



City of Pittsburgh Operating Budget Forum

Office of Management and Budget

September 16, 2020



Welcome

□ Questions?

- Please send all questions to OMBoperating@pittsburghpa.gov
- Panelists will be available to answer some questions that have already been received at the end of the educational session
- OMB will review all questions and publish answers on the OMB website and on the EngagePGH page
 - This presentation will also be posted on these sites

□ OMB's Operating Budget Engagement page: <https://pittsburghpa.gov/omb/operating-budget-engagement>

□ EngagePGH: <https://engage.pittsburghpa.gov/2021-operating-budget>



Welcome

- How can you engage with the Operating Budget?
 1. Read through the [budget document](#)
 2. Attend an educational forum session
 3. Complete the [Operating Budget Survey](#)
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 5. Watch Council's budget hearings (schedule will be posted [here](#))

- All input will be reviewed by OMB and the Mayor's Office before the Mayor's Budget is published in November

- Input will also be shared with City Councilmembers

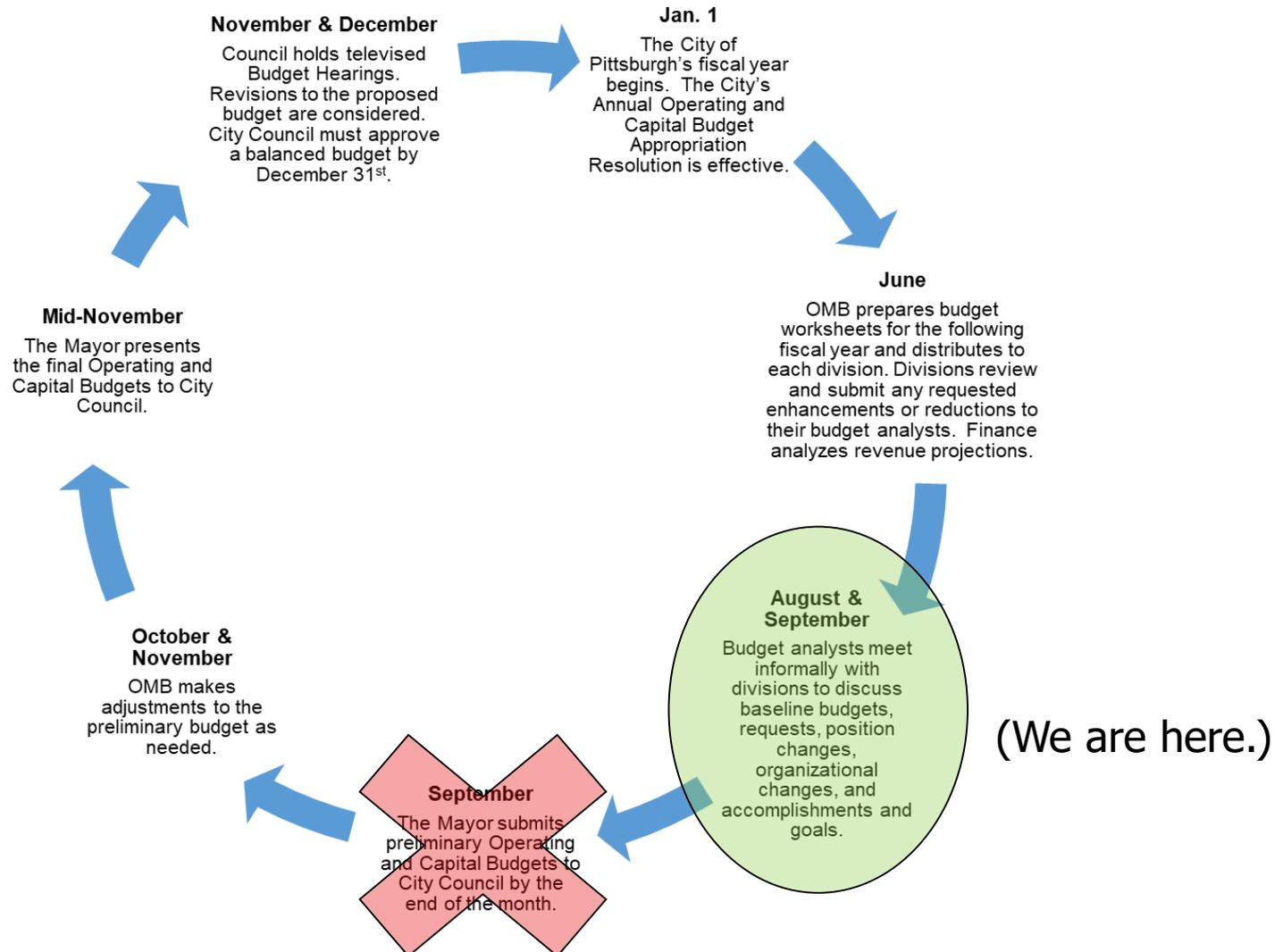


Agenda

- The Operating Budget Process
- OMB Overview
- Key Background Information
 - Operating vs. Capital
 - Jurisdiction of City Services
 - Obligations to Employees
 - Pension
 - Debt Service
- The 2020 Budget
- COVID-19
- The 2021 Budget
- Review: How to Engage
- Q&A



