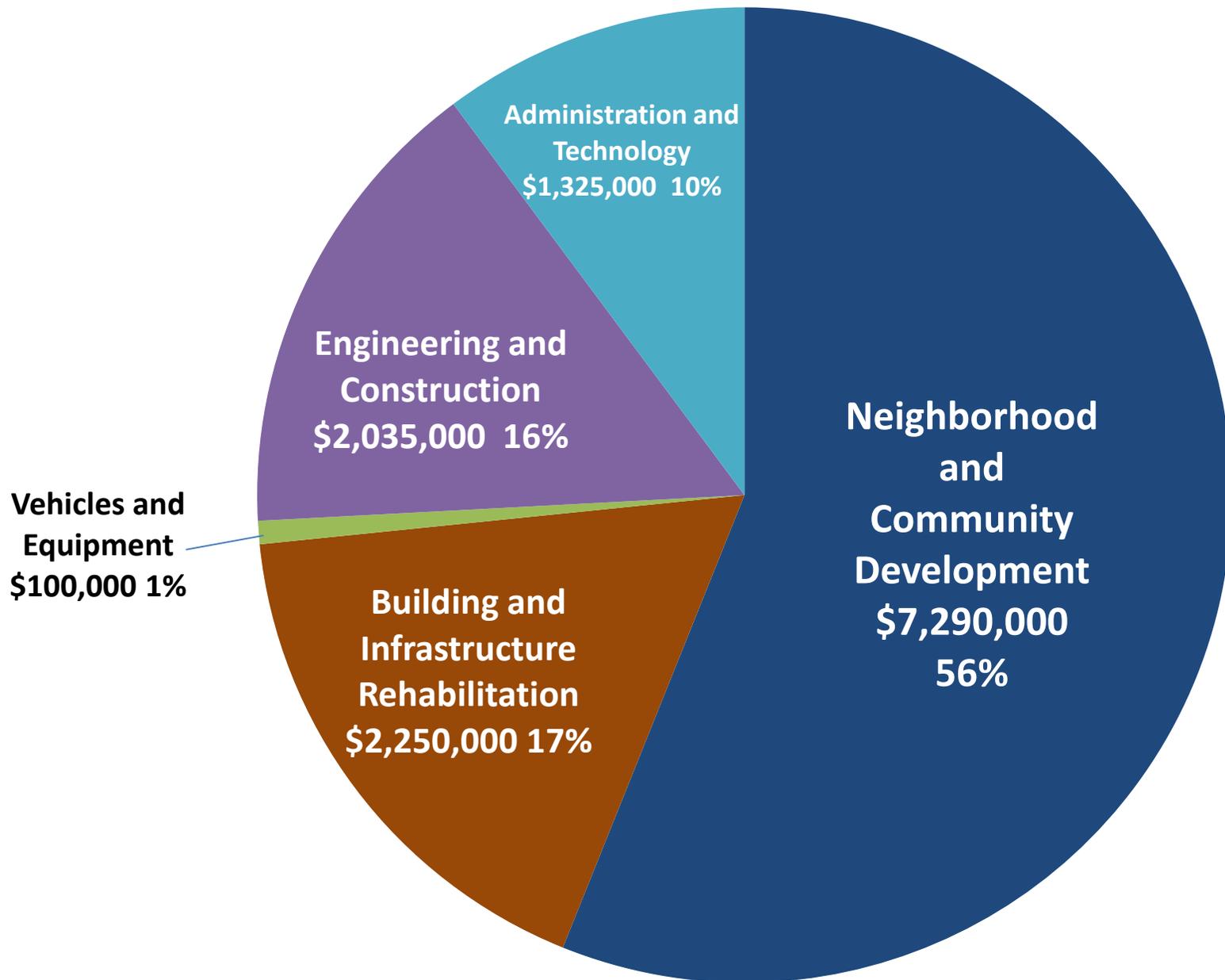
**\$ 25 MILLION PAYGO BUDGET**

**Administration and  
Technology  
\$875,000 3%**

**Neighborhood and  
Community  
Development  
\$1,720,000  
7%**



# \$13 MILLION CDBG BUDGET



## 2014 Capital Budget by Functional Area

FUNCTIONAL AREA	CDBG	%	PAYGO	%	OTHER	%	TOTAL	%
Neighborhood and Community Development	7,290,000	56%	1,720,000	7%	4,054,000	28%	13,064,000	25%
Building and Infrastructure Rehabilitation	2,250,000	17%	5,825,000	23%	1,885,000	13%	9,960,000	19%
Vehicles and Equipment	100,000	1%	6,700,000	27%	-	0%	6,800,000	13%
Engineering and Construction	1,450,000	11%	3,380,000	14%	8,492,600	58%	13,322,600	25%
Street Resurfacing	585,000	5%	6,500,000	26%	-	0%	7,085,000	13%
