

2018 Budget Proposal Overview & Policy Discussion

Natalia Rudiak, Finance Chair

City Council Budget Office

Bill Urbanic, Director

November 20, 2017



The 2018 Peduto Administration Budget

\$560.7 Million Revenue and \$554.3M Expenditure Budget

Expenditures increase by \$25M over 2017 Budget

Budgetary 892 Police Officers maintained – 120 Recruits

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

City's Total Portion of Pension will be \$86.5M

- **\$49.7 Million MMO, \$26.7 Million Parking, \$10 Million MMO+**

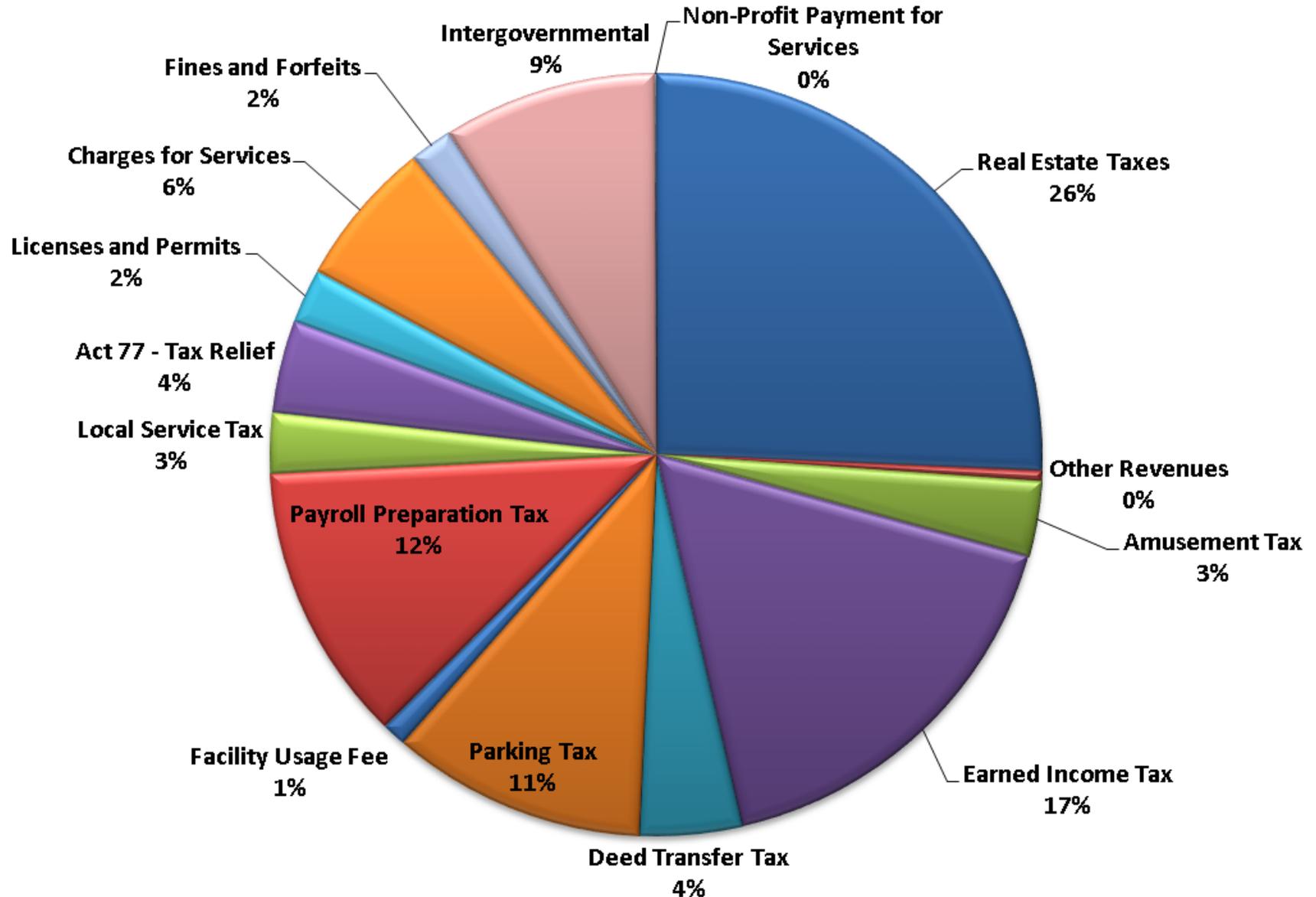
New OPEB Trusts for Police and Fire \$2.1 Million

