

City Council Presentation

Act 47

Post Agenda

REVENUE

CAPITAL BUDGET

February 16, 2009

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BAD NEWS: REVENUE SHORTFALL

	2005	2006	2007	2008	2009	Aggregate
Act 47 Plan Revenues	\$ 51,037,174	\$ 52,742,931	\$ 52,840,027	\$ 54,211,146	\$ 55,538,158	\$ 266,369,436
Legislative Package vs. If we did nothing	\$ 17,606,873	\$ 17,660,824	\$ (6,174,455)	\$ (3,225,340)	\$ 482,359	\$ 26,350,261
Plan Revenue Shortfall	\$ (33,430,301)	\$ (35,082,107)	\$ (59,014,482)	\$ (57,436,486)	\$ (55,055,799)	\$ (240,019,175)
* Sources: June 11, 2004 Act 47 Plan pp. 201, 1/21/2004 Finance Department Projections & 2007 Mayor's Budget						

** Elimination of pay as you go Capital Budget and various accounting changes deflated legislative revenue funding

Due to many variables such as the assessment freeze an overestimation of Payroll Tax projections, gaming revenue delays and many other factors the revenue stated as necessary in the plan has not been delivered

The Problem

	2007	2008	2009	2010	2011
Revenues	425,657,607	444,212,553	441,416,100	441,081,100	448,868,100
Expenditures	425,657,607	404,758,038	437,976,013	441,012,215	448,687,177
Operating Result + (-)	\$ -	\$ 39,454,515	\$ 3,440,087	\$ 68,885	\$ 180,923

**•Without revenue enhancement the problem may return in 2010
 Need additional funds for PAYGO Capital Budget (\$10 to \$20 Million)**

Other unanticipated problems

- Emergency Services Tax – no longer \$52 dollars per year (-\$3 Million less per year than projected)
- Commonwealth Appropriation Line item @ \$10 Million was funded only \$6.3 Million by legislature for 2008 and only received \$5 Million
- Economic Development Slots Revenue reduced by \$2.5 Million

Revenue Issues to study for the Plan

- **Increase collection rate**
 - 3rd Party Assistance
 - On-line payments made easy (Fees and Taxes)
- **Who's not paying? How do we get them to help?**
 - Non-profits/guest workers
- **Freezing Parking Tax and or Business Privilege**
 - Could make BP and Payroll pay higher of the 2
 - Spreads the burden among all business sectors
- **Market Based Revenue Opportunities**
 - Implement all but billboards
- **Increase Taxpaying Population**
 - Improve Housing Stock, QOL– Incentives – Hold Taxes

Increase in Collection

MAJOR REVENUE	2009 Budgeted	1% Increase
REAL ESTATE TAX	127,824,000	1,278,240
EARNED INCOME TAX	64,630,000	646,300
PAYROLL PREP TAX	44,841,000	448,410
		2,372,950

