Municipalities Financial Recovery Act
Amended Recovery Plan

City of Pittsburgh
Allegheny County, Pennsylvania

Prepared on behalf of the

Commonwealth of Pennsylvania
Department of Community and Economic Development
Governor's Center for Local Government Services

As Revised and Adopted June 30, 2009

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1. Executive Summary

Executive Summary

In late 2007 Pittsburgh's Mayor and City Council petitioned Pennsylvania's Secretary of the Department of Community and Economic Development to review whether the City's Act 47 distressed status could be rescinded and, if not, asked for a "blueprint" to complete its financial recovery. In 2008 the Secretary acknowledged Pittsburgh's considerable progress in turning projected multi-million dollar deficits into positive annual operating balances, but also required the City to address the legacy costs that threaten its future financial stability. These legacy costs – hundreds of millions of dollars in liabilities that the City shoulders now for services rendered in the past – consume a large and growing portion of the City's annual budget. To be financially healthy, Pittsburgh must address the financial threat to retirees who depend on these benefits and the residents, businesses, and others who must pay for them. Therefore, in response to the City's request, the Secretary determined that:

> *"Pittsburgh needs an amended recovery plan that would provide a blueprint for it to exit Act 47 and address pending legacy costs of debt, pensions, post retirement benefits, workers compensation along with a long-term capital plan, while maintaining positive operating budgets well into the future."*

This Amended Recovery Plan provides an aggressive strategy to meet these objectives so the City can complete its recovery, fund its legacy costs, and exit Act 47 oversight.

At a time when most cities in the country are struggling in the national recession to make ends meet on an annual basis, Pittsburgh has a unique opportunity to apply its resources to complete a full financial recovery. That opportunity is even more remarkable given the City's financial condition in the early part of this decade.

History and background

Pittsburgh entered Act 47 in late December 2003 after several years of severe financial distress. The depth of the City's financial problems were described in the independent auditor's report for the year ending December 31, 2002: "The City's general fund has suffered recurring losses from operations and has negative net assets that raise substantial doubt about its ability to continue as a going concern."

The 2004 Recovery Plan projected that the City would end FY2004 with a $34.3 million deficit, worsening to an annual deficit over $100 million in FY2008 unless the City took action to reduce expenditures and increase revenues. In response to this dire situation, the 2004 Recovery Plan contained over 200 initiatives to reduce costs or control their growth and improve the equity and revenue-generating capability of the City's tax structure. Subsequent to the 2004 Recovery Plan's passage in June 2004, the Governor and General Assembly reached agreement on a set of tax increases, tax reductions, tax eliminations and expenditure reductions that also affected City finances.

Since adoption of the 2004 Recovery Plan, the City has recorded positive annual operating results in place of the large deficits projected if no action had been taken. Key changes that have contributed directly to the City's improved financial situation include:

- Increasing cooperation with Allegheny County and other local governments on purchasing, 911 emergency center operations, energy auctions, and garbage collection;
- Reaching new collective bargaining agreements with all City unions, incorporating major Plan initiatives;
- Improving training and securing new vehicles for the Fire Bureau, combined with organizational restructuring and increased spending on the demolition of dangerous buildings;
- Competitive contracting of fleet maintenance, animal control, and solid waste collection services;
- Controlling expenditure growth across multiple departments;

- Improving financial reporting and budget presentation;
- Contributing funds toward capital projects on a "pay-as-you-go" basis rather than borrowing.

Legacy Costs: Pittsburgh's Remaining Challenge

Despite the impressive progress made by successive Mayors, City Council and all stakeholders in returning to annual balanced budgets since 2004, the City faces daunting challenges to sustain that progress:

- **Pensions and other post-retirement benefits (OPEB):** Pension liabilities for current and former City employees have grown to crisis proportions. Pittsburgh's pension funding levels were already among the lowest of any major city in the country before the 2008 market downturn. Between January 2007 and November 2008, market declines resulted in losses of more than $100 million in the City's pension investments, and revised estimates find the City's pensions only 29 percent funded. Compounding this problem, for the first time the City has fewer active employees contributing money to the pension fund than retirees drawing benefits from it. Moreover, the City must pay substantial annual debt service (more than $400 million over the next 16 years) on pension obligation bonds issued in 1996 and 1998.

  The City's OPEB liabilities, the most significant of which is retired employee health care, receive less attention. However, the City's first OPEB valuation identified an unfunded liability of approximately $320 million as of January 1, 2007 and determined that the City should make an annual required contribution (ARC) of $26.7 million for such benefits.

- **Debt service:** After employee salaries and wages, the City spent more on debt service in FY2008 ($84.9 million) than any other item. Debt service consumed nearly 20 percent of the City's annual revenue last year, far higher than comparable cities. To reduce its outstanding debt, the City has embarked on an aggressive program to self-fund capital expenditures in lieu of borrowing. These efforts have been successful, but the remaining outstanding City General Fund debt was still $723.1 million entering FY2009.

- **Workers' Compensation:** The City has made progress in reforming and strengthening management of workers' compensation claims, but still faces an estimated $128 million in outstanding liabilities. The City's annual costs of $25 million well exceed the norms for a government of Pittsburgh's size.

The City has taken initial steps to confront most of these challenges by increasing its pension contributions, paying for capital projects without issuing new debt, and better managing its workers' compensation backlog. However, bold action must be taken now to build upon these efforts with significant increases in resources to resolve the legacy cost crisis that threatens current and future workers and those receiving City services.

Amendment Process and Parameters

This Amended Recovery Plan has been prepared to meet the objectives laid out by the Secretary, including a plan to address the City's legacy costs and a "blueprint" for exiting Act 47 oversight. To meet these goals, the Amended Recovery Plan includes two key principles that shape the form and content of its recommendations:

- The Amended Recovery Plan maintains the progress achieved under the 2004 Recovery Plan and sets parameters so the City can continue its financial recovery while giving the City greater flexibility to manage its own way toward that objective. As a result, the Amended Recovery Plan provides specific financial goals for legacy cost funding, but gives the City the ability to identify funding sources. Also, while preserving core provisions from the 2004 Recovery Plan that allowed the City to

better manage the deployment and costs of its workforce, the Amended Recovery Plan provides more latitude for the City and its unions to bargain.

- The Amended Recovery Plan relies on tools that are currently at the City's disposal to meet the remaining obstacles to its full financial recovery. The Act 47 Coordinator received many well-conceived suggestions for changes to State laws that would facilitate the City's financial recovery. However, the Amended Recovery Plan must provide a strategy that the City can execute to complete its financial recovery under current existing statutory constraints.

Drafting this Plan began with meetings with the Administration, City Controller and City Council (individually and through attending post-agenda sessions); department and bureau managers and collective bargaining unit representatives; and the Intergovernmental Cooperation Authority (ICA). The Act 47 Coordinator held a public meeting seeking input on the Amended Recovery Plan in October 2008, met with representatives from the business and non-profit community (with the organizational assistance of the Allegheny Conference on Community Development), and met with executive staff of Allegheny County's government to discuss its progress in working with the City on cooperative initiatives. The input and ideas received during this process have shaped much of this document.

FY2009 – FY2013 Baseline Projections

This Amended Recovery Plan begins with a baseline projection of the City's anticipated revenues and expenditures. The starting point was the FY2009 operating budget and FY2009 – FY2013 five-year plan approved by the ICA on October 20, 2008. The Act 47 Coordinator added City Council changes to the FY2009 budget, and made a small number of baseline adjustments to reflect developments since January 2009.

Once these adjustments are applied to the City's FY2009 operating budget and the ICA-approved FY2009 – FY2013 five-year plan, the Amended Recovery Plan's baseline projection shows expenditures exceeding revenues by $6.0 million in FY2010 with the gap growing to $9.5 million in FY2013. The growth in expenditures between FY2009 and FY2013 (5.1 percent) is close to double that of revenues during the same period (2.8 percent). While the City's fund balance would enable it to weather these annual deficits of 1 to 2 percent, the projected annual operating deficits show the challenge facing the City just to maintain the progress it has achieved since 2004.

Amended Recovery Plan initiatives

In order to fill this annual shortfall and meet the Secretary's challenge to the Act 47 Coordinator to address the City's $1.2 billion in unfunded legacy costs while providing a roadmap out of oversight, the Amended Recovery Plan initiatives will accomplish the following when implemented:

- Increase City contributions to the pension fund by $48 million over the additional expenditures already in the ICA-approved five-year plan, providing combined new funds of almost $60 million over five years and generating over $187 million in additional pension funding over the next ten years. The Amended Recovery Plan gives the City the flexibility to pursue options to fund this contribution, such as leasing its parking garages, but also provides a default tax increase in each year that another option is not identified by the time the budget is proposed.

  The Amended Recovery Plan supports the City's efforts to change Commonwealth laws and funding formulas to improve the pension funds' condition. Other initiatives prohibit enhanced pension benefits while the funds are distressed, require the City to change the formula by which certain benefits are calculated and direct the City to explore structural changes, such as a new, less expensive plan for new employees.

- Establishes and funds an OPEB trust at $2.2 million per year beginning in FY2011. Combining this contribution with the continued prohibition on providing retiree health care for employees hired after January 1, 2005 will allow the City to make incremental progress in addressing its $320 million OPEB liability.

- Builds on the City's progress in strengthening workers' compensation management. Initiatives require injured employees to treat with the City's selected medical providers for the duration of their disability rather than only for the first 90 days (30 days for firefighters), implement post-incident drug testing and continue funding the settlement program in FY2013.

- Reinforces the ICA-approved and monitored use of $45.4 million in fund balance deposited into a restricted debt fund in December 2008 to pay debt service or refund or defease bonds from FY2010 to FY2013, and directs the City to establish a debt management and capital funding policy.

- Provides more pay-as-you-go funding to capital projects in support of the Administration's strategy by transferring revenue generated through other initiatives to the capital budget in FY2012 and FY2013 to maintain $55.0 million in capital spending each year. It also directs the City to work with the Commonwealth to eliminate the final phasing of the parking tax reduction in FY2010 with the incremental revenue generated directed to capital projects that benefit all Pittsburgh residents, commuters, and visitors.

- Sets up a collaborative process involving the Department of Finance, City Planning, Public Works, the Mayor's Office, the Controller's Office and City Council that produces an annual capital budget and six year capital improvement plan (CIP) for City Council's review and approval. Other initiatives institute quarterly CIP status reports and direct the City to develop a long-term CIP financing strategy.

- Provides each full-time employee with a bonus of $2,000 in 2010 or in the first year of an applicable new collective bargaining agreement. For subsequent years, the Amended Recovery Plan provides a maximum dollar allocation for each bargaining unit and non-represented employees within which the City and its unions can negotiate changes to certain compensation components including wages and salary, longevity, shift pay, vacation leave and holiday leave. The maximum allocations are equivalent to wage increases of 2.0 percent, 2.0 percent, 2.5 percent and 3.0 percent over four years and provide compensation growth at a time when many private and public employees across the country and in the region face wage freezes, furloughs or layoffs. Provisions from the 2004 Recovery Plan requiring employee health care contributions and limiting the annual growth in City health care costs to nine percent are maintained.

- Reduces General Fund expenditure by 1.0 percent starting in FY2010 by implementing Amended Recovery Plan or internally-established initiatives. These reductions are to be identified by the City and may be targeted rather than across-the-board.

- Encourages the City to complete its ongoing work to migrate City financial systems functions to the County's technology platform this year or to take steps to procure such a system on its own.

- Implements recommendations from the ICA-funded operational studies of the Bureaus of Building Inspection, EMS and Fire to accomplish the following:

    - Improve cooperation between the Bureaus of EMS and Fire through coordinated training.

    - Build a stronger tiered system for responding to rescue incidents by bolstering the Bureau of Fire's capacity in that area.

- Strengthen Bureau of Building Inspection (BBI) staff training by establishing a training academy at which all code inspectors will be required to attain certain basic certifications.

- Develop better coordination between BBI and the Bureau of Police and improve the efficiency of code inspection through technology to decentralize those operations.

- Maintains the Annual Purchasing Plan for public safety vehicles and integrates it into the operating and capital budget process.

- Completes civilianization that will put more police officers on the street.

- Conducts an independent operational review of refuse, bulk waste and recycling collection to identify potential efficiencies and achieve a higher recycling rate, resulting in lower landfill costs and more Commonwealth grant funding.

- Achieves greater intergovernmental cooperation with Allegheny County and other regional governments by merging the City's financial functions into the County's technology platform, reaching more agreements through which the City provides services to neighboring municipalities, and resolving the persistent differences between City and County procurement regulations that have limited further cooperation.

- Requires that the City secure at least $6.0 million annually from the non-profit community beginning in FY2011.

- Updates fees to reflect the City's rising cost of service, new community priorities and changing regional rates since the last fee update in 2004.

- Improves delinquent tax collection through cooperation with other governments.

- Completes the Market Based Revenue Opportunity initiative from the 2004 Recovery Plan.

A Strategy for Completing Recovery

The initiatives in the Amended Recovery Plan generate additional revenues and reduce projected expenditures by $124 million over five years. At the same time, the Plan directs $54.5 million to fund legacy costs and $51.0 million to support the Administration's pay-as-you-go capital funding strategy. While making these critical investments, the City would be able to maintain a fund balance of at least five percent each year. The Amended Recovery Plan gives the City a clear strategy to address the remaining obstacles to its full fiscal recovery. Completing these steps will allow Pittsburgh to leave Act 47 oversight.

2. Introduction

Introduction

In late 2007 Pittsburgh's Mayor and City Council petitioned Pennsylvania's Secretary of Community and Economic Development to review whether the City's Act 47 distressed status could be rescinded and, if not, asked for a "blueprint" laying out what it must to do complete its financial recovery. In 2008 the Secretary acknowledged Pittsburgh's considerable progress in turning projected multi-million dollar deficits into positive annual operating balances, but also required that to complete its recovery the City must address the legacy costs that threaten its future financial stability. These legacy costs – hundreds of millions of dollars in liabilities that the City shoulders now for services rendered in the past – consume a large and growing portion of the City's annual budget. To be financially healthy, Pittsburgh must address the financial threat to retirees who depend on these benefits and residents, commuters and businesses that must pay for them. Therefore, in response to the City's request, the Secretary determined that:

> ***"Pittsburgh needs an amended recovery plan that would provide a blueprint for it to exit Act 47 and address pending legacy costs of debt, pensions, post retirement benefits, workers compensation along with a long-term capital plan, while maintaining positive operating budgets well into the future."***

This Amended Recovery Plan provides an aggressive strategy to meet these objectives so the City can complete its recovery, fund its legacy costs, and exit Act 47 oversight. It does so by maintaining the core concepts of the 2004 Recovery Plan, which have been integral to the City's turnaround to date, and by providing parameters and targets to help ensure the City makes progress in addressing its legacy costs. But the Amended Recovery Plan also provides the City with more flexibility to make its own policy decisions on how to meet those challenges. It is fitting that the City should have greater leeway to manage its resources as it transitions out of State oversight.

Along with additional flexibility, the Amended Recovery Plan focuses on options that the City has authority to pursue and implement on its own. While the Amended Recovery Plan supports the City's efforts to build coalitions advocating for statewide solutions to problems like underfunded pensions, the City must have its own strategy to complete its own recovery. The Commonwealth has played an important role in the City's progress to date and will continue to do so, but a real blueprint for achieving independence from State oversight cannot be overly reliant on extended State support.

Key initiatives of the Amended Recovery Plan include the following:

- Continue to control expenditure growth, including employee compensation and benefit costs, so that City can direct more resources to meet the large remaining liabilities, especially the $523.9 million in unfunded employee pensions.[1]

- Providing more funding for capital projects so the City can continue investing in infrastructure on a pay-as-you-go basis and pay down its remaining $723.1 million in outstanding General Fund debt obligations;

- Developing the processes and tools for budget, debt service and capital improvement plan management so ensure the City has collaborative process for deciding how to use its resources.

- Building public safety capacity, particularly in code enforcement through improved employee training, police patrol through civilianization, and rescue response through enhanced Bureau of Fire participation.

[1] Unfunded liability as reported in the City's most recent actuarial evaluation for January 1, 2007.

- Continuing a broad based revenue strategy that supplements tax revenue with appropriate fee adjustments, non-profit contributions and innovative approaches like market-based revenue opportunities (MBROs).

At a time when most cities in the country are struggling in the national recession to make ends meet on an annual basis, Pittsburgh has a unique opportunity to apply its resources to complete a full financial recovery. That opportunity is even more remarkable given the City's financial condition in the early part of this decade.

History and background

The Municipalities Financial Recovery Act (Act 47 of 1987, as amended) was enacted to secure the fiscal position of municipalities in the Commonwealth of Pennsylvania so they can:

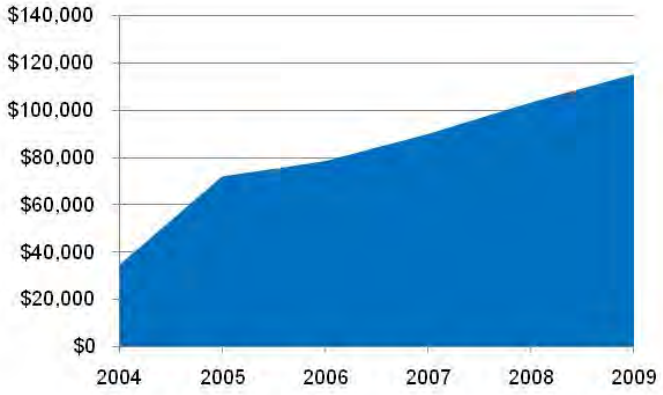
- Provide for the health, safety and welfare of their citizenry;
- Pay principal and interest on debt obligations when due;
- Meet financial obligations to their workforce, vendors and suppliers; and
- Administer appropriate financial accounting, budgeting, and taxing procedures.

Pittsburgh entered Act 47 in late December 2003 after several years of severe financial distress in the early part of this decade. The depth of the City's financial problems were described in the independent auditor's report for the year ending December 31, 2002: "the City's general fund has suffered recurring losses from operations and has negative net assets that raise substantial doubt about its ability to continue as a going concern." In the summer of 2003 over 400 employees were laid off, including 93 police officers 20 emergency medical technicians (EMTs). The City closed all recreation centers and public swimming pools, leaving the City's children without organized summer activities. Rapidly deteriorating finances caused all three major bond rating agencies to lower Pittsburgh's debt to "junk bond" status, becoming the only major city with that rating at that time. In early 2004 PFM and Eckert Seamans Cherin & Mellott, LLC were selected as Coordinator under Act 47 and charged with developing a multi-year Recovery Plan for the City.

2004 Recovery Plan

The 2004 Recovery Plan began with a projection of the City's revenues and expenditures for the next five years absent any corrective action. As illustrated in the graph and table below, that projection showed the City ending FY2004 with a $34.3 million deficit, worsening to an annual deficit over $100 million and more than 25 percent of revenues in FY2008, unless the City took action to close this hole by reducing expenditures and increasing revenues.

Projected Future Annual Deficits at Adoption of 2004 Recovery Plan



Fiscal Year	2004	2005	2006	2007	2008	2009
Revenues ($000)	365,975	365,126	376,666	384,913	392,624	403,474
Expenditures ($000)	400,339	437,055	455,079	474,857	495,897	518,707
Surplus (Deficit)	(34,363)	(71,929)	(78,413)	(89,944)	(103,273)	(115,233)

In response to this dire situation, the 2004 Recovery Plan contained over 200 initiatives to reduce costs or control their growth and improve the equity and revenue-generating capability of the City's tax structure. The 2004 Recovery Plan initiatives are addressed in greater detail in the chapters relevant to each subject area throughout this Amended Recovery Plan, but in brief they pursued the following objectives:

- Restoring a portion of City services cuts in areas like public safety and parks and recreation, but at new levels that take into account for the City's resources and lower population in recent decades.
- Improving cooperation between the City and Allegheny County and the City and its neighboring municipalities.
- Using technology and private sector resources to gain efficiency in emergency medical transport billing, fleet maintenance, and other areas, while challenging in-house services to operate more cost-effectively.
- Freezing all employee wages for two years with subsequent 2.5 percent annual increases.
- Restructuring benefits to establish or increase employee contributions to health, vision and dental insurance coverage.
- Giving management greater flexibility to direct its workforce more efficiently by changing work rules and collective bargaining agreements.
- Improving financial management to make the City's budget decisions more transparent and monitor the City's progress relative to its budget on an ongoing basis.

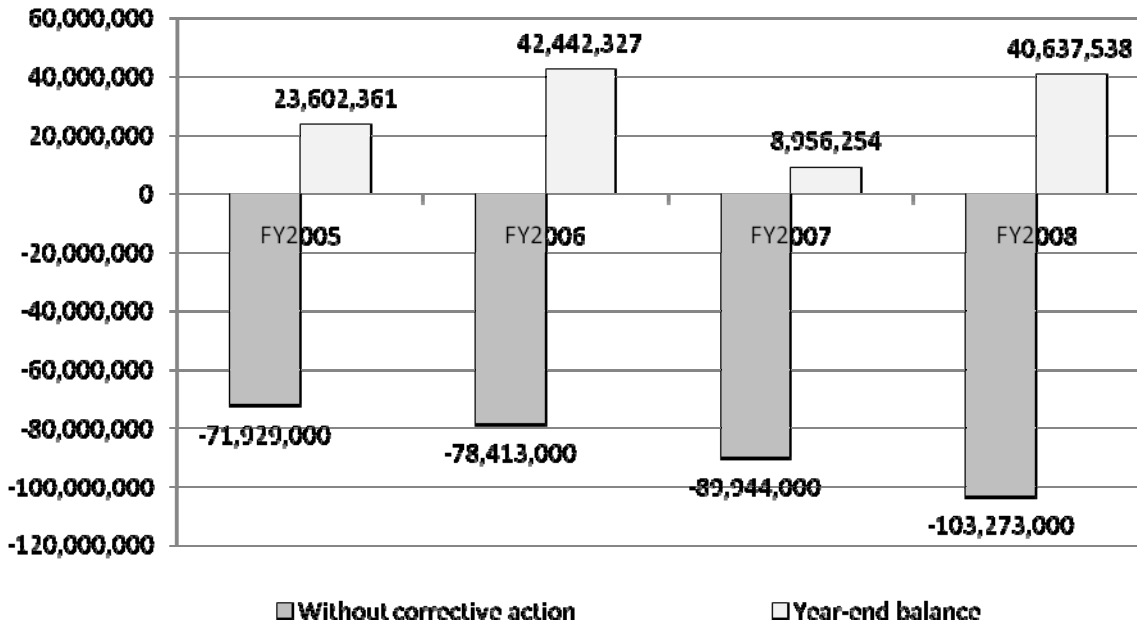
The 2004 Recovery Plan also proposed two options for generating the revenue needed to help close the deficit that remained after other efficiencies had been implemented. These options were a "preferred revenue plan" that relied on statutory changes adopted by the General Assembly and approved by the Governor and an "alternative safety net revenue plan" that would generate the same amount of revenue as the preferred plan through changes that the City could make on its own authority. Subsequent to the 2004 Recovery Plan's passage in June 2004, the Governor and General Assembly reached agreement on a third, consensus package that included a different set of tax increases, tax reductions, tax eliminations and expenditure reductions than those contained in the 2004 Recovery Plan. The consensus package also provided gaming revenues and Commonwealth grants not envisioned in the 2004 Recovery Plan. Please see the Revenue chapter of this Amended Recovery Plan for further discussion of this process.

