



2017 Budget Proposal Overview & Policy Discussion

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The 2017 Peduto Budget

\$545 Million Revenue and \$539.4M Expenditure Budget

Expenditures increase by \$20M over 2016 Budget

Budgetary 892 Police Officers maintained – 80 Recruits

2% salary increase for non-union and some union employees,

Implementation of other contracts

City's Total Portion of Pension will be \$70.4M

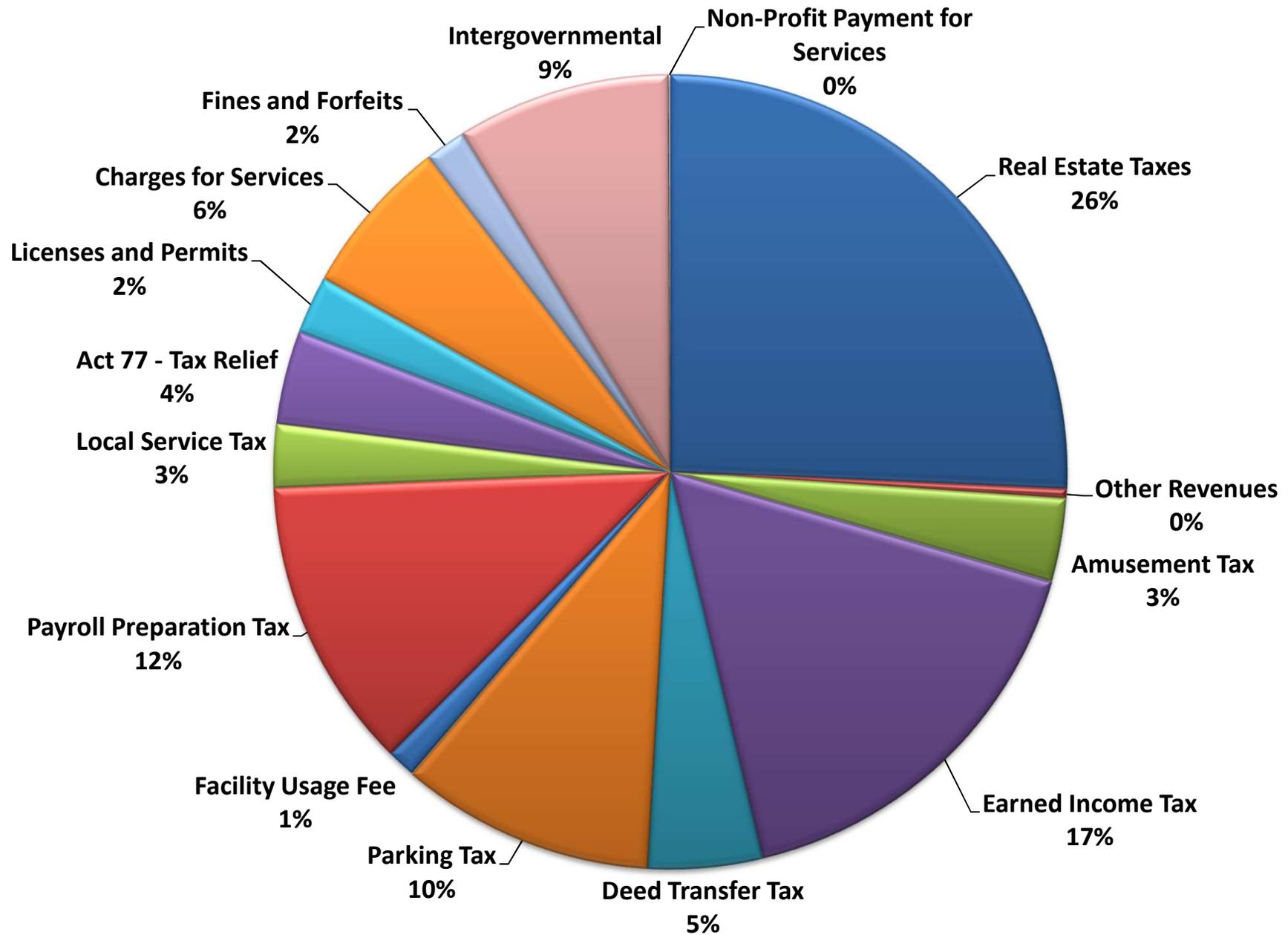
- **\$49.2 Million MMO, \$13.4 Million Parking, \$8 Million MMO+**
 - **Including \$2.5 Million OPEB Trust Fund**