The Operating Budget Process





OMB Overview

The Office of Management and Budget has five functional areas:

- **Administration**
 - Oversees citywide planning and management functions
 - Coordinates citywide processes such as legislation, position control, and travel requests

- **Capital, Fleet, and Asset Management**
 - Responsible for the preparation and implementation of the annual capital budget and six-year capital improvement program
 - Development and financial oversight of the City's long-term infrastructure investment plan, including buildings and vehicles

- **Operating, Grants, and Special Revenue**
 - Responsible for the preparation and implementation of the annual operating budget and five-year forecast, as well as long-term financial planning and policy development
 - The Grants Office works to pursue, secure, and administer grants from federal, state, county, corporate, and foundation partners

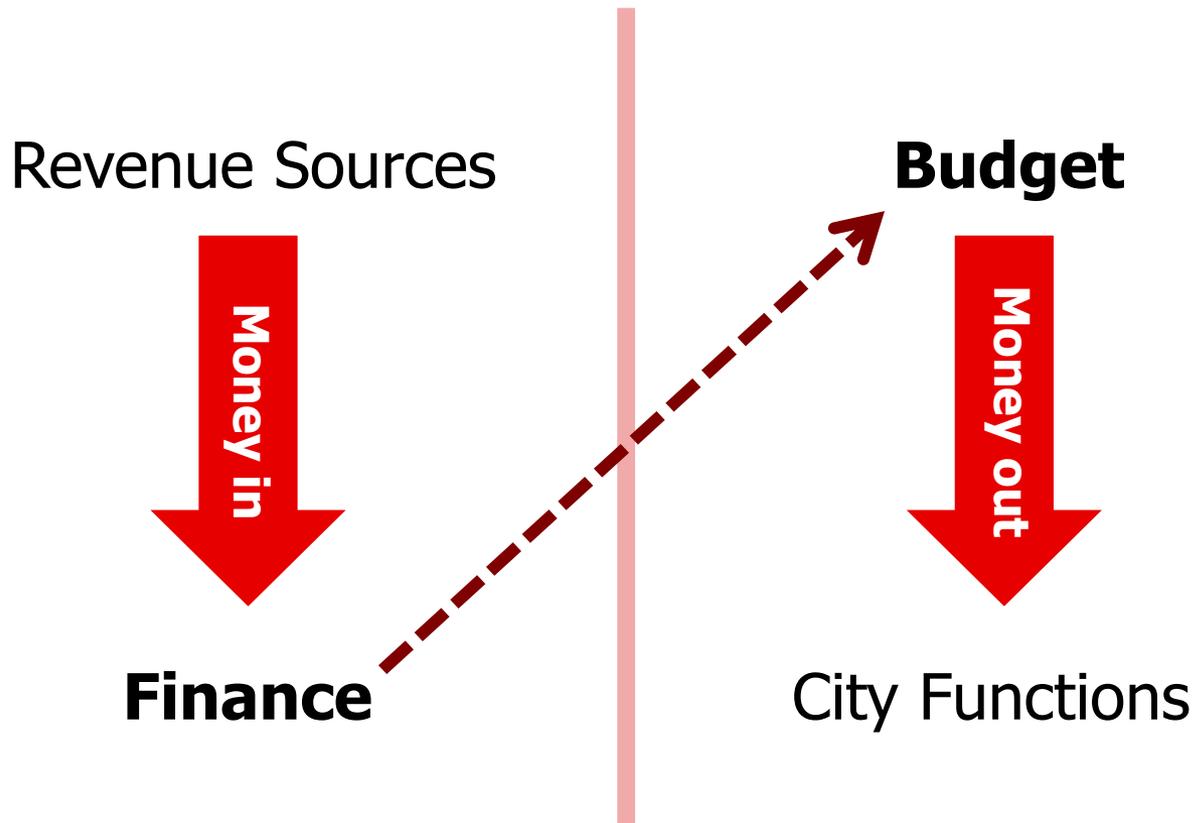


OMB Overview

- Procurement
 - Responsible for day-to-day operations associated with purchasing
 - Drives improvements in procurement processes, policies, and technology

- Community Development Block Grant (CDBG)
 - Oversees funding for the CDBG, Emergency Solutions Grant, Housing Opportunities for Persons with AIDS, and HOME Investment Partnership programs (U.S. Department of Housing and Urban Development)

OMB Overview





Background – Operating vs. Capital

- Operating expenditures pay for most day-to-day governmental activities
- Capital projects are:
 - Used to design, build, restore, retain, or purchase any City-owned asset
 - Have a minimum value of \$50,000
 - Have a minimum useful life of five years
 - Primarily funded via municipal bonds (debt issuance), pay-as-you-go (an annual operating transfer), or federal/state funding (CDBG, DCED, etc.)
- Projects financed through debt should have a minimum useful life no shorter than the length of time to repay the debt