Progress since 2004

Since adoption of the 2004 Recovery Plan, the City has recorded positive annual operating results in place of the large deficits projected if no action had been taken. The results in the chart below understate this progress in that they include a $6 million transfer to capital in FY2005 and transfers resulting in an additional $39 million for capital funding in FY2007. In December 2008 the City deposited $45.4 million

into a restricted account for the purpose of addressing its high debt service burden and transferred $27.2 million to pay-as-you go capital funding. This turnaround is even more impressive in view of the economic weakness that has created or exacerbated financial difficulties for most other large cities.

Annual General Fund Operating Balances



Source: 2005 - 2007 Comprehensive Annual Financial Reports, December 2008 Controller's Cash Flow Report

Each chapter in this Amended Recovery Plan describes the City's progress in implementing 2004 Recovery Plan initiatives and independent efforts to reduce costs and increase revenues in that subject area. Key changes that have contributed directly to the City's improved financial situation include:

- Increasing cooperation with Allegheny County on purchasing, 911 emergency center operations and energy costs, and with Wilkinsburg on garbage collection;
- Reaching new collective bargaining agreements with all City unions, incorporating major Plan initiatives;
- Improving training and securing new vehicles for the Fire Bureau, combined with organizational restructuring and increased spending on the demolition of dangerous buildings;
- Competitive contracting of fleet, animal control, and solid waste selection services;
- Receiving credit rating upgrades from all three major rating agencies;
- Controlling expenditure growth across multiple departments;
- Improving presentation and financial reporting;
- Contributing funds toward capital projects on a "pay-as-you-go" basis.

The 2004 Recovery Plan required all stakeholders in Pittsburgh to participate in the City's recovery. These stakeholders – residents, commuters, City employees, businesses, and non-profit organizations

made sacrifices to pull the City back from the brink of financial disaster. Now, with immediate fiscal threat averted, these stakeholders will have to join together again to eliminate the legacy cost crisis that remains as the final obstacle to the City's full financial recovery.

Amending the Recovery Plan

In December 2007 the Mayor signed a City Council resolution petitioning Pennsylvania's Secretary of Community and Economic Development to end Pittsburgh's distress designation and bring the City out of Act 47 oversight. The Commonwealth gathered information and conducted a public hearing in April 2008 at which multiple parties including City officials, union representatives, business community representatives, individual citizens, the Intergovernmental Cooperation Authority (ICA) and the Act 47 Coordinator presented testimony. In July 2008 the Secretary determined that the City's status as a distressed municipality under Act 47 should continue. While acknowledging the City's progress under the 2004 Recovery Plan, the Secretary cited the need to address following challenges that threaten the City's ability to sustain that progress:

- **Pensions and other post-retirement benefits (OPEB):** Pension liabilities for former municipal employees have grown to crisis proportions. Pittsburgh's pension funding levels were already among the lowest of any major city before the 2008 market losses. The City's unfunded pension liabilities were $523.9 million at the time of the most recent actuarial evaluation for January 1, 2007, and the City's pensions were only 40 percent funded. Between January 2007 and November 2008, market declines resulted in losses of more than $100 million in the City's investments, and revised estimates found the City's pensions only 29 percent funded. Compounding this problem, as of 2007, the City had fewer active employees contributing money to the pension fund than retirees drawing benefits from it. Moreover, the City must pay substantial annual debt service ($404.4 million over the next 16 years) on pension obligation bonds issued in 1996 and 1998.

  City OPEB liabilities, the most significant of which is retired employee health care, receive less attention. However, the challenge of funding them is no less daunting. The City's first OPEB valuation identified an unfunded liability of approximately $320 million as of January 1, 2007 and determined that the City should make an annual required contribution (ARC) of $26.7 million for such benefits. The City currently funds these benefits on an annual basis, but they will consume a growing portion of the budget as health care costs rise in future years.

  Without aggressive action now, the City's ability to provide the retiree pensions and health benefits it has promised to its employees in the past are at risk.

- **Debt service:** After employee salaries and wages, the City spent more on debt service in FY2008 ($84.9 million) than any other subclass of expenditure. At that level, debt service consumed nearly 20 percent of the City's annual revenue. As with its pension liabilities, the City's debt service is far higher than that shouldered by comparable cities. Along with the high volume, the City's debt is largely refunded or non-callable, meaning the City has little flexibility to restructure the payments in the near term. The City has embarked on an aggressive program to avoid borrowing for capital expenditures to reduce its outstanding debt. Despite the success of these efforts, the remaining outstanding City General Fund debt was $723.1 million entering FY2009.

- **Workers' Compensation:** The City has made progress in reforming and strengthening management of workers' compensation claims, but still faces an estimated $128 million in outstanding liabilities. The City's annual costs of $25 million well exceed the norms for a government of Pittsburgh's size. As with the other legacy costs, workers' compensation continues to drain resources that could be used to provide services today for costs that were incurred years ago.

The Secretary's ruling also cited the importance of funding future capital needs and having a balanced budget throughout the five-year plan period projected by the City during the annual budget process. In denying Pittsburgh's petition to have its distressed status rescinded, the Secretary set the next stage for the City's recovery:

> ***"Pittsburgh needs an amended recovery plan that would provide a blueprint for it to exit Act 47 and address pending legacy costs of debt, pensions, post retirement benefits, workers compensation along with a long-term capital plan, while maintaining positive operating budgets well into the future."***

Amendment Process and Parameters

Along with addressing the financial objectives laid out by the Secretary in his rescission ruling, this Amended Recovery Plan was written to provide a "blueprint" for exiting Act 47 oversight. Subsequent chapters discuss the remaining and emerging challenges to the City's financial stability and provide initiatives to meet those challenges. The initiatives were drafted based on meetings with the Administration, City Controller and City Council (individually and through attending post-agenda hearings); department and bureau managers and collective bargaining unit representatives; and the ICA. The Act 47 Coordinator held a public meeting seeking input on the Amended Recovery Plan in October 2008, met with representatives from the business and non-profit community (with the organizational assistance of the Allegheny Conference on Community Development), and met with executive staff of Allegheny County's government to discuss its progress in working with the City on cooperative initiatives. The input and ideas received during this process has shaped much of this Amended Recovery Plan.

Before reviewing the Amended Recovery Plan initiatives, it is important to understand the two guiding principles that shape their form and content.

- **The Amended Recovery Plan maintains the progress achieved under the 2004 Recovery Plan and sets parameters so the City can continue its financial recovery while giving the City greater flexibility to manage its own way toward that objective.**

  The City would not have achieved what it has since 2004 without making critical changes to its budget, and to the structure, level and method of delivering services and employee compensation. For the City to complete its recovery, it must maintain that progress through the Amended Recovery Plan period and beyond, but make more decisions on its own. Therefore, this Plan provides specific financial goals for legacy cost funding, but gives the City the ability to identify funding sources. In addition, this Plan maintains core provisions from the 2004 Recovery Plan such as management's rights to direct its workforce and continued employee contributions toward health insurance coverage. However, the Amended Recovery Plan also provides more flexibility for the City to meet the challenges through strategies chosen and implemented by City officials, employees and the local community they represent and serve.

  For example, the Workforce and Collective Bargaining chapter provides a maximum allocation for compensation changes that can be negotiated by the City and each collective bargaining unit but allows the City and bargaining unit more flexibility to determine the nature of those changes. The Amended Recovery Plan requires the City to reduce its expenditures by 1 percent each year from FY2010 – FY2013, but does not mandate that the reduction occur in materials and supplies as the 2004 Recovery Plan did. The Amended Recovery Plan gives the City flexibility to pursue options to fund additional contributions to its struggling employee pension fund, but provides a default property tax increase in case the City cannot identify another source for that contribution.

- **The Amended Recovery Plan relies on tools that are currently at the City's disposal to meet the remaining obstacles to its full financial recovery.**

  In providing input on the Amended Recovery Plan, several stakeholders suggested changes to State laws that would facilitate the City's financial recovery. Some suggestions focused on generating more revenues, either directly through increased Commonwealth funding or indirectly by increasing the maximum tax rate allowed under state law for levies like the local service tax (LST). Other suggestions focused on expenditure reductions, such as establishing a Statewide municipal pension system or creating a Statewide pool for municipal employee health insurance. Other suggestions would not have a direct impact on the City's financial performance, but would eliminate the statutory constraints that force the City to make staffing or financial decisions that are not in its best interest.

  The Act 47 Coordinator appreciates that some of Pittsburgh's biggest challenges, like the large unfunded pension liability, are shared by other municipalities across the Commonwealth and has included initiatives in this Amended Recovery Plan to support some City efforts to change relevant state law. However, the Amended Recovery Plan must provide a strategy that the City can execute to complete its financial recovery under the current statutory constraints. For example, the Administration has proposed changes to State pension law which the Act 47 Coordinator supports. However, the City's pension crisis is too severe and the need for a timely response is too critical for the City to rely on State action alone, so most initiatives in the Pension and Other Post-Employment Benefits chapter focus on actions the City can take now to address this crisis. A preference for actions the City can take independently will be found in other sections of this Amended Recovery Plan, as well.

  This is similar to the approach taken in the 2004 Recovery Plan that recommended a "preferred revenue package" dependent on changing state law, but also provided an "alternative safety net revenue plan" dependent on revenues over which the City had more control. In the end, the Commonwealth provided a combined package that generated more than the gap identified in the 2004 Recovery Plan, but included expenditure reductions as well as revenue enhancements. In addition, the Commonwealth has provided millions of dollars in grants to the City during the recovery period. However, in the future a real blueprint for achieving independence from State oversight cannot be overly reliant on extended State support.

FY2009 – FY2013 Baseline Projections

As with the 2004 Recovery Plan, this Amended Recovery Plan begins with a baseline projection that shows the City's anticipated revenues and expenditures assuming no changes beyond those already planned by the Administration for FY2009 – FY2013. To provide projections that are already familiar to those who direct and monitor the City's finances, this Amended Recovery Plan mostly uses the FY2009 operating budget and FY2009 – FY2013 five-year plan approved by the ICA on October 20, 2008 as the baseline projection. To project the tax revenues the City's Department of Finance consults with an independent expert who uses demographic and economic trends and accounts for statutory changes in tax rates and collection. Those projections are reviewed by a group that includes the ICA, City Council's budget staff and the Act 47 Coordinator. City Council made subsequent amendments to the FY2009 budget and five-year plan on January 26, 2009 that have also been incorporated in these projections.[2] The Act 47 Coordinator then made a small number of baseline adjustments to reflect developments since January 2009, which are explained further below.

[2] Some revenue neutral changes to position salaries (i.e. raising one salary while reducing another) or position titles may not be reflected in the Amended Recovery Plan.

A summary of the baseline revenue projections is shown below. They are also presented in more detail in Appendix A.

FY2009 – FY2013 Baseline Revenue Projections

	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Real Estate Taxes, Current Year	123,940,434	123,673,000	124,600,548	125,535,052	126,476,564	127,425,139	3.0%
Real Estate Taxes, Prior Years	3,696,724	3,201,000	3,277,824	3,356,492	3,437,048	3,519,537	10.0%
Mercantile Tax	13,271	0	0	0	0	0	N/A
Amusement Tax	11,180,754	9,174,000	9,375,828	9,582,096	9,792,902	10,008,346	9.1%
Earned Income Tax	65,346,575	64,630,000	65,599,450	66,583,442	67,582,193	68,595,926	6.1%
Deed Transfer Tax	17,603,531	15,448,000	15,756,960	16,072,099	16,232,820	16,395,148	6.1%
Parking Tax	44,236,255	42,290,000	39,470,000	40,378,000	41,307,000	42,257,000	-0.1%
Occupational Privilege Tax	9,529	0	0	0	0	0	N/A
Business Privilege Tax	9,046,814	8,746,000	437,300	21,865	0	0	-100.0%
Institution and Service Privilege Tax	67,206	412,000	408,000	400,000	388,000	373,000	-9.5%
EMST/LST	10,512,467	12,375,000	12,659,000	12,950,000	13,248,000	13,553,000	9.5%
Payroll Preparation Tax	46,336,094	44,841,000	45,713,000	46,196,000	46,889,000	47,592,000	6.1%
Tax Revenue Subtotal	**331,989,653**	**324,790,000**	**317,297,910**	**321,075,046**	**325,353,528**	**329,719,096**	**1.5%**
Penalties and Interest	2,252,903	2,457,000	2,518,425	2,581,386	2,645,920	2,712,068	10.4%
Interest on Bank Balances	2,636,362	1,597,000	1,776,982	1,964,987	983,004	491,011	-69.3%
Non-resident Facility Usage Fee	2,947,646	2,602,000	2,667,050	2,733,726	2,802,069	2,872,121	10.4%
Fines and Forfeits	7,185,152	7,183,000	7,310,000	7,441,000	7,576,000	7,714,000	7.4%
Liquor, Business & Govt. Licenses	1,134,003	1,156,100	1,200,451	1,248,061	1,297,936	1,349,083	16.7%
Rentals and Charges - Depts.	4,475,479	4,219,000	4,728,000	4,834,000	4,943,000	5,057,000	19.9%
Public Service Privileges	387,121	1,061,000	1,087,525	1,114,713	1,142,581	1,171,145	10.4%
Provision of Services	7,667,505	8,093,000	7,714,000	7,337,000	7,464,000	7,595,000	-6.2%
Breakeven Centers	22,901,404	21,752,000	22,470,000	23,246,000	24,092,000	25,019,000	15.0%
Joint Operations	180,750	152,000	155,040	158,141	161,304	164,530	8.2%
Federal and State Grants	27,062,795	26,888,000	25,794,000	25,758,000	26,232,000	26,717,000	-0.6%
Non-Profit Payment for Services	2,273,815	4,340,000	1,600,000	1,600,000	1,600,000	1,600,000	-63.1%
Reimbursement, CDBG	985,861	750,000	766,500	783,363	800,597	818,210	9.1%

	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Authority Payments	10,587,384	9,600,000	9,600,000	9,100,003	9,100,003	8,108,285	-15.5%
State Utility Tax Distribution	437,208	491,000	498,365	505,840	513,428	521,130	6.1%
Act 77 - Tax Relief	12,765,256	12,834,000	13,090,680	13,352,494	13,619,543	13,891,934	8.2%
Miscellaneous	133,827	236,000	238,360	240,744	243,151	245,583	4.1%
Econ. Development Slots Revenue	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	0.0%
2% Local Share	0	2,400,000	9,000,000	11,600,000	10,000,000	10,000,000	316.7%
Intergovernmental Services	908,600	773,000	796,000	0	0	0	-100.0%
Other Revenue Subtotal	**112,023,071**	**113,684,100**	**118,111,378**	**120,699,457**	**120,316,537**	**121,147,099**	**6.6%**
Total Revenue	**444,012,724**	**438,474,100**	**435,409,288**	**441,774,502**	**445,670,065**	**450,866,195**	**2.8%**

The Revenue chapter has a detailed discussion of actual City revenue performance, projected collections and relevant economic factors. Key factors underlying these projections include:

- Current year real estate taxes, the City's largest source of revenues, are projected to remain relatively flat through FY2013 because of Allegheny County's base-year assessment system.[3]
- The business privilege tax phases out in FY2010 under the terms of the 2004 consensus revenue package. The final statutorily required incremental decrease in the parking tax rate (drop from 37.5 percent to 35 percent) takes effect in FY2010.
- Interest earned will decline as the City uses its fund balance, and as a result of current economic conditions.
- The City will begin receiving its two percent share of local gaming revenue – a minimum of $10 million per year – after the Pittsburgh casino becomes operational later this year. This revenue is controlled by the ICA, so it is further assumed that this revenue is approved to be used to support General Fund activities.

The City's projected expenditures are shown in summary form below. They are discussed in detail at the departmental, bureau or functional area level in the relevant chapters of this Amended Recovery Plan.

FY2009 – FY2013 Baseline Expenditure Projections

	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	144,099,038	153,150,894	156,707,463	159,460,048	163,196,549	167,282,713	9.2%
Premium Pay	21,128,635	22,333,783	22,867,128	23,251,787	22,583,081	22,678,909	1.5%
Education and Training	291,279	536,120	521,440	526,817	532,253	537,746	0.3%

[3] These projections were made before the recent ruling by the Pennsylvania Supreme Court that the County must reassess properties. That decision and its potential impact on the City are discussed in the Revenue chapter.

	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Fringe Benefits	72,821,632	80,477,449	84,545,921	88,830,028	95,062,836	102,570,986	27.5%
Uniforms	1,711,762	1,846,914	1,865,353	1,883,977	1,902,786	1,921,784	4.1%
Supplies	5,532,792	6,216,686	6,524,140	6,848,402	7,190,440	7,551,279	21.5%
Materials	1,196,987	1,790,168	1,282,843	1,314,914	1,347,787	1,381,481	-22.8%
Equipment	722,844	1,111,842	862,888	884,460	821,718	842,260	-24.2%
Repairs	1,693,722	2,022,720	2,073,288	1,975,120	1,924,498	1,972,610	-2.5%
Rentals	2,469,932	3,002,164	3,077,218	3,154,149	3,233,002	3,313,827	10.4%
Miscellaneous Services	15,560,495	19,273,397	18,776,504	19,110,917	19,356,980	19,840,905	2.9%
Utilities	8,157,760	8,317,860	8,799,452	9,309,242	9,848,893	10,420,168	25.3%
Judgments	1,545,758	1,750,000	1,793,750	1,838,594	1,884,559	1,931,673	10.4%
Pension	41,465,075	49,745,580	50,250,290	50,780,867	51,338,692	51,903,669	4.3%
Debt Service	84,653,758	81,993,262	80,749,070	79,181,370	72,238,885	65,889,469	-19.6%
Debt Service Subsidy	257,838	257,175	254,143	255,693	259,050	269,060	4.6%
GF Grants	40,000	40,000	40,000	40,000	40,000	40,000	0.0%
Transfers	10,000	4,110,000	10,250	10,506	10,769	11,038	-99.7%
Total Expenditures	**403,359,307**	**437,976,014**	**441,001,141**	**448,656,889**	**452,772,776**	**460,359,577**	**5.1%**

Key factors underlying these baseline expenditure projections include:

- The City assumes a 2.5 percent annual salary increase for all employees.
- The City projects that active and retired employee health insurance costs will grow by 11.5 percent in FY2010, 5.9 percent in FY2011, 11.5 percent in FY2012 and 13.0 percent in FY2013. The lower increase in FY2011 anticipates the City will achieve savings through plan restructuring and rebid.
- The pension contributions include a supplemental contribution of 5.0 percent above the Minimum Municipal Obligation (MMO) payment per year (approximately $2.2 million annually).[4]
- Debt service payments decline as the City uses $45.4 million deposited into a restricted fund and earnings on that cash to pay General Obligation or Pension Obligation Bond debt service or defease bonds in years 2010 - 2013.
- The City will make a one-time $3.8 million transfer to its debt service fund in FY2009.

The City's five-year plan incorporates savings from other planned efforts such as implementing a new Enterprise Resource Planning (ERP) system and achieving public safety savings related to the ICA-

[4] This supplemental contribution is part of the City's ICA-approved five-year plan and therefore is assumed in these baseline projections.

funded operational studies of the Bureaus of Building Inspection, EMS and Fire. Those savings are addressed in the relevant chapters of this Amended Recovery Plan.

Differences between the Amended Recovery Plan and the ICA-Approved Five Year Plan

Projecting government financial results is by necessity an inexact science. Even with sound financial planning, governments by nature are subject to unexpected events and broader economic trends that require continual adjustments to those projections. The City issues quarterly financial reports that are reviewed and analyzed by the Act 47 Coordinator and the ICA to evaluate projected results and make adjustments to account for such changes.

Even with that quarterly review, there is understandable concern about the impact on the City of the current recession.[5] As a result of ongoing work with the external revenue projector, the City's budget and ICA-approved five-year plan are based on conservative growth assumptions to provide some safeguard against a revenue shortfall. For FY2009 the City budgeted a $2.6 million decline from actual FY2008 revenues, with major taxes (current year real estate, earned income, payroll preparation and parking) projected $4.4 million or 1.6 percent lower than budgeted. While the Amended Recovery Plan retains most of that baseline, there are adjustments to reflect developments since the FY2009 budget and five-year plan were passed by Council in January 2009.

- The Commonwealth appropriation is reduced from $5.966 million to $3.0 million starting in FY2009 to reflect the lower amount proposed in the Governor's FY2009-10 budget.
- Non-profit contributions are reduced from $4.316 to $1.6 million starting in FY2010 to reflect the lower amount proposed for the final year of the non-profit agreement currently under consideration.[6]
- Federal and state grant revenue is reduced by $1.5 million starting in FY2011 to reflect the end of the Commonwealth's COPS grant.
- Escrow earnings on the $45.4 million deposited into a restricted fund for debt service may be lower than projected due to low interest rates. To account for this potential, the assumed escrow earnings are reduced by $2.4 million, causing General Fund expenditures to rise by the same amount to cover the difference.
- Landfill expenses (budgeted under Miscellaneous Services in the Department of Public Works) are projected to increase by 5 percent in FY2012.

Adjustments to the City's Baseline

Adjustment	2009	2010	2011	2012	2013	TOTAL
Reduced Commonwealth appropriation	(2,966,000)	(2,966,000)	(2,966,000)	(2,966,000)	(2,966,000)	(14,830,000)
Reduced non-profit contribution	24,000	(2,716,000)	(2,716,000)	(2,716,000)	(2,716,000)	(10,840,000)
COPS grant ends	0	0	(1,500,000)	(1,500,000)	(1,500,000)	(4,500,000)
Total adjustment to revenues	(2,942,000)	(5,682,000)	(7,182,000)	(7,182,000)	(7,182,000)	(30,170,000)
Lower debt service fund escrow earnings	0	0	0	0	(2,406,491)	(2,406,491)
Landfill increase (5% in 2012)	0	0	0	(68,291)	(69,998)	(138,289)
Total adjustment to expenditures	0	0	0	(68,291)	(2,476,489)	(2,544,780)

[5] Please see the Revenue chapter for more discussion of this topic.

Once these adjustments are applied to the City's FY2009 operating budget and the ICA-approved FY2009 – FY2013 five-year plan, the Amended Recovery Plan's baseline projection shows expenditures exceeding revenues by $6.0 million in FY2010 with the gap growing to $9.5 million in FY2013. The growth in expenditures between FY2009 and FY2013 (5.1 percent) is close to double that of revenues during the same period (2.8 percent). While the City's fund balance would enable it to weather these annual deficits of 1 to 2 percent, the projected annual operating deficits show the challenge facing the City just to maintain the progress it has achieved since 2004.