\$26 Million Transfer from Fund Balance to PAYGO

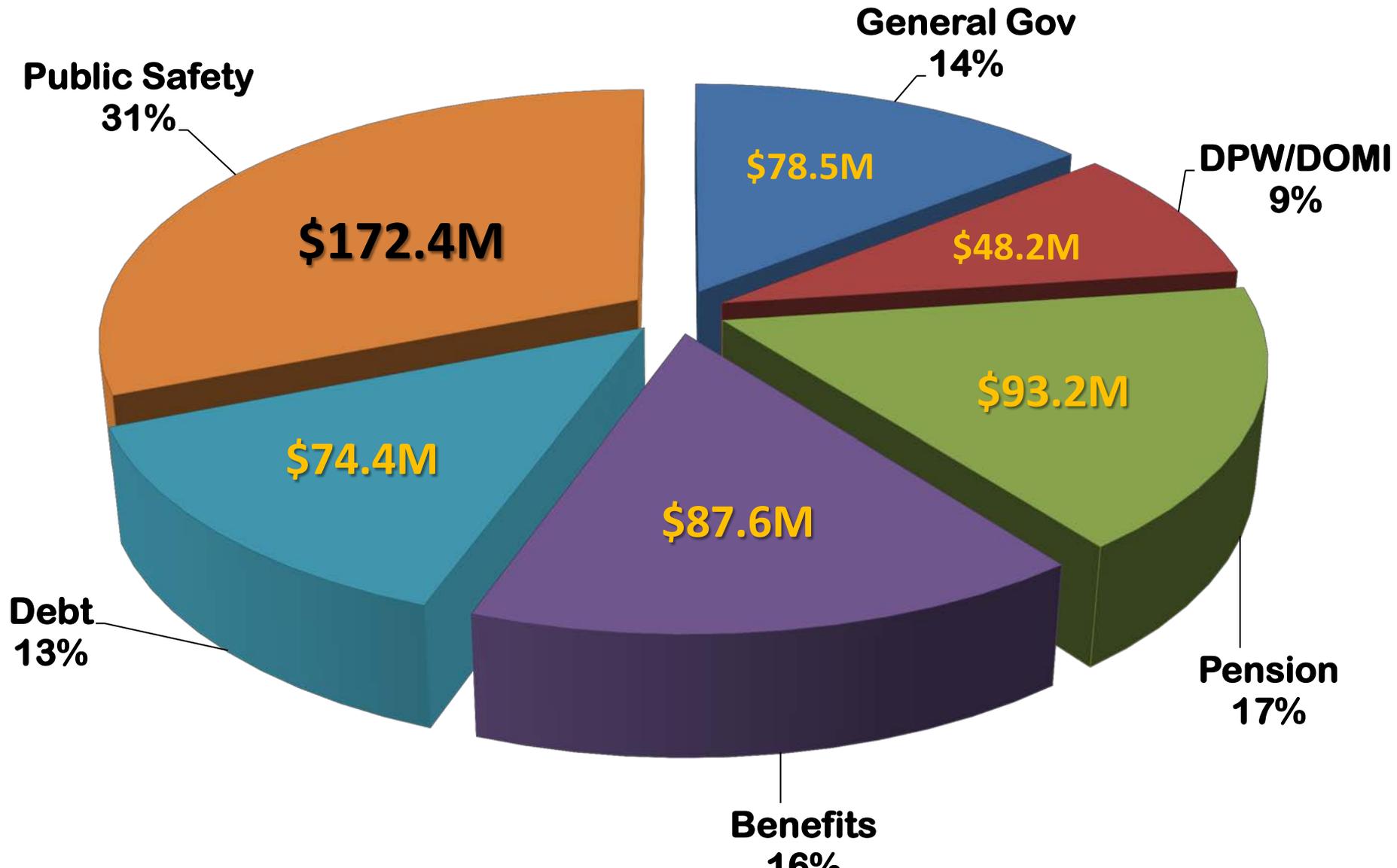
\$104 Million Funded Capital Budget

\$30M prior year Bond + \$26M Paygo + \$12M CDBG + \$36M Other

Revenues 2018 - \$560.7 Million



2018 Expenditures \$560.7 Million



2018 Expenditure Cost Drivers

Expenditures	2017 Estimate	2018 Budget	Increase/Decrease	%
Operating Departments	\$ 283,077,828	\$ 299,061,764	\$ 15,983,936	5.6%
Pension	\$ 75,271,209	\$ 93,232,894	\$ 17,961,685	23.9%
Healthcare, Workers Comp	\$ 83,971,566	\$ 87,577,685	\$ 3,606,119	4.3%
Debt Service	\$ 87,026,829	\$ 74,439,434	\$(12,587,395)	14.5%
Total Expenditures	\$ 529,347,432	\$ 554,311,777	\$ 24,964,345	4.7%

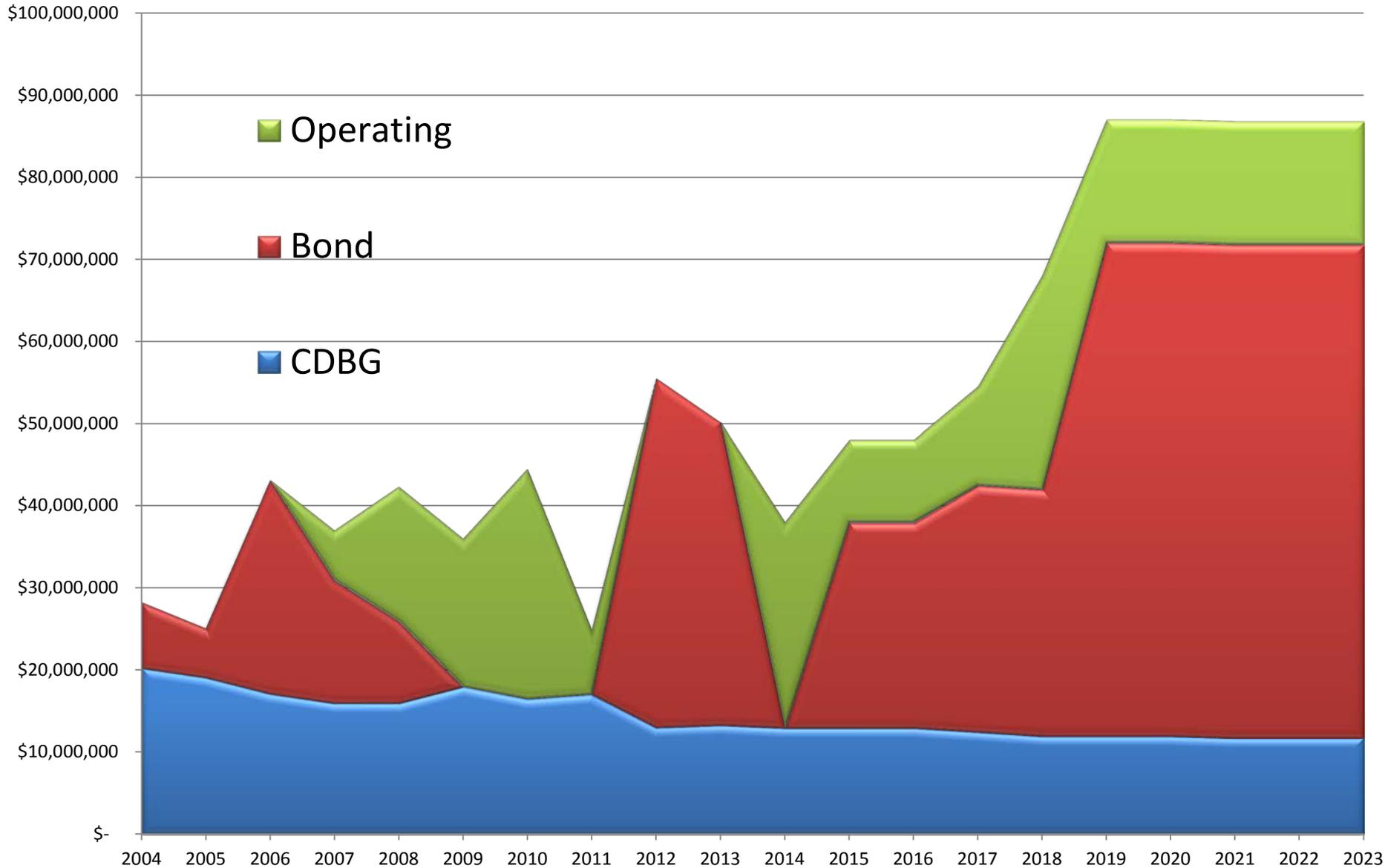
Increases:

- \$2.1 Million Fire OPEB Award
- Act 47 Plan 2% Non-Union wage increase Total increase is 3%
- Increases in Public Safety particularly Police
- Pension+\$17.9M – Ord. of 2010 Parking TAX goes to \$26.7M
- Healthcare + \$3.6M
- Debt Service -12.6M decrease

2018 Financial Outlook

Revenues		\$ 560,676,492
Expenditures		
Operating Departments		\$ 299,061,764
Pension		\$ 93,232,894
Healthcare, Workers Comp		\$ 87,577,685
Debt Service		\$ 74,439,434
Total Expenditures		\$ 554,311,777
Operating Result		\$ 6,364,716
Beginning Fund Balance		\$ 95,774,871
Transfer to PayGo		\$ (26,000,000)
Ending Reserve Fund Balance		\$ 69,774,871
Fund Balance as % of Expenditures		12.6%
Debt as % of Expenditures		13.4%