Administration and Technology	1,325,000	10%	875,000	4%	165,000	1%	2,365,000	4%
<b>TOTAL</b>	<b>13,000,000</b>	<b>100%</b>	<b>25,000,000</b>	<b>100%</b>	<b>14,596,600</b>	<b>100%</b>	<b>52,596,600</b>	<b>100%</b>
BY FUND	25%		48%		28%			

# 2014-2018

## Capital Improvement Plan

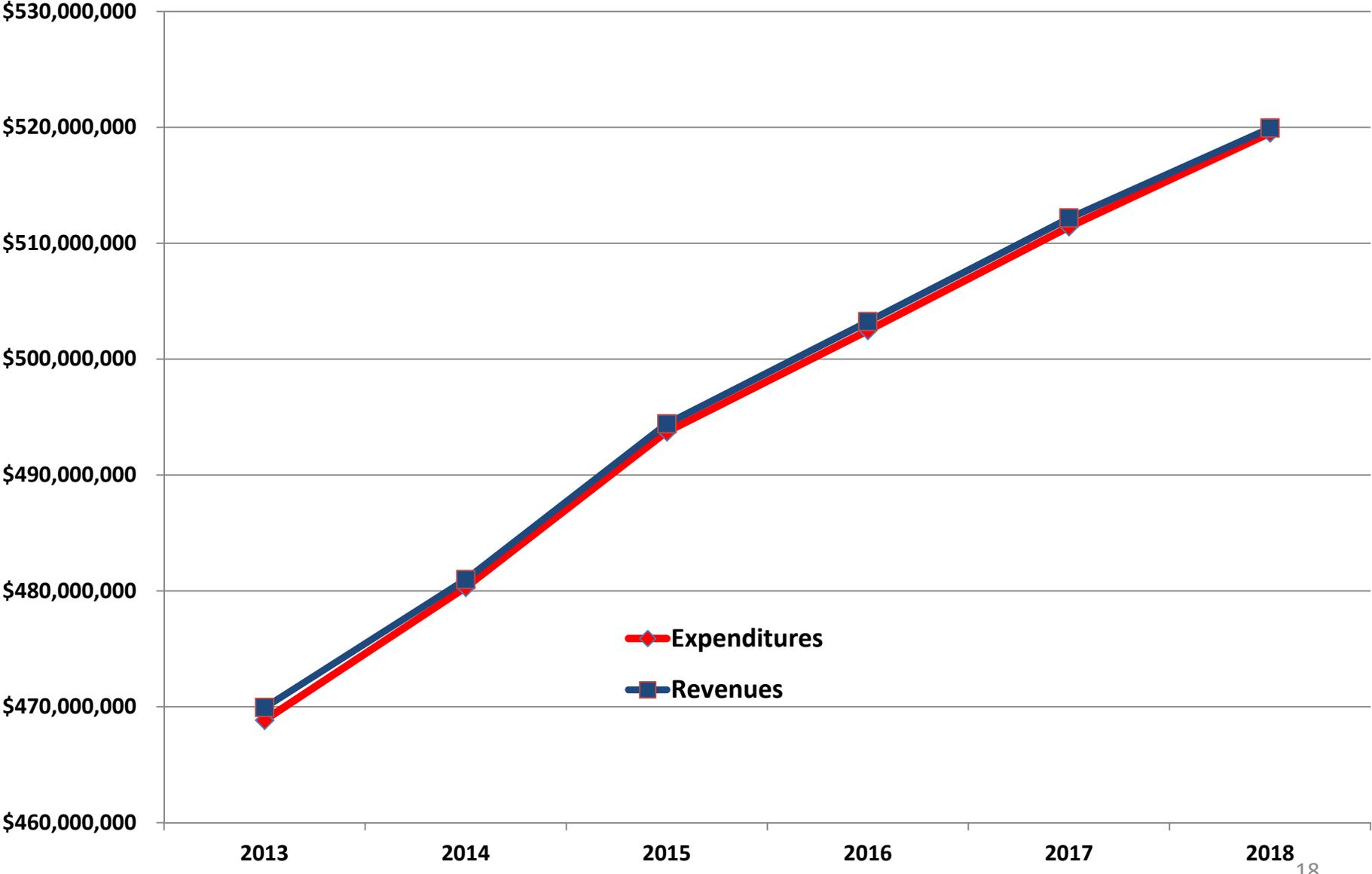
- The Mayor proposes \$25 million in general fund revenue (PAYGO) be transferred for the 2014 capital budget.
  - The CIP also contemplates an annual \$30 million in new bond issuance for 2015-2018.
  - CDBG entitlement is estimated to be fairly steady at approximately \$13 million a year.
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- 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