Adjusted Baseline Revenue-Expenditure Comparison

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Baseline revenues	438,474,100	435,409,288	441,774,503	445,670,065	450,866,195
Baseline expenditures	437,976,014	441,001,141	448,656,889	452,772,776	460,359,577
Surplus/Difference	498,086	(5,591,853)	(6,882,387)	(7,102,712)	(9,493,382)

Amended Recovery Plan initiatives

As the discussion above makes clear, the City has made tremendous progress since the 2004 Recovery Plan was filed. However, the mandate for this Amended Recovery Plan is to focus on ongoing challenges. In response to the Secretary's charge to the Act 47 Coordinator and the reality of $1.2 billion in unfunded legacy costs, this Amended Recovery Plan necessarily addresses the remaining long-term challenges that are impeding the City's full recovery.

The following critical Amended Recovery Plan initiatives address the City's four legacy costs (pensions, OPEB, debt service and workers' compensation), provide additional funding to support the City's pay-as-you-go capital funding strategy and help close any operating deficit.

- **Pension:** Given the crisis facing City employees' pensions, the Amended Recovery Plan increases the City's contributions to the pension fund by $48 million over the expenditures in the ICA-approved five-year plan. Combining this contribution with the additional amounts already in the ICA-approved five-year plan pushes the City's contribution to $60 million more than the current MMO projections over five years. The Amended Recovery Plan gives the City the flexibility to pursue different options to fund this contribution, such as leasing its parking garages, but also provides a default tax increase in each year that another option is not identified by the time the budget is proposed.

Additional Pension Contribution

	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Baseline projection	44,187,695	44,603,343	45,041,675	45,503,949	45,970,967	225,307,629
Additional contribution (City Five-Year Plan - ICA approved)	2,209,385	2,230,167	2,252,084	2,275,197	2,298,548	11,265,381
Additional contribution (Amended Recovery Plan)	-	10,000,000	12,000,000	12,000,000	14,000,000	48,000,000
Total	**46,397,080**	**56,833,510**	**59,293,759**	**59,779,146**	**62,269,515**	**284,573,010**

While this additional contribution is significant, it will not resolve the pension's severe underfunding quickly. The unfunded liability, valued at $523.9 million as of January 1, 2007, was not created in just a few years, nor will it be resolved in that time frame. However, if the City continues this additional annual contribution beyond the five-year term of the Amended Recovery Plan, the annual amounts plus the compounding interest earned on each previous contribution will improve the situation dramatically. The Amended Recovery Plan also includes an initiative directing any "windfall" revenues, such as those from higher than projected gaming revenues or asset sales, to the pension fund.

As important as the higher contributions are, the City will not resolve this crisis solely by putting more money into the fund. Therefore, the Amended Recovery Plan supports the City's efforts to change Commonwealth laws and funding formulas to improve the pension funds' condition. Other initiatives prohibit enhanced pension benefits while the funds are distressed, require the City to change the formula by which certain benefits are calculated and direct the City to explore structural changes, such as a new, less expensive plan for new employees.

Please see the Pension and Other Post-Employment Benefit chapter in the Legacy Cost Challenge section for more information.

- **Other Post-Employment Benefits (OPEB):** The liability associated with paying for post-retirement benefits other than pensions, such as retiree health care, receives less attention than the pension underfunding but it is also a significant threat to the City's long term financial health. Addressing these unrecognized costs is a particular focus of the Commonwealth. Therefore, the Amended Recovery Plan requires the City establish and fund an OPEB trust fund at $2.0 million per year beginning in FY2011. Combining this contribution with the continued prohibition on providing retiree health care for employees hired after January 1, 2005 will allow the City to make incremental progress in addressing its $320 million OPEB liability.

  Please see the Pension and Other Post-Employment Benefit chapter in the Legacy Cost Challenge section and the Workforce and Collective Bargaining chapters for more information.

- **Workers' Compensation:** In view of the City providing a higher level of benefits for injured workers than required by state law, and the significant workers' compensation liabilities already shouldered by the City, the Amended Recovery Plan requires that injured employees treat with the City's selected medical providers for the duration of their disability rather than only for the first 90 days (30 days for firefighters). Other initiatives expand and modify the light duty job offer program, implement post-incident drug testing and continue the settlement program in FY2013.

  Please see the Workers' Compensation chapter in the Legacy Cost Challenge section for more information.

- **Debt service:** The Amended Recovery Plan supports the ICA-approved and monitored use of $45.4 million deposited into a restricted debt fund in December 2008 to pay General Obligation or Pension Obligation Bond debt service or refund or defease bonds in the period from FY2010 to FY2013. The next major step is for the City to establish City Council approved debt management and capital funding policy that will ensure debt transactions are used appropriately as a long term financing tool.

  Please see the Debt Service chapter in the Legacy Cost Challenge section for more information.

- **Capital Improvement Plan:** The City's high debt service payments limit its ability to incur new debt, which in turn limits its ability to invest in City construction and rehabilitation projects through its capital improvement plan (CIP). The Amended Recovery Plan continues the Administration's strategy to fund capital projects on a pay-as-you-go basis by transferring revenue generated

through other initiatives to the capital budget in FY2012 and FY2013. It also directs the City to work with Commonwealth to eliminate the final phasing of the parking tax reduction in FY2010 with the incremental revenue generated then directed to the capital budget.

Capital Improvement Plan Funding[7]

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Capital Balance	78,323,210	51,435,930	30,228,600	24,108,311	23,376,950
Transfers from General Fund	0	0	15,000,000	18,900,000	0
Parking Tax Revenues	0	3,792,670	3,879,711	3,968,639	4,059,978
Debt Refunding	0	0	0	1,400,000	0
CBDG	18,002,958	16,000,000	16,000,000	16,000,000	16,000,000
Federal/State Funding	14,719,578	14,000,000	14,000,000	14,000,000	14,000,000
Annual Capital Spending	**(59,609,816)**	**(55,000,000)**	**(55,000,000)**	**(55,000,000)**	**(55,000,000)**
Remaining Capital Fund	**51,435,930**	**30,228,600**	**24,108,311**	**23,376,950**	**2,436,928**

The Amended Recovery Plan also improves how the City manages its capital project resources by requiring a collaborative process involving the Department of Finance, City Planning, Public Works, the Mayor's Office, the Controller's Office and City Council that produces an annual capital budget and six year capital plan for City Council's review and approval. Other initiatives institute quarterly CIP status reports and direct the City to develop a long-term CIP financing strategy.

Please see the Capital Improvement Plan section for more information.

- **Workforce and Collective Bargaining:** Each represented employee shall receive a bonus payment not to exceed $2,000 ($1,000 for part-time employees) in the first year of the applicable new collective bargaining agreement. Non-represented employees shall receive the same payment in the first full calendar year this Amended Recovery Plan is in effect. The savings generated by providing a bonus that does not build into base wages will help the City address the crisis facing the employees' pensions and other legacy costs while maintaining a balanced budget.

  For subsequent years the Amended Recovery Plan provides a maximum allocation for each bargaining unit and non-represented employees within which the City and collective bargaining unit can negotiate changes to certain compensation components including wages and salary, longevity, shift pay, vacation leave and holiday leave. During the bargaining process the City shall provide the Act 47 Coordinator with calculations verifying that the negotiated compensation changes do not exceed the maximum allocation. The 15 percent employee contribution to health insurance established in the 2004 Recovery Plan is retained and modified such that employees who choose not to participate in the City's health management program will be required to pay 20 percent of lowest tier premium costs.

  Please see the Workforce and Collective Bargaining section for more information.

[7] Beginning balance as reported in the City's FY2008 Comprehensive Annual Financial Report (CAFR), page 7 of the fund financial statements. FY2010-FY2013 CBDG and Federal/State Match contributions are estimates based on previous fiscal years

- **General expenditure reduction:** In view of the City's success in holding actual expenditures well below budget each year since FY2005, the City shall reduce general fund expenditures by 1.0 percent each year starting in FY2010 through implementing Amended Recovery Plan or internally established initiatives.

  Please see the Department of Finance chapter in the Financial Management section for more information.

- **Continue to strengthen financial management:** The City has an urgent need for a new Enterprise Resource Planning (ERP) system, the hardware and software which it uses to manage all financial, accounting, purchasing, payroll, customer/constituent relations and human resource functions. The Amended Recovery Plan leaves the City with flexibility to determine the best way to fill this need and encourages the City to continue its ongoing conversations with the County to migrate City functions to the County's technology platform, which could provide the opportunity to expand consolidation to other functions and bring in additional agencies in the future. The Amended Recovery Plan does provide parameters to ensure the City's selection of a different ERP system will be successful, such as requiring a designated project manager and employee training. Other initiatives require the City to formalize how it responds to internal and independent audits and continue work to reduce manual processes.

  Please see the Department of Finance, Controller and ERP system chapters in the Financial Management section for more information.

- **Public Safety:** The ICA-funded operational studies of the Bureaus of Building Inspection, EMS and Fire shaped several initiatives in the Amended Recovery Plan's public safety section.

  - The City shall improve cooperation between the Bureaus of EMS and Fire through coordinated training.

  - The City shall develop a stronger tiered system for responding to rescue incidents by bolstering the Bureau of Fire's capacity in that regard.

  - The City shall improve Bureau of Building Inspection (BBI) staff training by establishing a training academy at which all code inspectors will be required to attain certain basic certifications.

  - The City shall improve coordination between BBI and the Bureau of Police and improve the efficiency of code inspection by using technology to decentralize those operations.

  Other initiatives require the City to maintain its Annual Purchasing Plan for public safety vehicles and integrate it into the operating and capital budget process and complete civilianization that will make greater use of the City's uniformed police employees.

  Please see the Public Safety chapter for more information.

- **Public Works:** The City shall conduct an independent operational review of refuse, bulk waste and recycling collection to identify potential efficiencies and strive to achieve a higher recycling rate to reduce landfill costs and secure more Commonwealth grant funding.

  Please see the Public Works and Parks and Recreation chapter for more information.

- **Intergovernmental Cooperation:** In 2008 the Mayor and the County Executive pledged to work to implement the recommendations of the Nordenberg Commission to increase City-County

cooperation. The two governments have made great progress in some areas, but progress has been slow on some other initiatives from the 2004 Recovery Plan. The City has also had limited success in increasing joint working with other regional governments. Therefore, this Amended Recovery Plan focuses on short- and mid-term initiatives, such as merging the City's financial functions into the County's technology platform, reaching more agreements through which the City can provide services to neighboring municipalities, and resolving the persistent differences between City and County procurement regulations that prohibit further cooperation. These initiatives, if achieved successfully, would provide a platform for expanding cooperation to other areas and partners and they should be considered "next steps," not the limits of what can be achieved.

Please see the Intergovernmental Cooperation chapter for more information.

- **Revenue:** In addition to the initiatives above, the Amended Recovery Plan directs the City to secure contributions of at least $6.0 million annually from the non-profit community beginning in FY2011. This may be achieved through increased voluntary contributions through a revised agreement with the Public Service Fund through the Pittsburgh Foundation; pursuing General Assembly approval for amendments to the payroll preparation tax to include non-profit institutions; initiating new legally enforceable fees applicable to services rendered to tax exempt institutions. Other initiatives require an update to fees, improved delinquent tax collection through cooperation with other government bodies[8] and completion of the Market Based Revenue Opportunity (MBRO) initiative from the 2004 Recovery Plan.

  Please see the Revenue chapter for more information.

A Strategy for Completing Recovery

Like the 2004 Recovery Plan, the initiatives in the Amended Recovery Plan generate additional revenues and reduce projected expenditures. Assuming the City uses $5.0 million in increased revenue and $5.0 million in expense reductions to meet the requirement that it generate an additional $10.0 million a year to invest in the pension rescue, the revenue related initiatives generate $66 million over five-years and the expenditure related initiatives reduce projected costs by $56 million.[9]

Beyond improving the City's operating balance, the Amended Recovery Plan – and the City itself – has another critical objective: to address the legacy costs of pensions, OPEB, debt service and workers' compensation and provide funds for the capital project needs that have accumulated while the City dealt with its operating deficits. To that end the Amended Recovery Plan initiatives direct $54.5 million to the legacy costs and $51.0 million to support the Administration's pay-as-you-go capital funding strategy. When coupled with the key initiatives requiring improved management of legacy costs – controlling or reducing pension liabilities, establishing an OPEB trust fund, establishing a debt service policy, continued work to reduce workers' compensation liabilities – the Amended Recovery Plan gives the City a strategy to address the obstacles to completing its fiscal recovery and leaving Act 47 oversight.

[8] This initiative is addressed in the Intergovernmental Cooperation chapter.

[9] These initiative impact amounts and the table below are based on the assumption that the City would meet its requirement to generate $10 million for pensions through $5 million in increased revenue and $5 million in reduced expenditures, though any other distribution totaling $10 million is possible.

Amended Recovery Plan Initiative Impact

	2009	2010	2011	2012	2013	TOTAL
Incoming Fund Balance	**41,935,480**	**43,504,497**	**46,160,699**	**37,274,493**	**26,632,599**	**N/A**
Baseline Revenue	438,474,100	435,409,287	441,774,503	445,670,065	450,866,195	2,212,194,150
Initiatives - Increased Revenue	191,719	12,043,480	17,267,551	17,897,415	18,534,557	65,934,722
Total Revenue	**438,665,819**	**447,452,767**	**459,042,054**	**463,567,480**	**469,400,752**	**2,278,128,872**
Baseline Expenditures	437,976,014	441,001,141	448,656,889	452,772,776	460,359,577	2,240,766,398
Initiatives - Decreased Expenditures	(879,212)	(9,997,246)	(13,608,341)	(15,432,041)	(18,057,195)	(57,974,035)
Total Expenditures	**437,096,802**	**431,003,895**	**435,048,548**	**437,340,735**	**442,302,383**	**2,182,792,363**
Address legacy cost - Pension	0	(10,000,000)	(12,000,000)	(12,000,000)	(14,000,000)	(48,000,000)
Address legacy cost - OPEB	0	0	(2,000,000)	(2,000,000)	(2,000,000)	(6,000,000)
Address legacy cost - Workers' Comp.	0	0	0	0	(500,000)	(500,000)
Funding for Capital Projects	0	(3,792,670)	(18,879,711)	(24,268,639)	(4,059,978)	(51,000,999)
Year-End Fund Balance	**43,504,497**	**46,160,699**	**37,274,493**	**26,632,599**	**33,170,991**	**N/A**
Fund Balance as % of Revenues	**9.9%**	**10.3%**	**8.1%**	**5.7%**	**7.1%**	**N/A**

Since Pittsburgh entered Act 47 status in December 2003, the City has made remarkable progress in turning projected multi-million dollar deficits into annual positive operating balances. The residents, elected and appointed leaders, municipal employees, the non-profit and business community, the Commonwealth and the ICA all contributed to this turnaround. Now those stakeholders have an opportunity – a unique opportunity considering how most major cities are struggling in the prolonged national recession – to take on the challenges that prevent the City's full recovery. Using the accumulated fund balance wisely, building a diverse revenue base, controlling expenses and improving management of its legacy costs and capital needs as laid out in the Amended Recovery Plan comprises a strong strategy to meet those challenges.

3. Legacy Cost Challenges

Pensions & Other Post-Employment Benefits

Since the 2004 Recovery Plan was approved almost five years ago, the City of Pittsburgh has successfully eliminated a large, recurring annual operating deficit and has achieved improved, near-term budget results in difficult economic times. As noted throughout this Amended Recovery Plan, however, in the long term the City continues to face extraordinary "legacy cost" pressures that have reached unsustainable levels. Among these cost pressures, pension and retiree medical liabilities for former municipal employees have grown to crisis proportions. Without aggressive action now, the City's ability to provide the retiree pensions and health benefits it has promised in the past are at risk.

In recent years, City leaders have squared up to this central challenge with a range of policy initiatives. In keeping with its charge from the Secretary of the Commonwealth's Department of Community & Economic Development – to propose an Amended Recovery Plan that attacks the legacy crisis – this chapter builds on these recent efforts by including a comprehensive "Pittsburgh Retiree Rescue Plan."

Challenges

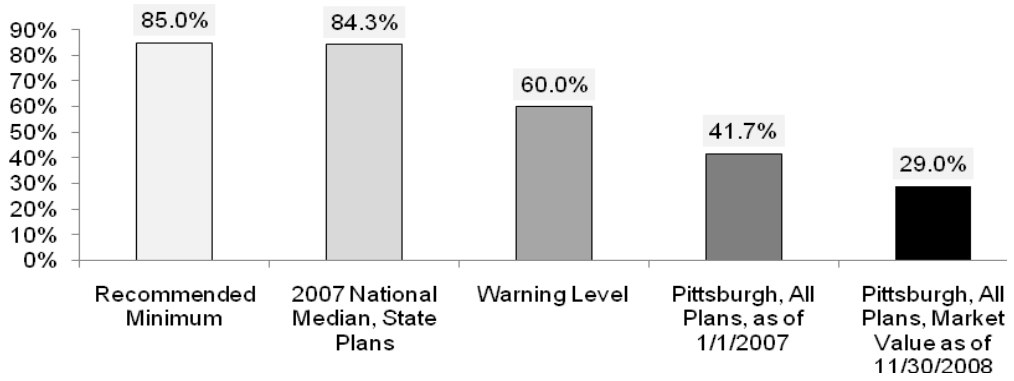
While many governments face pension and other post-employment benefit (OPEB) funding challenges, especially after the recent economic decline, the liabilities for Pittsburgh are staggering in scale – far in excess of the comparable burdens for other, similar jurisdictions:

- Overall, the City's combined unfunded pension and OPEB liabilities were estimated at more than $843 million based on January 1, 2007 pension and January 1, 2006 OPEB actuarial valuations – roughly equivalent to two full years of City General Fund receipts.

- Unfunded pension liabilities represent the largest share of this total, reaching $523.9 million as of the most recent actuarial evaluation for January 1, 2007. Between January 2007 and November 2008, market declines generated losses of more than $100 million in the City's pension investments. In conjunction with changes in actuarial assumptions as further detailed below, a more current actuarial valuation would almost certainly find the total City retiree liability to be well above $1.0 billion. With the additional principal balance on pension obligation bonds issued in 1998 to help fund retiree benefits going forward, the City's current overall retiree liability is believed to rise well above $1.25 billion.

- Again, as of January 1, 2007, the City's combined pension plans were only 41.7 percent funded. This funding level is less than half that for governments on average, and well below the 60 percent threshold cited by Fitch Ratings as a warning sign for fiscal distress. Substituting reported actual November 2008 market value of $261.0 million for the estimate in the January 2007 valuation, the City is estimated to have been only 29.0 percent funded.

Pension Plan Funding Levels



- Under this same methodology, using market valuations as of November 2008 as a starting point, the City would need to add approximately $503 million to its pension funds to achieve a funded ratio of 85 percent. To achieve even the 60 percent funding ratio viewed as a warning signal for fiscal distress, Pittsburgh would need to add $278 million.

- The City's pension funding levels are among the lowest of any government in the nation. According to a 2008 study by the Center for State and Local Government Excellence, for example, Pittsburgh's plans ranked 82nd out of 84 large locally administered plans nationwide in terms of funding status – among a group of only three plans with funding levels below 50 percent.

Compounding these challenges, as of January 2007 the City of Pittsburgh had significantly fewer active employees contributing into its pension plans (3,248) than retirees receiving benefits (4,462) – a ratio of 1 to 1.4. In contrast, the median among public pension systems nationally is to have 2 active members for every 1 retiree (1 to 0.5). This situation results from the declining size of the City population and workforce over time, and the relatively low retirement ages for Pittsburgh employees (particularly police and firefighters who represent a majority of the City workforce). This challenge is more common among urban governments than faster growing suburbs and is particularly acute in Pittsburgh, even compared to other Pennsylvania cities, as shown below:

	Pittsburgh, All Plans (1/1/2007)	2007 National Median	PA Cities	PA Boroughs	PA 1st Class Townships	PA 2nd Class Townships
Ratio of Actives to Beneficiaries	1 : 1.4	1 : 0.5	1 : 1.2	1 : 0.5	1 : 0.5	1 : 0.3

While this growing number of retirees relative to the size of the active workforce has been emerging for many years, the trend has worsened. In the January 1, 2003 actuarial valuation available when the 2004 Recovery Plan was developed, the City still had slightly more active employees (4,289) than retirees (4,108). With this tipping point between active and retired employees reached, there is also now a growing imbalance between contributions into the system and withdrawals from it – in turn, further depleting the City's pension funds. As shown in the table below, combined City and employee contributions to the pension plans were far less than payments to retirees in 2005 and 2006, yielding a net outflow before any investment earnings are taken into account.

Calendar Year	Total Payments to Plan Participants	Total Contributions	Net Gain/(Loss)
2005	74,393,593	46,610,438	(27,783,155)
2006	81,854,289	47,166,166	(34,688,123)

In theory, if the plans were adequately funded and investments achieved targeted rates of return, market performance and growth would cover the difference. In reality, the plans' underfunded status combined with difficult market conditions have led to an erosion of overall plan funding.

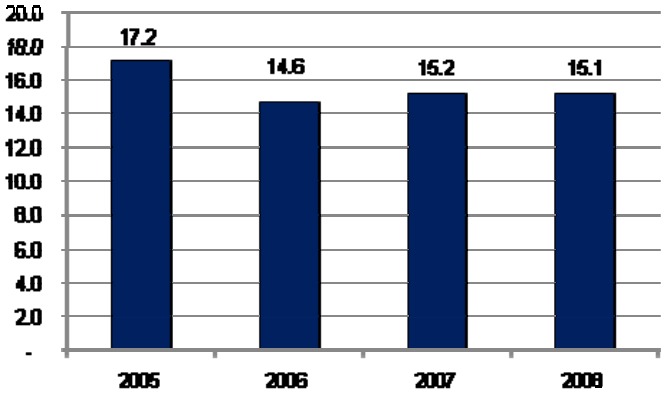
At the start of the decade, Pittsburgh's pension funds were valued at $468 million and were 67 percent funded. Since then, the City's unfunded liability has more than doubled. As the numbers below demonstrate, despite meeting the annual required contribution (ARC) every year, the City's pension funds are losing money due to the ratios outlined above and investment returns below assumptions. The ARC has risen steadily to $38.1 million for 2007, an increase of over $20 million since 2000.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio
1/1/2000	467,609	697,647	230,038	67.0%
1/1/2007	375,368	899,248	523,880	41.7%
Change, 2000 to 2007	***(92.2 million) (19.7%)***	***+201.6 million +28.9%***	***+293.8 million +127.7%***	***(25.3%)***

**Data in thousands*

The amount of annual State pension aid to local governments is based on the number of active City employees, with the total statewide fund supported by a single tax revenue source. The State pension aid formula does not have a component related to the level of financial distress in the fund or the financial situation of the municipality. As a result, as Pittsburgh has become more efficient and reduced its headcount, State pension aid has declined proportionately. While the value of annual State aid to municipal pension plans has grown by 16.5 percent per employee over this same period of time, the gross amount received by the City of Pittsburgh has been relatively flat since it dropped by $2.5 million in 2006 after a series of retirements (see chart below). This reduction followed a larger decrease over the past two decades; the City's annual pension aid from the Commonwealth was $24.0 million in 1989, and the percentage of state aid that it received has fallen in half during that period. These declines in state aid have further increased the amount the City has had to pay to make up for increases in annual contribution requirements.