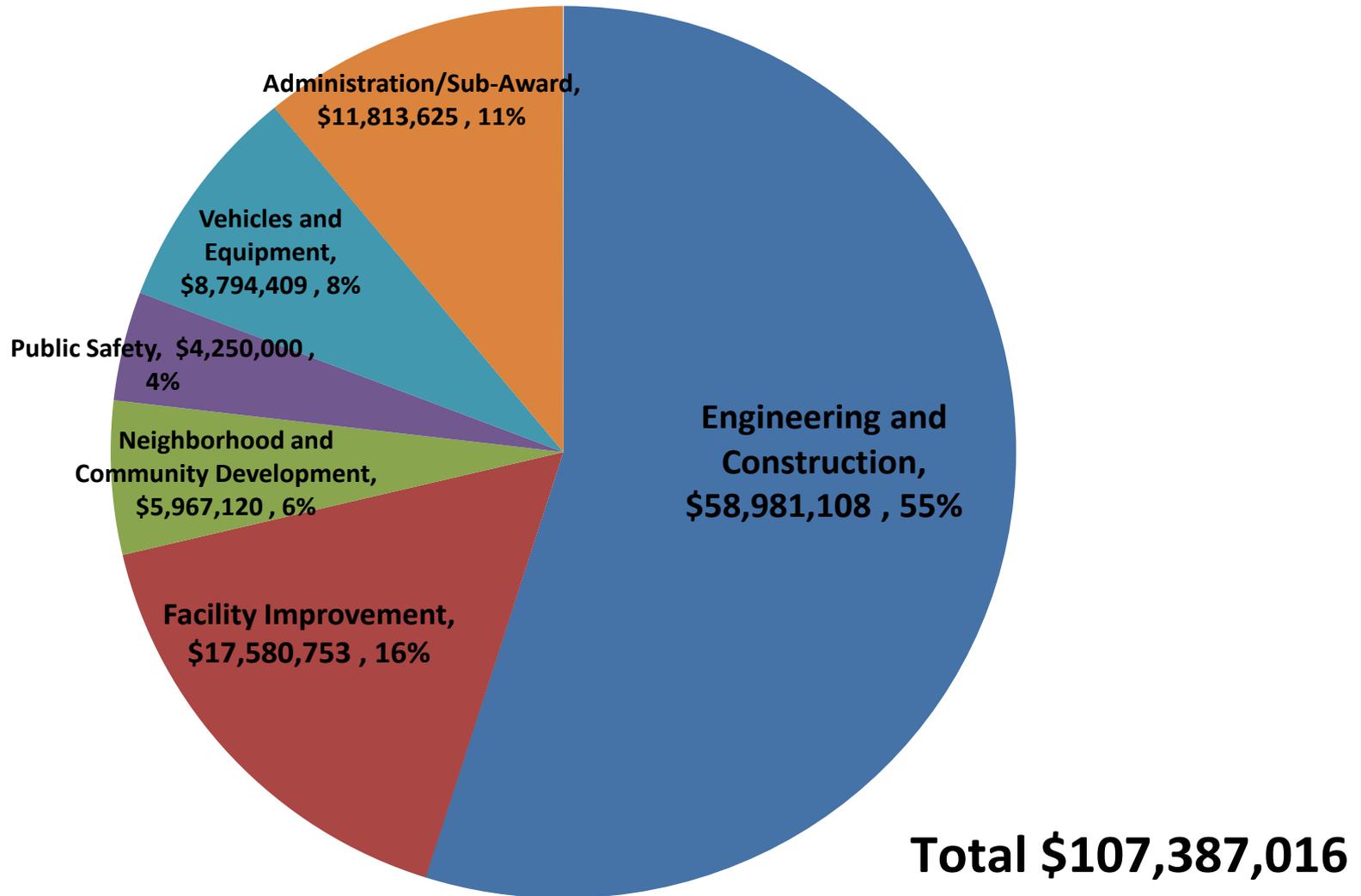
Capital funding 2004-2023



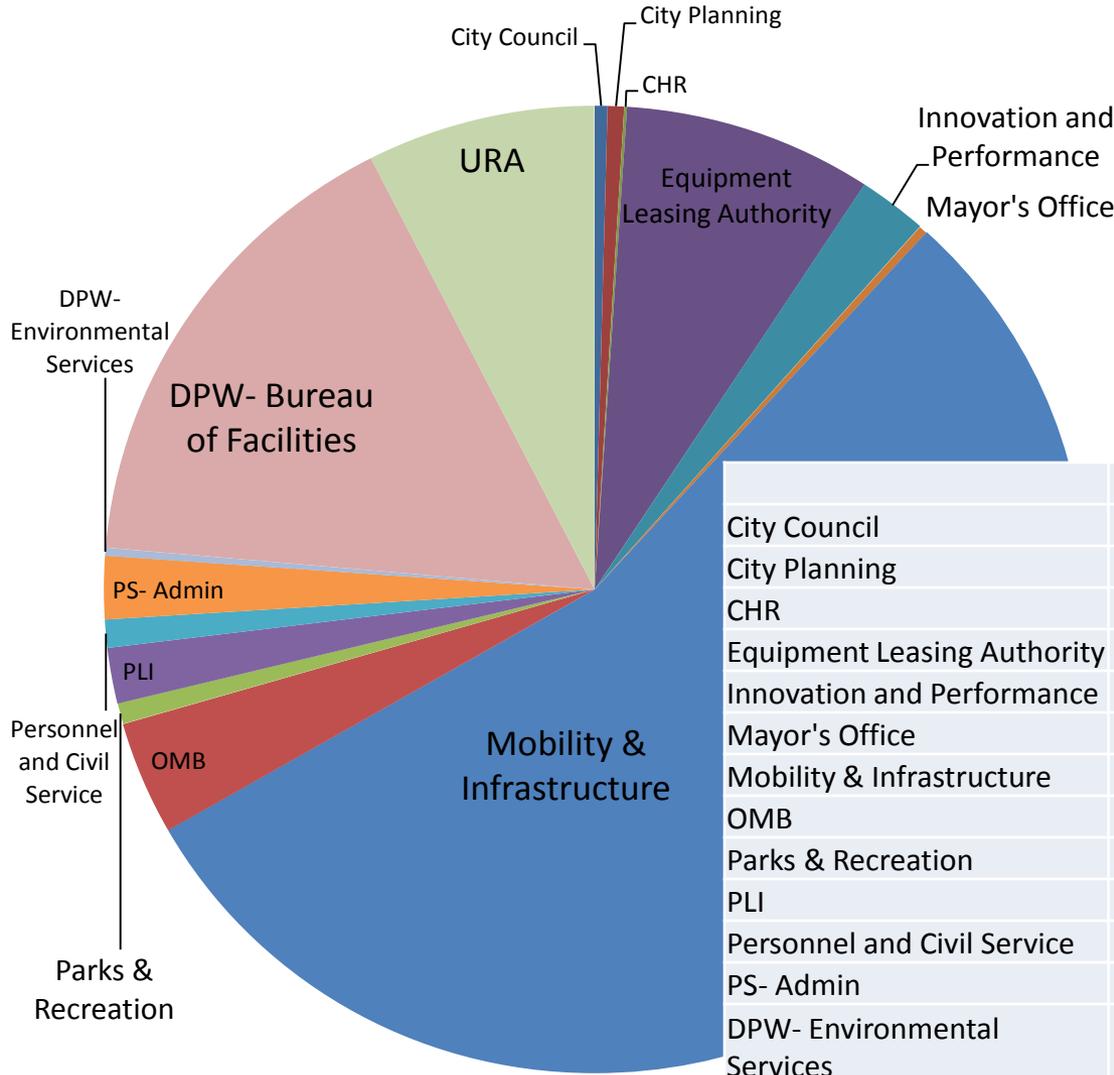
2018-2023 Capital Improvement Plan

	2017	2018	2019	2020	2021	2022	2023
CDBG	\$ 12,754,743	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 11,750,000	\$ 11,750,000	\$ 11,750,000
Bond	\$ 30,000,000	\$ 30,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000
PayGo	\$ 12,000,000	\$ 26,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Other	\$ 20,304,498	\$ 39,387,016	\$ 27,723,044	\$ 43,659,129	\$ 14,399,500	\$ 11,899,500	\$ 7,387,000
Total	\$ 75,059,241	\$ 107,387,016	\$ 114,723,044	\$ 130,659,129	\$ 101,149,500	\$ 98,649,500	\$ 94,137,000

