

CITY OF ST. LOUIS

FY15 BUDGET UPDATE

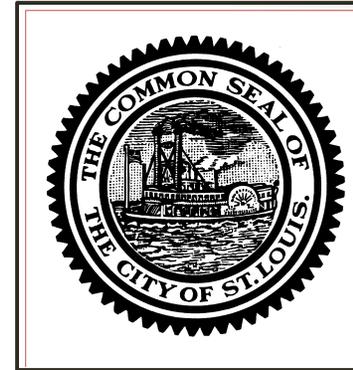
FY16 PRELIMINARY BUDGET OUTLOOK

POLICE FUNDING OPTIONS

PRESENTATION TO

BOARD OF ESTIMATE AND APPORTIONMENT

DECEMBER 19, 2014



FY15 BUDGET UPDATE



Year to date revenues tracking slightly ahead of budget; offset by overspending in Police and other areas of budget.

FY15 Original Estimated Revenues (\$ mil.)		\$484.4
<u>Revenue Adjustments (* estimated thru Nov.)</u>		
Earnings	4.9	
Payroll	0.8	
Sales	4.0	
Gas Tax / Automobile Sales	0.5	
Franchise Utility (electric / telecom)	(3.4)	
Departmental Receipts	(2.6)	
Miscellaneous	(0.4)	
		3.9 ²
<u>Expenditure Adjustments - Under / (Over) Spending</u>		
Police Department	(5.0)	
Fire Department	(1.7)	
Personal Services (non- Police/Fire)	2.4	
Workers' Comp	(1.4)	
Streets Div. -salt account	(1.2)	
Refuse Div. - Transfer Station	(0.2)	
Facilities - Utility Accounts (e.g. steam)	(0.7)	
ESD - Metro garage contractual	(0.6)	
Corrections - lower census - contractual meal costs	0.5	
Fuel - lower prices (excluding Police)	0.6	
Police Judgment account (prior local control; assumes state at 1/2 ??)	(1.2)	
		<u>(8.6)</u>
Total Potential Deficit		(4.7)

FY15 BUDGET UPDATE



Steps to bridge the current year gap include a slowdown in hiring and discretionary expenditures and a supplemental appropriation of revenues that exceed budget.

Steps To Reduce Deficit (\$mil.)

Slowdown in: hiring non-essential positions / discretionary expenditures	1.4	
Elimination of SLPD prior year encumbrances	0.9	
Special Fund Revenues tracking over budget:		
Public Safety Sales Tax ^{1,2}	1.4	
Communications Fund revenues ^{1,2}	0.5	
Local Use Tax revenues ^{1,2}	<u>0.5</u>	
		<u>4.7</u>
Remaining Balance / (Shortfall)		(\$0.0)

Notes:

- 1) If red light camera revenue funds are ultimately released from escrow, estimated \$3.5M can be applied to FY15 budget gap and these special fund revenues could be applied to FY16 budget.
- 2) Will require supplemental appropriation before end of fiscal year (June 30)

FY16 PRELIMINARY BUDGET OUTLOOK



While initial projected budget gap for FY16 has narrowed compared to previous years, underlying imbalances remain.

GENERAL FUND

Beginning Revenue Base - FY15 General Estimate (\$ mil.)	\$484.4	
Less One-Time Adjustments:		
FY15 Adjusted Base (thru Nov. ?)	3.9	
C&T fund balances	(1.0)	
FY16 revenue growth est. @ 1.5%	<u>7.3</u>	
		\$494.6
 Beginning Budget Base - FY15 Budget		 \$484.4
 <u>FY16 Increases (Decreases)</u>		
 Police		
FY15 / FY16 pay increases	4.5	
Health Insurance Increase @ 10% ?	2.0	
Overtime ???? (assumed FY14 level)	1.0	
Police Retirement - 2014 results pending ???	(1.1)	
Less Decrease / (Increase) in Other Fund Sources:	<u>1.1</u>	
		7.5
 Fire		
FY15 / FY16 pay increases	1.5	
Fire Health Insurance est. @ 10% ?	0.5	
Fire Retirement - FRS/FRP FY14 results pending?	0.3	
Public Safety Sales Tax (increased allocation)	<u>(0.2)</u>	
		2.1

FY16 PRELIMINARY BUDGET OUTLOOK



Eliminating fund reallocations and the increasing cost of capital maintenance remain challenges.

