

Allegheny County Council

*County of Allegheny
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Committee Meeting Minutes

Thursday, October 23, 2008

4:05 PM

Conference Room 1

Committee on Budget and Finance

William Russell Robinson, Chair; Jim Burn, Joan Cleary, John DeFazio, Matt Drozd, Mike Finnerty, Vince Gastgeb, Amanda Green, Bob Macey, and Chuck McCullough - Members

REVISED

I. Call to Order

Summary: *The meeting was called to order at 4:05 PM*

Invited Guests:

Mark Flaherty, County Controller or Designee

Jim Flynn, County Manager or Designee

Amy Griser, Director, Budget & Finance

Derek Uber, Deputy County Manager

Summary: *Invited guests in attendance: Ms. Griser and Mr. Flaherty*

Recognized attendees: Greg Casciato, Office of Budget & Finance

Staff in attendance: Jennifer Liptak, Jared Barker, and Katie Miller

II. Roll Call

Roll Call: Present: Jim Burn, Matt Drozd, Michael Finnerty, Bob Macey, Chair William Robinson, and Council Member Rich Fitzgerald
Absent: Joan Cleary, John DeFazio, Vince Gastgeb, Amanda Green, and Chuck McCullough

III. Agenda Items

Ordinances

4382-08 An Ordinance amending the Allegheny County Code of Ordinances, Division 1, entitled "Administrative Code," Article 808.A, in order to reduce the rate of County taxation on the sale at retail of liquor and malt and brewed beverages within the County.

Sponsors: Jim Burn, Joan Cleary, John DeFazio, Michael Finnerty, Amanda Green, Chuck Martoni, Bob Macey and Rich Fitzgerald

Action: Held in Committee

4391-08 An Ordinance of the County of Allegheny, Commonwealth of Pennsylvania, establishing the tax levy upon all real property subject to taxation within the limits of Allegheny County. (Chief Executive)

Sponsors: Chief Executive

Action: Held in Committee

Resolutions

4403-08 A Resolution of the County of Allegheny amending the Operating Budget for 2008.

Sponsors: Chief Executive

Summary: *The Chair invited Ms. Griser and Mr. Casciato from the Office of Budget and Finance to speak.*

Ms. Griser thanked the Controller and Treasurer for their efforts in the budget process. She then presented an amendment to 2008 budget which related to a deficit in the 911 fund. Ms. Griser gave an overview of changes within the 911 system that have occurred throughout the past couple of years. She stated that operations this year will meet funding expenses because of federal assistance. She then discussed cash shortages within Commonwealth's wireless fund. Ms. Griser asked the committee if they had any questions.

The Chair suggested that the bill be moved to discussion by the full Council and invited Ms. Griser to the meeting to answer Council Members' questions. He stated that if needed, the bill could be moved back into committee.

Mr. Macey asked if he could give any questions he had about the amendment to Ms. Liptak.

The Chair agreed that members should give Ms. Liptak their questions prior to the Council Meeting so that Ms. Griser could bring her answers to the meeting.

Action: **A motion was made by Macey, seconded by Finnerty, that this matter be Affirmatively Recommended. The motion carried unanimously.**

4404-08 A Resolution of the County of Allegheny amending the Grants and Special Accounts Budget for 2008 (Submission #15-08).

Sponsors: Chief Executive

Summary: *Ms. Liptak gave an overview of two amendments related to human services and probation and cited that individuals from those departments were available to answer any questions.*

The Chair asked for any questions and seeing there were none, called for a vote.

Action: **A motion was made by Burn, seconded by Macey, that this matter be Affirmatively Recommended. The motion carried unanimously.**

4405-08 Resolution of the County of Allegheny, Commonwealth of Pennsylvania, adopting a Capital Budget pursuant to Article IV, §2 and Article VII, §4 of the Home Rule Charter by setting forth appropriations to pay the expenses for capital expenditures during the fiscal year beginning January 1, 2009 and ending December 31, 2009. (Robinson 2)

Sponsors: William Russell Robinson

Action: **Held in Committee**

4406-08 Resolution of the County of Allegheny, Commonwealth of Pennsylvania, adopting the Grants, Special Accounts, and Agency Fund Budgets, by setting forth appropriations to pay said expenses during the fiscal year beginning January 1, 2009 and ending December 31, 2009. (Robinson 2)

Sponsors: William Russell Robinson

Action: Held in Committee

4407-08

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, 2009 and ending December 31, 2009. (Robinson 2)

Sponsors: William Russell Robinson

Action: Held in Committee

Discussion Topic:

Controller Mark Patrick Flaherty will address the Committee regarding the financial status of the County

Summary: *The Chair recognized Mr. Flaherty, who was previously asked to provide Council with quarterly updates on the County's financial standing.*

Mr. Flaherty said that Council should have received report on the County's fiscal standpoint as of August 31, 2008.

The Chair asked the committee if they had any questions and seeing there were none, asked Mr. Flaherty to proceed.

Mr. Flaherty stated that Controller's Office wants to provide Council with insight into the budget process. He outlined the topics that would be discussed in his presentation, including the 2008 expenditures and revenues, the 2009 budget plan, and a forecast of the budget.

Mr. Flaherty first discussed the 2008 budget. Transportation has been added as a fourth fund this year. The presentation gave an overview of the operating budget by fund, as well as revenue issues (this is the first year in which there is a predicted shortfall in sales tax). He stated that the County can expect cuts to TANF and Kane revenues due to concerns regarding state and federal funding. The revenue generated from poured alcohol and vehicle rental taxes could be big lifesaver.