2018 Capital Budget by Functional Area

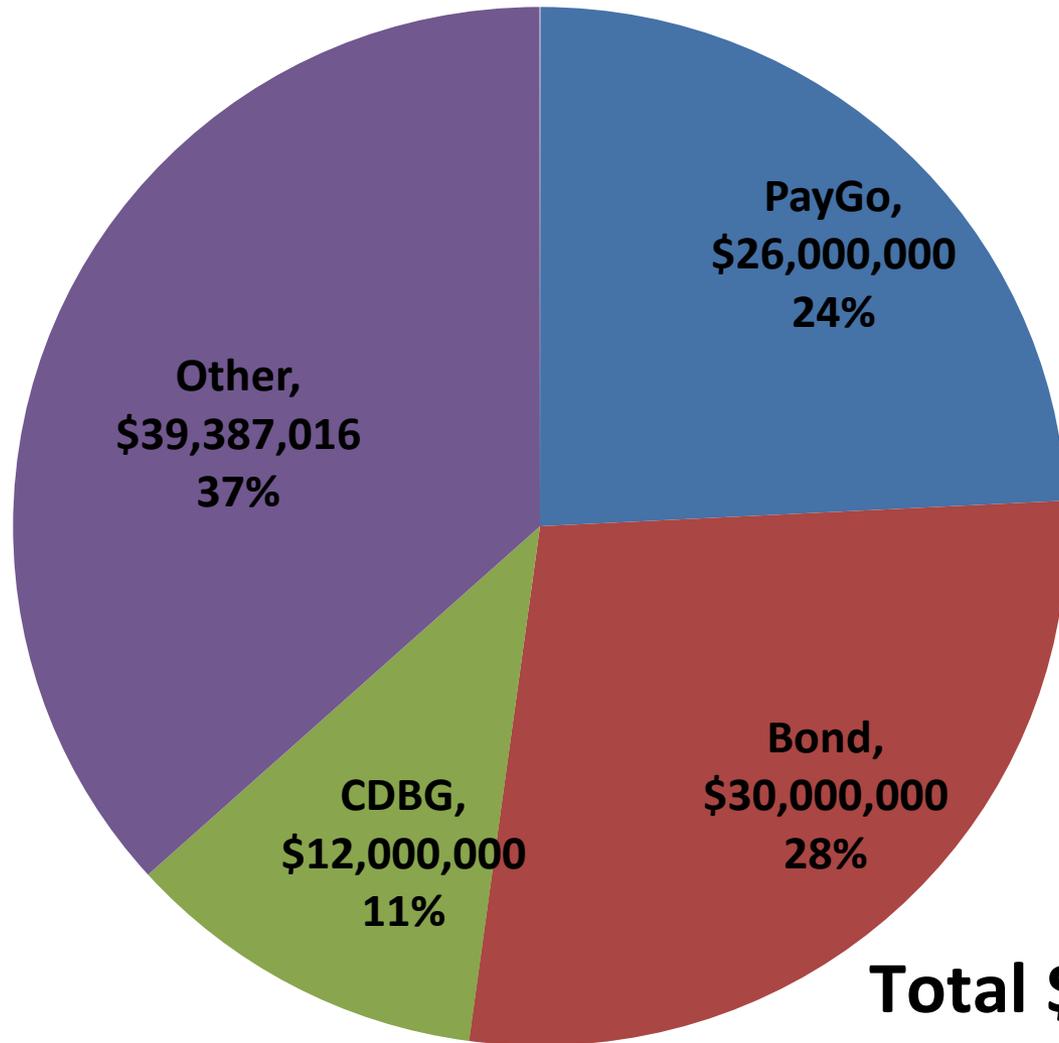


2018 Capital Budget by Department



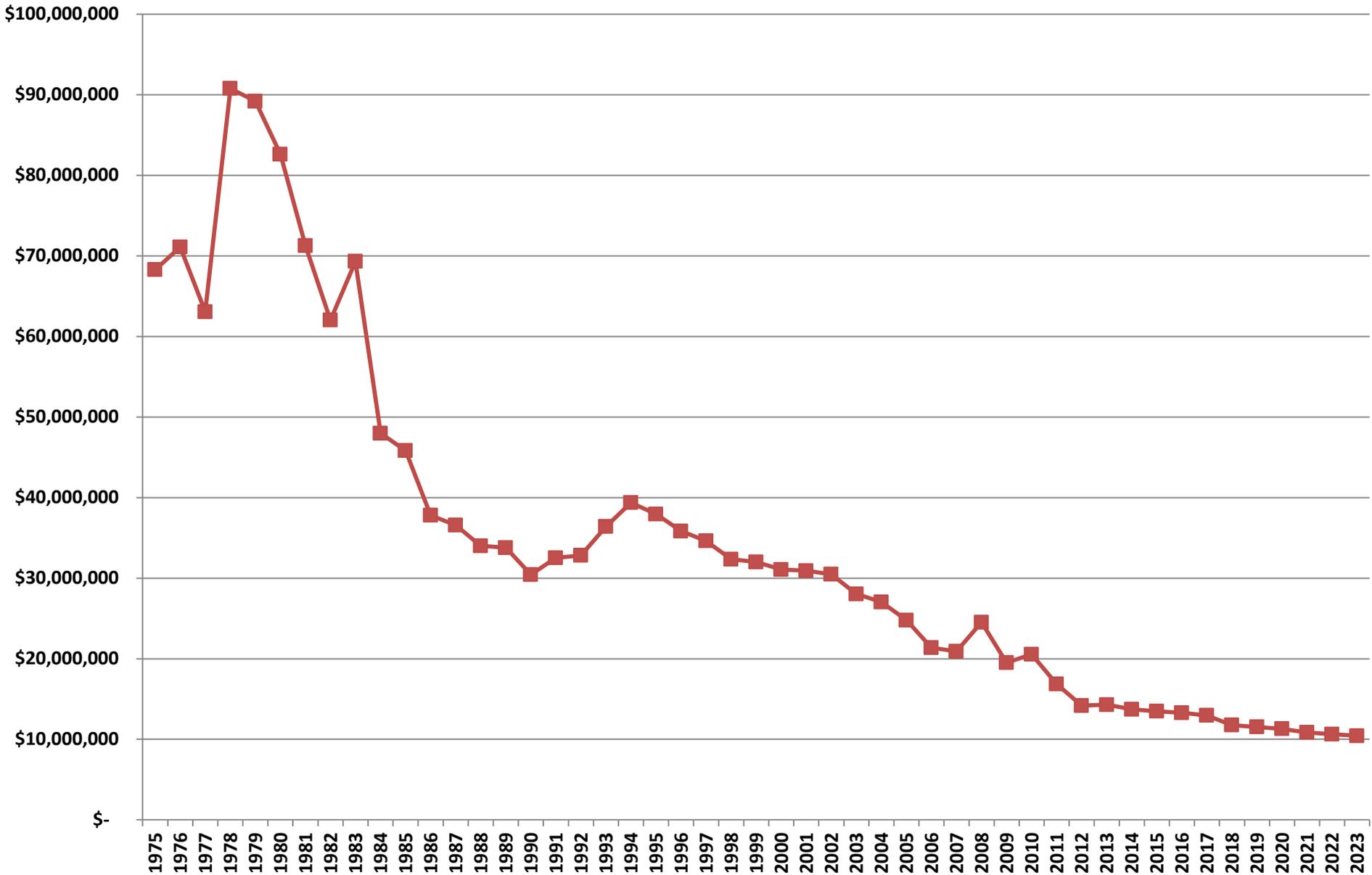
	CDBG	Bond	PayGo	Other	Total
City Council	\$450,000				\$450,000
City Planning	\$80,000		\$145,000	\$354,889	\$579,889
CHR	\$100,000				\$100,000
Equipment Leasing Authority			\$5,000,000	\$3,794,409	\$8,794,409
Innovation and Performance			\$2,451,736		\$2,451,736
Mayor's Office	\$300,000				\$300,000
Mobility & Infrastructure	\$3,250,150	\$21,698,034	\$6,753,457	\$27,279,467	\$58,981,108
OMB	\$1,985,000		\$100,000	\$1,987,000	\$4,072,000
Parks & Recreation	\$750,000				\$750,000
PLI			\$2,000,000		\$2,000,000
Personnel and Civil Service	\$300,000		\$700,000		\$1,000,000
PS- Admin			\$1,650,000	\$600,000	\$2,250,000