Non-Uniform Employee Pay / Benefits		
FY15 pay increase – 2% merit /other full year cost	3.3	
Employee Retirement – 2014 results pending ?	(1.4)	
Health Insurance Increase est. @ 10% ?	<u>1.6</u>	
		3.5
Other Increases / (Decreases) (\$ mil.)		
CCC and Civil Court leases	(2.5)	
Justice Center lease debt (assuming no capital / use tax reallocations)	5.0	
CJC - gaming fund payments to capital after FY15 one-time deficit	(1.9)	
City Wide - Workers' Comp. costs ???	1.2	
Personnel - Fire promotional exams in FY15	(0.2)	
City Counselor - PFPC	0.4	
Drug Court - assume no reallocation from Crime Prev. fund	0.3	
Refuse transfer station	0.2	
Bd. Of Elections - no regularly scheduled / 1 special (earnings tax)	(0.5)	
Corrections - meals contract / lower census assumption (?)	(0.4)	
Facilities Management - Forest Park utilities	0.6	
Facilities Management - utility accounts	0.8	
Fuel - lower prices (excluding Police)	(0.6)	
ESD - Metro – fire dept. fleet service repair/maint. costs ???	<u>0.9</u>	
		<u>3.3</u>
Net Total Increases (Decreases)		16.4
FY16 Base Budget		500.8
Preliminary Balance / (Budget Gap) *		(\$6.2)
(* can be expected to increase upon receipt of budget requests)		

POLICE FUNDING OPTIONS



Given underlying budget gaps, the effort to increase the size of the Police force is not feasible without additional sources of revenue and/or major changes in cost structure. With the cost of an entry level officer approaching \$60k in pay and fringes, the annual cost of 160 officers would be in the \$9M range. A discussion of potential funding sources/options follows.

Cost of New Recruits Illustration:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Recruit-In-Training (14 pays) \$	17,570	\$ -	\$ -
Police Officer ¹	<u>17,949</u>	<u>40,501</u>	<u>42,173</u>
Total Salary	35,519	40,501	42,173
FICA	515	587	612
Health Insurance ²	4,539	4,857	5,197
Dental	339	339	339
Life Insurance	68	77	81
Pension ³	4,973	5,670	5,904
Long Term Disability	65	74	77
Workers' Comp. ⁴	1,776	2,025	2,109
Wellness Incentive ⁵	1,000	1,000	0
Education Incentive ⁵	563	750	750
Shift Differential ⁶	570	1,286	1,339
Outfitting ⁷	<u>3,331</u>	<u>154</u>	<u>154</u>
	\$ 53,256	\$ 57,320	\$ 58,733

POLICE FUNDING OPTIONS



Potential funding sources include the following. Note that some of the fixed rate revenue sources may need to be adjusted over time to keep up with inflation.

COPS Funding Grant (avg. over 3 years)	Annual Amount
	\$625,000
<p>SLPD has been awarded a grant to provide partial funding of up to 15 officers over the next 3 years. The total grant amount over the period is \$1.875M. Hiring to begin in FY16.</p>	

Red Light Camera Ticket Revenue	Annual Amount
	\$3,500,000
<p>Receipts currently being paid into an escrow account pending results from litigation and State Supreme Court hearing. Annual revenues are in the range of \$3.5M per year and if the City were to prevail these annual receipts could once again be incorporated into the budget.</p>	

5 Year Revenue History

FY15b	\$0	
FY14	\$3,975,629	Note:
FY13	\$5,463,843 ¹	¹ Some FY12 receipts deposited into lock
FY12	\$2,230,596 ¹	box were not released into general revenue
FY11	\$3,419,585	until the first quarter of FY13.

POLICE FUNDING OPTIONS



General Obligation Bond Issue – Reduction in Maintenance Costs

Annual Amount
\$600,000¹

In FY14, the Equipment Services Division spent a total of \$1.4M in contract repair costs for Fire Department vehicles. This was nearly \$400k over the previous year and more than \$500k over budget. In the current fiscal year, ESD projects these costs to exceed \$1.6M, or over twice the cost from three years ago. Most of this increase is simply due to the continual aging of the Fire Department's fire fighting apparatus. Front-line vehicles are approaching 15 years in age and counting with repair costs continuing to climb. This is only one example where deferred capital investment is resulting in increased maintenance costs in the operating budget. Passing a general obligation bond issue that addresses the most critical of these capital improvement needs could relieve the operating budget of some of these growing maintenance costs.

(¹ Illustration assumes mostly estimated annual savings from Fire vehicle maintenance, actual savings from building and other maintenance costs could generate additional savings.)

(Vote Required)

POLICE FUNDING OPTIONS



Annual Amount
\$1,400,000

Adjust Auto License Tax for Inflation

The auto license tax is levied and collected on owners of motor vehicles residing in the City. It replaced the old "sticker" tax in 1986 and is included on the annual property tax bill. Rates of \$8 per car, \$10 per truck and \$6 per motorcycle per year have not been adjusted since that time. Over this same time period, the CPI as the measure for inflation has increased by approximately 113%, thereby reducing the effective rate of this tax in real terms. Adjusting these rates by 100% to \$16 per car, \$20 per truck and \$12 per motorcycle would help reduce the lag in real growth of revenues from this tax. (Vote required)

5 Year Revenue History

FY15b	\$1,408,000
FY14	\$1,404,156
FY13	\$1,404,336
FY12	\$1,409,103
FY11	\$1,390,617

Illustration:			
	1986	2013	% Inc.
U.S. CPI-U *	109.6	232.957	112.6%
Vehicle License Tax			
	Current	Inflation Adjusted	% Inc.
Car	\$8	\$16	100.0%
Truck	\$10	\$20	100.0%
Motorcycle	\$6	\$12	100.0%
* U.S. Bureau of Labor Statistics			
<u>Other City Comparison:</u>			
Kansas City maintains an annual motor vehicle license fee of \$12.50			