\$12 Million Transfer from Fund Balance to PAYGO

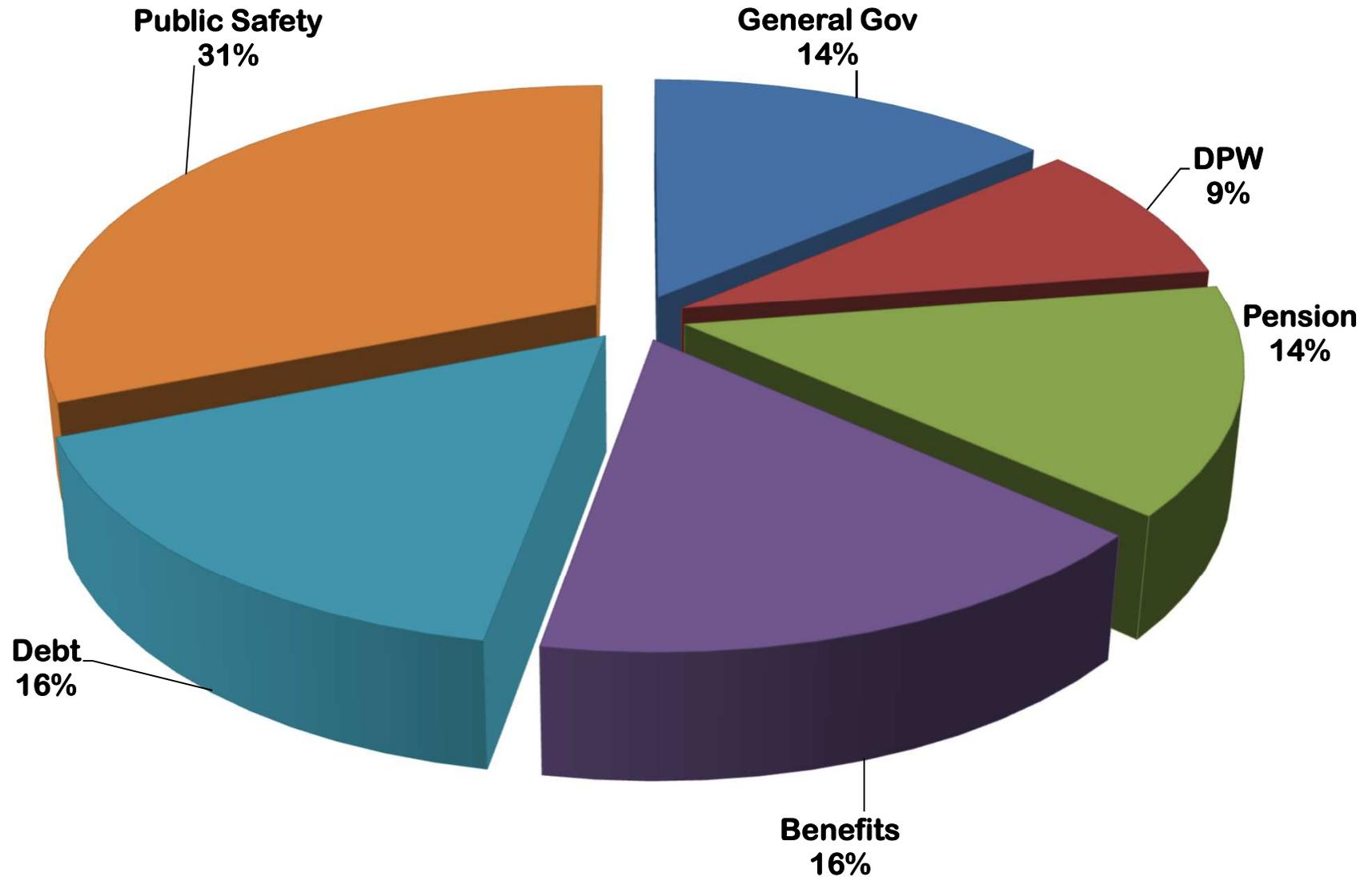
\$74 Million Funded Capital Budget

\$30 M Bond + \$12M Paygo + \$12.5M CDBG +\$19.6M Other

Revenues 2017 - \$545.4 Million



2017 Expenditures \$539.3 Million



2017 Expenditure Cost Drivers

Expenditures	2016 Budget	2017	Increase (Decrease)
Operating Departments	\$ 274,751,366	\$ 288,672,141	\$ 13,920,775
Pension	\$ 69,754,272	\$ 75,357,381	\$ 5,603,109
Healthcare, Workers Comp	\$ 85,865,329	\$ 87,854,615	\$ 1,983,286
Debt Service	\$ 88,612,225	\$ 87,398,707	\$ (1,213,518)
Total Expenditures	\$ 518,983,192	\$ 539,282,845	\$ 20,293,652

- Increases:
- Salaries & Wages: \$8.2M – \$5M Public Safety
- Act 47 Planned 2% wage increase
- \$12 Capital to Operating
- Pension +\$5.6
- Healthcare + \$2M
- Debt Service -1.2M decrease

2017 Financial Outlook

Revenues		\$ 545,027,898
Expenditures		
	Operating Departments	\$ 288,177,035
	Pension	\$ 75,357,381
	Healthcare, Workers Comp	\$ 88,473,698
	Debt Service	\$ 87,398,707
Total Expenditures		\$ 539,406,822
Operating Result		\$ 5,621,077
Beginning Fund Balance		\$ 70,004,200
	Transfer to PayGo	\$ (12,000,000)
	Reserve Fund Balance Transfer	\$ -
Ending Reserve Fund Balance		\$ 63,625,277
Fund Balance as % of Expenditures		11.8%
Debt as % of Expenditures		16.2%