DPW- Environmental Services			\$290,000		\$290,000
DPW- Bureau of Facilities	\$544,050	\$8,301,966	\$4,673,487	\$3,771,250	\$17,290,753
URA	\$4,240,800		\$2,236,320	\$1,600,000	\$8,077,120
	\$12,000,000	\$30,000,000	\$26,000,000	\$39,387,016	\$107,387,016

2018 Capital Budget by Fund Source



Total \$107,387,016

Pittsburgh CDBG adjusted for inflation



5 Year Operating Plan

\$2,877,435,088

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

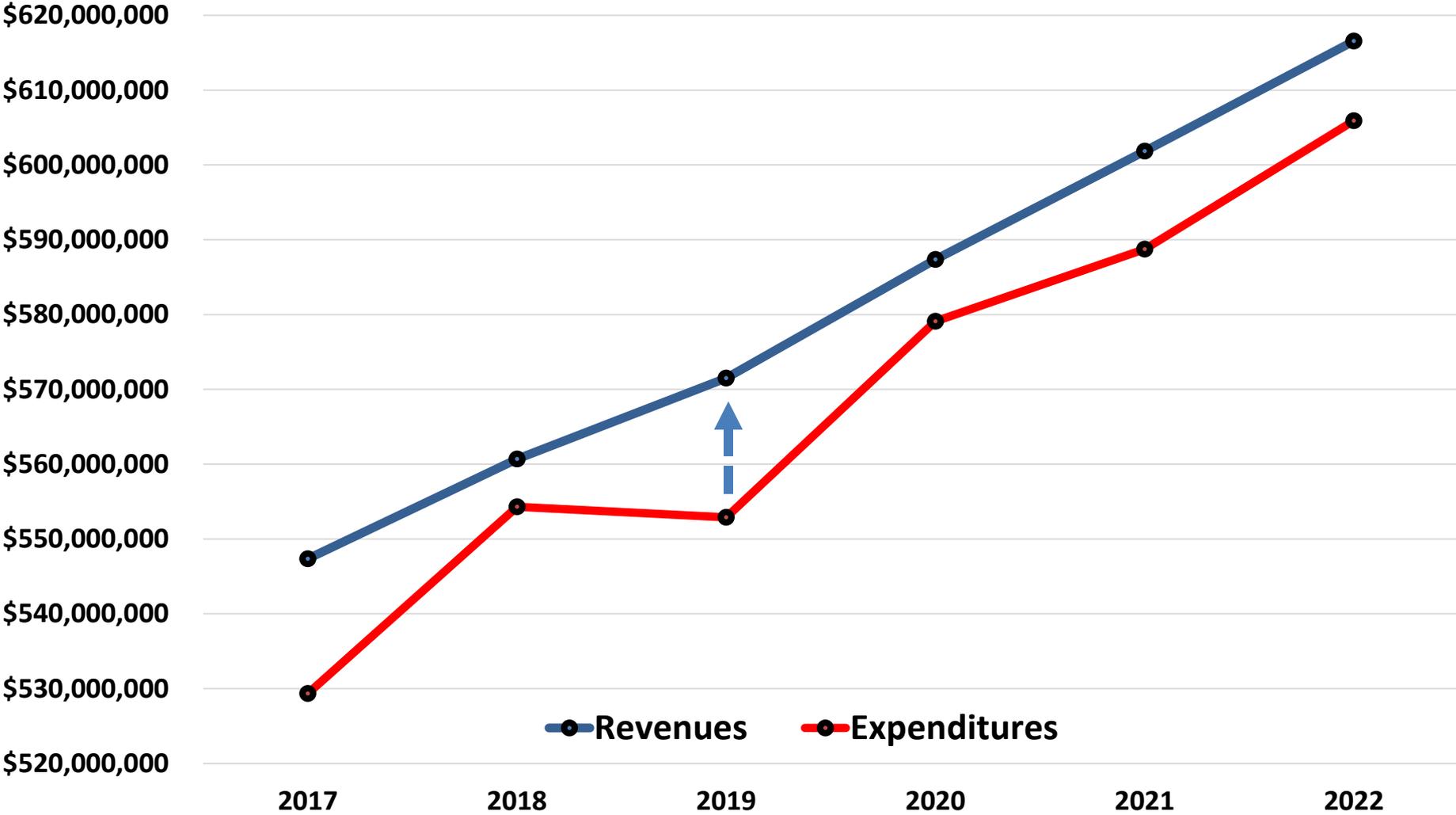
Proposed 5 Year Plan

5 Year Plan Highlights

- \$26M Paygo out of fund balance in 2019 then \$15M 2019-22
- \$60 Million Bonds for Capital in 2019,20,21 &22
- \$5 Million Annually in 2019-22 to implement classification study
- Pay As You Go Pension Commitment!