Background – Operating vs. Capital



Operating

- ❑ Employee salaries and benefits
- ❑ Pension funding
- ❑ Debt payments
- ❑ Leases
- ❑ Utility payments
- ❑ Ongoing building maintenance
- ❑ Fuel and vehicle maintenance
- ❑ Office supplies
- ❑ Computers and software
- ❑ Internet for City facilities
- ❑ Professional services

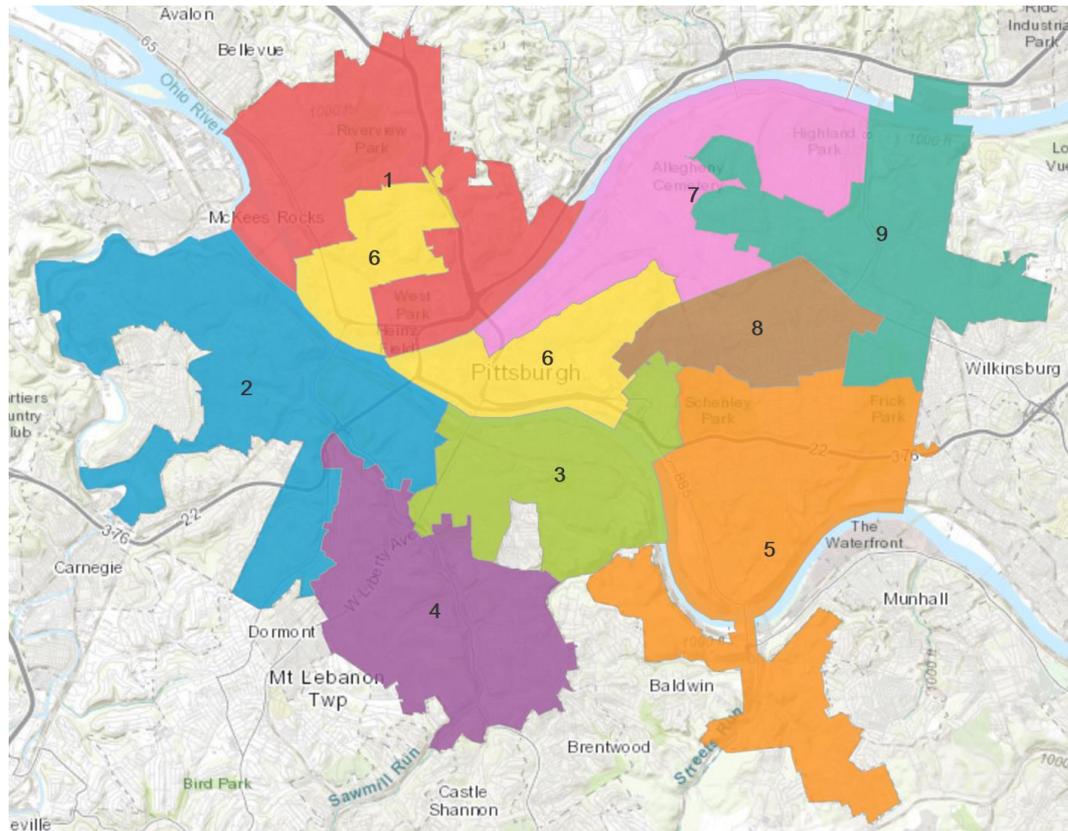
Capital

- ❑ Construction and major renovations of:
 - Roads (including paving and traffic signals)
 - Bridges
 - Public sidewalks
 - Public parks
 - Healthy Active Living centers
 - Recreation centers
 - City-owned buildings
- ❑ City vehicles and heavy equipment
- ❑ Major new technology projects
- ❑ Public neighborhood support (CDBG)

Background – Jurisdiction of City Services



- The City does not have responsibility for services outside of the nine colored Council Districts below



Background – Jurisdiction of City Services



- The City does not have legal authority over the following:
 - County, state, or federal roads and bridges
 - Schools (Pittsburgh Public Schools)
 - Public transportation (Port Authority of Allegheny County)
 - Health services (Allegheny County)
 - Most human services (Allegheny County)
 - The jail (Allegheny County)
 - Courts (county, state, federal)
 - Non-City of Pittsburgh public safety response teams
 - Water infrastructure (PWSA, ALCOSAN)
 - Public parking infrastructure and enforcement

Background – Obligations to Employees



- ❑ Various local ordinances and state or federal statutes provide City employees certain rights, including rights to bargain about the terms and conditions of employment
- ❑ Operationally, this means that salaries, benefits, and work rules are often determined for definite periods of time and for certain terms
 - Most changes for each employee group represented by a union must be negotiated

Background – Obligations to Employees



- Current union representation for City of Pittsburgh employees:
 - Fraternal Order of Police, Fort Pitt Lodge, 1
 - International Association of Fire Fighters, Local 1
 - PJCBC
 - Teamsters, Local 249
 - AFSCME 2037
 - SEIU 668
 - SEIU 192-B
 - AFSCME 2719
 - Fraternal Association of Professional Paramedics, Local 1