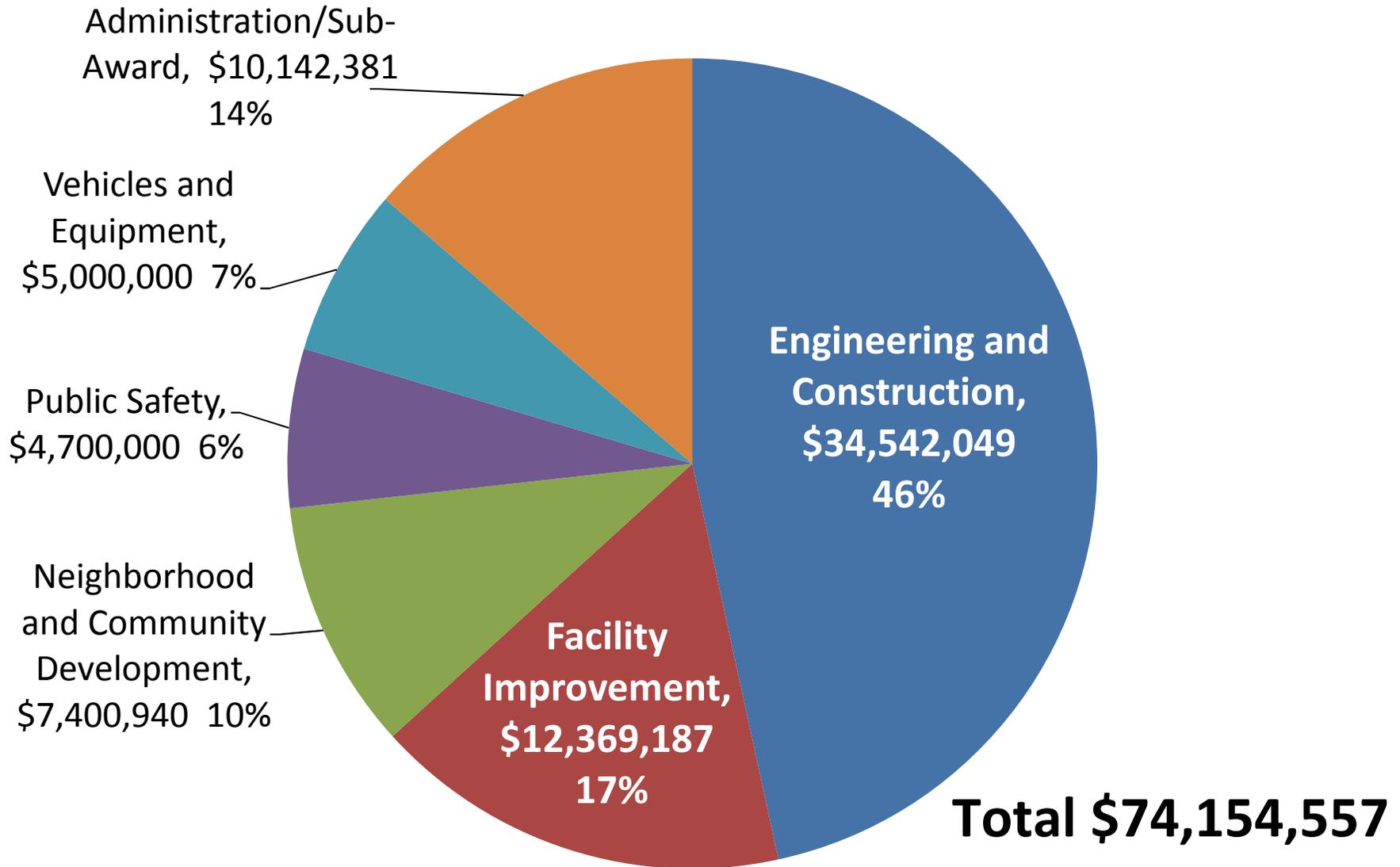
2017 Capital Budget

2017 Capital Budget by Functional Area

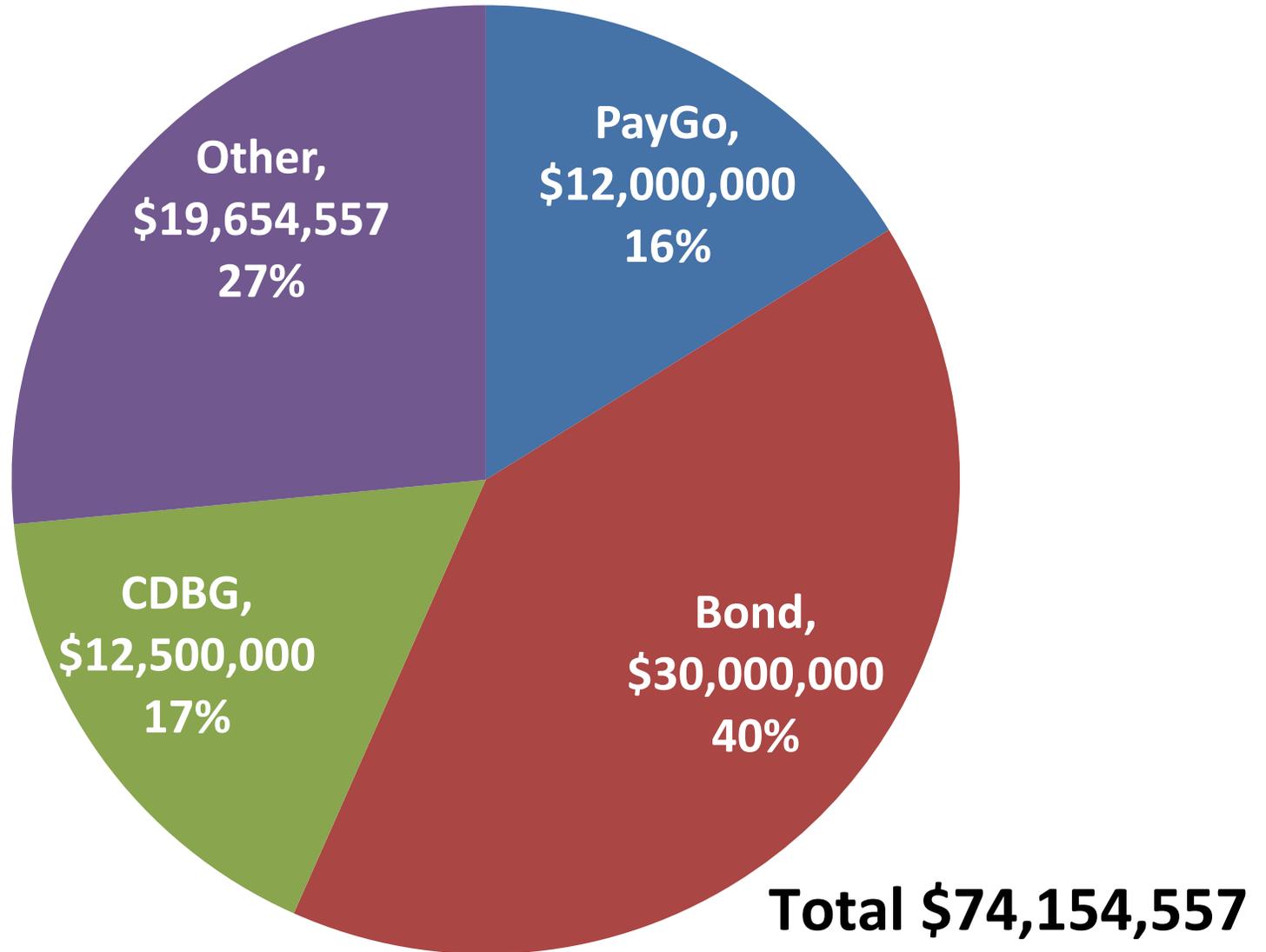
FUNCTIONAL AREA	Bond	%	PAYGO	%	CDBG	%	OTHER	%	TOTAL	%
Engineering and Construction	17,383,008	58%	1,901,435	16%	1,494,970	12%	13,762,636	70%	34,542,049	47%
Facility Improvement	8,647,623	29%	426,434	4%	1,712,630	14%	1,582,500	8%	12,369,187	17%
Public Safety	-	0%	4,700,000	39%	-	0%	-	0%	4,700,000	6%
Vehicles and Equipment	3,187,869	11%	1,812,131	15%	-	0%	-	0%	5,000,000	7%
Neighborhood and Community Development	701,500	2%	1,750,000	15%	2,604,400	21%	2,345,040	12%	7,400,940	10%
Administration and Pass-Through	80,000	0%	1,410,000	12%	6,688,000	54%	1,964,381	10%	10,142,381	14%
TOTAL	30,000,000	100%	12,000,000	100%	12,500,000	100%	19,654,557	100%	74,154,557	100%