State Pension Aid ($Ms)



In 1998, the City issued three pension obligation bonds (POBs) for a total of $255.9 million, scheduled to be paid out until 2024. Accounting for payments already made, the City is responsible for approximately $400 million in further debt service payments for these bonds over the next 16 years. Annual costs through 2011 are approximately $18.4 million per year, and then steadily increase in the following years until they reach $28.8 annually each year from 2019 to 2024. At the beginning of 2009, pension bonds accounted for approximately 40 percent of the City's $1.0 billion in total outstanding debt service; remaining outstanding pension bond principal of $245 million represented about 35 percent of the City's outstanding General Fund debt.

Year	POB Debt Service
2009	18,382,703
2010	18,431,690
2011	18,456,690
2012	22,767,218
2013	25,264,909
2014	25,241,210
2015	25,473,048

Year	POB Debt Service
2016	25,464,110
2017	29,115,448
2018	23,082,348
2019	28,786,220
2020	28,789,030
2021	28,788,450
2022	28,793,045
2023	28,795,885
2024	28,794,875
Total	**404,426,876**

On an operating budget basis, the City is budgeted to spend $49.7 million on employer pension payments in FY2009 ($34.5 million net of state pension aid).

Along with retiree pensions, the City also provides retiree medical and life insurance benefits, for which no reserves have been established. Pittsburgh's first actuarial valuation for such Other Post-Employment Benefits (OPEB) identified the City's unfunded liability at approximately $320 million as of January 1, 2006, and determined that the City should be making an annual required contribution (ARC) of $26.7 million for such OPEB benefits. To date, however, the City only funds those benefits actually due for former employees who have already retired, plus an additional $200,000 for FY2009 – FY2013. In the FY2009 budget, such pay-as-you-go OPEB expenditures are budgeted at $16.1 million, more than $10 million below the amounts that should be set aside based on actuarial levels.

The City also makes employer contributions toward social security and Medicare benefits for non-uniformed employees at a combined rate of 7.65% of salary, subject to certain federal caps. This represents another $9.8 million of City spending on employee retirement benefits in the FY2009 operating budget.

Overall, combined operating budget expenditures for retiree benefits (pensions, pension obligation bond debt service, retiree medical, retiree life, and social security) are budgeted at $93.1 million in FY2009 – $77.9 million net of state pension aid.

FY2009 Operating Budget Expenditures for Retiree Benefits

Pension fund contribution	44,187,695
POB debt service	18,382,703
Retiree health insurance	16,076,887
Social security fund	6,772,755
Medicare retiree benefits	3,031,092
Retiree fund contribution	2,276,000
Additional pension fund contribution	2,209,385
OPEB contribution	200,000
Total	**93,136,517**

Taken together, Pittsburgh's overall retiree legacy costs and liabilities are extraordinarily high by any measure, and are growing on a trajectory that not only threatens the City's newfound budget stability in the near-term, but that will also erode the City's fiscal stability for decades to come if not addressed aggressively.

Pittsburgh Retiree Benefits Summary

	Municipal Plan As of 1/1/2007	Police & Fire Plans As of 1/1/2007
Eligibility	Age 60 w/ 20 Years of Service (YOS) Age 55 for Paramedics	Age 50 w/ 20 YOS
Vesting Requirement	8 years	8 years
Payout Formula (including service increment)	50 percent of average salary of last 4 YOS, *plus* 1% of 4-year average pay for each YOS over 20, to a max of $100/month	50 percent of average salary of last 3 YOS, *plus* $20 per month over 20 YOS, Police only: $25 per month over 25 YOS
Final Average Salary (FAS)	Base Salary	Fire: All W-2 earnings including overtime Police: Base salary + longevity
Retiree Medical Coverage	None	Retirees receive full coverage for employee and spouse up to rate paid at time of retirement; the retiree pays any future cost increases. Employees hired after 1/1/2005 are not entitled to retiree medical coverage.
Retiree Life Insurance Coverage	Employees may elect to pay full premium; City makes no contribution	City pays full premium; Upon death of retiree: $7,500 payout for Police, $15,000 for Fire.
Social Security	City contributes 7.65 percent of salary, up to statutory maximums, for social security and Medicare	Police and Fire do not receive social security benefits, and are required to contribute an additional 2 percent to their pension fund

Progress to Date

In 2004, facing an immediate budget crisis in the wake of severe service cuts and a downgrade of the City's credit ratings to below investment grade, the 2004 Recovery Plan focused on triaging Pittsburgh's immediate deficit rather than seeking to resolve all balance sheet concerns. At the same time, the 2004 Recovery Plan did set forth several important principles and initiatives for beginning to contain retiree cost growth.

Several of these measures have been implemented, including:

- No further pension benefit enhancements (although there have been several unsuccessful efforts to increase benefits).

- Moderation of growth in the salary base used for pension calculations, including base wage increases and (for uniformed employees) longevity pay and other automatic, seniority-based pay increases.

- Elimination of retiree health coverage for employees hired after December 31, 2004.

- Extension of police cost-sharing requirements for retiree medical premium increases to City firefighter retirees, and clarification that the City may change providers for such benefits.

- Reevaluation of City pension contribution levels and monitoring of funding status in conjunction with an update of actuarial assumptions to be more conservative.

- The City has modified pension benefit programs bringing them into compliance with statutes (subject to vesting requirements), effectively reinstating a Social Security offset for new hires. Pension benefits were eliminated for new crossing guards (who are part-time employees) as well.

In addition, two other provisions have seen progress:

- The City has actively pursued State legislative action for potential changes beneficial to the health of the City's retirement systems, resulting in the development of multiple legislative agenda items. These efforts are discussed in more detail below.

- The City has not fully adopted the practice of making annual City pension payments during the first quarter of each year to allow more time for compounding growth, as directed in the 2004 Recovery Plan. However, in 2009, the City made nearly 25 percent of its annual contribution requirement during the first quarter. This is a positive step toward making more regular payments during the year, rather than depositing the entire payment in the final quarter.

As reflected in the initial steps outlined above, the Mayor, City Council and civic leaders have turned increasing attention to the City's longer-term legacy costs as the City's near-term budget position has improved. To date, other measures undertaken by the City have included:

- The Mayor and City Council pledged in February 2008 to approve a budget that increases the City's annual pension contribution above the Minimum Municipal Obligation (MMO), with the FY2009 approved budget including an extra $2.2 million for the pension fund.

- The Mayor and City Council also pledged to establish regular quarterly meetings with the City's pension advisor, and a new pension investment manager has been hired to recommend, monitor, and evaluate investment strategies.

- The 2009 Budget also included a $200,000 set aside for OPEB liabilities as a first step toward addressing this unfunded liability.

- The Mayor has worked with counterparts throughout the Commonwealth to advocate pension funding reform. In particular, the Mayor has developed a four-point plan which includes revising of the state pension aid formula, eliminating overtime in benefit calculations, allowing defined contribution or hybrid plans, and consolidating plans. He has also organized a group of other Mayors from around the State to work with the Pennsylvania League of Cities & Municipalities to lobby the General Assembly to enact these reforms.

- To make the City's pension funding approach more conservative and to bolster the funds' financial stability, the Administration is considering two changes to its pension investment assumptions. First, the assumed actuarial investment return goal would drop from a relatively high 8.75 to a more mainstream 8.0 percent. Second, the City would adjust the amortization period used in actuarial

calculations from 40 years to 30 years. Over the long term, these changes could guide the City toward a more appropriate funding approach that improves pension stability. In the short term, however, they would also lead to a significant increase in the City's actuarial liability when next calculated, over and above the increase expected from market investment declines. In addition, over some periods the City may not be able to meet even the lower 8.0 percent return assumption. Over the ten-year period from September 30, 1998 to September 30, 2008, for example, the average return rate for public pension systems was approximately 5.9 percent.[1] The scale of the impact of these changes is not known, as the City has not completed and released an analysis of the potential impact of moving to the lower earnings assumption and shorter amortization period.

Contributing to these ongoing efforts, the University of Pittsburgh's Institute of Politics (IOP) convened a panel of business, community, government and labor leaders to examine municipal pensions and inform statewide policy-making on this important issue. In April 2009 the IOP issued a report with five recommendations focused on steps to improve municipal pension funding in Pennsylvania, with particular emphasis on issues facing Pittsburgh. Specifically, the report recommended investment officer education; consolidating local plans with the larger state municipal plan; revising the state aid formula; and prohibiting underfunded plans from increasing benefits.

Initiatives

The Amended Recovery Plan aims to create a more sustainable benefits plan through recommendations that will help the City to rein in the current unfunded liabilities and avoid similar problems in the future. Multiple stakeholders must share the burden of Pittsburgh's pension crisis, and each plays a critical role in improving the situation. Initiatives are separated into four major categories:

- **Increased Funding:** Pittsburgh's challenges with the pension fund are highlighted by the disparity between benefits paid out of and contributions made into the fund. If current trends continue – payments outpacing contributions and investment growth falling short of assumptions – the retirement system is not sustainable. To avoid this threat, these trends must begin to reverse. While Pittsburgh has only limited influence over investment performance due to market factors, the City can ensure that contributions more closely align with fund payments by dedicating supplemental revenues to its retirement system.

- **Liability Management:** At the same time, the City must take action to moderate its liabilities going forward. Unaffordable benefit enhancements must be avoided. Retirement benefit structures should be creatively reevaluated. Other workforce spending that indirectly drives long-term retirement costs – such as staffing levels and salary rates – must also be managed carefully with consideration for their impact on retirement liabilities.

- **Sound Plan Administration:** Building on recent improvements to plan administration, as well as the IOP recommendations, the City should move forward with other administrative measures such as making a portion of annual contributions earlier in the year.

- **State Partnership:** The City should also continue to pursue State collaboration to achieve its pension fund goals. While this Amended Recovery Plan does not assume State actions not yet approved, and expectations of a state "bailout" are likely unrealistic, multiple areas of potential action in Harrisburg merit further and serious exploration. While retiree liability challenges are particularly acute for the City of Pittsburgh, such difficulties are part of a far broader, statewide concern.

[1] Callan Associates Research, Median Returns for period ending September 30, 2008.

Increased Funding

PN01. <u>Contribute an additional $10.0 to $14.0 million per year toward pensions; direct revenue windfalls to pay down legacy costs</u>
Status: New
FY2009 Impact: $0 **Five-year impact:** ($48,000,000)

In FY2010 the City shall contribute an additional $10.0 million above the projected pension contribution. This additional contribution shall grow to $12.0 million in FY2011 and FY2012 and $14.0 million in FY2013 and beyond. These $10 million - $14 million additional contributions shall be in addition to the $2.2 million additional contribution in the City's FY2009 operating budget and five-year plan as approved by the City and the Intergovernmental Cooperation Authority (ICA). The impact of these additional contributions over the five year period – $59.3 million before taking into account any growth in deposited funds – is shown below.

	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Baseline projection	44,187,695	44,603,343	45,041,675	45,503,949	45,970,967	225,307,629
Additional contribution (City Five-Year Plan - ICA approved)	2,209,385	2,230,167	2,252,084	2,275,197	2,298,548	11,265,381
Additional contribution (Amended Recovery Plan)	-	10,000,000	12,000,000	12,000,000	14,000,000	48,000,000
Total	**46,397,080**	**56,833,510**	**59,293,759**	**59,779,146**	**62,269,515**	**284,573,010**

The additional $10.0 million to $14.0 million contribution builds on the governance pledge issued by the Mayor and City Council in February 2008 to contribute 15 percent more than the Minimum Municipal Obligation. Applying the 15 percent to the baseline projections in the City's FY2009 budget and five-year plan would have yielded an additional $6.7 million in FY2010. This initiative extends beyond that target to account for likely market losses incurred since February 2008 and to recognize the severe underfunding that existed before any market effects.

In contrast with a $523.9 million unfunded liability,[2] the $48.0 million in additional contributions by FY2013 is only an initial step and a baseline amount, as discussed below. However, the annual additional contribution does have a compounding impact. Using the City's proposed new target 8.0 percent annual investment earning assumption, $10.0 million contributed in FY2010 grows to $12.6 million in FY2013 and then to almost double its initial size by FY2019. As the earlier contributions grow, the City continues to add a new $12.0 million and then $14.0 million contribution each year. The combination of a commitment to substantial annual additional contributions and the compounding of those contributions will generate over $187.0 million in pension assets by FY2019. This amount would increase current estimated City pension assets by over 70 percent.

[2] Unfunded liability based on the actuarial valuation report as of January 1, 2007.

Compounding Impact of Contribution
($000 and 8.0 percent Earning Assumption)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	10,000	10,800	11,664	12,597	13,605	14,693	15,869	17,138	18,509	19,990
2011		12,000	12,960	13,997	15,117	16,326	17,632	19,042	20,566	22,211
2012			12,000	12,960	13,997	15,117	16,326	17,632	19,042	20,566
2013				14,000	15,120	16,330	17,636	19,047	20,571	22,216
2014					14,000	15,120	16,330	17,636	19,047	20,571
2015						14,000	15,120	16,330	17,636	19,047
2016							14,000	15,120	16,330	17,636
2017								14,000	15,120	16,330
2018									14,000	15,120
2019										14,000
Total	10,000	22,800	36,624	53,554	71,838	91,585	112,912	135,945	160,821	187,686

This initiative is not intended to be the sole solution to the crisis facing the City's pension. As noted in this section, efforts are underway to increase state aid, modify benefits, and take other steps to stabilize Pittsburgh's pension funds. However, the City cannot wait while these other initiatives are debated and possibly implemented. Rather, it shall begin making additional contributions of $10.0 million in FY2010, growing to $14.0 million by FY2013, whether or not other pension fund augmentation efforts are successful. The pension crisis did not develop in a year or two, and its resolution will not be achieved in such a time frame. But this additional contribution will have a demonstrable impact at a time when the City pension fund is at a critical point.

In order to provide maximum flexibility for the City at a time of national economic crisis and uncertainty, the Amended Recovery Plan does not dictate a sole source of additional City funding (please see initiative RE01 in the Revenue chapter for the associated initiative that discusses how the City will generate the funds necessary for this additional pension contribution). Consistent with the Secretary of Community and Economic Development's charge to propose an Amended Recovery Plan that gives the City more flexibility to manage its financial affairs while also addressing legacy costs, that initiative is structured to give the City flexibility to choose an appropriate source for this necessary contribution while including the failsafe option of tax increases that generate sufficient revenue in case another option cannot be identified and implemented in time.

Setting this failsafe option aside, a variety of alternative pension financing arrangements have been suggested. For example, the Mayor has proposed leasing the City's parking garages and perhaps the right to collect certain other Parking Authority revenue to generate a large one-time contribution to the pension funds. A detailed feasibility study of this approach is underway, and this is an option worthy of serious and thorough consideration. As an alternative to the Mayor's proposed lease of the parking garages, the City may consider and review an increase in parking authority rates and a dedication of incremental parking revenues to its pension or debt obligations. Also, some Members of City Council have suggested that any revenue from the 2.0 percent local share of gaming revenue in excess of the $10.0 million minimum annual amount be dedicated to pension funding. Since the gaming revenue is under the control of the Intergovernmental Cooperation Authority, that body's approval would be needed for such a measure. In addition, it is uncertain whether or when casino revenues would exceed $10.0 million in the early years of operation. The general concept of applying future "windfall" revenues that are currently unbudgeted to attack the City's legacy cost crisis, however, is an important concept for the City's leaders to embrace.

Therefore, as recommended in initiative PE03 of the 2004 Recovery Plan, the City shall make it a priority to apply any "windfall" fiscal benefits not already allocated in this Amended Recovery Plan

toward further improvement of pension fund health or other legacy costs beyond the funding increases outlined in the initiatives of this Amended Recovery Plan.

PN02. <u>Evaluate pension obligation bond funding</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

As described above, in 1996 and 1998 the City issued pension obligation bonds (POBs) to reduce its unfunded liability. Due to subsequent market downturns and the structure chosen for those issues, debt service on the bonds has been a burden on the City while the pension fund investments funded by the bonds have had mixed performance. It is important to note that the 1996 and 1998 pension bond issues increased the City's aggregate pension funding ratio from 18.2 percent in 1996 to 67.0 percent in the January 1, 2000 valuation. Weak markets in subsequent years lowered the funded ratio to 40.8 percent by 2003.

POBs are not inherently "good" or "bad," but a funding tool that is effective in certain situations and can be part of an overall pension funding strategy. Among the reasons that the City's prior pension bond issues faced challenges included the decision to issue bonds at periods of relatively high stock market valuation, the specific structure of the bonds issued, and subsequent events including lower state aid and fewer active employees contributing to the funds.

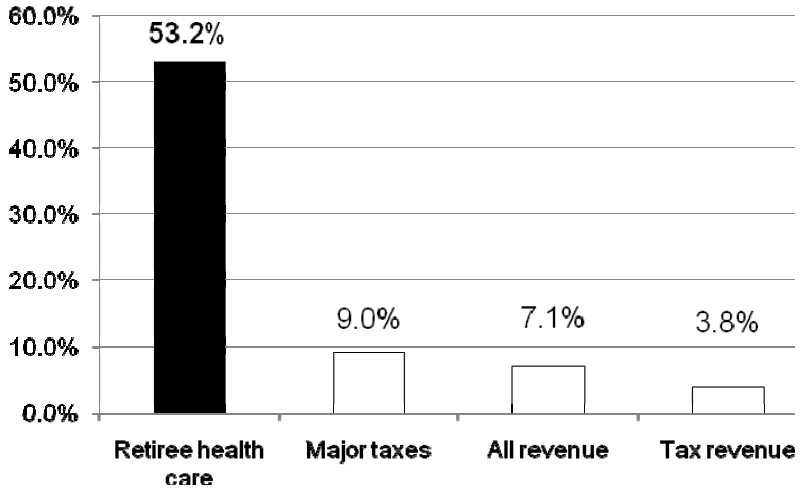
The City should rightfully be skeptical about further POB issuance. At the same time, the ability to make a large one-time pension contribution at a time of historic market weakness and low interest rates could provide stability to a weakened pension fund and offer the right conditions for success with POBs. No later than September 15, 2009, the City's Finance Department shall analyze the viability and costs of such a debt issuance, taking into account current credit and market conditions, as well as long-term risks and opportunities, and discuss its findings with its financial advisors, the ICA and the Act 47 Coordinator. The purpose of this initiative is to come to a preliminary conclusion about the current viability of POBs prior to the City's presentation of the next five-year financial plan to the ICA. The City and its overseers also shall revisit these conditions periodically after the initial review.

PN03. <u>Establish and begin to fund an OPEB Trust fund</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** ($6,000,000)

Despite an estimated $320 million of other post-employment benefit liabilities for health care and life insurance as of January 1, 2006, the City has only funded these benefits on an annual basis when they are actually due for former employees who have already retired. Like the City's underfunded pension, OPEB liabilities threaten the City's long term financial health by committing the City to pay increasing amounts into the future for services rendered in the past. Those costs can grow rapidly with the rising cost of health care as evidenced by the City's experience between FY2005 and FY2008. As the graph below shows, the growth in Pittsburgh's retiree health care costs from FY2005 to FY2008 outpaced the growth of several measures of revenue by a large margin. The costs grew from $12.4 million budgeted in FY2005[3] to $19.0 million actual in FY2008, a 53.2 percent increase or almost six times the growth rate for the City's four largest tax revenues (current year real estate, parking, earned income and payroll preparation tax).

[3] This uses the budgeted expenditures for retiree health care in FY2005 since the actual expenditures are not available. The total health care expenditures in FY2005 (retiree and active employees) were $39.0 million compared to $41.7 million budgeted. That suggests the actual retiree health care expenditures in FY2005 may have been lower than budgeted, and the growth rate then even higher than shown here.

Retiree Health Care Cost Growth versus Revenue Growth, FY2005 – FY2008



The 2004 Recovery Plan eliminated retiree health care for employees hired after January 1, 2005 and requires firefighters retiring after the Plan's adoption date to pay any increases in healthcare premiums during retirement.[4] That will provide long term relief by limiting the City's future liability, but it does not impact the large number of employees who retired before 2005 for whom the City bears most healthcare cost increases. Funding OPEB only on an annual basis exposes the City to the risk that those costs will continue to grow rapidly and overrun available resources. The City should set aside some of its accumulated fund balance so it can grow like the pension investment and provide some protection against this risk.

The FY2009 budget and five-year plan includes a $200,000 annual contribution above the annual OPEB costs. Beginning in FY2011, the City shall establish and begin to fund an OPEB trust fund at $2.2 million per year (including the existing $200,000 baseline contribution). If the Commonwealth of Pennsylvania has not created specific trust fund authority by that date, the City shall create an appropriate structure under its home rule and charter powers to segregate funding for OPEB until such time as a trust structure is available.

Liability Management

PN04. **<u>No pension or OPEB benefit enhancements, including retroactive enhancements</u>**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Consistent with the 2004 Recovery Plan requirements, the City shall make no enhancements to existing retirement benefits. The Institute of Politics' task force has made a similar recommendation for Pittsburgh and other municipalities in the Commonwealth, suggesting state legislation to prohibit underfunded pension plans from increasing benefits.

PN05. **<u>Eliminate overtime from firefighter pension benefit calculation for new hires</u>**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

[4] FOP retirees already had that provision at the time of the 2004 Recovery Plan's adoption.

Of the nine unions in Pittsburgh, only the Firefighters have overtime included in final salary for the purposes of pension benefit calculations. The City shall eliminate overtime from the pension calculation for IAFF-represented employees hired after December 31, 2009. This change will still provide plan members with solid retirement income, pursuant to a formula consistent with other City employees, while moderating long-term pension liabilities and improving the health of the firefighters' pension fund, which was only 46.3 percent funded as of January 1, 2007, with $165.6 million in unfunded liability.

PN06. **Explore creation of a new, less expensive defined benefit plan for new employees**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

By July 1, 2009 the City shall commission an actuarial and policy study of options for creating new pension tiers for future hires to reduce pension liabilities through approaches such as increasing the minimum retirement age, increasing vesting requirements, and/or moderating payout formulas. The City may also investigate options for the creation of a supplemental defined contribution plan for future hires integrated with the new defined benefit plan, and building on its work developing a defined contribution plan option for non-represented employees.

PN07. **Explore a defined contribution plan for retiree medical costs for police and firefighters hired since 2005**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall explore options for a defined contribution (DC) plan for post-employment health benefits for police and firefighters hired since 2005 and ineligible for City retiree medical coverage. For example, design options might include individually managed or collectively managed DC alternatives. Under both approaches, employees would make an irrevocable election to participate in the plan and make contributions. Under an individually managed approach, employees could have separate, pre-tax retiree accounts that might be supplemented by such resources as conversion of unused sick leave. Under a collective DC plan, trustees would be responsible for allocating benefits based on available resources. In both cases, such DC approaches could potentially be tied to access to participate in the City health insurance plan, with such retirees paying the full, true cost (splitting retirees and actives into separate plans to avoid an implicit rate subsidy), drawing on the new DC accounts to help offset such premium contribution requirements.