Background – Pension



- The City's pension fund provides retirement benefits to eligible City employees
- Pennsylvania Act 44 of 2009 sets requirements that the City must follow
 - Act 44 requires the pension funding level to remain above 50% to avoid a state takeover of the fund
 - As of the end of Q2 2020, the liability balance was 60.55% funded, indicating a distress level of (2)
- Required payments:
 - Minimum Municipal Obligation (MMO) = \$51.5 million in 2020
 - Parking tax asset = \$26.8 million/year
 - City Code calls for an additional contribution to reach the total amount recommend by the fund's actuaries = \$19.8 million in 2020

Background – Debt Service



- The City issues bonds to pay for capital projects
- The Operating Budget covers annual debt payments for these bonds
- Principal and interest payments occur on a set schedule for a fixed number of years
- While more bond money would greatly improve City infrastructure, the additional debt service in the Operating Budget would require reduced services
 - City Code limits debt service to 12% of general fund expenditures to help maintain a fair balance

2020 Operating Budget Statistics



- 27 Departments, Bureaus, and Offices
- 9 labor units
- 3,233 full-time budgeted positions
 - 900 Police Officers
 - 667 Firefighters
 - 181 Paramedics
 - 28 Emergency Medical Technicians
 - 568 Public Works employees, including 193 Environmental Services employees
 - 47 full-time Parks employees, plus over 300 part-time and seasonal employees

The 2020 Budget: Five-Year Financial Forecast



- Three components:
 - Target Budget
 - Overview of revenues, expenditures, operating result, reserve fund balances, and fund balance and debt service as a percentage of expenditures
 - Forecast by Department
 - Separates expenditures by department or bureau
 - Forecast by Subclass
 - Separates expenditures by spending category

The 2020 Budget: Five-Year Financial Forecast



- Operating Result = Revenues – Expenditures
- Fund Balance: emergency funding; ideal target is two month's worth of expenses
 - City Code calls for a fund balance of at least 10% of General Fund expenditures, with a goal of between 12.5% and 16.7%
- City Code limits debt service to 12% of General Fund expenditures
- Fund balance and debt service as a percentage of expenditures are quick ways to gauge overall financial "health"

The 2020 Budget: Target Budget



REVENUES

Real Estate Tax	\$150,079,825
Earned Income Tax	\$106,639,079
Payroll Preparation Tax	\$ 71,084,420
Parking Tax	\$ 59,289,855
Deed Transfer Tax	\$ 43,792,752
Act 77 - Tax Relief	\$ 23,496,827
Amusement Tax	\$ 18,347,974
Local Service Tax	\$ 14,877,170
Facility Usage Fee	\$ 5,462,526
Telecommunications Licensing Tax	\$ 1,206,148
Institution Service Privilege Tax	\$ 656,007
Non-Profit Payment for Services	\$ 531,062
Other Taxes	\$ -
Outdoor Advertising Excise Tax	\$ -
Licenses and Permits	\$ 14,244,399
Charges for Services	\$ 41,758,804
Fines and Forfeitures	\$ 10,532,754
Intergovernmental Revenue	\$ 43,593,693
Interest Earnings	\$ 2,586,575
Miscellaneous Revenues	\$ 56,015
Total Revenues	\$608,235,885

EXPENDITURES

Operating Departments	\$360,640,052
Pension & OPEB	\$106,544,242
Health Benefits	\$ 67,350,234
Workers' Comp.	\$ 17,485,780
Debt Service	\$ 56,079,739
Total Expenditures	\$608,100,046

OPERATING RESULT **\$ 135,839**

BEGINNING RESERVE FUND BALANCE **\$ 85,842,250**
Transfer to PAYGO \$(14,625,000)