BY FUND	40%	16%	17%	27%
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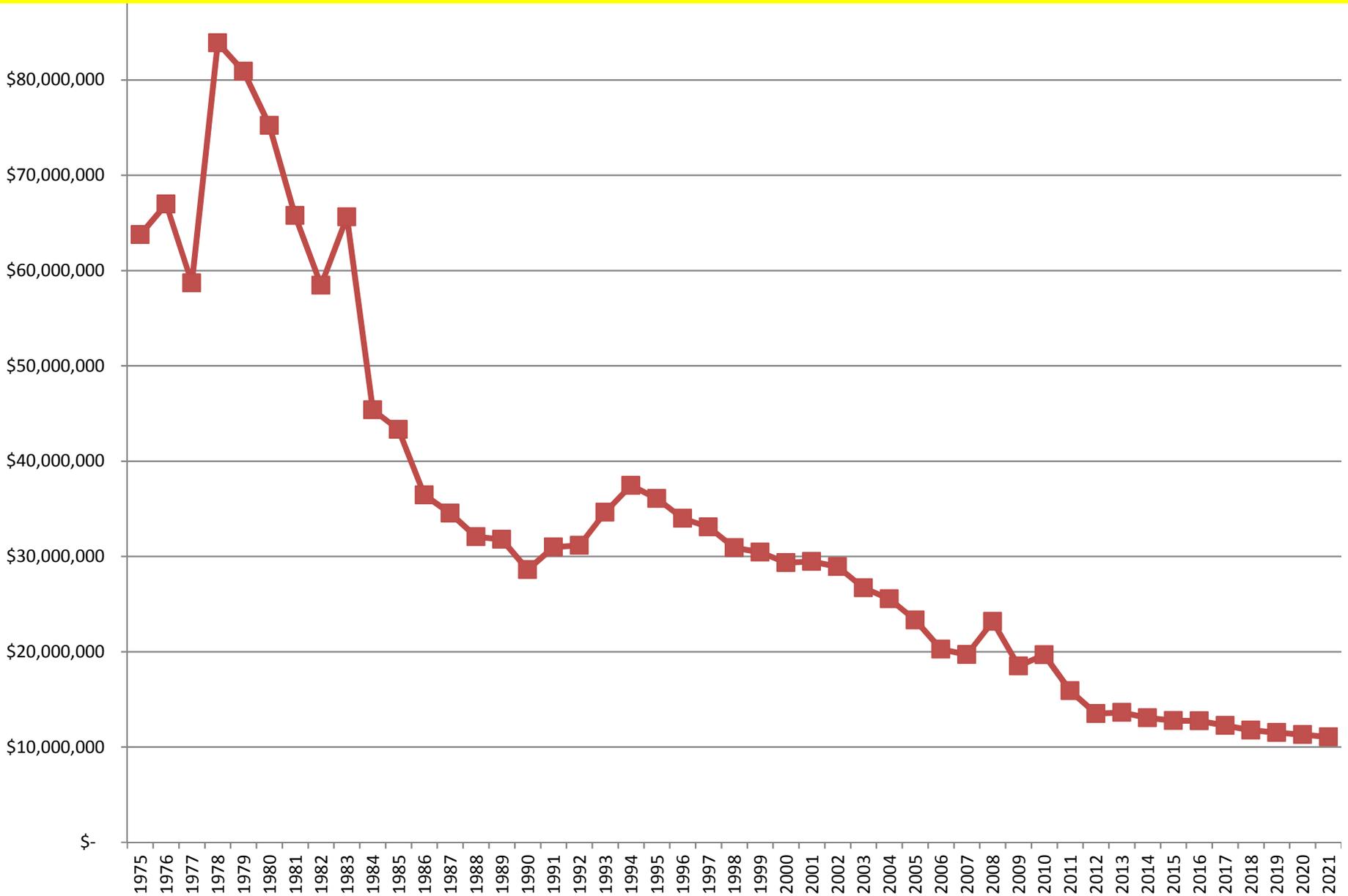
2017 Capital Budget By Functional Area