PN08. **Eliminate City contribution to retiree life insurance for new hires**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Pittsburgh currently pays the full premiums for retiree life insurance for the police and fire unions, representing $10.6 million of the total OPEB liability. Police coverage provides a $7,500 payout, and fire coverage provides a $15,000 payout. While it costs the City more than $360,000 per year to fund this benefit, premiums on an individual basis are a manageable $13 and $26 per month, based on the level of coverage. The City shall require that employees hired after the date of adoption of this Amended Recovery Plan, or following the expiration of an existing collective bargaining agreement covering that employee, if subsequent to the Amended Recovery Plan adoption date, shall pay 100 percent of premium costs if they opt for such coverage.

Plan Administration

PN09. **Continue to evaluate investment performance regularly**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Consistent with the City's current approach, it is important to examine and compare pension fund returns on a regular basis and to review investment manager performance actively. The City and its pension boards shall publicly release quarterly performance reports on each investment category in each pension fund.

PN10. **Make a portion of the annual City pension contribution earlier in the year**
Status: Continued, modified from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

In the 2004 Recovery Plan, the City was required to make its annual pension contributions no later than the end of the first quarter beginning in FY2006. The goal of the initiative was to provide additional time for growth of pension assets. In recent years the City made only minimal payments to the pension funds prior to September. A steep downturn in the market shortly after making a large deposit in September 2008 has reinforced the danger of making substantial payments all at once. Therefore, balancing the tighter cash flows associated with this Recovery Plan with the need to generate investment return, the requirement is modified to require periodic payments throughout the year. This approach is consistent with the IOP recommendation that state legislation be enacted to require municipal pension fund contributions to be made at least quarterly, rather than at year's end. The City shall make at least one-quarter of its annual budgeted pension MMO contributions in each quarter of the fiscal year.

PN11. **Complete actuarial valuations in a timely manner**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Pittsburgh's pension actuarial valuations have typically taken 18 months to complete. This means that the City's budget, including pension fund contributions, is determined before knowing the actuarial status of the funds and the resulting contribution requirements. It is important to know funding requirements during the budget process, particularly in the coming years. The City shall take appropriate steps to accelerate the completion of biennial actuarial valuations of its pension plans.

State Partnership

PN12. **Explore State pension funding partnerships and reform legislation**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Mayor has advocated statewide legislation to rewrite the State pension aid formula, allow plans to consolidate, ban overtime from pension contribution formulas and eliminate the mandate for certain jurisdictions to provide defined benefit retirement plans. The Mayor should be commended for taking a leadership role in advocating these well-founded initiatives and the Act 47 Coordinator encourages the Administration to continue its efforts to build a broader coalition to improve pension plan structures and funding approaches. Consistent with that effort, the City

shall also continue to explore other alternatives, such as those advanced by the IOP and other studies, including the following:

- Require all local governments to pay a portion of plan costs.
- Freeze unit cost reimbursement at 2007 amount.
- If the insurance revenues that fund the State contribution drop, recalculate unit cost for a new, lower amount for a set length of time, such as five or ten years.
- Increase the tax rate on out-of-state insurance companies to generate more revenue for this program.
- Any extra revenues which result from holding the unit cost reimbursement steady should be distributed to distressed municipalities on a merit basis. Merit would be based on factors such as local financial participation, investment performance, or responsible management practices.
- Enhance fiduciary responsibility for pension plans and managers through measures such as: holding professional advisors of municipal pension plans to a higher fiduciary standard; requiring that pension plan fiduciaries be bonded; imposing consistency on actuarial assumptions; requiring plans less than 75 percent funded to report in greater detail on obligations to retirees; and requiring municipal contributions to plans be made on a quarterly rather than end-of-year basis.
- Prohibit underfunded plans from increasing benefits.
- Consolidate local government pension plans into the Pennsylvania Municipal Retirement System over a 12-year period.
- Adjust statutory minimum and maximum lengths for “smoothing” periods over which actuaries may account for year-to-year fluctuations in asset values.
- Establish a maximum deviation within which municipalities may adjust the amortization element of their MMO payment on a year-to-year basis.
- Varying levels of state oversight or administration of pension funds dependent on the funds’ funding ratios.
- Allow for creation of new actuarially sound pension programs for newly hired employees that provide for the statutory benefit for the employee at a cost savings to the City over current plans.
- Increase state contribution for all distressed municipalities to match any employer and employee contribution over statutory maximums.
- Seek increased distribution of state tax on foreign insurance underwriters dedicated to distressed pension funds.

PN13. **Petition the General Assembly to credit EMS employees with two units for pension reimbursement**

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

Currently EMS employees are counted as one unit for pension reimbursement. Police and Fire employees are counted as two units. This change would substantially increase state pension aid to the City.

Workers' Compensation Program

Prior to 2004, the City of Pittsburgh's workers' compensation costs had been escalating steadily, with more claimants entering the rolls each year and little progress made to reduce the total number of benefit recipients. Reforming this system was a key part of the 2004 Recovery Plan, and has been an area of strong focus for the City's leadership. As a result of multiple efforts since 2004, costs have been reined in and new claims are being handled in a professional and active manner. Overall, the City has reduced open legacy claims from more than 1,000 in 2005 to just over 700 in 2008, and the number of new claims is trending downward, as well.

Even with these steps, an estimated $128 million in outstanding workers' compensation liabilities remain, and the City's annual costs of nearly $25 million well exceed the norms for an entity of Pittsburgh's size. The City must build upon the reform measures of the last four years and go even further to reduce the remaining liabilities and current payout. The City must also work towards comprehensive improvements in workers' compensation benefits and program administration to prevent future problems and to meet emerging challenges.

The Division of Employee Compensation of the Department of Personnel and Civil Service is the administrative department of the City which has management responsibility for the workers' compensation program. There are three major cost drivers associated with workers' compensation: indemnity, medical, and mitigation expenses.

- Indemnity expenses are wage replacements for injured workers, and are the largest line item in the Pittsburgh Program's budget.

- Medical expenses are the cost of medical coverage which accompanies wage replacement for certain injured workers. Indemnity and medical combined account for more than 90 percent of Pittsburgh's workers' compensation costs in any given year.

- Mitigation expenses reflect lump sum settlements between the City and injured workers, intended to reduce the number of legacy benefit recipients.

The City has historically been self-insured while contracting with claims professionals and medical providers. From 2001 through 2005, the City contracted with Allegheny General Hospital which subcontracted for the administrative claims management functions. In 2006, the City began a three-year contract with University of Pittsburgh Medical Center (UPMC) to provide medical care to City employees injured on the job. A supplemental contract also enlisted UPMC's in-house claims management group, UPMC Work Partners, as the third-party administrator for claims investigations, case management, bill repricing, litigation oversight, and other standard claims management functions.

Program Progress

Working with UPMC, the City took action first to address the immediate workers' compensation system problems and then to develop and implement a long-term strategy. Since the 2004 Recovery Plan, the Program has achieved success in maintaining the City's self-insured status, obtaining excess insurance coverage, and beginning to bring overall program costs under control. Even with these successes, however, the City's total costs remain in excess of industry norms, and reforms to date must be built upon to achieve long-term stability.

- **Maintained City's Self-Insured Status:** The City had previously paid its workers' compensation liabilities on an as-needed basis, risking the chance of being unable to meet continuing obligations at the end of each fiscal year. In 2003, the Commonwealth's Department of Labor and Industry's Bureau of Workers' Compensation, Self-Insurance Division did not automatically renew Pittsburgh's self-insured application due to the City's financial crisis and its escalating workers'

compensation costs. In part the 2003 notification letter reads, "An overall review of the City's financial statements and an analysis of other current financial information on the City raise serious questions regarding the City's ability to meet its short-term and long-term obligations."[5] At that juncture, the Bureau issued the renewal on the condition that the City create a Voluntary Employee Benefits Account (VEBA) to pre-fund workers' compensation costs each year. Since establishing the VEBA, the City has met the monthly contribution requirements set by the Bureau with each successive renewal application. Effective January 1, 2009, the City's monthly contribution dropped from $1.8 million to $1.7 million. The implementation of the VEBA has allowed the City to remain a qualified self-insured employer, rather than one required to purchase workers' compensation insurance coverage on the open market.

Annual VEBA Contributions

2006	2007	2008	2009
24,000,000	21,600,000	21,600,000	20,400,000

- **Purchased Workers' Compensation Excess Insurance:** The City implemented a 2004 Recovery Plan initiative to explore purchasing Excess Workers' Compensation coverage. The resulting policy covered the period from April 1, 2005 through May 31, 2006, and had a very high retention (which functions similar to a deductible) of $25 million because the City had a negative loss experience and this was the first time the City purchased such coverage. The next year, however, the City was able to reduce that retention to $2 million, a much more practical number. The City should continue to purchase such coverage.

- **Stabilized Workers Compensation Costs:** Prior to the 2004 Recovery Plan, the City was experiencing an ever-increasing claim volume with an associated rise in costs. In Pennsylvania, once total disability benefits are awarded, they can continue for life, absent affirmative measures. For example, in 2003, over 21 percent of City payments made were for injuries over 20 years old. Overall workers' compensation costs peaked in 2007, which indicates that the City increased and focused resources to start to address long-term workers' compensation liabilities. In the coming years, this trend holds the potential to reverse and program costs to decrease as the City addresses new claims more quickly and continues to clear its backlog of old claims. To achieve these savings, the City is using a number of different tools and adjustments outlined below in re-working the workers' compensation program to stabilize overall program costs.

- **Maintained Workforce Safety Program:** As required under its self-insured status, the City has maintained a workforce safety program to improve workplace safety, train workers and ultimately reduce workers' compensation claims. Currently three employees (a manager and two specialists) work regularly with safety leaders and employees in each department to develop safety programs, train workers and perform safety checks.

Claims Review

Working with UPMC, the City began a comprehensive review of all open claims to determine how best to address the heavy backlog. The City doubled expenditures for independent medical examinations (IMEs), which are necessary prior to taking any affirmative steps to terminate or suspend benefits where no longer needed. This review also led the City to begin following 1996 changes to the Workers' Compensation Act ("the Act") to reduce indemnity benefits to the extent that the City has funded the claimants' retirement pensions. The pension credit is further discussed later in this chapter.

[5] Department of Labor & Industry letter to City of Pittsburgh, November 24, 2003.

Expenses for IMEs 2003-2008

	2003	2004	2005	2006	2007	2008	Growth %
Annual IME Expenses	28,039	41,948	89,893	65,168	148,524	211,272	86.7%

Litigation

After the claims review, the next step was to file the necessary petitions in workers' compensation court to terminate benefits where the disability has ceased. Of 194 open litigation files, at least 16 termination petitions have been filed, and over 25 additional petitions have been filed to suspend benefits arguing that the claimants have voluntarily retired. The City is also using tools such as the wage and benefit reporting requirements of the Act, and as a result, the City is seeking to reduce taxpayer-funded benefits in several cases where the claimants have obtained new employment. Further, many of the litigated cases involve injuries dating back to the 1980s and 1990s, which is a clear sign that the City is determined to address its historical backlog.

Settlement Initiative

Even with all of the administrative tools such as IMEs and surveillance, there will be some cases in which the City may not prevail in the workers' compensation arena. To reduce liability for such cases, the City and UPMC implemented a Workers' Compensation Settlement Program, using the Compromise and Release provisions of the Act, to close out long-standing cases by paying lump sum amounts. This results in an initial reduction in the annual spending beginning immediately and a fairly short period before the settlement costs are recovered through savings on annual payments. Through November 2008, for the four years the Program has been in effect, the City estimates it has saved more the $37 million in long-term costs, while spending less than $4 million. The Compromise and Release process was the first time that the Act allowed claims to be completely settled even while disability persisted. The following charts demonstrate the City's settlement program progress to date.

	2005 Actual	2006 Actual	2007 Actual	As of Nov. 2008	Total
# of Settlements	16	13	26	16	**71**
Cost	750,000	831,000	1,500,000	869,500	**3,950,500**

Workers' Compensation Settlement Program Savings, 2005 through November 2008

Medical Reform

Earlier in this decade, the City contracted with Allegheny Health Partners to cover all medical care for injured workers in each contract year, a structure known as a capitated program. This still left the City liable for medical care for years not covered by the capitated program, but it did provide budget certainty for those years in which the capitated program was in place. The City then moved to a capitated program with UPMC in 2004 to provide medical care to its injured workers. The original contract was on a per employee basis, but the 2006 contract switched to a fixed cost of $4,307,436. The following shows the costs of both the medical and administrative costs of the contracts with UPMC. The projected medical costs are expected to increase, which is in-line with the nationwide trend of rising overall medical inflation, with workers' compensation medical inflation outpacing that found in group health coverage, as reported by the Casualty Actuarial Society.

Expenses - UPMC Medical Contract

	2006	2007	2008	2009	% Growth
Cost of Medical Contract	4,307,436	4,878,530	5,119,590	5,814,927	35.0%

Expenses - UPMC Claims & Nurse Case Management Contract

	2006	2007	2008	2009	% Growth
Cost of Claims & Nurse Management Contracts	651,333	655,422	675,085	TBD	3.7%

The medical charges above do not reflect the City's entire workers' compensation medical costs, as shown in the program-wide expense tables. The contract is structured to cover treatment at UPMC facilities at a rate below the already discounted fee schedule allowed by the Act. However, for treatment with providers outside the UPMC network, the City pays only the fee schedule rate, with the rebilling calculation done by a subcontractor of UPMC. While the contract costs are reasonable, it should be noted that by having the same company provide both third-party administrator and medical services, there is no corporate-level incentive for medical case managers to work affirmatively to reduce the cost and frequency of treatment. Restructuring the program with two separate contractors is a preferred program structure. Other options to reduce out-of-network medical costs are covered below, including: increasing settlements of legacy claims, improving workforce health and safety, and increasing the time during which City employees must treat in the City workers' compensation medical network.

Reduction in Costs

Overall, the actions outlined above have begun to achieve measurable results. The settlement initiative has made a positive impact on the historic backlog, and there are also fewer employees now going onto the workers' compensation rolls. Of particular note, new lost time claims decreased from 220 in 2005 to 160 in 2008. Lost time claims include indemnity expenses and usually correlate to injuries that require more extensive medical treatment, therefore are the most expensive type of claim and important to track. One method to benchmark lost time claims is the rate of injury per full-time employee:[6]

Rate of Injury per Full-time Employee

Rate	2005	2006	2007	2008
Pittsburgh	6.1	4.5	5.1	4.9

[6] Municipalities are not covered by OSHA, the best resource for injury data, so national private industry data is used for reference.

Rate	2005	2006	2007	2008
National, private industry[7]	5.2	4.9	4.5	N/A

Along with the decrease in lost time claims, the City has held total workers' compensation costs below budget each year since 2005 for an average savings-to-budget of $2.3 million or 9.5 percent annually.

Total Workers' Compensation Costs – Budget versus Actual

	2005	2006	2007	2008	Average
Budget	23,585,920	24,818,639	26,300,652	23,665,590	24,592,700
Actual	21,579,195	23,794,755	22,566,499	21,061,943	22,250,598
Difference ($)	2,006,725	1,023,884	3,734,153	2,603,647	2,342,102
Difference (%)	8.5%	4.1%	14.2%	11.0%	9.5%

Looking forward the City projects a small drop in workers' compensation expenditures over the next five years, but this is attributable to lower spending on mitigation. The City plans to use $1.0 million for mitigation in FY2010, but will use the Workers' Compensation Commutation Trust Fund (WCCTF) instead of the General Fund. Setting the drop in mitigation aside, workers' compensation costs are projected to increase by $1.1 million or 4.6 percent.

Projected Baseline Expenditures – Workers' Compensation

Category	2009 Budgeted	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Medical	6,057,256	6,269,260	6,488,684	6,715,788	6,950,841	14.8%
Indemnity	15,794,589	15,794,589	15,794,589	15,794,589	15,794,589	0.0%
Disability	1,296,147	1,335,031	1,375,082	1,416,335	1,458,825	12.6%
Mitigation	1,500,000	0	750,000	500,000	0	-100.0%
Total	**24,647,992**	**23,398,880**	**24,408,355**	**24,426,712**	**24,204,254**	**-1.8%**

Continuing Challenges

While current spending is coming under control, the City still faces an extremely high outstanding liability which continues to threaten the self-insured status and place a drain on the City's finances. From 2004 to 2009 the City's estimated liabilities have increased by 31.8 percent from $97.3 million to $128.2 million.[8]

As claimants are removed from the rolls, these liabilities will rise at a slower rate and ultimately should begin to decrease. The reduction in outstanding liabilities will not be immediately apparent in the City's annual actuarial valuation because these valuations assume trends based on past data, and there is a lag period before new trends, such as settled cases, are reflected.

In addition to the escalating estimated liabilities, the City's medical and indemnity costs continue to exceed the norm for a municipality of its size. By comparison, the City of Philadelphia, which employs seven times

[7] U.S. Department of Labor, U.S. Bureau of Labor Statistics, *Workplace Injuries and Illnesses in 2007*, October 23, 2008.

[8] Liability estimates provided by the Pennsylvania Bureau of Workers' Compensation.

more people than Pittsburgh, spends only about double that of Pittsburgh. In other words, Pittsburgh's per-employee workers' compensation costs are significantly higher.[9]

Economic Crisis

The current economic crisis brings its own set of workers' compensation challenges. While most injuries are legitimate, past experience shows that in difficult economic times, incidents of fraud and abuse may increase. Additionally, it may be harder to find employment for former employees, which makes it difficult to reduce workers' compensation rolls.

Medical Benefits as the Majority of Costs

The City has improved control over its workers' compensation medical costs through the contract with UPMC. Under the Workers' Compensation Act, employees are required to use physicians selected by their employer for the first 90 days of treatment, with firefighters only required to do so for the first 30 days. The Act also provides other cost saving measures such as the repricing of bills using a set fee schedule and the use of utilization reviews to dispute treatment which may not be reasonable or necessary. Pittsburgh has availed itself of those tools to manage costs. However, a recent trend indicates that additional measures are warranted.

As discussed above, historically nationwide, the majority of workers' compensation costs were driven by indemnity payments. The medical component was seen as unimportant and not a large cost center. This allocation has shifted dramatically: Indemnity costs have been reined in by a combination of legislative reforms and legal decisions, and medical costs now represent the larger share of total claim costs with the upward trend increasing. National Council on Compensation Insurance (NCCI) statistics indicate that medical costs as a percentage of total costs rose from 46% in 1987 to 53% in 1997 to 59% in 2007. Pittsburgh's cost trends do not yet parallel this statistic given unusually high City indemnity expenditures, but going forward it is expected that increasing medical costs will be a growing challenge.

The City retains ongoing medical liability for all injuries which occurred in years when it did not have a capitated program, a large measure of the outstanding claims. As the City's legacy claimants continue to age, more treatment will be required because work-related diagnoses are not easily separated from aging diagnosis (e.g. a back sprain leads to treatment for degenerative disc disease; a knee sprain becomes arthritis). Thus, it is critical that the City close out the bulk of older claims while continuing to provide quality medical care to injured employees to ensure that they remain in the workforce. Additionally, the City must continue to structure its medical contracts to obtain the maximum benefit from the repricing provisions which will reduce the cost of the medical care provided to claimants long past the 90 day captive period.

Healthy Workforce

The general health of the workforce affects workers' compensation because healthier employees tend to become injured less frequently, and to return to work sooner when injuries do occur. For example, a smoker or a diabetic will take longer to recover from any form of surgery; smoking cessation programs and weight loss/diabetes control initiatives can pay for themselves in reduced workers' compensation costs. The City has already established a wellness program, and the expansion described in the Workforce and Collective Bargaining chapter will also have benefits for the workers' compensation program. As employees continue to manage and improve their own health, it helps to create a healthier workforce overall. Additionally, an effective Employee Assistance Program helps to reduce the number of "stress claims" filed by employees.

In tandem with health management programs, post-incident drug and alcohol testing can help the City manage its workers' compensation costs. With 8.2 percent of the American workforce using illicit drugs[10]

[9] As stated earlier, municipalities are not covered under OSHA and comparable data is not readily available. Therefore, a comparison to Philadelphia is provided. Although the workforce is larger, the makeup is generally similar, with some differences due to Philadelphia's greater responsibilities for county-level functions.

and up to 47 percent of industrial injuries involving alcohol consumption or alcoholism,[11] a strong drug and alcohol testing program is very important. Evidence suggests that implementing a post-incident drug and alcohol testing policy/program can significantly reduce work injuries. A further reason to consider implementing this policy is that Pennsylvania law allows a claim to be denied if the employee was using illegal drugs or alcohol (note: for alcohol, the claim can be denied if the injury would not have happened but for the alcohol use). To use this provision, though, requires evidence of impairment or intoxication which can only be obtained through testing.

Future challenges

The following measures should be taken both to sustain ongoing progress in handling current cases and to address the estimated liabilities problem.

Collective bargaining

Some of the most important reforms involve collective bargaining to implement and sustain. For example, the best way to reduce costs would be to require employees to treat with the City's panel physicians for the duration of disability. Care provided by trained occupational physicians results in a quicker return to work, reduces the possibility of over-treatment and unnecessary treatment, and provides some assurance that only legitimate work injuries will be accepted and treated. Consistent with these goals, the Act allows negotiation of longer captive periods, as does the Pennsylvania Heart and Lung Act that covers police officers and firefighters.

Additionally, as discussed in WC02, the City should implement a stronger return to work program which includes cross-departmental options. While most elements of such a program are management prerogatives, flexibility from the City's various unions is important for return-to-work assignments that may cross bargaining unit lines.

WC01. <u>Require employees to treat with City panel physicians for duration of disability</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Act currently requires injured workers to treat with medical providers selected by their employer/insurer for the first 90 days post injury. In turn, the employer/insurer must provide only wage loss and medical care for the work injury. However, the City of Pittsburgh provides much more in the way of benefits for its injured workers. Employees retain many of the emollients of their job, such as leave accrual, health and welfare benefits, and time credited toward their pension. In recognition of this enhanced benefit structure, the City shall mandate that injured employees treat with the City's selected medical providers for the duration of their disability, rather than only the first 90 days (30 days for firefighter). Requiring employees to treat with City panel physicians can help the City realize significant medical and indemnity savings. It will ensure that trained occupational physicians provide treatment, resulting in faster returns to work and reduce the risk of over-treatment and unnecessary treatment. It will also provide assurance that only legitimate work-related injuries are accepted. The City shall also ensure that the extension of the captive period is extended to police officers and firefighters covered under the Heart and Lung Act.

[10] U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics. National Household Survey on Drug Use and Health, 2002-2004. Online: http://www.ojp.usdoj.gov/bjs/dcf/du.htm.

[11] U.S. Department of Health & Human Services, Substance Abuse and Mental Health Services Administration, *Issue Brief #5: Save Money by Addressing Employee Alcohol Problems,* 2008.