ENDING RESERVE FUND BALANCE **\$ 71,353,089**

FUND BALANCE, % OF EXPENDITURES 11.73%

DEBT SERVICE, % OF EXPENDITURES 9.22%

The 2020 Budget: Target Budget

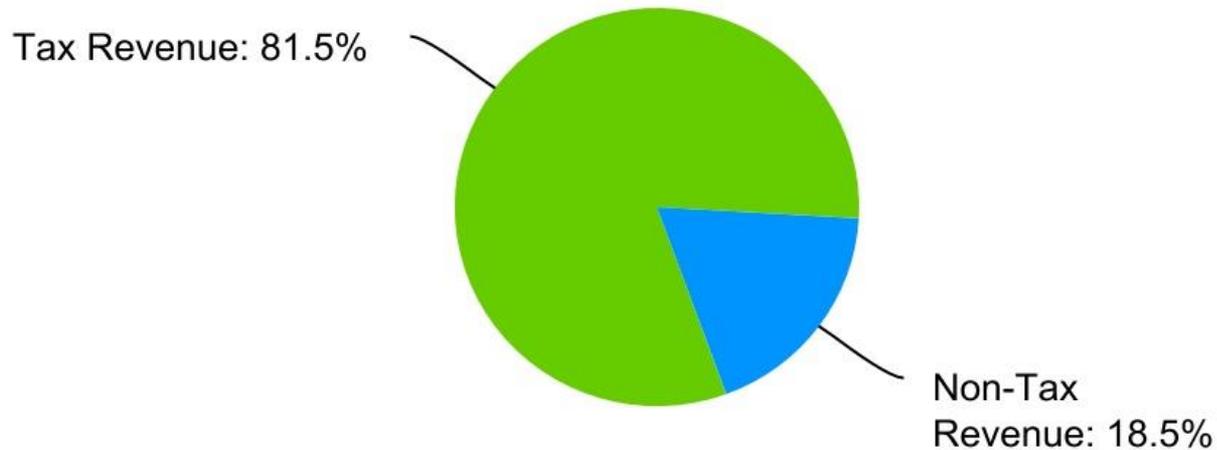


City Council	\$ 2,659,396		
Office of the City Clerk	\$ 1,632,802		
Office of the Mayor	\$ 1,461,968		
Office of Equity	\$ 1,758,022		
Office of Management and Budget	\$ 17,194,452		
Innovation and Performance	\$ 17,684,158		
Commission on Human Relations	\$ 536,795		
Office of the City Controller	\$ 4,941,092		
Finance	\$ 178,736,252		
Law	\$ 7,618,636		
Ethics Hearing Board	\$ 172,486		
Office of Municipal Investigations	\$ 716,375		
Human Resources and Civil Service	\$ 40,688,619		
City Planning	\$ 4,139,580		
Permits, Licenses, and Inspections	\$ 6,787,255		
Public Safety Administration	\$ 11,820,429		
Bureau of Emergency Medical Services	\$ 24,095,375		
Bureau of Police	\$ 114,787,000		
Bureau of Fire	\$ 90,844,936		
Bureau of Animal Care and Control	\$ 1,703,307		
Public Works Administration	\$ 1,153,059		
Bureau of Operations	\$ 24,022,352		
Bureau of Environmental Services	\$ 18,368,918		
Bureau of Facilities	\$ 20,606,949		
Parks and Recreation	\$ 4,776,531		
Mobility and Infrastructure	\$ 8,534,363		
Citizen Police Review Board	\$ 658,939		
Total Expenditures	\$ 608,100,046		
		51 - PERSONNEL - SALARIES & WAGES	\$ 256,935,408
		52 - PERSONNEL - EMPLOYEE BENEFITS	\$ 203,470,974
		53 - PROFESSIONAL & TECHNICAL SERVICES	\$ 19,549,881
		54 - PROPERTY SERVICES	\$ 29,222,092
		55 - OTHER SERVICES	\$ 4,606,342
		56 - SUPPLIES	\$ 15,546,771
		57 - PROPERTY	\$ 7,183,939
		58 - MISCELLANEOUS	\$ 15,504,900
		82 - DEBT SERVICE	\$ 56,079,739
		Total Expenditures	\$ 608,100,046