# Proposed 5 Year Plan

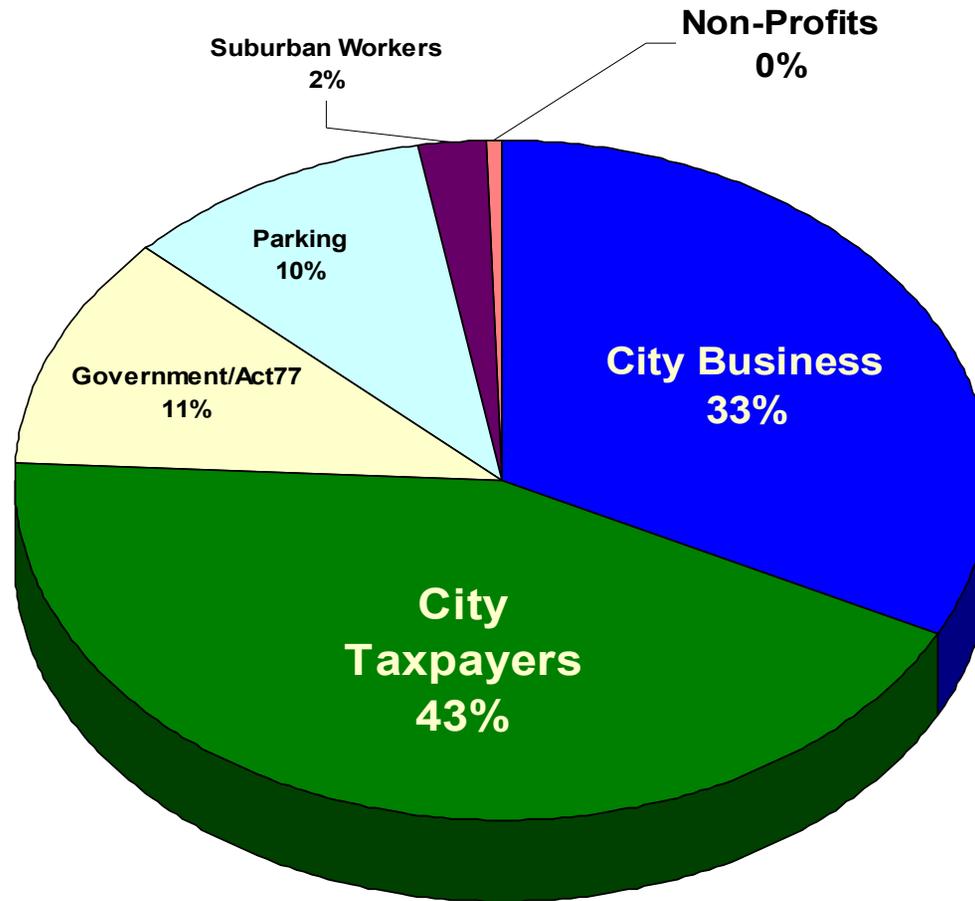
		2014	2015	2016	2017	2018
<b>Expend</b>		<b>480,297,027</b>	<b>493,711,233</b>	<b>502,465,652</b>	<b>511,410,785</b>	<b>519,513,272</b>
<b>Revenue</b>		<b>480,962,319</b>	<b>494,394,645</b>	<b>503,220,861</b>	<b>512,410,785</b>	<b>519,921,933</b>
<b>Surplus / (Deficit)</b>		<b>665,292</b>	<b>683,412</b>	<b>755,209</b>	<b>737,033</b>	<b>408,661</b>

<b>Fund Balance</b>	<b>\$ 66,816,932</b>	<b>\$ 42,482,224</b>	<b>\$ 43,165,636</b>	<b>\$ 43,920,844</b>	<b>\$ 44,657,878</b>
<b>Transfer to Capital</b>	<b>\$ (25,000,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Revenues vs. Expenditures 2013-2018