WC02. Expand job offer program

Status: Continued from the 2004 Recovery Plan

FY2009 Impact: N/A **Five-year impact:** N/A

The City shall seek to expand its vocational programs for both current and former employees receiving workers' compensation. The City shall pursue changes to its light duty program through the collective bargaining process that would allow current employees to work across bargaining unit lines, and shall also explore the creation of a program to offer permanent jobs to former employees receiving workers' compensation.

It is well established that a claimant who returns to work in a light duty capacity is much more likely to return to full duty because the employee retains the habit of coming to work and remains connected with his employer. The City has been exploring ways to expand its light duty program which will help to lower the indemnity costs. Providing light duty options across bargaining unit lines would give the City the necessary flexibility to keep injured employees working. The City shall seek to amend the collective bargaining agreements to allow this flexibility, with the assurance that the injured worker will keep the benefits and emollients of his original bargaining unit.

For former employees receiving workers' compensation, vocational efforts are a critical effort to modify, suspend, or terminate those benefits, thereby reducing the City's estimated liabilities. It does not appear that the City has been availing itself of this very powerful tool. A review of the litigated files and the claims expenses does not reveal significant spending on vocational efforts, with only $5,936 spent in 2008. The suspension petitions seem to involve cases in which the claimant found an outside job on his or her own. The Act 47 Coordinator recommends a shift in department spending toward increasing the vocational program.

The City shall consider expanding its vocational program to offer permanent positions to former employees receiving workers' compensation. The City shall identify positions which would make use of the skills and experience possessed by the former workers. For example, police officers and firefighters might make strong 311 operators. There would be several benefits to doing this, including:

- The City would once more benefit from the services of experienced, trained, and proven workers. Those former workers would have the opportunity to be gainfully employed again, with opportunities for career growth and future salary increases. It is important to remember that the amount of workers' compensation benefits is fixed from the date of injury, and over time, many of these workers have seen inflation greatly reduce their income. A return to work program would be a win-win solution for the City and the employee.

- A reemployment program would require that the injured workers keep the benefits and emollients of his original bargaining unit. Additionally, the program would not require job offers for former employees terminated for cause or whose records reveal any evidence of workers' compensation or disability fraud. Funding for this program could initially come from the workers' compensation program.

- This reemployment program would also benefit the City even if the job offers are refused. First, the City could seek to suspend benefits completely on the grounds that the claimant has refused a bona fide job offer and/or has voluntarily withdrawn from the job market. Additionally, the City could also then use the Labor Market Survey provisions of the Act which allow benefits to be suspended simply by showing that work is available within the region within the claimant's physical and vocational capabilities. Finally, at a

minimum, the efforts would place the case in a good settlement posture, as the claimants realize they are running the risk of having the benefits completely cease.

A reemployment program would have the added benefit of addressing the current litigation challenging the program on behalf of a former employee who was not eligible because she had been separated from employment before the inception of the program.

The Act 47 Coordinator strongly recommends that the City seek any modifications to collective bargaining agreements that would be necessary or beneficial to support the expanded program outlined above.

WC03. Implement post-incident drug testing
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Currently, only part of the workforce is subject to drug testing, and generally only when there is reasonable suspicion or following a vehicular accident. Instituting a Citywide policy which requires drug testing following workplace injuries can help the City to identify cases where state law allows for a claim to be denied because of illegal drug or alcohol use. Post-incident drug testing is relatively inexpensive to implement, and could result in significant savings on individual workers' compensation cases.

Programmatic improvements

Along with the above reforms that involve collective bargaining, the following management initiatives are further recommended to continue and further strengthen the City's injury benefits programs toward reducing long-term liabilities and costs.

WC04. Create an Employee Disability Review Committee
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Act 47 Coordinator suggests the creation of an internal City management committee to review all cases of employee medical absence, both work related and personal. While the committee should be chaired by the City Solicitor or the City Solicitor's designee, the committee should include representation from the personnel, labor relations, risk management and workforce safety teams. The Committee would also invite representatives from the individual departments to discuss how to handle the absences, coordinate light duty assignments, address labor issues, identify trends, and create initiatives to address ongoing systemic problems. Such a committee can reduce the City's potential liability under the Family and Medical Leave Act, the Americans with Disabilities Act, the various collective bargaining agreements, and under the Workers' Compensation and Heart and Lung Acts.

WC05. Continue the settlement program
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: $0 **Five-year impact:** ($500,000)

The settlement program that the City established in 2006 should be continued for at least the next three to five years. Successes in the settlement program help to balance the challenges of litigation. The settlement program relies on litigation, though, to ensure that claimants are reasonable with their demands. As discussed above, settlement expenses break even within a relatively short period of time, and are key to reducing outstanding liabilities. Going forward, the

settlement program is an important part of controlling the workers' compensation liability and achieving long-term savings. The City shall continue its settlement program in FY2013 at an assumed level of $500,000 shown here.

	2009 Budgeted	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Initiative addition	0	0	0	0	500,000
Baseline projection	1,500,000	0[12]	750,000	500,000	0
Total	**1,500,000**	**0**	**750,000**	**500,000**	**500,000**

WC06. **Ensure full use of the workers' compensation pension credit**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City has implemented the 1996 changes to the Workers' Compensation Act which allowed indemnity payments to be reduced by the amount of pension payments the claimant received, to the extent the pension fund was employer-funded. The City is in litigation in 17 cases, however, because claimants are disputing the calculation of the credit. It appears that the City is working through its Finance Department and actuary to document the calculation of the amount to which the City contributes to the pension fund. It is unknown whether the City took credit for monies received from the State for police officers' pensions, but this issue should be analyzed to ensure that any funding is coming in such a way that the City may consider it as part of the City's funding for which it can take credit.

WC07. **Improve internal communication on labor and employment cases**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

A review of the outstanding litigation revealed many instances in which there were companion labor and employment cases. It is unclear whether counsel was aware or involved in the other cases. To avoid a divide and conquer strategy, the City should query whether a labor or employment case exists at the onset of a claim and certainly before a settlement is made. A formal notification process should be established to ensure proper communication and consistent claims handling. In general, the Act 47 Coordinator recommends that the City and the third-party administrator conduct periodic claims audits of litigated files to ensure that proper procedures are being followed. Specifically, it is recommended that the City follow through on the prior recommendation from the 2003 Goldfarb Report to obtain recovery from the Supersedeas Fund for litigated cases in which it has prevailed.

WC08. **Maintain increased claims adjuster staffing**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City increased the number of adjusters at UPMC to address the backlog of claims, and if possible, the City should maintain these positions in order to continue clearing the claims backlog.

[12] The City projects to use $1.0 million from its WCCTF in FY2010.

This is necessary as each open claim needs to be thoroughly reviewed with Independent Medical Examinations scheduled, Central Index Bureau (CIB) searches performed, wage and benefit verification forms mailed, and various other measures taken.

Savings target

Through implementation of 2004 Recovery Plan initiatives and its own internal efforts, the City achieved an average annual savings-to-budget of $2.3 million or 9.5 percent from FY2005 to FY2008. To encourage the City to maintain this progress and reflect the potential for continued success, this Amended Recovery Plan sets an annual savings target of five percent of projected baseline expenditures.[13] Given that the City has achieved significantly higher percentage savings the past two years (14.5 in FY2007 and 11.0 in FY2008), this is a reasonable target that will help keep the City focused on reducing these legacy costs. The target has been discounted by half for FY2009 to reflect the mid-year consideration of the Amended Recovery Plan.

	2009	2010	2011	2012	2013
Projected costs	24,647,992	24,398,880	24,408,355	24,426,712	24,204,254
Savings Target (5%)	616,200[14]	1,219,944	1,220,418	1,221,336	1,210,213

Additional initiatives

The chapters addressing workforce and collective bargaining and insurance and risk management are also pertinent to the Workers' Compensation Program.

[13] The five percent in FY2010 is based on the projected general fund expenditures ($23,398,880) plus the $1.0 million from the WCCTF.

[14] The 2009 savings target has been discounted by 50 percent to reflect the mid-year consideration of the Amended Recovery Plan.

Debt Service

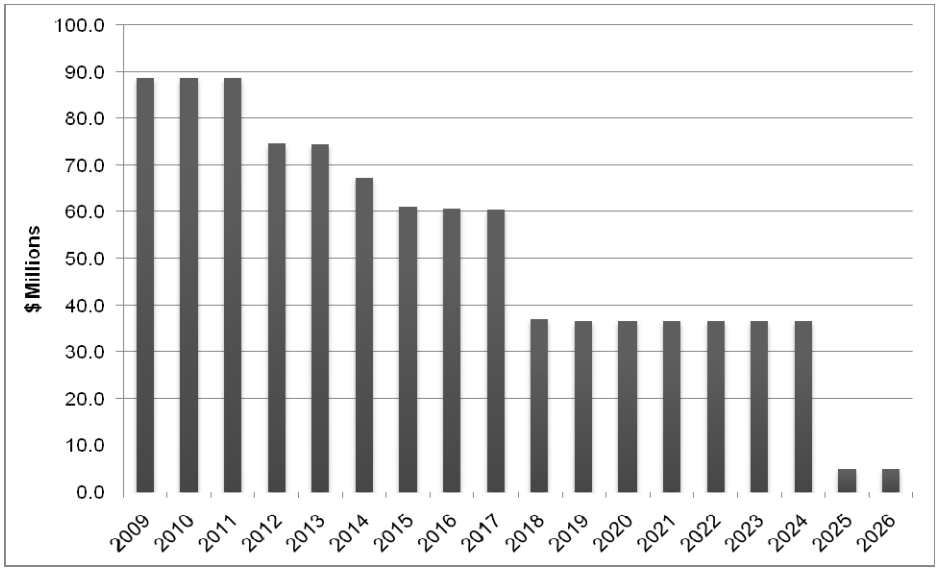
As a result of City general obligation and pension bond issuance in the 1990s and the early part of this decade, as well as non-economic "scoop" refundings undertaken before entering Act 47, the City of Pittsburgh continues to face a debt crisis. Since 2004 the City has taken positive steps to address the high level of debt, but debt service will continue to be 15-20 percent of General Fund expenditures through FY2017. Debt service accounted for $84.9 million in FY2008 expenditures, 17.8 percent of the City's operating budget.[15] After employee salaries and wages, the City spent more on debt service than any other subclass.

As of January 1, 2009, the City has $723.1 million in General Fund debt obligations outstanding. While this debt has a relatively short remaining life of 15 years, with all current debt repaid by FY2024, the City's scheduled debt service payments are over $80.0 million per year through FY2017 before dropping to approximately $30.0 million per year in FY2019. In order to address this challenge, the City has adopted a creative strategy to fund capital items on a pay-as-you-go basis, and has dedicated some of its recent fund balance to reducing the debt burden in the period from FY2010 to FY2013.

Progress since 2004

In October and November 2003, each of the three major national credit rating agencies downgraded the City's rating on its general obligation debt to speculative or "junk bond" status. When the City entered Act 47, it faced annual debt service payments at the current level ($80 million to $90 million) through 2011 followed by reductions in 2012, 2014, 2015 and 2018 (see graph below).

Total Annual Debt Service 2009-2026
As of 2004 Recovery Plan



The adoption and implementation of the 2004 Recovery Plan, the approval of new revenues, the proposal and approval of successive annual multi-year plans, and the City's solid annual financial performance subsequently raised investor and rating agency confidence. In December 2004, the City's bond rating was restored to investment grade by Standard & Poor's; Moody's and Fitch followed early in 2005.

[15] This includes debt service and the debt service subsidy as reported in the City's 4Q FY2008 financial report.

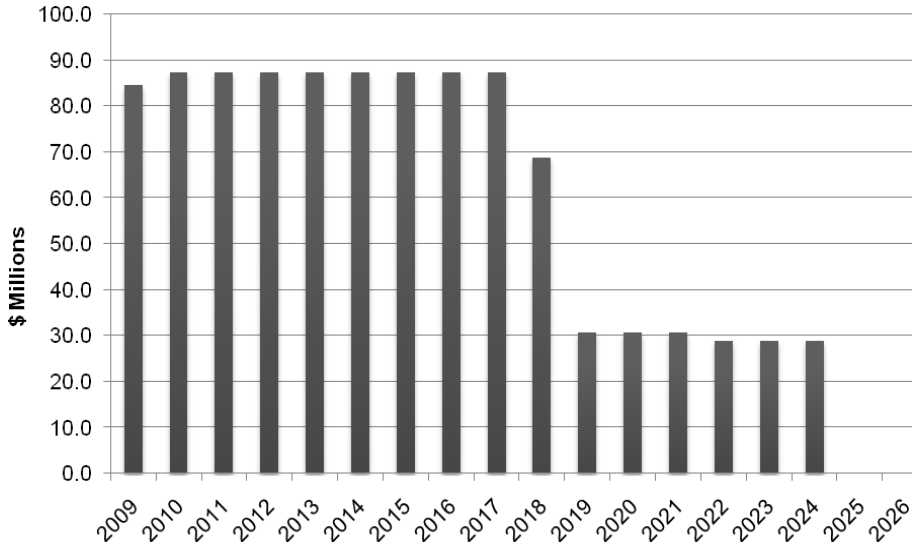
In 2005, 2006 and 2008, the City executed current and advance refundings on its outstanding bonds. These transactions created significant savings for the City, especially the 2006 refunding and restructuring that created over $20.0 million in savings that later allowed City to direct funds to its pay-as-you-go capital program in lieu of borrowing.[16] As a result, the City was able to moderate its debt service payments in certain years, as shown below:

FY2005 – FY2008 Debt Service Payments, City of Pittsburgh[17]

	2005	2006	2007	2008
Projected Debt Service, 2004 Recovery Plan	87,607,000	88,672,000	88,669,000	88,618,000
Actual Debt Service	81,444,000	88,087,156	66,050,169	84,653,758
Difference	(6,163,000)	(584,844)	(22,618,831)	(3,964,242)

However, these changes came at a tremendous cost: instead of steadily dropping debt service levels from FY2012 through FY2017, the City substituted debt service requirements of $80-$90 million annually through 2017, as shown below:

Total Annual Debt Service 2009-2026
After the 2005 A, 2006 B, and 2008 Series Refundings

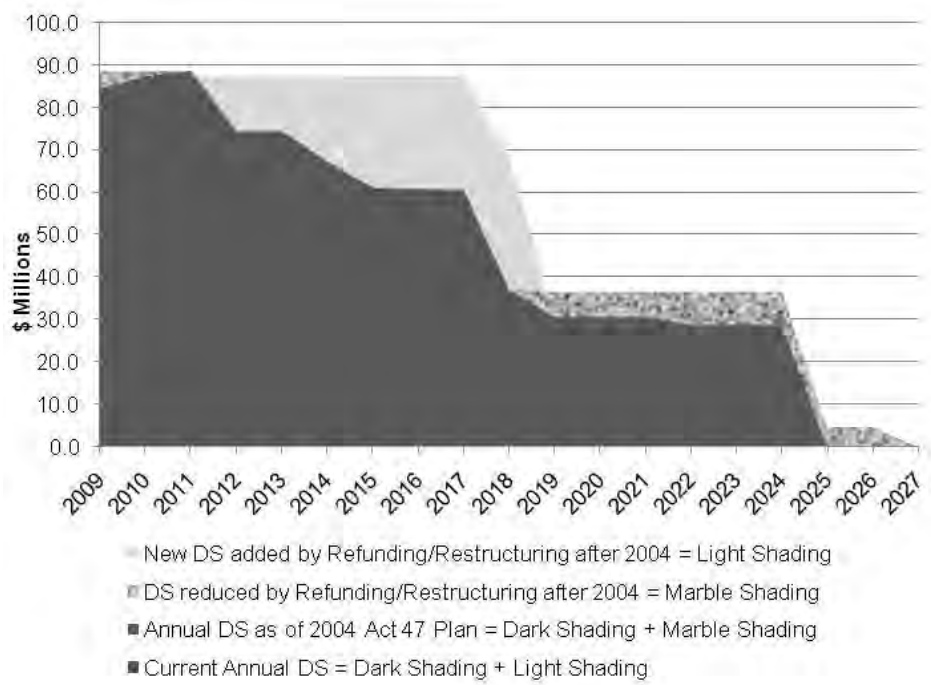


The total increased debt service as a result of these transactions is $125.4 million from FY2012 through FY2017. The chart below shows the resulting debt service changes. Debt service that was eliminated due to the refunding is identified with marbling; debt service that was added as result of the transactions is shown with light gray shading.

[16] The Capital Improvement Project chapter discusses the City's pay-as-you-go approach in more detail.

[17] Chart includes principal and interest payment on City General Obligation and Pension Obligation Bonds, as well as certain Sports and Exhibition Authority bonds for which the City is responsible for debt service.

Comparison of Total Annual Debt Service 2009-2026



Pittsburgh Debt in Comparison

Since the 2004 Recovery Plan was enacted, each of the three major credit rating agencies has upgraded the City's general obligation bond rating more than once. Those ratings now sit at the middle tier of the lowest investment grade as shown in the table below.

	Oct 2003	Nov 2003	Oct 2004	Dec 2004	Jan 2005	Mar 2005	May 2006	Oct 2006	Dec 2007	Aug 2008	Jan 2009
Moody's	Ba1	Ba1	Ba2	Ba1	Ba1	Baa3	Baa3	Baa2	Baa2	Baa1	Baa1
Fitch	BB	BB	BB	BB	BBB	BBB	BBB	BBB	BBB	BBB	BBB+
S&P	BB	BB	BB	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB	BBB

Excerpts from the most recent ratings report for each agency highlight both the successes and remaining challenges facing the City:

- **Fitch Ratings** (Upgrade from BBB to BBB+ with stable outlook on January 19, 2009): "The upgrade reflects Pittsburgh's stabilized financial position, the revision to the city's tax structure providing a broadened tax base, and ongoing oversight from two commonwealth entities. Adding to the credit strength are the **city's continued efforts to fund its manageable capital needs on a pay-as-you-go basis in order to reduce its high debt burden…The city's high debt and long-term liability profile remain the key credit concern"** (emphasis added).

- **Moody's Investor's Service** (Upgrade from Baa2 to Baa1 with stable outlook on August 4, 2008:): "The upgrade to a Baa1 is driven by an additional two fiscal years of operating surpluses, and a projected third in 2008, resulting in the city's currently healthy financial position. **The Baa1 rating also factors the fiscal challenges that continue to face the city, including the city's high debt burden**" (emphasis added).

- **Standard & Poor's** (Affirm BBB with stable outlook on August 8, 2008): "The rating also reflects the city's improved financial performance; **diminished budgetary flexibility**; use of nonrecurring refunding proceeds to achieve short-term budgetary relief over the next five years; and **high debt levels, which, while declining, remain above average"** (emphasis added).

Along with the credit ratings, Moody's Investor Service provides Municipal Financial Ratio Analysis (MFRA), which is a basis for comparing Pittsburgh's current debt service with other municipalities. The primary indicators used here are:

- **Population:** Based on the last decennial census data (2000).
- **Current senior most rating**: This is the current and highest rating for each municipality as assigned by Moody's.
- **Direct net debt:** A measure of the City's debt that is not self-supported by generating associated enterprise revenue, short term operating debt or funded by sinking fund accumulations.[18]
- **Direct net debt per capita:** Direct net debt divided by 2000 population to account for differences in municipality size.
- **Debt service as a percentage of operating expenditures:** Combined debt service expenditures for all operating funds and debt service funds divided by operating expenditures as classified by Moody's in a given fiscal year.[19]

The table below shows these five indicators for Pittsburgh and seven geographically and demographically similar cities.

Moody's Financial Ratio Analysis (FY2008 Data Used)[20]

	Population	Current Senior Most Rating	Direct Net Debt Outstanding ($000)	Direct Net Debt Per Capita ($)	Debt Service as % of Operating Expense
Pittsburgh, PA	**334,563**	**Baa1**	**791,683**	**2,667**	**21.4**
Newark, NJ	273,546	Baa2	575,917	2,056	4.6
Rochester, NY	219,773	A2	420,516	2,021	7.6
Buffalo, NY	292,648	Baa2	557,954	2,021	4.7
Cincinnati, OH	331,285	Aa1	475,030	1,429	16.3
Cleveland, OH	478,403	A2	699,279	1,596	11.0
Toledo, OH	313,619	A3	251,690	853	1.0
St. Louis, MO	348,189	A2	680,977	1,941	7.9
Median	**313,619**	**A2**	**557,954**	**1,941**	**7.6**
Average	**322,495**	**A2**	**523,052**	**1,702**	**7.6**

[18] Direct net debt is calculated by taking the local government's gross debt less sinking fund accumulations, short-term operating debt, and bonds and other debt deemed by Moody's analysts to be fully self-supporting from enterprise revenues. Direct net debt typically includes the non-self supporting portion of the local government's general obligation bonds, sales and special tax bonds, general fund lease obligations, bond anticipation notes, and capital leases.

[19] The Moody's methodology is consistent for the comparison cities presented in the table, but may be different from other calculations of debt service burden presented in this chapter.

[20] This is the most recent MFRA data available for Pittsburgh.

Pittsburgh's credit rating of Baa1 has recovered to a level slightly above non-investment grade, and falls two steps below the average and median ratings for the group included in the table above. The other indicators point to the City's higher debt encumbrance when compared with other cities.

The direct net outstanding debt is partially a reflection of a city's size. While Pittsburgh is near both the median and average population size, it has significantly more direct net debt outstanding than the comparable cities. Pittsburgh's direct net debt outstanding is 51 percent larger than the average, and 42 percent greater than the median

Direct net debt per capita accounts for any differences in population. Pittsburgh's debt per capita is 37 percent greater than the median, and 57 percent greater than the average of the seven other cities. For each resident in Pittsburgh, the City owes more than one and a half times as much debt service when compared with similar cities.

Debt service as a percentage of operating expenditures is a measure of the impact of debt service on a government's overall financial flexibility. A ratio above 10 percent constitutes a level at which budgetary competition is a significant consideration.[21] Pittsburgh's debt service as a percent of operating expenditures using the Moody's formula was 21.4 percent in 2007, or nearly three times that of the average and median of the comparable cities. Using a less expansive calculation of General Fund debt service expenditures compared to total General Fund expenditures, this percentage was still close to 18.0 percent in FY2008, and is likely to remain well above the 10 percent benchmark for many years. A fixed cost this high is financially limiting.

Future Debt Service

As described throughout this Amended Recovery Plan, the path out of Act 47 oversight requires that the City maintain and project future balanced budgets, while also developing and implementing a strategy to absorb legacy costs. Debt affects both of these areas: managing the City's high annual debt service payments through FY2017 is critical to balancing annual budgets, while debt reduction is vital to overall financial stability and particularly to creating room for future enhancement to the City's capital budget.