2017 Capital Budget by Funding Source



Pittsburgh CDBG adjusted for inflation

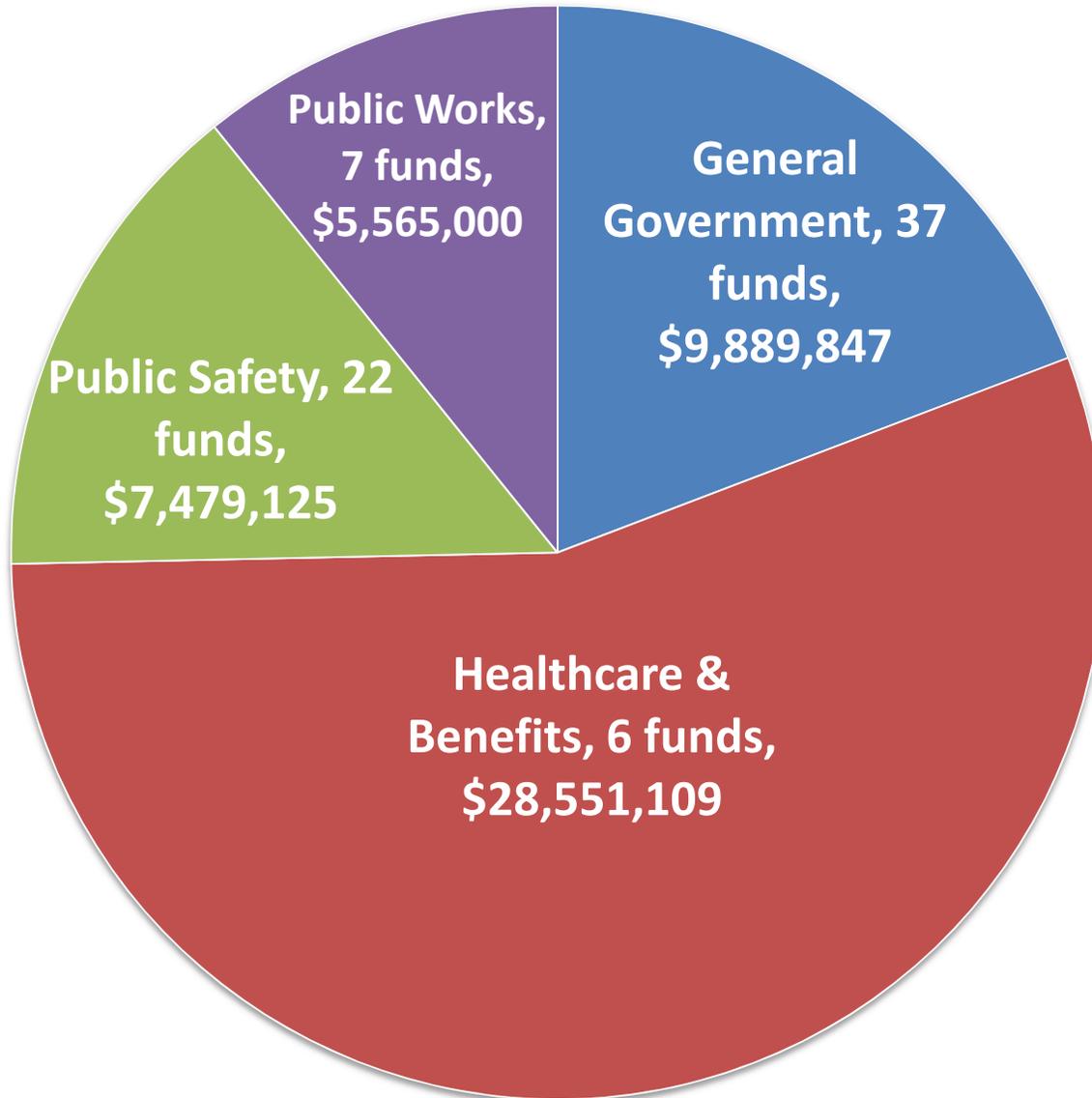


2017-2022 Capital Improvement Plan

	2016	2017	2018	2019	2020	2021	2022
CDBG	\$ 12,755,555	\$ 12,500,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000
Bond	\$ 25,448,888	\$ 30,000,000	\$ 30,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
PayGo	\$ 11,253,871	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000
Other	\$ 22,068,334	\$ 19,654,557	\$ 13,553,526	\$ 19,218,203	\$ 23,094,426	\$ 24,294,426	\$ 24,294,426
Total	\$ 71,526,648	\$ 74,154,557	\$ 67,553,526	\$ 93,218,203	\$ 97,094,426	\$ 98,294,426	\$ 98,294,426

Trust Funds and special revenue funds

\$51 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

\$3,280,899,752

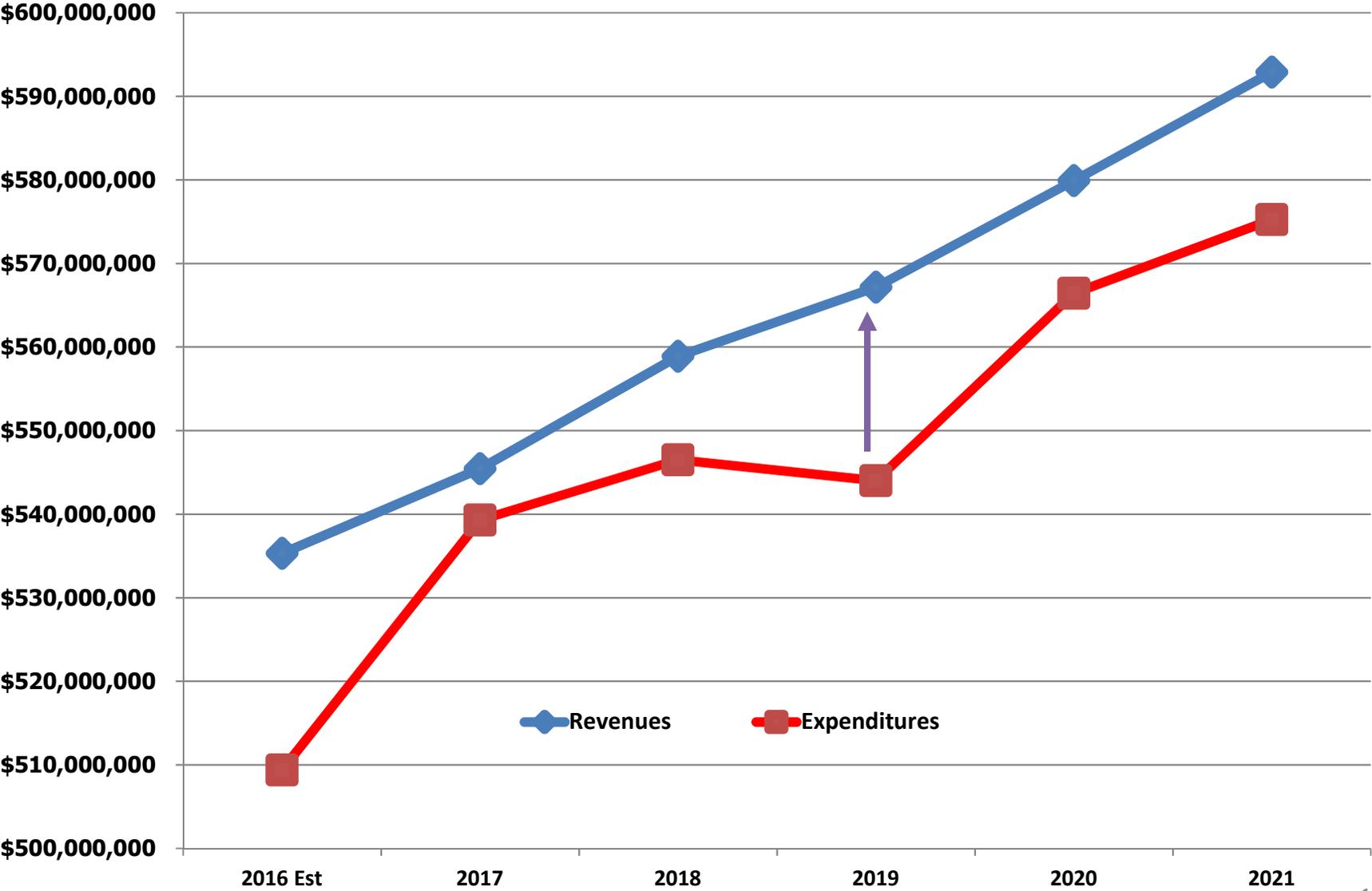
Proposed 5 Year Plan

	2017	2018	2019	2020	2021
Expend	\$ 539,282,845	\$ 546,514,935	\$ 544,026,274	\$ 566,423,310	\$ 575,244,596
Revenue	\$ 545,427,808	\$ 558,893,371	\$ 567,167,382	\$ 579,900,095	\$ 592,887,978
Operating Result	\$ 6,144,963	\$ 12,378,436	\$ 23,141,108	\$ 13,476,785	\$ 17,643,382

