2017 Budget Review

• 2017 Saw the City enter into ACT 47 due to increasing deficits against stagnant/declining revenue.

• Absent an emergency operating loan from DCED the city finished 2017 with a deficit of approximately $890,000.

• In addition, the ACT 205 Pension fund budget included a structural deficit of $665,390. This budget was balanced with the fund balance existing in the ACT 205 Fund.

• The ACT 205 Pension fund budget also had OPEB benefits costs that exceeded budgeted figures by $283,327.
• The City Raised taxes by 1.34 Mils in 2018.
• Expected Revenues and Expenditures balanced at $10,445,030.
• The City’s ACT205 Fund Budget includes a structural deficit of $1,339,867. This would again be covered by existing fund balance, however, this would essentially deplete that balance.
• OPEB budgeted expenses appear to be too low and expenses will likely exceed budgeted amounts again.
• The City’s combined MMOs have grown to $5,922,867.
Planning the 2019 Budget

- The Administration’s plan for the development of the budget is as follows:
  - Timely
  - Inclusive
    - Include Department heads in the budgeting process, direction and oversight where possible.
    - Work hand in hand with the City Council. Develop the budget in cooperation with the Council every step of the way.
  - Transparent
    - Educate the public as to the nature of the budget and budget process.
    - Availability to the public in development of the budget.
Timely

• A fully developed draft budget to ACT47 coordinators by mid September.
• Scrutiny applied early and often.
• Ongoing analysis of 2018 expenses and how they relate to the budget.
• Budget adoption done by early December.
  • No surprises!
Inclusive

• Meeting with department heads in order to determine needs or give directives.
• Budget planning meetings with council in order to address council issues and concerns.
• Constant updates of the process at regular and special council meetings.
• A detailed explanation of accounts and how they impact the budget.
Transparent

- Regular availability of administration.
- Possible budget open houses open to the public.
- Ready and available to comment on budget concerns at all meetings.
- Educational materials prepared for the public to illustrate how tax dollars are spent.
- Regular drafts and analysis distributed to council.
- Continued regular PA Economy league progress meetings in which budget will play a major role.
Preparing for the 2019 Budget

• Understanding the challenges the City faces:
  • Expenditure categories growth 2013-2017
    • Benefits $581,944 - 46.1%
    • Workers Comp $145,852 - 41.9%
    • Direct Compensation $317,605 - 5.7%
    • Non Employee Expenditures ($878,763) - (43%)
  • Insufficient Stable Revenue Growth
    • Income Change 2013 to 2017 - $461,850 - 5.1%
    • Expense Change 2013 to 2017 - $831,219 - 9.5%
City Challenges (Cont)

• Previous Deferments have grown city obligations in the present
  • The City took a 25% deferral on MMO payments which has ultimately led to a higher MMO to deal with in 2019.
  • Previous borrowing in order to avoid financial issue at the time
  • The City’s Debt reduction fund requires 22.22% of all collected RE Revenue, much of this debt resulted from borrowing to face short term obligations in the past.

• Decline in assessed value in the city
  • $52,658,500 decline since 2012 - results in about $52,658 less per mil.
How is a Hazleton Tax Dollar Spent?

• So given $1.00 in current real estate taxes, how is that utilized in the city?
  • First, the city gets $0.90 - the cities current tax collection rate is about 90%. Much of this uncollected amount will be collected over the next two years though.
  • Of that $0.90 - $0.20 goes to debt reduction (as stated previously much of this was to cover short term past problems). Also, $0.01 goes to recreation.
  • That leaves the city with $0.69 for the GF Fund.
How is a Hazleton Tax Dollar Spent

- Public Works
- Code
- Parking
- Fire
- Police
- Building
- Engineering
- All Admin
- Other
Where does Hazleton’s Revenue Come From

- Revenue
- Current RE
- Prior RE
- Residence
- EIT
- Other Special Taxes
- License & Permit
- Fines
- Public Safety
- Parking
Major Revenue Initiatives for 2019

• EIT Increase of 0.4% (ACT 47 Plan)
• EIT Shift to GF of 0.8% into GF (ACT 47 Plan)
• RE Tax increase of roughly 0.3 mils (ACT 47 Plan)*
  • *ACT 47 Plan calls for any necessary RE Tax increase in order to balance a prospective budget.

• Potential Revenue Initiatives Proposed by Administration
  • Mercantile Tax Audit to boost collections
  • RFP towing contract at a fixed fee rate
  • Sale of residential parking passes
Major Expense Concerns for 2019

• Structural Deficit in Pension fund budget of ~$1,422,000.
  • This will be accounted for by a transfer back from GF of any surplus in the planned GF budget provided by revenue initiatives.
  • Right now predictions for OPEB benefits might be still too conservative.

• Collection rate for the Debt Reduction fund is too high. This amount is likely around $92,555.

• General Fund Expense Growth early projection is $263,386.

• Obviously, all of this is subject to change as I’ve stated and you’ll be kept abreast of that.
Council and the Budget

• As we go through the process, some things I’ve already heard:
  • Transparency and an understanding of what is accounted in each line item.
  • Communication.
  • Openness
Questions and Guidance?