The current situation is governed by the FY2009 budget and five-year plan approved by the Intergovernmental Cooperation Authority (ICA) and City Council. As first proposed in September 2008, that plan included annual shortfalls in the operating fund in FY2011, FY2012, and FY2013, supported by annual transfers from the City's reserves. In order to meet Act 11's statutory requirement for annual balanced budgets, the City transferred $45.4 million from its reserve fund balance into a restricted fund with the intent to use the restricted funds and any interest earned on them to pay debt service in years when the City forecasts an operating budget shortfall.[22] In March 2009 the ICA reached a Restricted Bond Retirement Account Agreement with the Administration for this purpose. The City's debt service before and after that transfer are shown below.

[21] Fitch Ratings, "Local Government General Obligation Rating Guidelines," March 22, 2007, p.2.

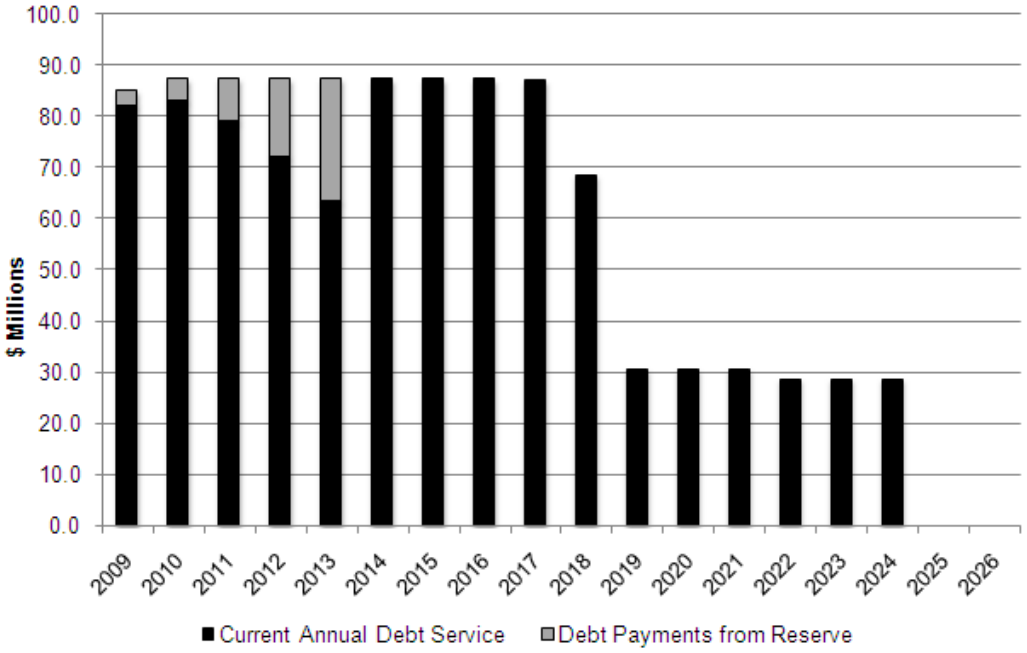
[22] At the outset, one possible strategy was to defease bonds in 2008 or 2009 to lock in savings in future years and remove these obligations from the City's financial reports; however, changing market conditions meant that this strategy cannot be executed at this time.

Debt Service

	2008	2009	2010	2011	2012	2013
Debt service[23]	84,653,758	84,914,147	84,881,034	87,405,346	87,430,761	87,427,039
Debt Service subsidy	257,838	257,175	254,143	255,693	259,050	269,060
Subtotal	84,911,596	85,171,322	85,135,177	87,661,039	87,689,811	87,696,099
Reserves applied	-	2,920,885	4,131,964	8,223,976	15,191,876	23,944,061
Net debt service	**84,911,596**	**82,250,437**	**81,003,213**	**79,437,063**	**72,497,935**	**63,752,038**

The chart below shows the existing annual debt service in dark gray; the portion of total annual debt service that the City will pay with restricted funds is more lightly shaded. The graph shows that additional work will be needed to address the significant but circumscribed debt service mountain of $20-25 million in years 2014-2017. Beginning in 2018, the City's debt service payments drop precipitously and disappear entirely after 2024.

Total Annual Debt Service 2009-2026



Prospective Debt Service

As noted in the Capital Improvement Plan chapter of this Amended Recovery Plan, the need for repair, major maintenance and new construction in the City will eventually require the City to return to long-term borrowing as a funding source. In fact, with only fifteen years of debt payments remaining and all new

[23] This does not include a debt service payment that the City makes on behalf of the Sports and Exhibition Authority (SEA) for 1992 Public Stadium Authority bonds. The City pays the debt service on those bonds and is then reimbursed by the SEA. While the debt service is a responsibility of the City, and the City must make the payment regardless of whether the SEA reimburses, the Controller's Office has determined that this transaction is not a general fund expense so it is not included here. The City will make such payments and hopes to receive reimbursement for $2.535 million in 2009 and $2.530 million in 2010, the final year of this arrangement.

capital expenditure paid from current funds, the City's debt imbalance is now putting the entire burden of its capital program on the current generation, and allocating none of the cost to future users of its capital investments.

In the next two years, the City will be able to rely upon recent operating balances transferred to the capital fund. The City may be able to extend the pay-as-you-go period slightly with additional contributions. For example, the Revenue chapter of this Amended Recovery Plan includes an initiative to eliminate the final scheduled reduction in the City's parking tax beginning in 2010, and to dedicate the additional revenue to an annual pay-as-you-go contribution to road and bridge capital projects. This would generate approximately $3.0 million per year. In addition, as noted in initiative DS02 below, the City will become eligible to refund its Series 2002A bonds in 2012, creating a potential additional contribution in the range of $1.4 million to the capital fund.

Because the City will have to account for the remaining "debt mountain" in FY2014 through FY2017, it is anticipated that borrowing for capital expenditures, in combination with pay-as-you-go sources, will have to resume in about FY2014. In anticipation of this event, in DS03 this Amended Recovery Plan also requires the City to develop and adopt now a series of policies regarding its future management of debt and the interplay of borrowed and self-generated capital funds.

Initiatives

DS01. **Debt service payments or debt defeasance**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall use $45.4 million in operating cash transferred to a restricted fund in December 2008, and earnings on that cash, to pay General Obligation or Pension Obligation Bond debt service or defease bonds in years 2010 - 2013. The City shall also transfer $3.2 million in operating cash budgeted under "Transfers" in FY2009, and earnings on that cash, to pay General Obligation or Pension Obligation Bond debt service or defease bonds in years 2010 – 2013. The impact of this initiative has already been incorporated into the ICA-approved FY2009 budget and five-year plan, so no additional impact is shown here.

DS02. **March 2012 refunding**
Status: New
FY2009 Impact: $0 **Five-year impact:** $1.4 million

If it meets the criteria identified in DS03, the City shall execute a current refunding of its Series 2002A bonds in March 2012. Savings from this refunding shall be deposited into the capital account for the funding of projects authorized in the City's annual capital budget and multi-year capital program. The par amount of the bonds is $46.5 million, so the minimum savings should be at least $1.4 million using the 3.0 percent threshold.

DS03. **Establish debt service policies**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall draft and secure City Council approval of a debt management and capital funding policy that shall include, but not be limited to, the following elements:

- A requirement that refundings of outstanding bonds generate present value debt service savings of 3.0 percent or greater.

- A policy detailing the conditions under which the City may enter in to swaps and derivative products in anticipation of the City's eventual recovery of the legal authority to use such instruments.

- The establishment of a long-term pay-as-you-go capital funding policy identifying a source and annual amount/percentage of operating funds to be dedicated to capital expenditures (this policy would work in concert with the establishment of criteria for projects eligible for capital funding, as described in the capital chapter of this Plan).

- The adoption of debt ratio targets, including the amount of General Fund-supported debt service as a percentage of General Fund revenues or expenditures, the amount of General Fund-supported debt as a percentage of assessed valuation, and the target for paying down debt principal.

DS04. **Refunding opportunities**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall retain an independent financial advisor to examine and continuously monitor the City's outstanding debt for possible refunding/refinancing opportunities and to report such opportunities to the Administration, Controller and City Council. New financing vehicles, increasing interest rates and various federal stimulus proposals may provide opportunities that have not existed previously for the refinancing of City long term debt and the future funding of capital projects.

DS05. **Direct gaming windfall revenue to legacy obligations**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

With the consent of the ICA, the City shall use any additional local share of gaming revenue over and above the $10 million dollar minimum already budgeted for future years to address the City's debt or pension obligations. The City shall create a trust fund for the implementation of this initiative in the first year, in anticipation of any incremental gaming revenues.

DS06. **Other debt refunding opportunities**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Excluding the refunding described in DS02, any savings achieved through debt refunding opportunities shall be used only to address the City's debt or pension obligations.

Additional initiatives

The chapter addressing the Capital Improvement Plan is also pertinent to the City's debt service management.

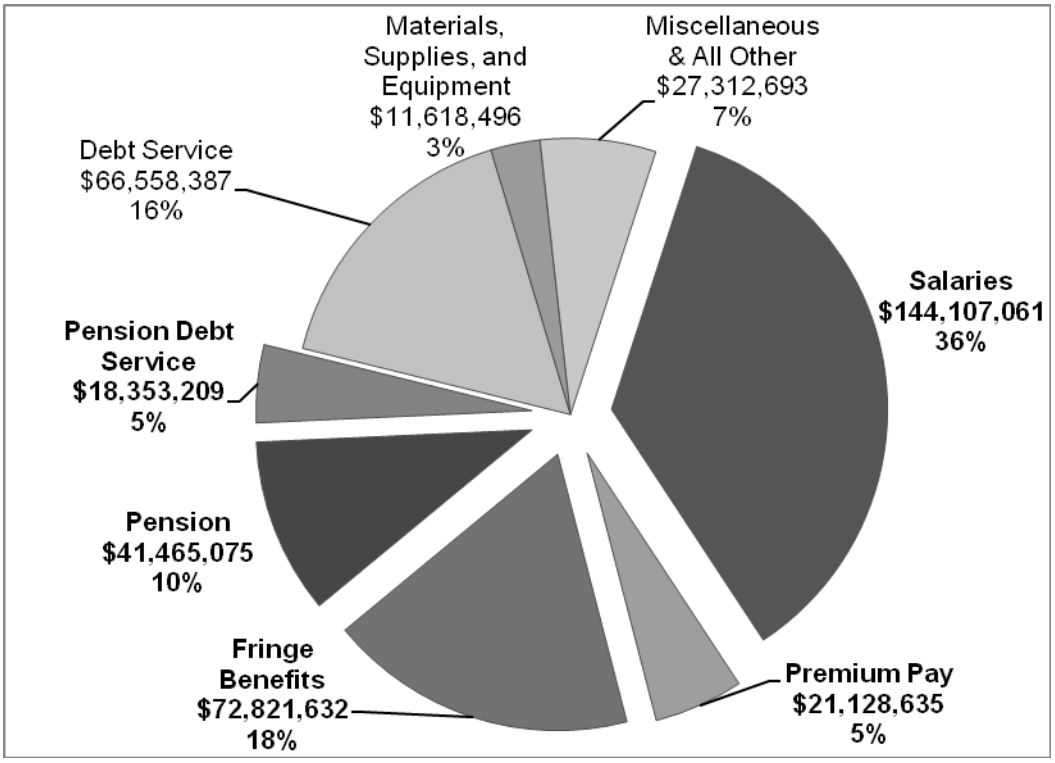
4. Workforce and Collective Bargaining

Workforce and Collective Bargaining

Overview

City of Pittsburgh services, like those of most local governments, are labor-intensive. The City requires people to maintain safe and clean streets, to prevent and investigate crime, to respond to fire and medical emergencies, and to deliver the many other important services of municipal government. As a result, employee wages and benefits are Pittsburgh's single largest expense, accounting for $297.9 million of the City's $403.4 million in expenditures in FY2008. With almost 74 percent of the annual budget allocated to employee-related expenses, workforce costs are a critical factor in the City's fiscal condition.

FY2008 Actual Expenditures[1]



If workforce costs are not maintained at affordable levels, the results can not only erode the City's budget health, but they can also have adverse impacts for municipal employees and City service levels. For example, before the City entered Act 47 oversight in 2004, Pittsburgh laid off 446 employees, including nearly 100 police officers and 20 emergency medical technicians, shutting down multiple services such as recreation centers and pools.

As an alternative to further layoffs and service cuts, the 2004 Recovery Plan restored personnel costs to more affordable levels through strategies including moderation of employee wage increases, health benefits cost sharing and containment, and headcount reduction by attrition achieved through efficiency initiatives such as City-County function mergers, departmental consolidation, and more flexible workforce management. As a result, workforce cost growth that far outstripped revenue growth from 2000 to 2004 –

[1] Due to modifications to the City's budget structure and presentation, this chart is not directly comparable to the equivalent chart from the 2004 Act 47 Recovery Plan.

contributing significantly to Pittsburgh's fiscal distress – was brought more into balance from 2005 to 2008, allowing the City to make significant progress toward its financial recovery.
Going forward, the City's primary workforce challenges are twofold:

- Continuing to contain overall personnel cost growth at levels that can be sustained within the City's fiscal resources, while remaining a competitive employer providing core services effectively; and,

- Actively addressing the longer-term, $1 billion "legacy cost" crisis detailed in the "Pensions and Other Post-Employment Benefits" chapter of this Plan, a financial threat to the City's future fiscal stability and the security of municipal retirement programs.

A chart detailing employee headcounts by collective bargaining unit is shown below.

City of Pittsburgh Headcount by Bargaining Unit[2]

Employee Group	Covered Positions	No. of Employees	Contract Term
Fraternal Order of Police (FOP), Lodge 1	All Sworn Police Officers, including Detectives, Sergeants and Lieutenants	885	1/1/05-12/31/2009
International Association of Firefighters (IAFF), Local No. 1	All Firefighters, Lieutenants, Captains, Battalion Chiefs and Deputy Chiefs	639	1/1/05-12/31/2009
American Federation of State, County and Municipal Employees, (AFSCME), Local No. 2719	Misc. white collar employees not included in other unions (Clerks, Inspectors, Analysts, Accountants)	289	1/1/05-12/31/2009
Service Employees International Union (SEIU), Local No. 192-B	Regular and Substitute School Crossing Guards	124	1/1/05-12/31/2009
AFSCME, Local 2037	First-level blue collar supervisors	49	1/1/05-12/31/2009
SEIU, Local No. 668	Recreation Program Coordinators, Athletic Instructors, Other Recreation Facility employees	55	1/1/05-12/31/2009
International Brotherhood of Teamsters, Local 249	All Refuse Drivers and Co-Drivers, Laborers and Helpers	175	1/1/06-12/31/2010
Fraternal Association of Professional Paramedics	All Paramedics, Crew Chiefs	160	1/1/06-12/31/2010
Pittsburgh Joint Collective Bargaining Council (PJCBC)	Misc. blue collar employees (Painters, Maintenance Specialists, Custodians, Plumbers, Misc. Operators)	343	1/1/07-12/31/2011

[2] Count as of the final pay period in the fourth quarter of FY2008.

Employee Group	Covered Positions	No. of Employees	Contract Term
Non-Represented Employees	Executive, management, confidential	575	N.A.
Total	**N.A.**	**3,294**	**N.A.**

With regard to workforce competitiveness, notwithstanding the cost moderation and restructuring required to avoid further layoffs and service cuts that were included in the 2004 Recovery Plan, Pittsburgh municipal employees today continue to receive a strong compensation package. For example, as further detailed below, Pittsburgh City workers receive health, retirement, and paid leave benefits superior to private sector norms and competitive with public employer standards.

The following chart summarizes key components of the City's health and welfare benefits in comparison to private sector norms, state and local governments generally, and the Commonwealth. The Teamsters and the PJCBC do not participate in the city-wide Highmark plan. Health insurance benefits for these two unions are administered by separate trust funds. In addition, four employee groups use a tiered system that bases the employee's premium contribution on salary. The first two rows of the chart reflect those tiers (less than $30,000 annual salary and greater than $30,000 annual salary).

Health Benefits as of 2008 (except where noted)

	Employee Contributions		Office Visit Co-Pay: Primary Care	Rx Drug Co-Pays (retail)
	Individual Coverage	Family Coverage		
Non-union, AFSCME Foremen & White Collar, Rec Teachers, earning < $30,000	15 percent of premium ($14.65/month)	15 percent of premium, ($53.94/month)	$10	$7, $15, $40
Non-union, AFSCME Foremen & White Collar, Rec Teachers, earning > $30,000	15 percent of premium ($34.30/month)	15 percent of premium ($112.89/month)	$10	$7, $15, $40
Pittsburgh FOP	$34.02/month	$102.06/month	$10	$7, $15, $40
Pittsburgh IAFF	$61/month	$116/month	$15	10% to $7 max, 15% to $15 max, 20% to $40 max
Pittsburgh Teamsters	$149.75/month	$149.75/month	$20	$10, $20, $40
Pittsburgh Joint Collective Bargaining Coalition (PJCBC)[3]	$139.15/month	$139.15/month	$5	$10, $20, $50
Private Sector Average[4]	16 percent ($60/month)	27 percent ($280/month)	$17	$10, $26, $46

[3] The information listed for PJCBC reflects the co-pays applicable to individuals who have completed the required Health Risk Assessment.

[4] Kaiser Family Foundation and Health Research & Educational Trust, *Employer Health Benefits: 2008 Annual Survey,* Sept. 2008.

State and Local Governments[5]	10 percent ($73.34/month)	27 percent ($328.01/month)	Data not available	Data not available
Commonwealth of PA Employees (largest unions)[6]	1.5 percent of gross salary, rising to 3.0 percent by 2011[7]	1.5 percent of gross salary, rising to 3.0 percent by 2011	$15	$10, $18, $36

In addition, Pittsburgh employees have access to basic dental and vision coverage with no employee premium contribution. Nationally, according to the Bureau of Labor Statistics (BLS), only 62 percent of state and local government full-time workers have access to dental coverage, while 43 percent have access to vision coverage.

Like most public sector employers, Pittsburgh continues to offer a defined benefit pension plan as the City's primary retirement plan, in contrast to a strong trend toward defined contribution plans among private employers (e.g. 401(k) plans, or 457(b) plans in the public sector).

Primary Retirement Plan as of 2008

Entity	Primary Retirement Plan[8]
City of Pittsburgh Employees	Traditional Defined Benefit (DB) Plan
Pittsburgh Police & Fire Employees	Traditional DB Plan
Private Sector	22 percent with access to DB plan; 62 percent with access to Defined Contribution (DC) plan
State and Local Governments	84 percent with access to DB plan; 30 percent with access to DC plan
Commonwealth of Pennsylvania Employees	Traditional DB Plan and optional, supplemental DC Plan

Paid leave is another important employee benefit, and Pittsburgh again remains competitive with other private and public sector employers.

[5] U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2008," September 2008.

[6] Benefits listed are applicable for the three Pennsylvania state employees' unions, representing the majority of employees. State Troopers have a separate union, and other public safety groups represented by one of the above unions have negotiated separate benefits.

[7] The Pennsylvania state employee contribution for both individual and family coverage increases incrementally to 3 percent of gross salary by 2011. Discounts are available for participation in the *Get Healthy* health management program.

[8] U.S. Bureau of Labor Statistics, "New Definitions of Employee Access to Paid Sick Leave & Retirement Benefits in the National Compensation Survey," December 23, 2008.

Paid Leave as of 2008[9]

	Annual Holidays	Vacation, after 1 year	Vacation, after 5 years	Vacation, after 10 years	Vacation, after 20 years	Personal Leave[10]
Pittsburgh City Employees	10	10 days	15 days	20 days	20 days	10 days per year (includes sick leave)
Private Sector Median	8	10 days	15 days	15 days	20 days	37% receive paid leave
State and Local Government Median	11	12 days	15 days	18 days	22 days	59% receive paid leave
Commonwealth of Pennsylvania Employees	11	7 days	15 days	15 days	20 - 26 days	4 days per year (after 2 years of service)

Looking forward to potential changes in the City's competitive position, near-term compensation growth in the overall labor market is likely to be severely constrained by the impacts on the economy of the ongoing national recession:

- National unemployment in April 2009 reached 8.9 percent, the highest in twenty-six years. Since the recession began in December 2007, 5.7 million jobs have been lost in the U.S.

- For the last week in April 2009 unemployment claims continued at levels unseen in a generation with 601,000 new unemployment claims filed. Americans receiving jobless benefits stood at a record-high 6.35 million. In Pennsylvania, unemployment rose from 4.9 percent in March 2008 to 7.8 percent in March 2009. Between February 2009 and March 2009, the Commonwealth lost 30,500 jobs.

- According to the BLS, the unemployment rate in the Pittsburgh region was 7.6 percent in February 2009 and March 2009 (not seasonally adjusted). Current unemployment is at the highest rate in fifteen years and notably higher than the 5.1 percent unemployment rate of March 2008. There are approximately 92,000 unemployed residents in the region.

- Allegheny Technologies laid off several hundred employees in the Pittsburgh area in November, as demand for automobile and appliance steel decreased. Sony plans to close its Westmoreland County plant, affecting about 560 workers.

- Pittsburgh's education and health sectors, usually considered stable, are also contracting compared with recent years. UPMC announced 500 layoffs in anticipation of a difficult economy, Carnegie Mellon has frozen salaries for all employees for at least the 2009-2010 school year, and the University of Pittsburgh has frozen the pay of employees for FY2010 who are not covered by existing collective bargaining agreements.

- Government workers are also seeing cutbacks, in Pennsylvania and beyond:

[9] Private Sector and State and Local Government information comes from the U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2008," September 2008.

[10] For the private sector and state and local government employees, the data sources measure what percentage of employees receive paid personal leave but not the amount of time allocated.

- Over 13,600 non-union employees for the Commonwealth of Pennsylvania will have a wage freeze for the current year, to last for an indefinite length of time. Additionally, there is a state-wide hiring freeze.

- The City of Philadelphia laid off more than 100 employees, instituted a hiring freeze, and reduced some executive salaries.

- In New York City, the Mayor has announced plans to cut the City's workforce by 3,000, including 500 layoffs, has cancelled a training class for more than 1,000 police cadets, and has proposed increased employee health benefit contributions.

- New York State will withhold a scheduled three percent wage increase for non-represented employees in April 2009. The Governor has also directed agency heads to move forward with plans to layoff of as many as 8,700 workers.

- Numerous state and local governments have proposed furloughs and the reduction or elimination of previously-negotiated pay increases for represented employees in order to avoid layoffs. California's largest state workers' union agreed in March 2009 to a new contract that includes one furlough day per month, equivalent to a reduction in wages of five percent.

- At the same time, inflationary pressures are low. Over the last three months of 2008, the chained consumer price index (C-CPI-U), considered by BLS to be the best approximation for cost-of living, *declined* by 3.3 percent nationally. Over the full calendar year (December over December), the C-CPI-U fell by 0.5 percent. For calendar year 2009, the Federal Reserve Bank First Quarter Survey of Professional Forecasters projects year-over-year CPI increases of just 0.2 percent.

To assist in preparing this Amended Recovery Plan, the Act 47 Coordinator met with representatives of City bargaining units, the City Administration and members of City Council. Each group expressed their genuine concern for the future of Pittsburgh's finances, services and residents' quality of life. In these meetings, both municipal labor and management leadership also conveyed their view that a key factor in transitioning Pittsburgh out of Act 47 oversight is increased flexibility in the collective bargaining process.

