Allegheny County Council

436 Grant Street
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Meeting Minutes - Approved

Thursday, November 19, 2015

4:00 PM

Conference Room 1

Committee on Budget and Finance

Michael Finnerty, Chair;
Nick Futules,
Amanda Green Hawkins,
Heather Heidelbaugh, Terri Klein,
Bob Macey,
Sue Means,
John Palmiere and
Jan Rea
-Members

I. Call to Order

The meeting was called to order at 4:01.

Invited Guests:

William D. McKain, CPA, Allegheny County Manager or designee
Mary Soroka, Director, Department of Budget and Finance

Mr. McKain was present from the Office of the County Manager.

Ms. Soroka, Ms. Celestino, Mr. Cox, and Mr. Lentz were present from the Department of Budget & Finance.

Mr. Barker and Mr. Szymanski were present from the Office of County Council.

II. Roll Call

Members Present: 6 - Heather Heidelbaugh,Bob Macey,Sue Means,Jan Rea,Terri Klein andMichael Finnerty

Members Absent: 2 - Amanda Green Hawkins andJohn Palmiere

Members Phone: 1 - Nick Futules

IV. Agenda Items

Resolutions

9067-15 A resolution amending the New Home Construction/Improvement Program enacted May 23, 1996 by the Board of Commissioners of Allegheny County at Agenda No. 700-96, subsequently amended by Resolutions Nos. 22-00, 6-01, 61-02, 04-04-RE, 49-05-RE, 07-08-RE, 25-09-RE, 30-11-RE and 6-14-RE by providing for the continuation of the Allegheny County New Home Construction/Improvement Exemption Program.

Sponsors: Council Member Means

At the request of the Chair, the clerk read the title of the bill and Ms. Means explained her rationale and the provisions of her resolution, noting that her bill would extend the Act 42 and 202 abatements through 2017, increase the amount of the Act 202 exemption to 75% of the value of the newly constructed home, and would guarantee a full two year abatement for all program participants, regardless of when they enter the program. Ms. Means noted that roughly 2,500 homes are enrolled in the Act 202 program, with about 1,000 of those homeowners scheduled to have their abatements expire at the end of 2015, even though they have not received the abatement for a full two years. Ms. Means expressed a belief that the program generates more than enough revenue for the County and region to offset the property tax revenues lost.

The Chair suggested that the best way that the County could attract residents would be by maintaining infrastructure to the greatest extent possible, as infrastructure benfits all residents, regardless of their home ownership status.

Ms. Means noted that the rationale frequently expressed for supporting tax increment *financing arrangements is stimulating the econmy by foregoing a portion of the County's tax revenues.*

Mr. Futules expressed his sentiment that the program had outlived its usefulness, and that he did not see evidence that the program actually incentivized new home construction.

The Chair expressed agreement with Mr. Futules, noting that there appears to be no shortage of construction in his district, and that the construction environment was far different when the abatements were first instituted and subsequently renewed.

Ms. Means inquired about the possibility of releasing the bill with a neutral recommendation, and the Chair indicated that this is one option, as would be a negative recommendation, depending on the will of the Committee.

Mr. Macey noted that interest rates were comparatively high when the abatement programs came into being, and that the tax abatement to some extent offset those interest rates, but with the current lower interest rates, the abatements may no longer serve an equivalent purpose. Mr. Macey also indicated that there appears to be no construction in his district clearly resulting from Act 202.

Ms. Means suggested that there may be wisdom in considering the Act 42 abatement separately from Act 202, and noted that a bill is already in existence for Act 42 only.

The Chair noted that the other bill referenced by Ms. Means would have to be evaluated separately by the Committee.

Ms. Klein suggested that incentivizing improvements is an entirely different concept from incentivizing new home construction, noting that new home construction is an inherently expensive proposition, and if individuals can afford to do that, then the Act 202 abatement would, in effect, be an abatement with a regressive effect.

The Chair expressed agreement, and suggested that the Act 42 discussion might be better held in January. Ms. Means and the Chair discussed the relative merits of that time frame.

Mr. Macey noted that tax increment financing arrangements are not an exact analog to something like the Act 202 abatement, as the developers in TIF progrmas do still pay the amount of their taxes, and a portion of that goes to infrastructure improvement. Mr. Macey also expressed agreement with Ms. Klein's remarks.

Negatively Recommended

Members Yes: 4 - Macey, Rea, Klein and Finnerty

Members No: 2 - Heidelbaugh and Means

Members Absent: 2 - Green Hawkins and Palmiere

Members Phone: 1 - Futules

9300-15 A Resolution of the County of Allegheny, Commonwealth of Pennsylvania, adopting an Operating Budget pursuant to Article IV, §2 and Article VII, §4 of the Home Rule Charter, by setting forth appropriations to pay the expenses of conducting the public business of Allegheny County and for meeting debt charges for the fiscal year beginning January 1, 2016 and ending December 31, 2016.

Sponsors: Council Member Finnerty

At the request of the Chair, the clerk read the title of the bill.

The Chair explained the provisions of the bill, noting that it is $100,000 different than the CFP, owing to a $100,000 increase in the appropriation for the Vacant Property Review Board, and explaining the fashion in which that appropriation was accomodated in order to balance the budget.

In response to a question from Ms. Klein, Mr. McKain noted that the appropriation for Duquesne University for law library maintenance exists due to a continuing agreement between the County and the University for that service. Ms. Heidelbaugh noted that the library is not easily maintained, and that Duquesne was likely chosen instead of any other local school due to proximity to the City County Building, where the library is housed.

In response to a question from Ms. Means, Ms. Soroka explained the fringe benefit recovery line item, notinig that it exists to divide the County's aggregate fringe benfit payment among the various departments on a proportional basis. Mr. McKain noted that the existing line item should be able to accomodate the $100,000 reduction to balance the $100,000 increase for the Vacant Property Review Board.

In response to a question from Ms. Means, Mr. McKain indicated that Highmark had furnished the County with a $10 million credit in each of the last two years, but that the County had not intended to spend that money in either the 2015 or 2016 budget, due to the uncertainty of the healthcare landscape in future years.

In response to a question from Ms. Means, Mr. McKain indicated that the County is continuously receiving guidance with regard to whether the County's healthcare program would count as a "Cadillac" program under the terms of the Affordable Care Act, that it is possible that the County's program could be classified this way, and that this is part of the reason for holding the Highmark credit revenues in reserve.

In response to a question from Ms. Klein, Mr. McKain discussed the purpose of the Vacant Property Review Board, noting that it assists the County in getting vacant properties back on the tax rolls. The Chair noted that the extra funding that he is contemplating for 2016 is in order to provide adequate funding for any necessary demolition requirements. Mr. McKain indicated that he would obtain some additional information for the Committee and Ms. Klein.

Mr. McKain and the Chiar discussed scheduling for additional Committee sessions, depending on the approval of this bill.

Affirmatively Recommended

Members Yes: 5 - Macey, Means, Rea, Klein and Finnerty

Members No: 1 - Heidelbaugh

Members Absent: 2 - Green Hawkins and Palmiere

Members Phone: 1 - Futules

V. Adjournment

The meeting was adjourned at 4:38.