The 2020 Budget: Types of Revenue



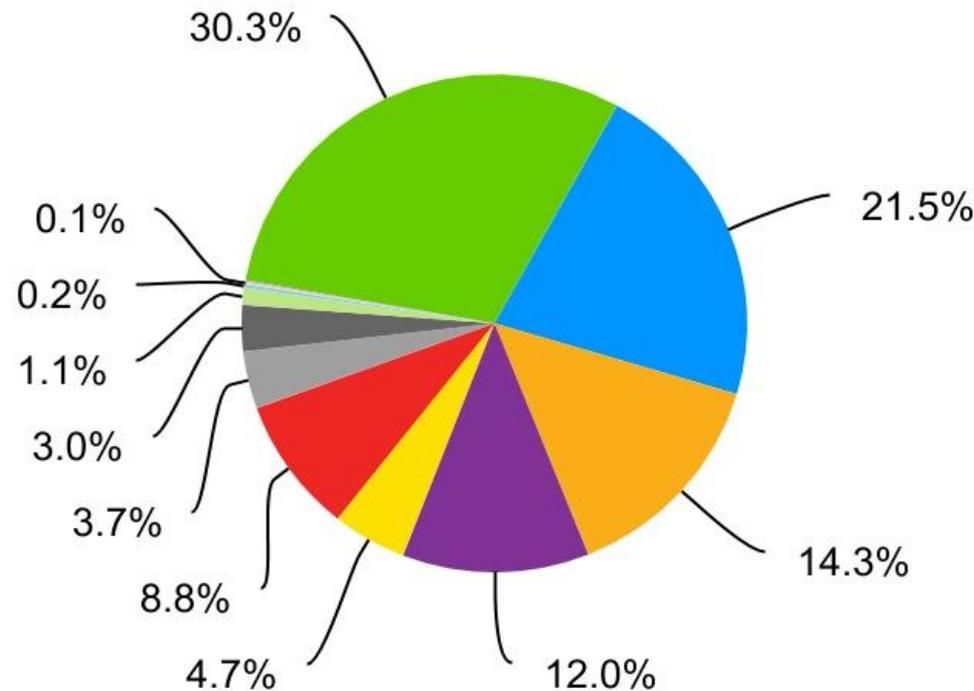
2020 Tax vs. Non-Tax Revenue



The 2020 Budget: Largest Sources of Revenue



Breakdown of 2020 Tax Revenues



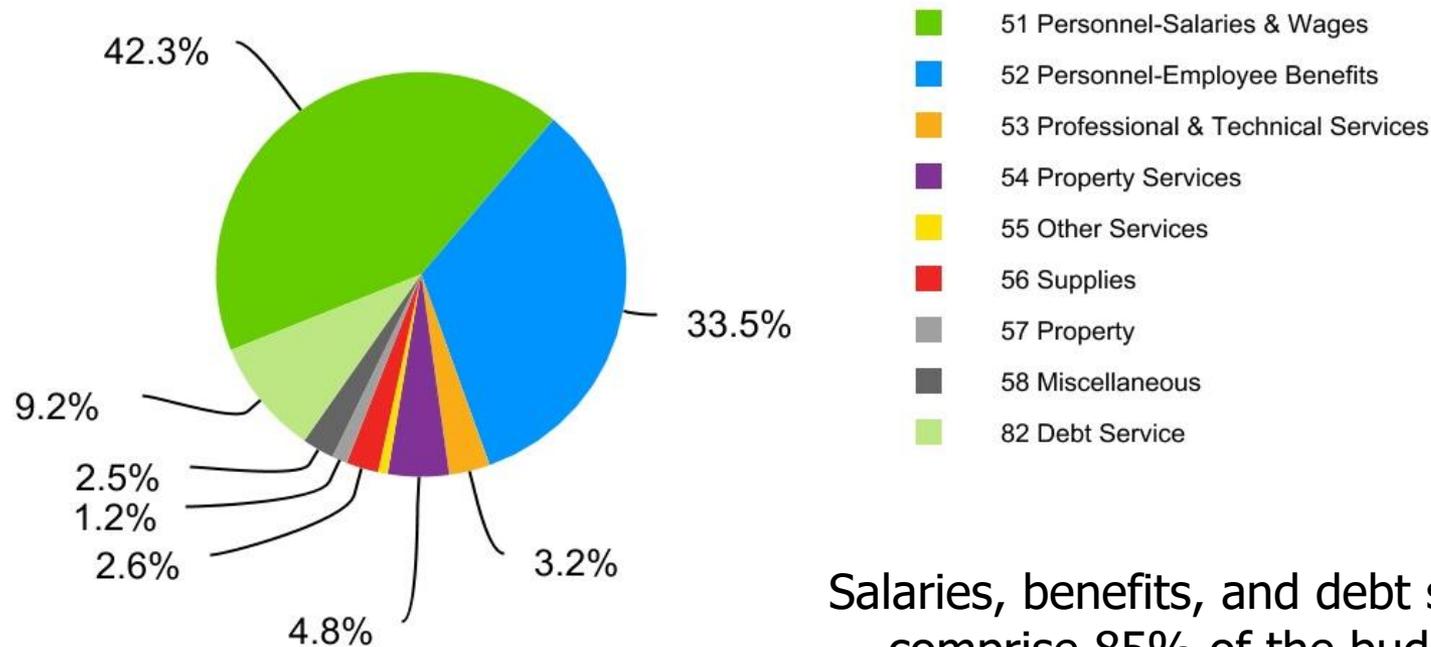
Real estate tax generates more revenue annually for the City than the smallest seven tax sources combined.

- | | | |
|---|--|---|
| ■ Real Estate Tax | ■ Earned Income Tax | ■ Payroll Preparation Tax |
| ■ Parking Tax | ■ Act 77 - Tax Relief | ■ Deed Transfer Tax |
| ■ Amusement Tax | ■ Local Service Tax | ■ Facility Usage Fee |
| ■ Telecommunications Licensing Tax | ■ Institution Service Privilege Tax | ■ Non-Profit Payment for Services |
| ■ Other Taxes | | |

The 2020 Budget: How Is Your Money Spent?