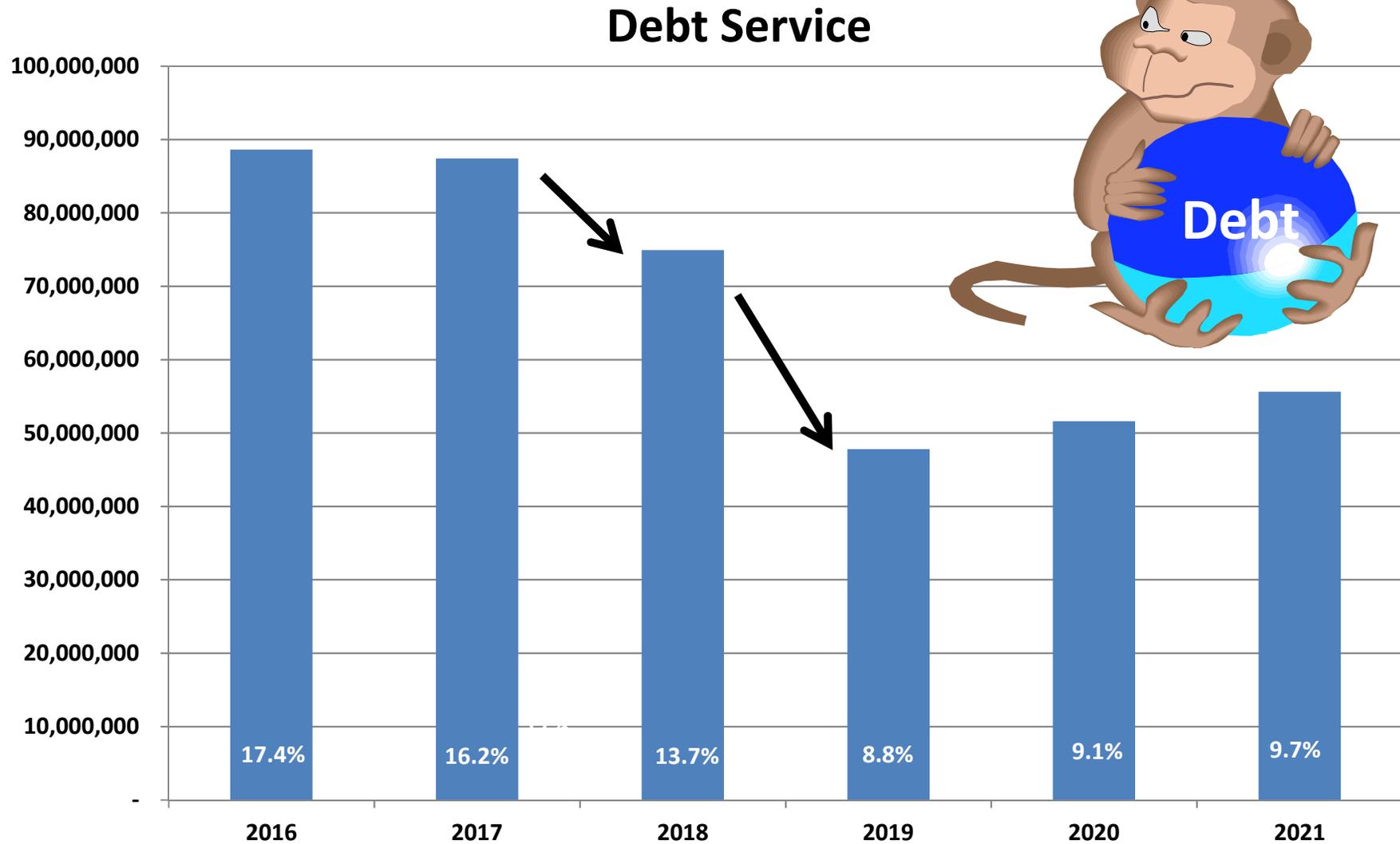
Fund Balance	\$ 70,725,691	\$ 71,104,127	\$ 79,245,235	\$ 77,722,020	\$ 80,365,402
Transfer to Capital	\$ (12,000,000)	\$ (12,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)

Fund Balance %	13.1%	13.0%	14.6%	13.7%	14.0%
Debt Service %	16.2%	13.7%	8.8%	9.1%	9.7%