Mr. Flaherty recommended that the committee look at how much cash should be on hand for 2009, as the County may not be able to borrow money.

Six departments are expected to exceed their budget as of December 31, 2008. The County has done an overall good job of reeling in expenditures. Non-departmental (ex. Constable fees) will be best to work on in terms of coming in closer to budget.

Mr. Flaherty then discussed the budget for 2009. The 2009 budget is projected at \$22 mill. higher than the 2008 budget. State and federal funding is uncertain at this point, so the committee needs to look at the amount of cash that the County has. Mr. Flaherty

stated that because of tough financial times, it might be prudent to reduce the poured alcohol tax from 10% to 7%.

Mr. Flaherty then explained some of the major factors that affect the budget. The outlook for sales tax revenue is optimistic. One-time revenue sources will dry up in future. Pension contribution rate may increase for the County. The County still has some required/unfunded liabilities.

Mr. Flaherty then provided the committee with a financial forecast, which predicted that the County will have a fund balance deficit by 2011. He discussed how changes to the Homestead Exemption and the poured drink tax will impact the fund balance. He predicts that the fund balance will have a large decline over time if both are reduced.

Mr. Flaherty restated that cash is very important in this market for our stability. If we tried to borrow money short-term right now, we wouldn't be able to.

Mr. Flaherty then discussed his concerns. Row Office consolidation savings has not yet been realized. He wants a legal opinion from the County Solicitor in order for the Controller's Office to transfer Act 44 funds. The committee should look at how cuts will affect funds in the long-term. Even though the County has an excellent bond rating, that will still not give us the funds we need if we try to borrow. A plan/financial analysis for shared City/County services needs to be conducted. Mr. Flaherty will meet with the City Controller during the fourth quarter to discuss the potential merger.

Mr. Flaherty then reiterated that future stability depends on this year's budget. This is the toughest budget in the past several years. Mr. Flaherty offered his assistance as Council prepares to decide on budget. He then asked if the committee had any questions.

The Chair interjected, saying that the committee would recess if necessary at 5 PM for public hearing. He also stated that amendments could be voted on during the meeting, as enough members of the committee had arrived. He then asked the committee members for any questions regarding Mr. Flaherty's presentation.

Mr. Burn wanted to know about the projected drop off in funds if the drink tax is reduced. He wanted to know if the flow charts reflected money as being released from escrow.

Mr. Flaherty said that the flow charts did reflect the anticipated release of the Act 44 funds.

Mr. Burn then asked about specific amount we need for transit. He wanted to know if the numbers suggested an increased need for transit funding in future years.

Mr. Flaherty said that the cost of transportation will increase each year, as will the County funding match.

Mr. Burn had not heard that from the Port Authority and asked for further clarification as to how this will affect the future fund balance.

Mr. Flaherty said that some revenues go toward the County's match, and some is put into the general fund. There will be a large hole in the plan in the future if that money is taken away.

Mr. Burn asked if Mr. Flaherty has talked to other Controllers about the credit crisis to see how it is affecting their municipalities.

Mr. Flaherty said that he has talked to them. Any municipalities without their fiscal plans in order are all having issues with this year and next year will be an even bigger problem. Organizations need 5-10% fund balance in order to be stable.

Mr. Burn wanted to know if the committee should look into potential situations that might arise (layoffs, etc.) during the credit crisis.

Mr. Flaherty agreed that the committee should examine the potential for those occurrences.

The Chair asked if Mr. Flaherty if he would be available for the next scheduled budget meeting.

Mr. Flaherty indicated that he could come back to answer any questions at the next scheduled budget meeting.

The Chair stated that the committee would respect Mr. Flaherty's and Chief Executive Onorato's assumptions about how changes such as a reduction in the poured drink tax will impact the budget, but may not agree with their assumptions.

Mr. Drozd asked if Flaherty has seen the information gathered by Councilman McCullough about recovering costs. He asked if Mr. Flaherty could comment on Mr. McCullough's information at the next budget meeting.

Mr. Flaherty agreed to comment on it at the next meeting.

Mr. Drozd then asked if there would be any changes to the rental car tax for nonprofits.

Mr. Flaherty said that he would include that information on the next report.

Mr. Drozd expressed concern about the fund balance is affecting Allegheny County residents.

Mr. Flaherty said that the County is 95% funded.

Mr. Drozd wanted to know if the County is looking at preserving funds.

Mr. Flaherty said that there is no cause for concern yet.

Mr. Finnerty asked about how anticipated increased contributions to pensions will affect the County.

Mr. Flaherty said that there would likely be a 1% increase in contribution to pension

plans, which would add up to about \$2 million.

The Chair said that Ms. Liptak would contact Flaherty regarding the next budget meeting.

2009 County Council Budget Books will be presented to Council Members

Summary: *The Chair shared information with committee members about the 2008 budget books, which were prepared by Ms. Dietz. The books incorporate the Chief Executive Onorato's Budget and the Robinson 1 Budget (10-14-08). The figures are presented as the Robinson 2 Budget. The Chair asked members to review documents and work with Ms. Liptak on any amendments. Ms. Liptak will send an inquiry to County Departments and Offices within the next couple of weeks with any questions from committee members.*

The Chair then stated that the October 28, 2008 budget meeting would be cancelled in order to provide members with more time to review materials.

Public Hearings on the budget will be held on October 29, 2008 and October 30, 2008 and the next scheduled committee meeting will be on November 6, 2008 at 4 PM.

The Chair also stated that he would invite rental car and poured drink industry, if they wish, to speak in front of this committee.

IV. Adjournment

Summary: *The meeting was adjourned at 5:01 PM.*