	2017	2018	2019	2020	2021	2022
Revenues	\$ 547,364,876	\$ 560,676,492	\$ 571,497,380	\$ 587,354,011	\$ 601,859,324	\$ 616,545,380
Expenditures	\$ 529,347,432	\$ 554,311,777	\$ 552,901,103	\$ 579,111,219	\$ 588,731,637	\$ 605,912,753
Op Result	\$ 18,017,444	\$ 6,364,715	\$ 18,596,277	\$ 8,242,792	\$ 13,127,687	\$ 10,632,627
Beginning FB	\$ 83,392,711	\$ 95,774,870	\$ 88,371,147	\$ 81,613,939	\$ 79,741,626	\$ 75,374,253
PayGo Transfer	\$ (12,000,000)	\$ (26,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)
Ending FB	\$ 89,410,155	\$ 69,774,870	\$ 73,371,147	\$ 66,613,939	\$ 64,741,626	\$ 60,374,253
Fund Balance %	16.9%	12.6%	13.3%	11.5%	11.0%	10.0%
Debt Service%	16.44%	13.43%	8.84%	9.24%	9.91%	10.43%

Revenues vs. Expenditures 2018-2022



Expenditure Efficiencies and Out-Performing Revenues

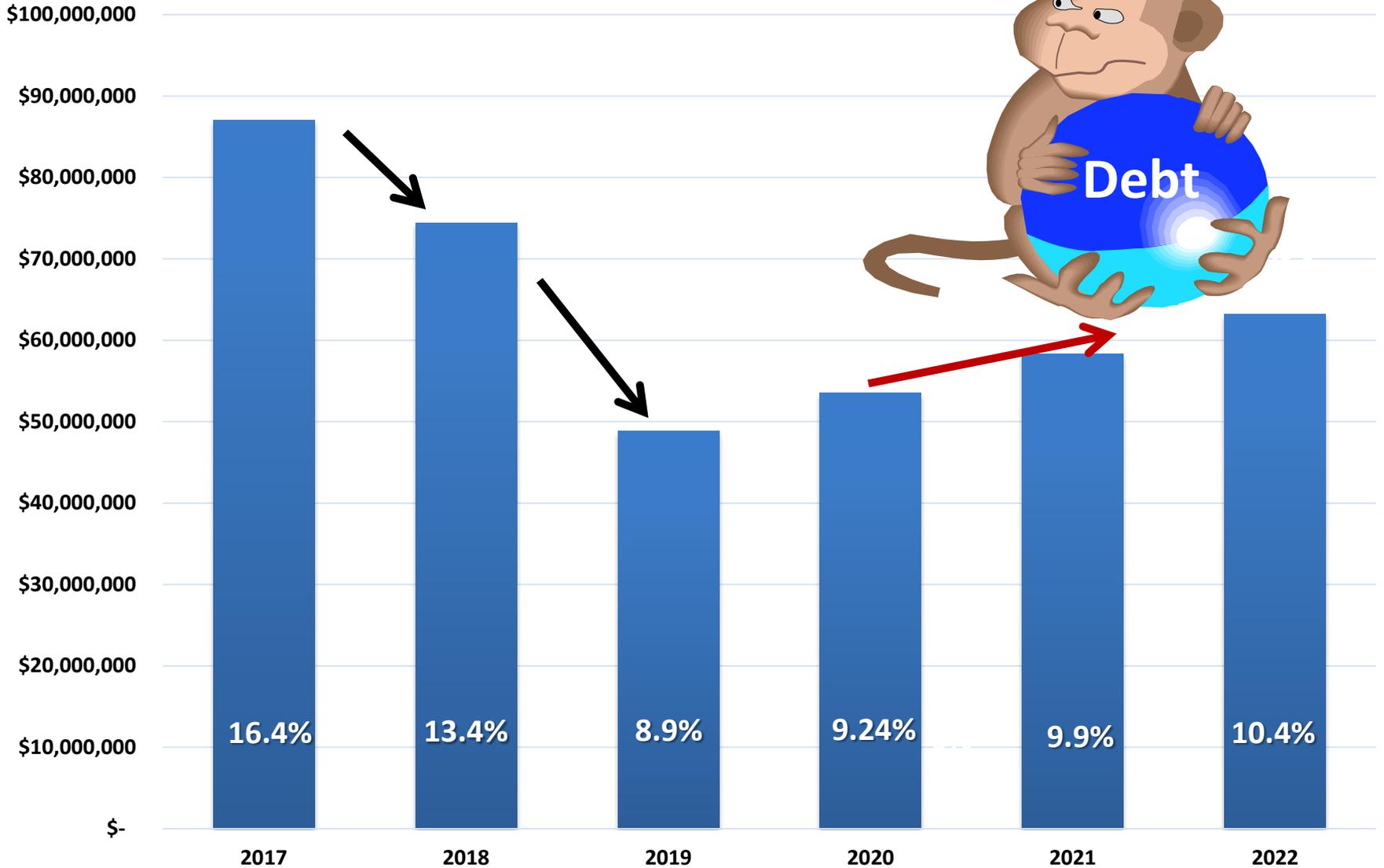
	2014	2015	2016	2017	2018
Org Budget	\$ 961,385	\$ 8,732,624	\$ 6,022,505	\$ 6,234,669	\$ 6,364,716
FY Budget Est	\$ 7,917,767	\$ 20,306,137	\$ 25,902,405	\$ 18,017,444	?
Difference	\$ 6,956,382	\$ 11,573,513	\$ 19,879,900	\$ 11,782,775	?

\$50 Million Addition Dollars have been added to the plan in the last 4 years to help pave our to fiscal stability



Debt Service 13.4% of Expenditures

Annual Debt Service



It's the **PRINCIPLE**
I'm **INTERESTED!**

BONDS

**Capital
INVESTMENT!**

Wall St.