Revenues vs. Expenditures 2016-2021



Debt Service 16.2% of Expenditures

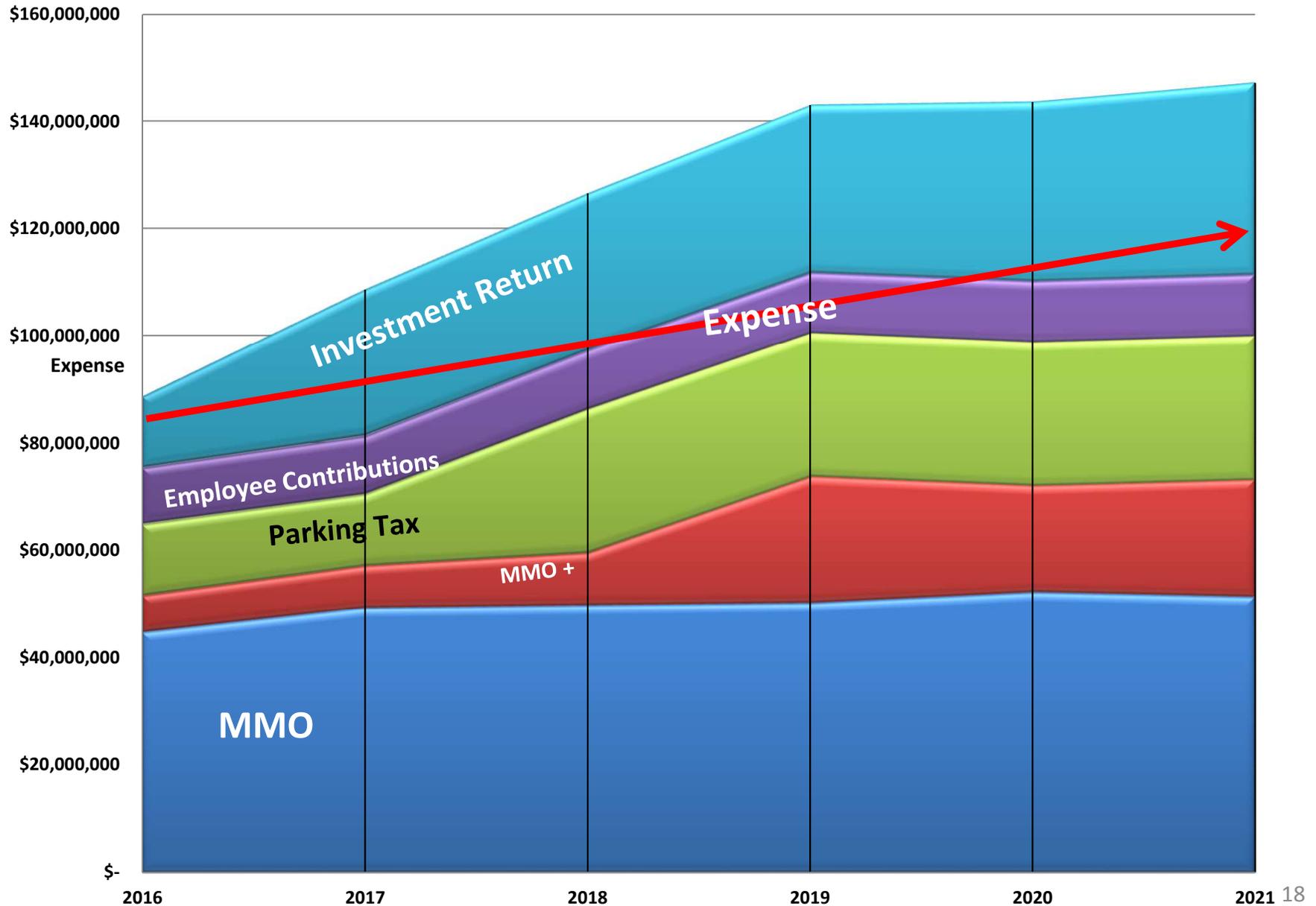


Ordinance #19 Section 219.5 Pension Contribution

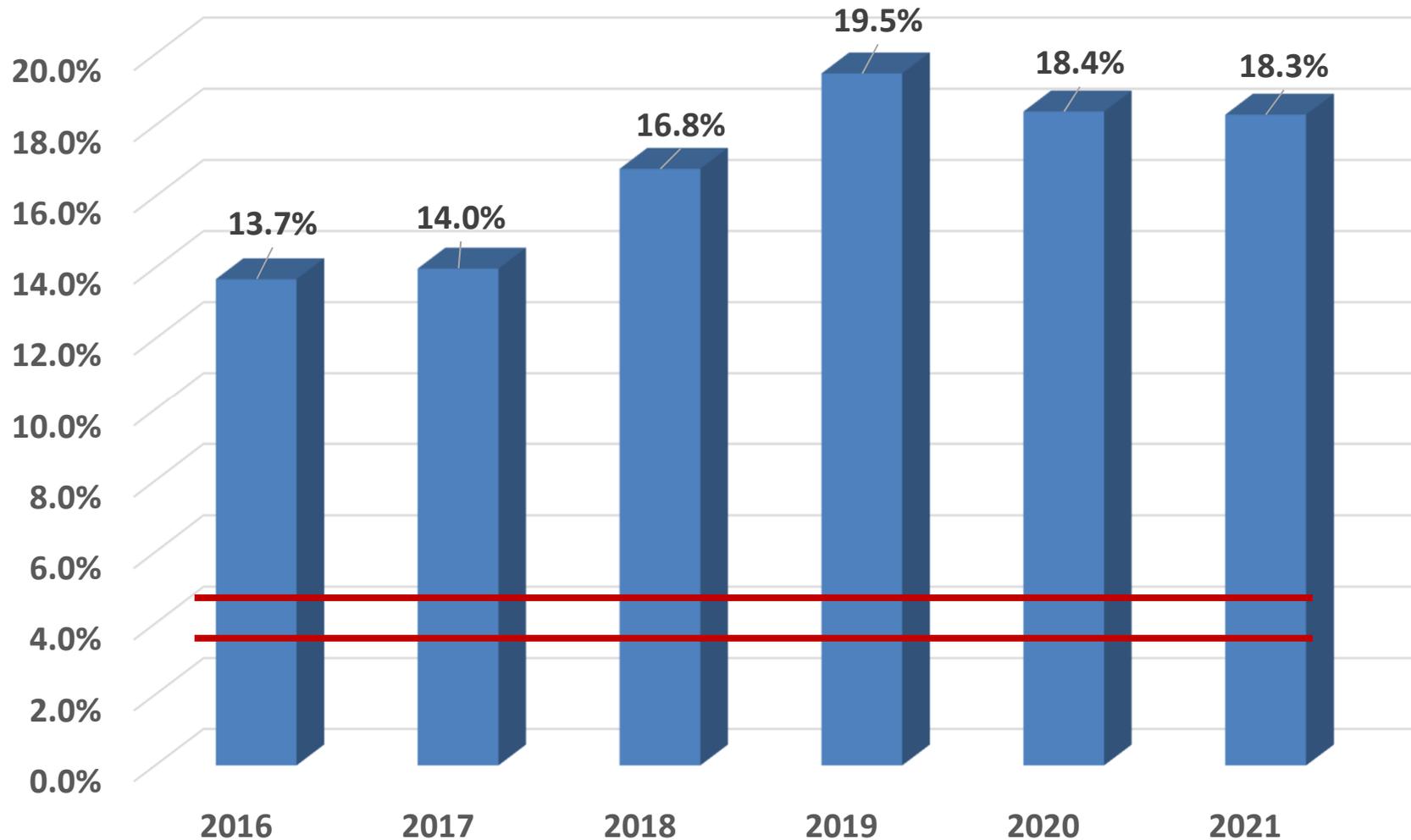
	2016	2017	2018	2019	2020	2021
MMO	\$ 44,575,000	\$ 49,202,651	\$ 49,679,706	\$ 50,140,000	\$ 52,146,000	\$ 51,268,680
MMO + PLUS	6,933,272	7,908,730	9,885,912	23,603,483	19,885,912	21,885,912
Parking Tax	13,376,000	13,376,000	26,752,000	26,752,000	26,752,000	26,752,000
Employee Contributions	\$ 10,453,629	\$ 10,662,702	\$ 10,875,956	\$ 11,093,475	\$ 11,204,410	\$ 11,316,454
Investment Return	\$ 13,197,115	\$ 27,318,028	\$ 29,230,290	\$ 31,276,411	\$ 33,465,759	\$ 35,808,363
Total Revenue	\$ 98,988,646	\$ 119,130,813	\$ 137,299,820	\$ 153,958,844	\$ 154,658,491	\$ 158,347,862
Total Expense	\$ 93,266,764	\$ 96,158,033	\$ 99,138,932	\$ 101,756,200	\$ 104,442,564	\$ 107,199,847
Difference	\$ 5,721,882	\$ 22,972,780	\$ 38,160,888	\$ 52,202,644	\$ 50,215,927	\$ 51,148,015