# Who Paid in 2013?



## The need for additional revenue:

In order to separate the lines of the previous slide the 2009 Act 47 Plan calls for the creation of new local revenue sources of \$10 Million Dollars or expenditure cuts, or raise existing taxes

- Any excessive cuts will have an adverse effect on service delivery
- City should look to lower local tax burden on residents and businesses paying their share of fees and Payroll Tax to help create further growth
- Raising existing taxes would have an adverse effect
- Lost \$3 Million In Real Estate Tax with lower rate 10.8 to 7.56 Mills

## New revenue sources:

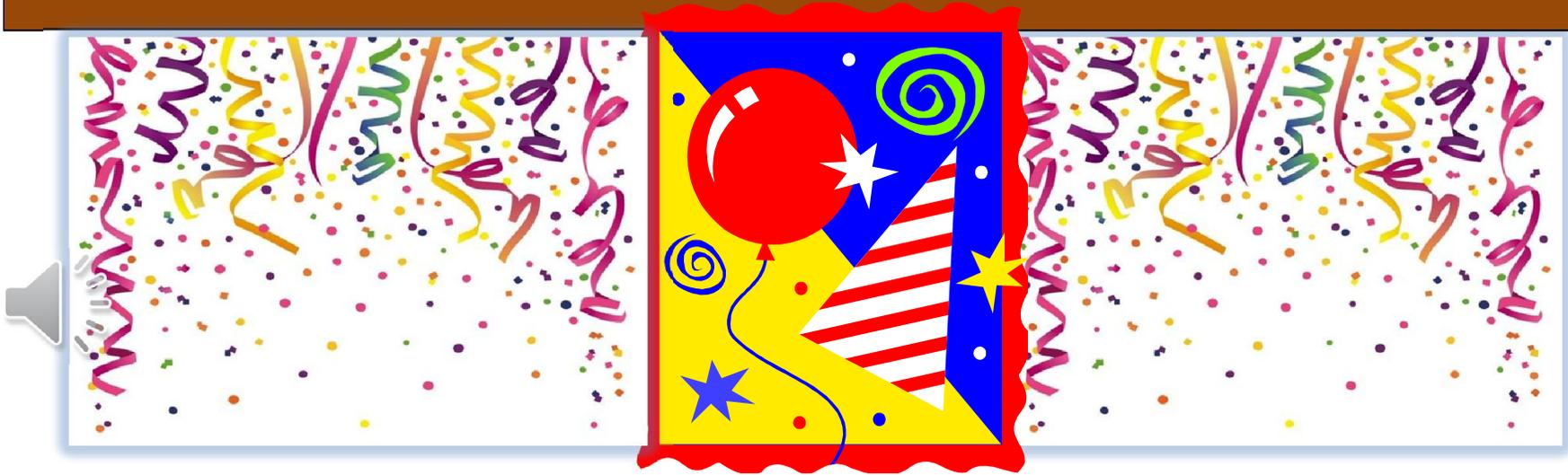
1. Billboard Tax \$1.5 - \$4m
2. Non-Profit Payroll Tax\* or legal challenges of tax exempt cost centers \$20 Million
3. Market Based Revenue Opportunities \$1 to \$3 Million

\* State action required<sup>20</sup>

## Summary

- **We have addressed many of our underlying problems with the help of Act 47 Oversight**
- **The 2014 Budget proposal shows this by once again staying balanced**
- **Revenue is still and will be an issue out into the future**
- **\$20 Million is needed annually for as a cushion for pension, PayGo and Infrastructure Investment**
- **City should insist on a non-profit payroll tax indexed contribution**
- **Any other options that do not increase resident taxes should be considered: Billboard Tax, Increases of fees, State enabled taxation and relief through pension reform**
- **CDBG funding has been reduced – need to replace those dollars**

# WELCOME MAYOR PEDUTO!!



- We are at a precipice, an era where we have the opportunity to change the City for the better
- In order to do that we will need to invest
- We will need the resources to do so

**Workforce, performance budgeting, performance management, LEAN, cash management, credit cards, Infrastructure, Asphalt Plant, Public Safety consolidation, Facilities, Paving, Landslides, Demolition, PAYGO, Maintenance in operating, business ERP tools, Civilianize Police Admin Positions....**