Oh shi-

DEBT CLIFF

Wally

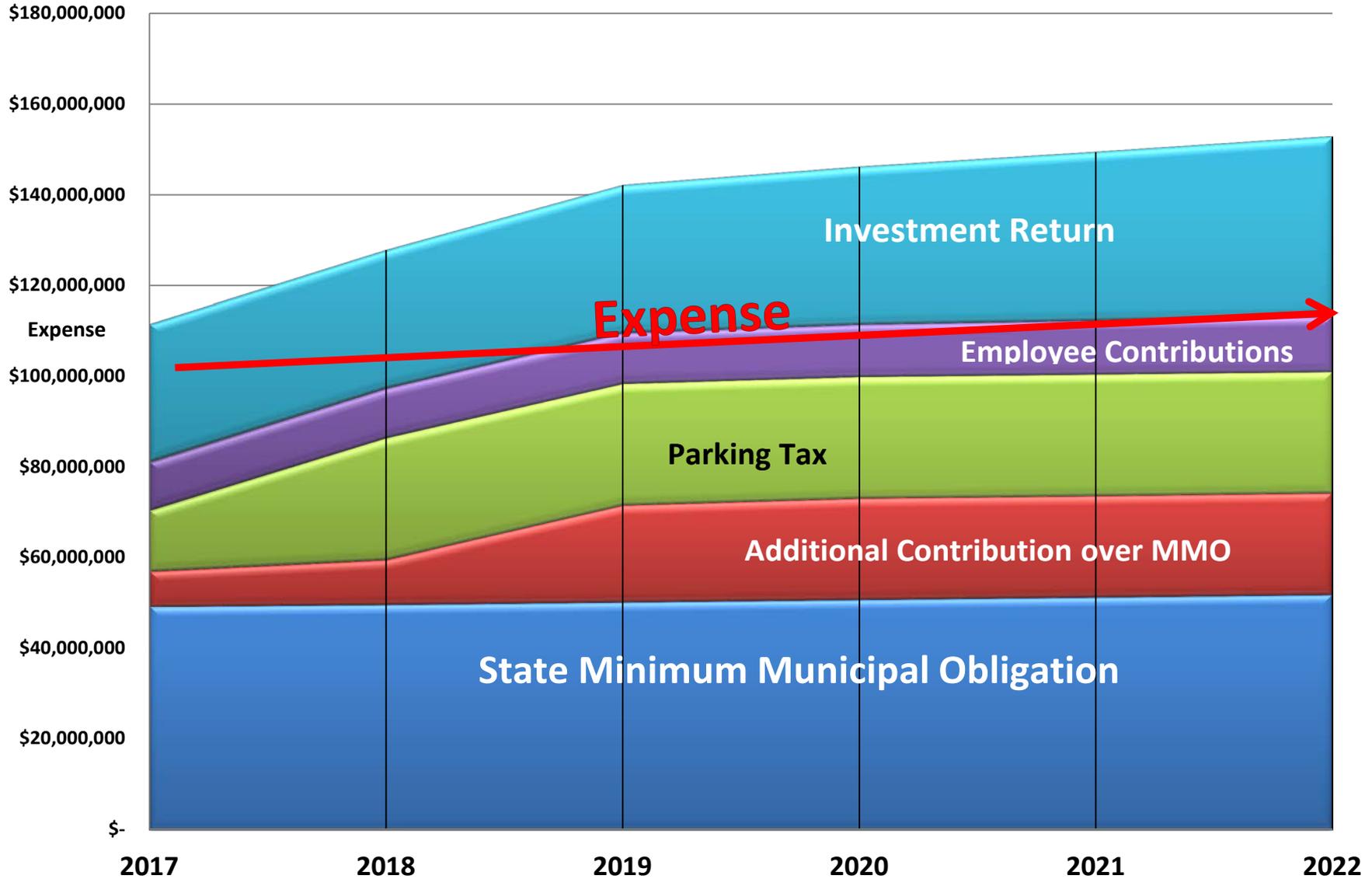
PAY as You Go Pension

	2017	2018	2019	2020	2021	2022
MMO	\$ 49,202,651	\$ 49,662,394	\$ 50,192,000	\$ 50,717,000	\$ 51,262,000	\$ 51,830,000
Contribution Over MMO	7,908,730	10,000,000	21,386,000	22,386,000	22,386,000	22,386,000
Parking Tax	13,376,000	26,752,000	26,752,000	26,752,000	26,752,000	26,752,000
Employee Contributions	\$ 10,662,702	\$ 10,982,583	\$ 11,312,060	\$ 11,651,422	\$ 12,000,965	\$ 12,360,994
Total Revenue	\$ 81,150,083	\$ 97,396,977	\$ 109,642,060	\$ 111,506,422	\$ 112,400,965	\$ 113,328,994
Total Expense	\$ 95,738,333	\$ 98,275,399	\$ 101,223,661	\$ 104,766,489	\$ 108,433,316	\$ 111,306,799
	\$ (14,588,250)	\$ (878,422)	8,418,400	6,739,934	3,967,649	2,022,195

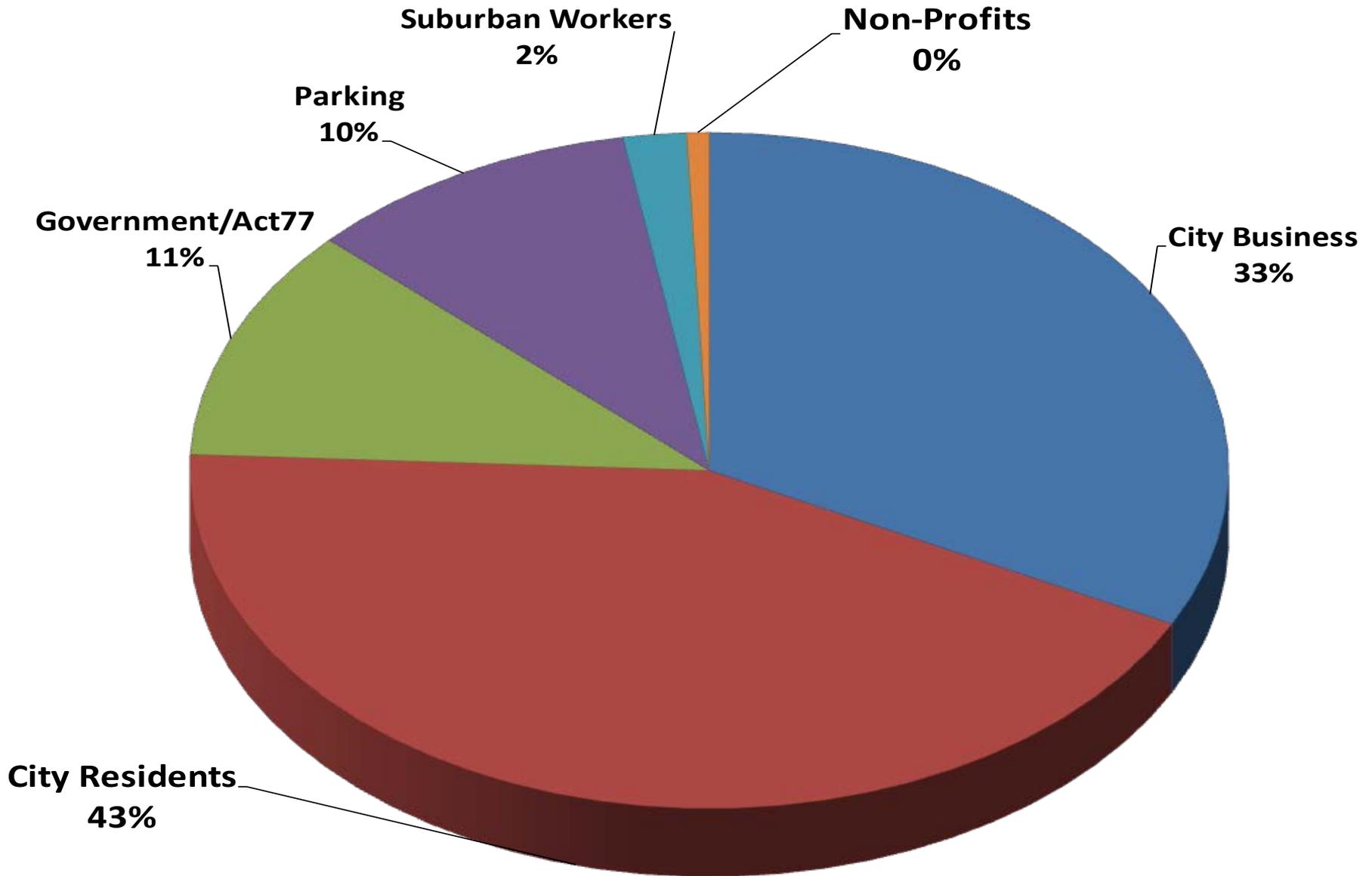
Additional \$216 Million interest* stays in fund
If we continue pay-as-you-go we can an achieve
80% funding level by 2028

*Based on 6.8% ROI

2018-2022 Ord #19 + Annual Pension Commitment



Who Pays in 2018?