- **3rd Party Collection Assistance**
- **New Technology?**

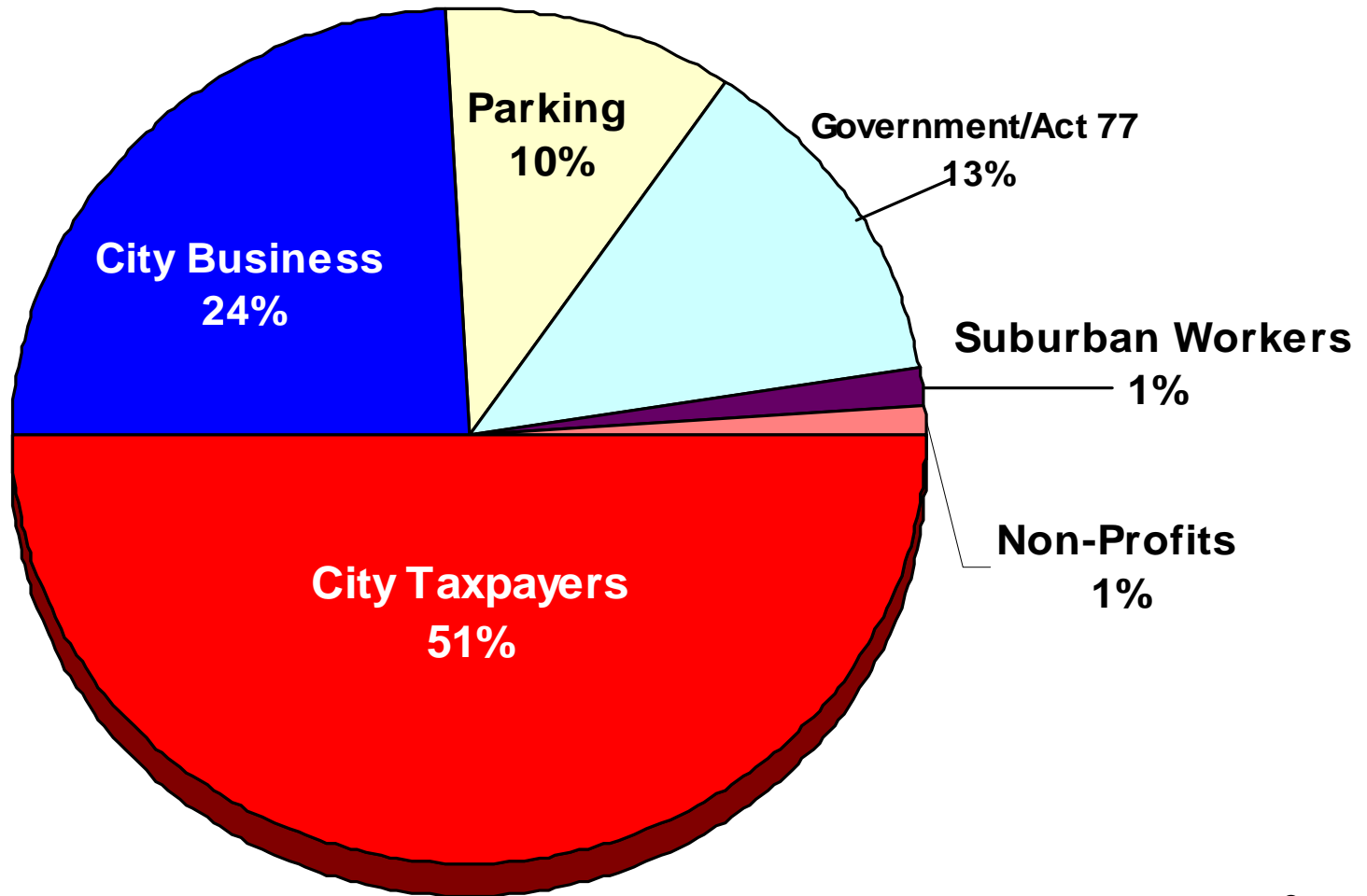
Increase in Collection

Major Fees	2009 Budgeted	1% Increase
Rentals and Charges	4,219,000	42,190
Break Even Centers	21,752,000	217,520
		\$ 259,710

- On-line payments
- Fee Increases

Who Pays in 2009?

\$441.4 Million



Non-Profit Agreement?

- There is currently no agreement with the non-profit community on future PILOT participation - \$4.6 Million Dollars budgeted– only \$2.6 Million received in '08
- There is no formula for contribution level
- Contribution level should be based on an economic indicator such as payroll
- Annual certainty without begging

Annual Recurring Revenue

NON-PROFIT PAYROLL FEE

ORGANIZATION	TOTAL PAYROLL	GROSS PAYROLL TAX RATE			
		0.55%	0.45%	0.33%	0.25%
Heath agencies, Universities & Other Assessment					
<i>Health Services and Universities</i>	3,351,691,225	18,434,302	15,082,611	11,060,581	8,379,228
<i>Other</i>	414,253,972	2,278,397	1,864,143	1,367,038	1,035,635
<i>Estimate 2007</i>	3,765,945,196	20,712,699	16,946,753	12,427,619	9,414,863

Act 222 Parking Tax Reduction

FREEZE PARKING RATE @ 45%

	50%	45%	40%	37.5%	35%	
RATE	2006	2007	2008	2009	2010	Aggregate Gain
Parking Tax	\$ -	\$ 48,058,628	\$ 44,236,000	\$ 42,290,000	\$ 39,470,000	\$ 174,054,628
Freeze @ 45%		\$ 47,043,000	\$ 47,631,038	\$ 48,226,425	\$ 48,829,256	\$ 191,729,719
Positive Result		\$ 1,015,628	\$ 3,395,038	\$ 5,936,425	\$ 9,359,256	\$ 17,675,091

Due to the state forced reduction of the Parking Tax The City will lose at least \$17.6 Million in 2010 of potential revenue

Market Based Revenue Opportunities

- Advertising on City Property
- Sponsorship
- Plenty to do that does not include Billboards
- Web-hosting, Ads on vehicles (garbage trucks), Sports Commission.... Etc..

Increase Population

- Incentives to increase working population
- Amenities, housing stock, Neighborhood Stabilization
- Resident opportunities
- Attract private sector business to compliment neighborhoods

Capital Budget

February 16, 2009

**Marcelle Newman, Senior Budget Analyst
City Council**

Capital Improvement

- Commitment to continue the pay-as-you-go capital improvement program.
- Maintain a minimum level of \$25 Million annually in order to emphasize priority on projects that have suffered from years of deferred maintenance, such as:
 - Transportation Improvement Projects (TIP) match for infrastructure projects that are long-lived
 - Facility improvements projects that enhance existing facilities
 - Equipment (systematic replacement of vehicles)
 - Citywide financial system in order to improve the operating efficiency

Infrastructure Upgrades

- Focus resources on improving and maintaining **existing** infrastructure and avoid building new infrastructure where possible
- Neighborhood housing stock, sidewalks, parks and recreational facilities should be adequately maintained to enhance our quality of life and attract new residents
- Cannot rely on the stimulus plan as it does not guarantee funding for all, or any requested projects.