2020 Expenditures by Subclass

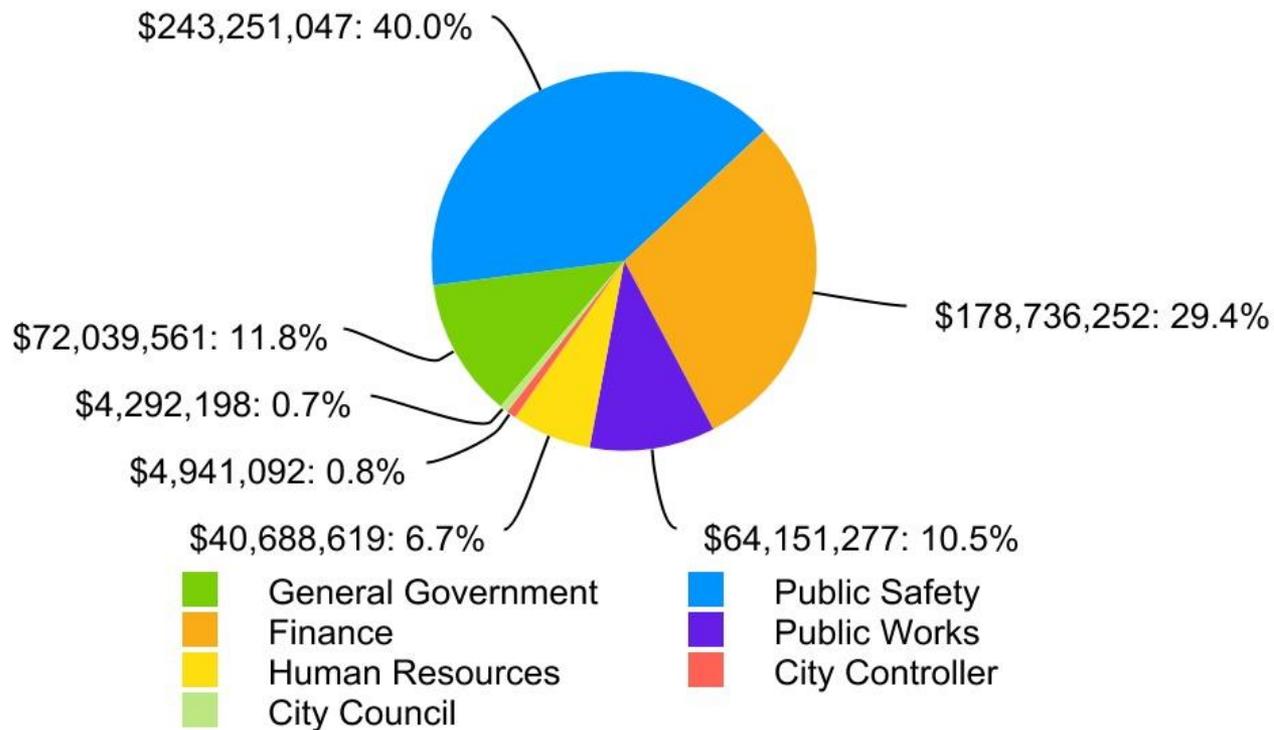


Salaries, benefits, and debt service
comprise 85% of the budget!

The 2020 Budget: How Is Your Money Spent?



2020 Spending by Division



COVID-19:

Impacts on the 2020 Budget



- ❑ 2nd Quarterly Report revenue projection: \$509.8 million
- ❑ Projected deficit: \$98.4 million from the 2020 budget
- ❑ The 3rd Quarterly Report will be available in November, with updated revenue and expenditure projections
- ❑ Revenues most impacted:
 - Amusement Tax, Facility Usage Fees, Deed Transfer Tax, Parking Tax, Earned Income Tax, Payroll Preparation Tax, Parking Tickets, Traffic Court
- ❑ Unanticipated additional expenditures
 - Public Safety personnel response, Personal Protective Equipment (PPE), technology costs for remote access, cleaning and sanitizing

COVID-19:

Budgeted vs. Projected Revenue



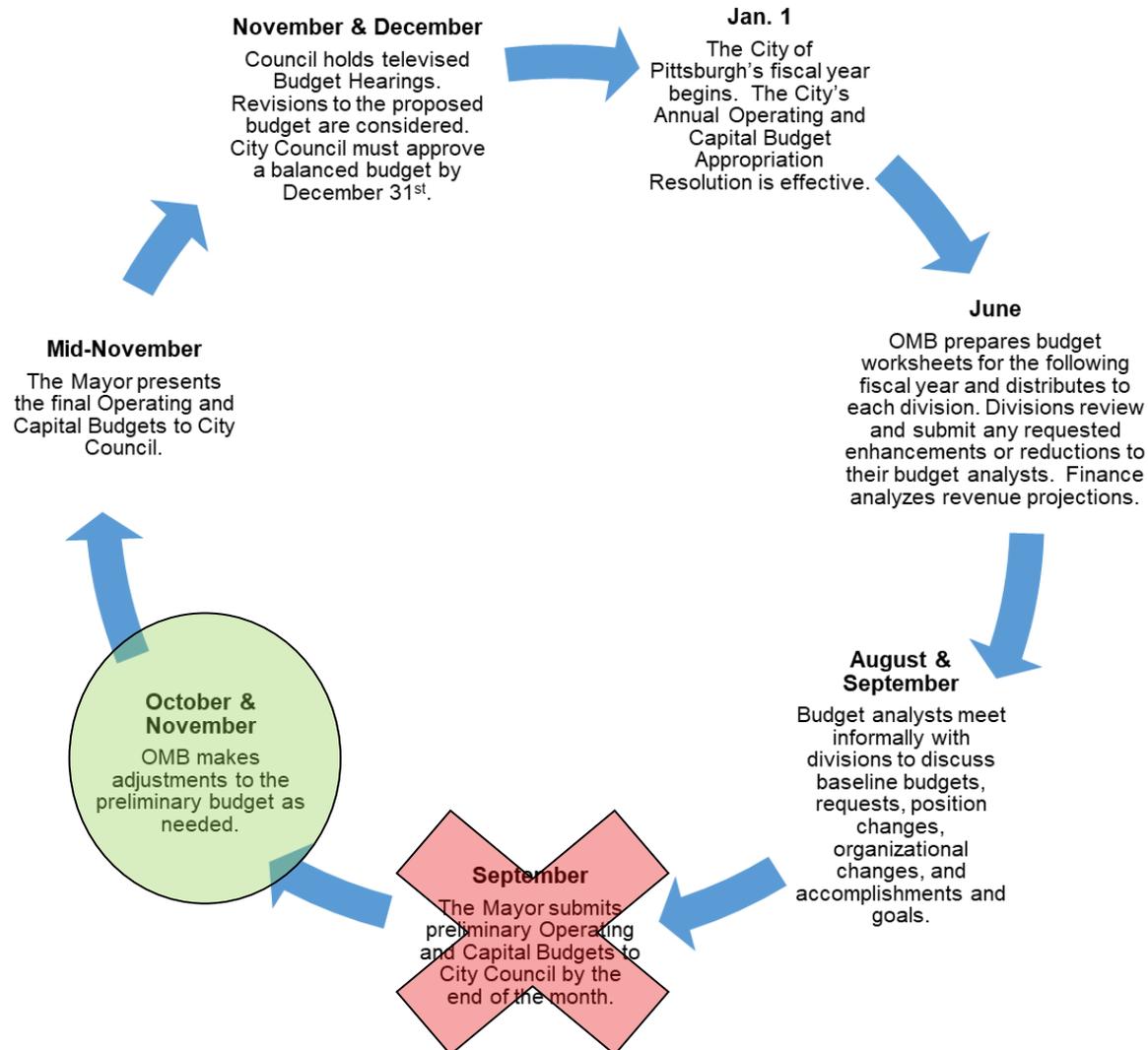
REVENUES	2020 Adopted Budget	Projections as of the Q2 Report	Difference	Percent Change
Real Estate Tax	\$ 150,079,825	\$ 145,782,208	\$ (4,297,617)	-2.9%
Earned Income Tax	\$ 106,639,079	\$ 91,738,584	\$ (14,900,495)	-14.0%
Payroll Preparation Tax	\$ 71,084,420	\$ 54,479,498	\$ (16,604,922)	-23.4%
Parking Tax	\$ 59,289,855	\$ 29,256,233	\$ (30,033,623)	-50.7%
Deed Transfer Tax	\$ 43,792,752	\$ 33,687,807	\$ (10,104,945)	-23.1%
Act 77 - Tax Relief	\$ 23,496,827	\$ 19,780,333	\$ (3,716,494)	-15.8%
Amusement Tax	\$ 18,347,974	\$ 7,089,177	\$ (11,258,797)	-61.4%
Local Service Tax	\$ 14,877,170	\$ 13,840,802	\$ (1,036,368)	-7.0%
Facility Usage Fee	\$ 5,462,526	\$ 1,694,573	\$ (3,767,953)	-69.0%
Telecommunications Licensing Tax	\$ 1,206,148	\$ 606,858	\$ (599,290)	-49.7%
Institution Service Privilege Tax	\$ 656,007	\$ 1,211,952	\$ 555,945	84.7%
Non-Profit Payment for Services	\$ 531,062	\$ 522,834	\$ (8,228)	-1.5%
Other Taxes	\$ -	\$ 1,360	\$ 1,360	n/a
Outdoor Advertising Excise Tax	\$ -	\$ -	\$ -	n/a
Licenses and Permits	\$ 14,244,399	\$ 12,604,950	\$ (1,639,450)	-11.5%
Charges for Services	\$ 41,758,804	\$ 38,338,259	\$ (3,420,546)	-8.2%
Fines and Forfeitures	\$ 10,532,754	\$ 6,320,442	\$ (4,212,312)	-40.0%
Intergovernmental Revenue	\$ 43,593,693	\$ 49,858,285	\$ 6,264,592	14.4%
Interest Earnings	\$ 2,586,575	\$ 2,866,524	\$ 279,949	10.8%
Miscellaneous Revenues	\$ 56,015	\$ 113,410	\$ 57,395	102.5%
Total Revenues	\$ 608,235,885	\$ 509,794,087	\$ (98,441,798)	-16.2%

COVID-19: City Response



- Weekly updated revenue forecasts from the Department of Finance
- The annual revenue meeting with City Council and the City Controller was completed in August
 - Any material change for the budget will need to be re-approved by both entities before budget publication
- Eliminated the Mayor's Preliminary Budget in September
- Limited expenditures by delaying or cancelling certain projects
- Implemented a modified hiring freeze
- Refinanced older bond issuances

The 2021 Operating Budget Process: Next Steps





Review: How to Engage

- How can you engage with the Operating Budget?
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Thank You!

- Special thanks to:
 - You, for your active engagement in the City's participatory budgeting process
 - The Mayor's Office
 - The Office of Community Affairs
 - Department of Finance
 - Department of Law
 - Department of Innovation and Performance, especially the City Channel team