Who Should Pay?

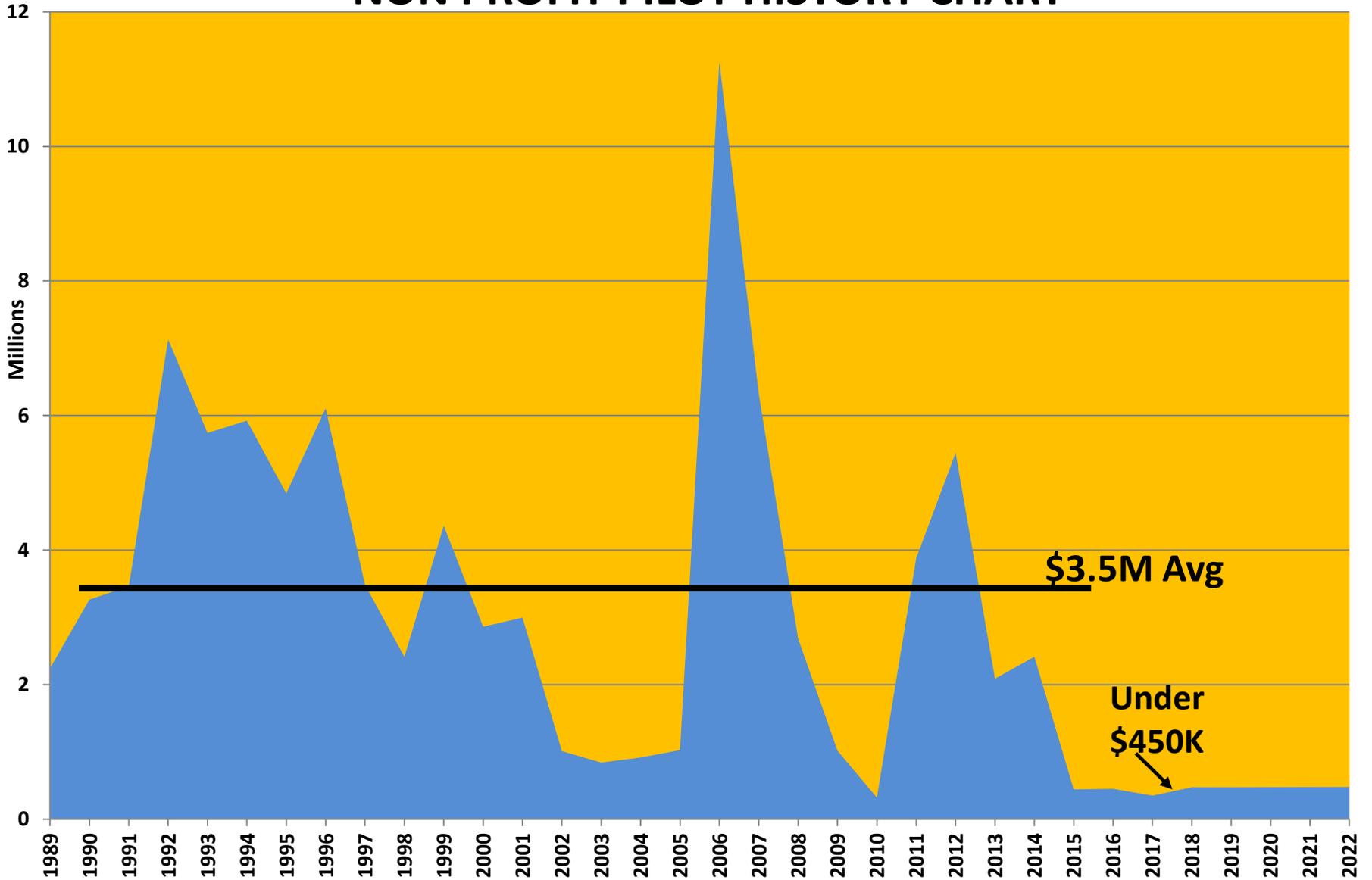
Simple – the Large Non-profits should pay at least a “suggested donation” based on ½ of 1 percent of the compensation they pay out. NON-Profit Impact Fee.

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

2018-2022 CHALLENGES

- **Revenues – missing: Billboard tax, Non-profit Agreement, MBRO**
- **Harrisburg issues: Pension Reform, Non-profits, Act 111 etc...**
- **Careful in the debt cliff**
- **Federal Uncertainty: CDBG and Tax-exempt Bond Status etc...**
- **Affordable Housing, Pre-K etc..**

STAY OUT of Act 47!



We Are Leaving ACT 47!

WOW!



Great Job!

ADO 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.

- Question, analyze and cost out new initiatives
- Limit debt borrowings, be analytical and question debt and debt structuring. Utilize PayGo capital funding
- Seek changes in Harrisburg on Pension, Non-profit contributions, development, and sane labor law
- Continue to apply Best Practices from Act 47 & ICA

What Can Be Done Now

Codify some of the Process and Practices the City is already doing, as mandated by Act 47 and the ICA, with **Council reassuming** the role of Oversight

Ordinance Code changes should include:

- Cooperative Budgeting, keeping August revenue meeting and certification of revenues by the Controller
- September budget/5 Year Plan submission to Council
- Limit changes to budget by 2% percent of total – no surprises
- Maintaining 10% Fund Balance thru 5 Year Plan
- Quarterly Reports read and filed
- PAY as You Go Pension
- Fund Other Post Employment Benefits in 5 Year Plan
- Tighten up closing language in Capital Budget ordinance
- Require PayGo % of Capital funding
- Prefer level principle and level debt service over other bond debt structures

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**

Funding Affordable Housing

Council passed an affordable housing trust fund ordinance at the end of 2016 with a goal of finding \$10 Million of funding annually in the City's operating budget. A smaller, but similar commitment was made through resolution to fund a Pre-K community trust fund.

The Mayor, in his budget address also referred to the funding.

An ordinance was introduced in Council that would increase the City's Home Rule Realty Transfer Tax to help pay for the increased expenditure.

We look forward to working with the Mayor and Council to find the funding and maintain the City's fiscal future.