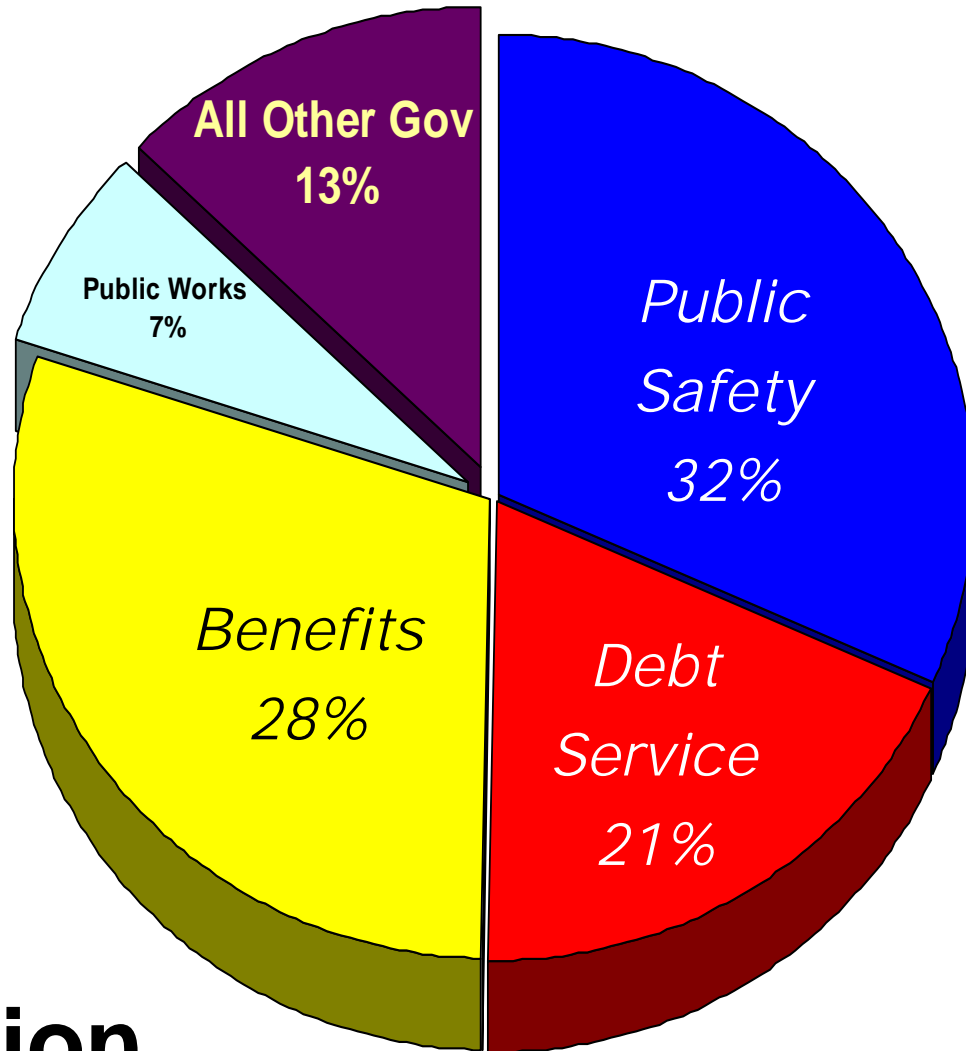
300 thousand people support a city infrastructure that was built for 1 million. Just as we're right sizing City facilities, we should also right size City streets. Otherwise, the City could spend its entire capital program on street resurfacing alone.

	2009	2010	2011	2012	2013	2014
Current Miles to be Resurfaced	86	86	86	86	86	86
Deferred Miles from Last 5 years	<u>51</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>0</u>
Total Miles to be Resurfaced	<u>137</u>	<u>137</u>	<u>137</u>	<u>137</u>	<u>137</u>	86
Estimated Cost per Mile	\$ 225,000	\$ 234,000	\$ 243,360	\$ 253,094	\$ 263,218	\$ 273,747
Inflation Rate	4%	4%	4%	4%	4%	4%
Cost to be Budgeted per Year	\$ 30,870,000	\$ 32,104,800	\$ 33,388,992	\$ 34,724,552	\$ 36,113,534	\$ 23,542,234

Citywide Facilities Maintenance and Comprehensive plans

- Funding is in the 2009 budget to establish a Facilities Maintenance plan and Comprehensive plan that will guide decisions for future capital investments.
- Ideally, both plans will provide a strategic long-term vision and recommendations to help guide the city's development in the areas of land use, transportation, economic development, parks, recreational facilities, open space, housing and intergovernmental cooperation.
- This approach to capital planning should take the "politics" out of decision making and prioritize public investments according to the City's long range goals.

2009 Expenditures



\$437.9 Million