Additional \$180.5 Million over expenses

2016-2021 Ord #19 Annual Pension Commitment

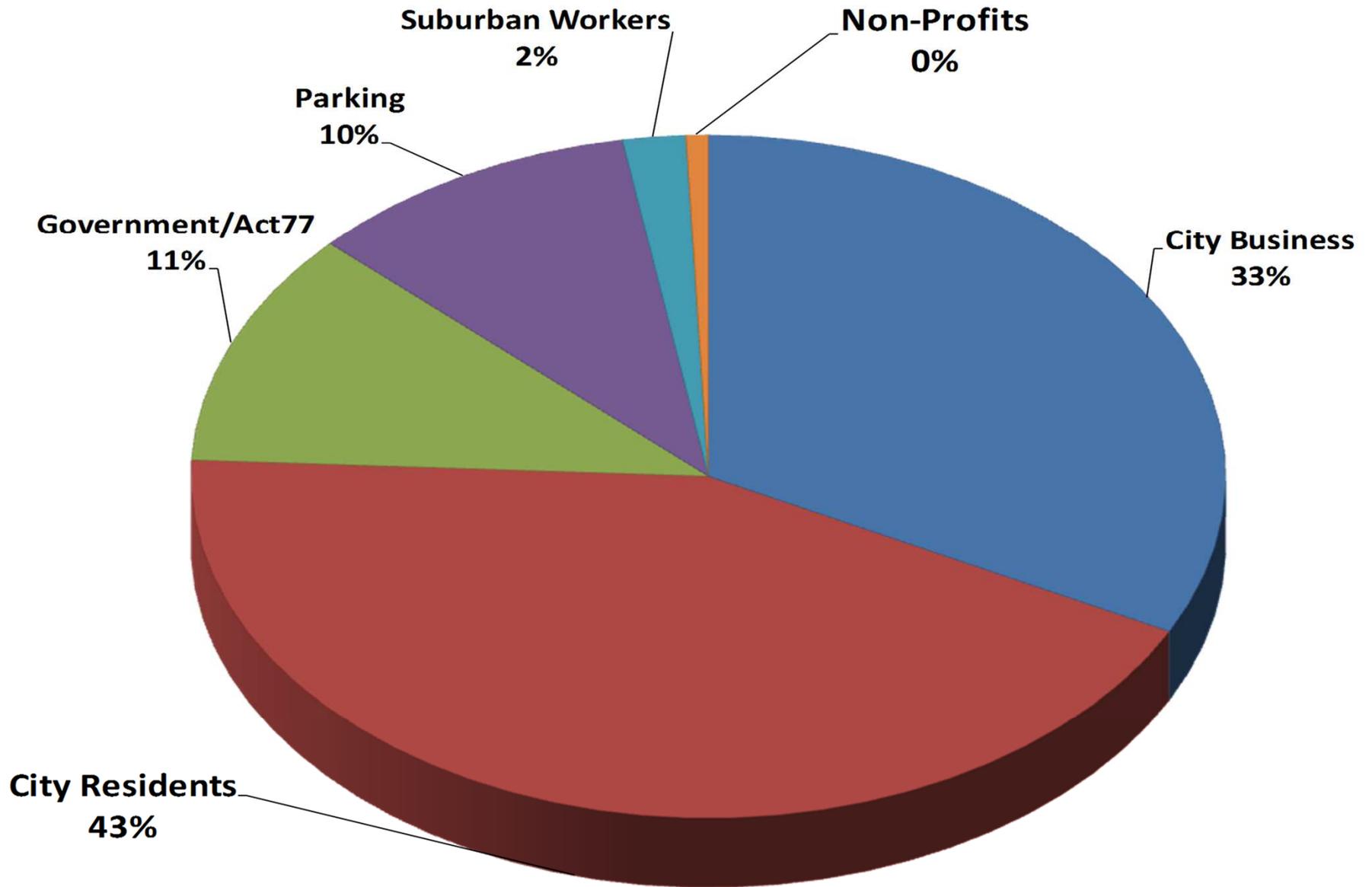


Pension Growth as % of Budget



3%-4% is an average range for US state and local governments

Who Pays in 2017?



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

2017-2021 CHALLENGES

How do we get out of Act 47?

- Codifying/Add to statutes perimeters for success in controlling expenses
- Revenues – missing: Billboard tax, Non-profit Agreement, MBRO
- Pension Reform

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**

Policy Changes/Initiatives

- **Implemented changes in personnel budgets**
 - Healthcare is now part of departmental budgets
 - Self Insured – City pays claims – not premiums
 - “Truth in Budgeting” amounts in Public Safety salaries and overtime
 - Push to hire budgeted 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
 - 65 Mile of asphalt – Commitment to facilities (fix it first)
 - Re-commitment to Learn & Earn summer youth program

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 as a cushion for pension, PayGo, and infrastructure and technology investment both 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 Orié/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**