POLICE FUNDING OPTIONS



Adjust Graduated Business License Fee for Inflation

Annual Amount
\$1,500,000

Part of a tax reform package passed in 1988, the Graduated Business License tax (GBL) is imposed as a fixed fee based on the level of employment a business has in the City. The license tax structure was last adjusted in 2006 with the increase in revenue of approximately \$3.0M distributed as follows: 10% to the Problem Properties Unit of the City Counselor, 15% to enhanced prosecution efforts of the Circuit Attorney and 75% for additional Police officers. Since this last adjustment, the CPI as the measure of inflation has increased by over 15%, thereby reducing the effective rate of this tax in real terms. Adjusting these rates by 15% would help reduce the lag in real growth of revenues from this tax.
(Vote Required)

5 Year Revenue History

	<u>General Fund</u>	<u>PS Trust Fund</u>	<u>Total GBL</u>
FY15b	\$7,250,000	\$3,063,000	\$10,313,000
FY14	\$6,855,300	\$2,904,989	\$9,760,289
FY13	\$6,867,957	\$2,949,011	\$9,816,968
FY12	\$7,256,214	\$3,057,667	\$10,313,881
FY11	\$6,951,878	\$2,940,772	\$9,892,650

Illustration:			
	2006	2013	% Inc.
U.S. CPI-U *	201.6	232.366	15.3%
GBL Schedule	Current	Infl Adj.	
No. of Employees	GBL Tax	GBL Tax	% Inc
2 or fewer	\$200	\$230	15.0%
3 - 5	\$325	\$374	15.0%
6 - 10	\$675	\$776	15.0%
11 - 20	\$1,500	\$1,725	15.0%
21 - 30	\$2,250	\$2,588	15.0%
31 - 40	\$3,000	\$3,450	15.0%
41 - 50	\$4,500	\$5,175	15.0%
51 - 75	\$7,500	\$8,625	15.0%
76 - 100	\$11,250	\$12,938	15.0%
101 - 150	\$15,000	\$17,250	15.0%
151 - 200	\$20,250	\$23,288	15.0%
201 - 300	\$25,500	\$29,325	15.0%
301 - 400	\$30,000	\$34,500	15.0%
401 - 500	\$34,500	\$39,675	15.0%
501 or more	\$37,500	\$43,125	15.0%

* U.S. Bureau of Labor Statistics

POLICE FUNDING OPTIONS



Increase Parking Garage Tax from 5% to 10%

Annual Amount
\$2,600,000

The current 5% license tax on “public garages” actually applies to the gross receipts of any place of business engaged in the storing or housing of motor vehicles for any period of time. This includes parking garages as well as lots but excludes non-transient residential buildings or apartments which provide parking exclusively for permanent tenants and guests.

5 Year Revenue History

FY15b	\$2,766,200
FY14	\$2,687,231
FY13	\$2,556,428
FY12	\$2,490,504
FY11	\$2,296,404

Other City Comparison:

A major source of revenue for City of Pittsburgh, 37.5% tax rate.
Other cities with parking taxes include Philadelphia 20%, Chicago 18%-20%, Oakland 18.5%, Seattle 12.5%.

POLICE FUNDING OPTIONS



Annual Amount
????

Police Pension Reform

Police Pension costs (excluding debt) as of the plan year ending October 1, 2013 total 47.5% of active payroll. The sharp rise in pension costs over the last decade or more has made the goal of maintaining a stronger police force increasingly cost prohibitive. Police Pension benefits are controlled exclusively through the state legislature where reform efforts to date have been elusive. A successful reform package that preserves a fair and generous pension benefit (including all accrued benefits to date) while eliminating costly ancillary provisions (e.g. DROP "double dip") without kicking the can down the road, would necessarily benefit efforts to increase/maintain the uniformed force. (State legislation required)

PRS City Contributions

FY15	\$32.3 M
FY14	\$32.6 M
FY13	\$28.5 M
FY12	\$20.0 M
FY11	\$17.5 M

The increase in police pension costs in the last 5 years alone would be sufficient to fund 250 officers.



POLICE FUNDING OPTIONS

Summary of Funding

Options:

COPS Funding Grant (avg. over 3 years)	\$ 625,000
Red Light Camera Ticket Revenue	3,500,000
General Obligation Bond Issue: mostly fleet maint. reduction est.	600,000
Adjust Auto License Tax for Inflation	1,400,000
Adjust Graduated Business License Fee for Inflation	1,500,000
Increase Parking Garage Tax from 5% to 10%	2,600,000
Police Pension Reform	???

\$10,225,000

Application of Funds Scenarios :

160 Officers - \$9.2 M	} + \$1.4M? *	=	\$10.6 M
150 Officers - \$8.6 M		=	\$10.0 M
140 Officers - \$8.0 M		=	\$9.4 M
130 Officers - \$7.5 M		=	\$8.9 M
120 Officers - \$6.9 M		=	\$8.3 M

* \$1.0M Crime Prevention Programs/ \$0.4M Police Community Training Programs. Could be pro-rated depending on funding outcomes.