With these factors in mind, this Amended Recovery Plan aims to transition the City toward financial independence with recommendations designed to:

- Maintain the core structural reforms and affordable rates of personnel cost growth central to fiscal recovery since 2004.

- Dedicate supplemental resources to a Pittsburgh Retiree Rescue Plan, as detailed in the "Pensions and Other Post-Employment Benefits" chapter.

- Increase bargaining flexibility as Pittsburgh transitions out of Act 47 oversight, while providing tools and a framework for prudent personnel decisions that recognize both the short- and long-term impacts of employee-related expenses.

The baseline workforce related expenditures are shown below. These baseline projections are the same, or very close,[11] to the amounts included in the Intergovernmental Cooperation Authority (ICA)-approved FY2009 budget and five-year plan. Within fringe benefits, the City projects that active and retired employee health insurance costs will grow by 11.5 percent in FY2010, 5.9 percent in FY2011, 11.5

[11] The differences between the projections in the ICA-approved five-year plan and those shown here are very small. For example, the ICA-approved five-year plan shows $167,209,257 for projected salary expenditures in FY2013 as compared to the $166,709,321 projected here, a difference of $499,936 or 0.3 percent.

percent in FY2012 and 13.0 percent in FY2013. The lower increase in FY2011 anticipates the City will achieve savings through plan restructuring and rebid. Pension contributions reflect a $5.7 million increase to the City's minimum municipal obligation in 2009, and a supplemental contribution of 5.0 percent per year (approximately $2.2 million annually).[12]

Projected Baseline Expenditures – Workforce

	2009 Budgeted	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2005-09 Growth
Salaries	153,150,894	156,707,463	159,460,048	163,196,549	167,282,713	9.2%
Premium Pay	22,333,783	22,867,128	23,251,787	22,583,081	22,678,909	1.5%
Fringe Benefits	80,477,449	84,545,921	88,830,028	95,062,836	102,570,986	27.5%
Pension[13]	49,745,580	50,250,290	50,780,867	51,338,692	51,903,669	4.3%
Total	**305,707,706**	**314,370,802**	**322,322,730**	**332,181,158**	**344,436,277**	**12.7%**

Initiatives

The following are the labor relations, cost containment, and related provisions of this Amended Recovery Plan. They become effective as of the date of the Plan's adoption and cover the remainder of 2009 as well as the period 2010-2014 and beyond provided that the terms and provisions of any existing collective bargaining agreement shall be followed for the remainder of that agreement.

These cost containment provisions are both reasonable and necessary to the fiscal recovery of the City. It is the intention of the Act 47 Coordinator and the City that the City negotiate with the bargaining unit representatives of its employees in good faith to incorporate these cost containment provisions and any others throughout this Amended Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator and the City that the implementation of these cost containment provisions and any others throughout this Amended Recovery Plan is mandatory, and that all necessary amendments be made to the labor agreements between the City and any of its bargaining units entered into after the adoption date of this amended recovery plan.[14] All cost containment provisions must be addressed. Wherever reference is made to parameters for all bargaining units and collective bargaining agreements, such provision shall also apply fully to non-represented personnel.

<u>Core structural reforms</u>

For this Amended Recovery Plan, several core structural reforms carry forward from the 2004 Recovery Plan. If overall personnel costs are to be held within affordable parameters, it is critical that management

[12] This supplemental contribution is part of the City's ICA-approved five-year plan and therefore is assumed in these baseline projections. The changes discussed in the Pension and Other Post-Retirement Benefits chapter are in addition to this supplement.

[13] This is the pension expenditure subclass that the City uses in its annual operating budget. Along with the City's required contribution to the MMO (approx. $44.2 million in FY2009), it includes contributions to the Retiree Fund, Widow Fund, Survivor Fund, additional pension contributions above the MMO and other items. Please see page 302 of the City's FY2009 operating budget as approved by Council on January 26, 2009 for the full list of items included in this subclass.

[14] In some cases, recommendations may represent reaffirmation or clarification of existing management rights. Although most recommendations would require changes to collective bargaining agreements for union-represented personnel, inclusion of any specific recommendation herein should not automatically be interpreted to imply that the recommendation is currently constrained.

flexibility be retained to achieve efficient and effective staffing levels, work processes, use of technology, and governance approaches.

WF01. Limit new contract enhancement
Status: Continued from 2004 Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new labor agreements between the City and the unions representing its employees (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 as applicable or otherwise) covering calendar years 2010 and subsequent years (or any portion thereof) **must not** contain, require or provide for any of the following:

a. Any term or provision which continues or adds any restrictions on the City's Management Rights. Examples of prohibited terms or provisions include, but are not limited to, provisions limiting the City's ability to engage qualified contractors; to determine employees' hours, shifts and work schedules; to effect a layoff in workforce; or to choose which bargaining unit performs a particular duty or function.[15]

b. Any provision which obligates the City to promote or assign or to permit bumping of any employee on the basis of seniority, rather than on the basis of qualifications and performance, except to the extent that preference is accorded to the most senior of those employees having relatively equal qualifications and performance histories.

c. Any provision which expands the bargaining unit employees' rights to present grievances to the City or to appeal grievances to arbitration.

d. New employee or retiree benefits, or improvements to existing benefits, including without limitation pension or retiree health care benefits.

Compensation growth within affordable parameters

New workforce initiatives in this Amended Recovery Plan provide increased flexibility for the City and its bargaining units to negotiate terms best suited to each employee group, within the resource levels available. Overall, the Plan provides for a signing bonus payment in the first year of each upcoming period, along with maximum dollar allocations in the following years. Using costing tools, each unit may negotiate with the City to allocate the amount for those following years among certain compensation components. Existing health and retirement benefits shall not be improved because of the high importance of these compensation elements to the City's fiscal position – however, broad flexibility to negotiate is provided beyond these parameters.

WF02. Compensation flexibility and costing analysis.
Status: New
FY2009 Impact: $0 **Five-year impact:** $7.3 million

[15]The term "Management Rights," as used herein, also includes, without limitation, the rights to: promulgate and enforce work rules, policies and procedures; select, hire, promote, transfer, assign, determine the duties of, evaluate, layoff, recall, reprimand, suspend, discharge and otherwise discipline employees; establish, eliminate and redefine positions in accordance with the City's needs; determine the qualifications and establish performance standards for jobs and assignments; determine the methods, processes and means of performance, where and when work shall be performed, and the equipment to be used; determine the composition of the work force; create, abolish and change jobs and job duties; determine employees' hours and days of work, work schedules, shifts and reporting stations; determine whether to assign overtime and the amount required; require employees to work overtime; determine when a job vacancy exists, and select the best qualified candidate to fill it; take necessary actions in emergency situations; extend, curtail or change City operations and otherwise manage the City, its operations and its employees in its discretion.

Each represented full-time employee shall receive a signing bonus payment not to exceed $2,000 ($1,000 for part time employees) in the first year of a new contract for her/his bargaining unit. Non-represented employees will receive the same payment (not to exceed $2,000 for full time employees and $1,000 for part-time employees) in the first full calendar year this Amended Recovery Plan is in effect. Base salaries and wages will not be increased in these respective years.

For the purposes of determining lump sum signing bonus amounts, any employee working fewer than 1,600 total hours per year is considered part-time.[16] The 1,600-hour minimum is based on the 200-day minimum qualification for City pension benefits. In the allocation chart below, the lump sum calculations do not account for part-time employees, except for the SEIU-Crossing Guards union which is entirely comprised of part-time employees according to this definition.

Because the cost of these signing bonus payments will not carry forward into future years, the City will be better positioned to afford supplemental pension contributions as detailed in the Pensions and Other Post-Employment Benefits chapter.

For the years following the signing bonus payments, specific maximum allocations for each bargaining unit and the non-represented employees have been established as shown in the chart below. These allocated amounts shall be the maximum dollars available for each bargaining unit and the non-represented employees in each year for increases and improvements to all components of employee compensation (the "Compensation Components") other than active and retiree health benefits, workers' compensation and other injury benefits, and pensions and other retirement benefits. Examples of the negotiable Compensation Components include, but are not limited to: wage/salaries, longevity, shift pay, special assignment pay, other cash premiums and bonuses, vacation, holidays, other paid leave, active employee life insurance and other miscellaneous fringe benefits.

For the represented employees, their respective bargaining units and the City may agree to expend the annual maximum allocation on the various Compensation Components within their collective bargaining agreements (e.g., wages, vacations, holidays, etc.) as they see fit (except for specific limitations and requirements otherwise set forth in this Amended Recovery Plan). However, in no case shall the annual total cost exceed the maximum allocation in the chart below. Further, compensation adjustments that would have disproportionate long-term costs shall be avoided.

Compensation Components: Maximum Allocations
Non-Represented and Contracts Expiring December 31, 2009

Union	2009	2010	2011	2012	2013	2014	Total
Non-Rep	Budget	812,000	437,300	883,400	1,452,200	2,151,700	**5,736,600**
AFSCME Prof	CBA	602,000	212,800	429,900	706,600	1,047,000	**2,998,300**
AFSCME Sup	CBA	78,000	35,200	71,200	117,000	173,400	**474,800**
FOP	CBA	1,824,000	1,038,700	2,098,200	3,449,000	5,110,500	**13,520,400**
IAFF	CBA	1,298,000	744,000	1,503,000	2,470,700	3,660,900	**9,676,600**
SEIU 192-B	CBA	132,000	36,200	73,000	120,100	177,900	**539,200**
SEIU 668	CBA	78,000	24,300	49,000	80,600	119,400	**351,300**
Shaded boxes not eligible for negotiation (signing bonus applicable or current CBA in effect							

[16]This limit was established in initiative WF50 of the 2004 Recovery Plan. For this Amended Plan, the 1,600 hour test is applied to the number of hours worked in the year immediately preceding a new contract, or in FY2009 for non-represented employees.

Contracts Expiring December 31, 2010

Union	2011	2012	2013	2014	2015	Total
FAPP	324,000	170,500	344,500	566,300	839,500	**2,244,800**
Teamsters	376,000	140,200	283,100	465,400	690,000	**1,954,700**
Shaded boxes not eligible for negotiation (signing bonus applicable).						

Contract Expiring December 31, 2011

Union	2012	2013	2014	2015	2016	Total
PJCBC	594,000	241,600	488,000	802,600	1,189,300	**3,315,500**
Shaded boxes not eligible for negotiation (signing bonus applicable).						

The allocations are roughly equivalent to the wage increases shown in the chart below as applied to the budgeted salaries in the last year of the current collective bargaining agreement or FY2009 for non-represented employees.[17] Included in the maximum allocations for each year are the costs carried forward from recurring increases in prior contract years.

Year 1	Year 2	Year 3	Year 4	Year 5 and beyond
$2,000 signing bonus ($1,000 for part-time employees)	2.0%	2.0%	2.5%	3.0%

As discussed earlier in this chapter, many private companies in the region, state governments and major municipal governments are instituting wage freezes, furloughs, or layoffs. Against this backdrop of a prolonged recession and rising unemployment, Pittsburgh is in a position to provide employees with compensation increases. Controlling wage growth through implementing the 2004 Recovery Plan and internally established initiatives has created stability for the City, so that it is now able to provide workers with a $2,000 payment in the first year, followed by a compounded increase of 9.8% in the following four years, while also working to rescue employees' pension funds.

Required cost projections

For any proposed changes to the Compensation Components in place at the expiration of the current collective bargaining agreement or any new Compensation Components proposed, the City shall conduct a full cost analysis of those changes for each year of the proposed collective bargaining agreement (or annually for non-represented employees) to determine and assure that the maximum allocations shown above are not exceeded. The City shall provide the full cost analysis information to the Act 47 Coordinator in form and content acceptable to the Coordinator as soon as possible for the Coordinator's review and approval. If the Act 47 Coordinator determines that the proposals exceed the maximum allocated amounts, the proposals shall be returned to the bargaining units or employees and the City for modification. The Act 47 Coordinator will not approve any cost analysis if the Coordinator determines that inadequate information is provided to verify the cost analysis or if the analysis is not provided in a timely manner. The intent of this provision is that the Act 47 Coordinator is the final decision maker as to the cost of any proposed change to a compensation component, whether those

[17] Budgeted salaries include longevity, in-grade pay, and a vacancy allowance. It excludes shift differential, overtime, and other premiums.

proposed changes occur during labor agreement negotiations or during arbitration of any such agreement or at any other time.

In providing this costing analysis the City shall include the following information for each Compensation Component for which there is a proposed change or any new Compensation Component proposed:

- Current rate, formula, leave allocation structure, etc. in place for that Component and the proposed changes to the Component.

- Number of employees in the bargaining unit who currently receive the Component, those who will become eligible for the Component during the term of the agreement under the status quo and those who would become eligible for the Component during the term of the agreement under the proposed change (e.g. X employees receive shift differential in 2009, Y will receive shift differential in 2011 under the status quo, Z will receive shift differential in 2011 under the proposed change). This should be provided on an annual basis for each year in the collective bargaining agreement where appropriate.

- Average salary of the employees who currently receive the Component and the average salary of the employees who would receive that Component under the proposal. This information shall be provided at the bargaining unit, position or whatever other level of detail is appropriate to the proposed change.

- The number of hours per shift and, if applicable, shifts per 24-hour period.

- Any applicable minimum staffing requirements or assumptions. If the proposed change affects overtime, the costing shall include an estimate on how the proposed change will impact overtime.

This list is provided to guide the City in providing adequate costing analysis and is not a comprehensive list of the information that the Act 47 Coordinator may request to verify costing analysis. All items may not apply depending on the change proposed. If the City does not provide additional information requested by the Coordinator, the Coordinator reserves the right to return the analysis for modification. An example of costing analysis can be found in Appendix D.

The following compensation elements shall not be increased in cost or otherwise modified except as specifically detailed in the Workers' Compensation and Pensions and Other Post-Employment Benefits chapters of this Amended Recovery Plan:

- Workers' compensation and any other injured-on-duty benefits.

- Pensions and retiree benefits, including the current prohibition against retiree healthcare for employees hired after January 1, 2005.

- Employee health and welfare benefits, subject to WF03 below.

Financial impact

The savings generated by the first year lump sum signing bonus payment relative to the 2.5 percent annual wage increase in the City's baseline projection are substantial because that lump sum will not be built into the base in future years. With most represented employees

receiving the lump sum in 2010, the City will save more than $2.0 million the following year, with a total of $7.3 million in savings over five years.

WF03. Health insurance contribution

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: $0 **Five-year impact:** $3.6 million

Active employees shall contribute at least 15 percent towards the cost of health insurance, and shall pay 100 percent for enhancements to basic dental and vision coverage. The employee contribution shall continue to be toward the most affordable coverage option and set at a minimum of 15 percent of the lowest tier cost, with employees further paying the full incremental cost of any more expensive options.

The City shall maintain its wellness program, and expand it to include a health management component. Participation in the program will be voluntary, however, employees who choose not to participate in the health management program will be required to pay 20 percent of lowest tier premium costs with employees paying the full incremental costs of any more expensive coverage options. Their higher contributions will fund the City's existing health screening and new health management programs.

In addition to the 15/20 percent contribution structure outlined above, the City's contribution to active employee health insurance (including medical, dental and vision benefits in the aggregate) for each bargaining unit shall not increase by more than 9.0 percent in any year. Any annual increase in excess of 9.0 percent shall be paid by the employees through higher premium contributions and/or adjustments to plan design as necessary. In the absence of a fully insured plan, the cost of healthcare shall be determined pursuant to the methodology selected by City management.

Applying the 9 percent cap to the City's baseline projections for active employee health insurance expenditures yields the savings below. There are no savings in FY2011 because the City projects a 5.9 percent growth rate due to restructuring and/or rebidding the health plan.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	648,659	0	766,108	2,201,793

As with the current structure, alternative contribution structures (e.g., based on a percentage of salary rather than benefit cost) may be substituted with the approval of the Act 47 Coordinator, so long as equivalent savings are achieved.

For all employees hired before January 1, 2005 but retiring after that date, any increases in healthcare premiums after the date of retirement shall continue to be paid by the retiree. The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider as well as the contribution level. Employees hired after January 1, 2005 shall not receive retiree health insurance.

As referenced above, there are initiatives located in other chapters of this Amended Recovery Plan that may require changes to the City's collective bargaining agreements. Although those initiatives are discussed elsewhere, it is the express intention of the Act 47 Coordinator and the City that the implementation of these initiatives is mandatory, and that all necessary amendments be made to the

labor agreements between the City and any of its bargaining units entered into after the adoption date of this Amended Recovery Plan.[18] Those initiatives include, but are not limited to the following:

- Eliminate overtime from firefighter pension benefit calculation for new hires (PN05 in the Pension and Other-Post Employment Benefit chapter).
- Explore creation of a new, less expensive defined benefit plan for new employees (PN06 in the Pension and Other Post-Employment Benefit chapter).
- Explore a defined contribution plan for retiree medical costs for police and firefighters hired since 2005 (PN07 in the in the Pension and Other Post-Employment Benefit chapter).
- Eliminate City contribution to retiree life insurance for new hires (PN08 in the Pension and Other Post-Employment Benefit chapter).
- Require employees to treat with City panel physicians for duration of disability (WC01 in the Workers' Compensation chapter).
- Implement post-incident drug testing (WC03 in the Workers' Compensation chapter).
- Enhance rescue services by building the Bureau of Fire's capacity (PS02 in the Public Safety Administration chapter).
- Restructure training requirements (BI01 in the Bureau of Building Inspection chapter).
- Decrease the total number of Deputy Chief positions when the annual number of multi-alarm fires falls below 24 per year (FB01 in the Bureau of Fire chapter).

[18]In some cases, recommendations may represent reaffirmation or clarification of existing management rights. Although most recommendations would require changes to collective bargaining agreements for union-represented personnel, inclusion of any specific recommendation herein should not automatically be interpreted to imply that the practice is currently constrained.

5. General Government

Office of the Mayor

Overview

The executive, administrative and law enforcement powers of the City are vested in the Mayor, pursuant to the City's Home Rule Charter. Elected to a four-year term, the Mayor is responsible for executing and enforcing the Charter, ordinances, and resolutions of the City; submitting proposed legislation to Council; supervising City employees and officers; and appointing the directors of all major administrative units, subject to approval of Council. If the Mayor is necessarily absent from the City or temporarily disabled, he or she may appoint a major administrative unit leader to act as deputy mayor.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
21	16	16	15

Historic Employee Count – Budgeted Positions[2]

2005	2006	2007	2008	2009
22	17	18	16	14

Historical Expenditures – Office of the Mayor

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	1,085,000	899,865	868,484	891,997	879,675	-18.9%
Premium Pay	2,000	225	3,826	6,925	2,122	6.1%
Education and Training	66,000	71,349	80,907	77,135	84,000	27.3%
Supplies	11,000	28,223	31,193	19,571	31,212	183.7%
Equipment	1,000	2,670	3,201	2,010	3,233	223.3%
Rentals	2,000	2,475	3,396	2,069	5,632	181.6%
Miscellaneous Services	67,000	92,623	91,966	73,859	100,228	49.6%
Total	**1,234,000**	**1,097,430**	**1,082,973**	**1,073,566**	**1,106,102**	**-10.4%**

As discussed below, expenditures in the Office of the Mayor have dropped by 10.4 percent since FY2005. Following the recommendation of the 2004 Recovery Plan, the Office has fewer clerical and administrative support positions budgeted in FY2009 (6) than FY2005 (15). The largest expenditure under Miscellaneous Services is lobbying contracts budgeted for $53,000 in FY2009.

[1] Average headcount as reported in the City's quarterly financial and performance reports.

[2] Budgeted positions as reported in the City's annual operating budgets.

Projected Baseline Expenditures – Office of the Mayor

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	879,675	901,667	924,209	947,314	970,997	10.4%
Premium Pay	2,122	2,175	2,229	2,285	2,342	10.4%
Education and Training	84,000	84,840	85,688	86,545	87,411	4.1%
Supplies	31,212	31,992	32,792	33,612	34,452	10.4%
Equipment	3,233	3,314	3,397	3,482	3,569	10.4%
Rentals	5,632	5,773	5,917	6,065	6,217	10.4%
Miscellaneous Services	100,228	102,734	105,302	107,935	110,633	10.4%
Total	**1,106,102**	**1,132,495**	**1,159,534**	**1,187,237**	**1,215,620**	**9.9%**

Progress and future challenges

As with the other elected officials, the 2004 Recovery Plan required the Office of the Mayor to reduce its budget by 15 percent from FY2004 levels (enacted budget of $1.5 million) to help address the City's projected multi-million dollar shortfall. The FY2005 budget approved by the Intergovernmental Cooperation Authority (ICA) reduced the Office's budget an additional 13.5 percent below the 2004 Recovery Plan level. The Office has kept its expenditures below the level set in the 2004 Recovery Plan each year and has spent less than allocated in the ICA approved annual budget each year since FY2005.

	2005	2006	2007	2008	2009
2004 Baseline Projection	1,565,797	1,609,881	1,655,279	1,702,030	1,750,173
2004 Recovery Plan Reduced Budget	1,338,413	1,375,011	1,413,797	1,453,738	1,494,869
ICA Approved Annual Budgets[3]	1,159,112	1,133,423	1,105,512	1,106,894	1,106,102
Actual Expenditures	1,234,000	1,097,430	1,082,973	1,073,566	N/A

[3] These are the amounts from the City's annual operating budgets as approved by the ICA and enacted by Council each year. For example, the 2007 amount comes from the FY2007 operating budget enacted by Council on December 18, 2006.

City Council and City Clerk

Overview

The legislative power of the City is vested in the City Council, pursuant to the City's Home Rule Charter. Nine districts each elect a member to a four-year term. The Council elects a President to serve during the ensuing legislative term, and each member is appointed chairperson of one committee. The Council's responsibilities include passing the annual City budget, making decisions on incurring debt, and approving certain personnel appointments.

According to the City's FY2009 Operating Budget, each Council member receives a salary of $57,815. The Council's headcount increased from twenty-one to thirty-nine in 2007 because each Council member added a Chief of Staff and Administrative Assistant to the staff. The costs of these positions were previously accounted for under the "administration/research" allocation for each Council member.

The Office of City Clerk is not mandated by the City's Home Rule Charter; however, City Council is authorized to appoint a City Clerk as part of its staff. The Clerk provides Council with a centralized support staff, and responsibilities include: overseeing payroll, monitoring accounts, keeping minutes of City Council meetings, maintaining the public record of ordinances and resolutions and serving as clerk for all Council committees.

The tables below show the combined headcount for City Council and the City Clerk's Office.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
52	42	44	44

Historic Employee Count – Budgeted Positions[2]

2005	2006	2007	2008	2009
21	21	39	39	39

The City Council and City Clerk's Office were combined in the FY2005 and FY2006 budgets. Beginning in 2007, though, the City Council and City Clerk were budgeted separately by the City. These offices were combined in the chart below to reflect totals from both offices.

Historical Expenditures – City Council and City Clerk

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	1,580,000	1,530,404	1,614,642	1,677,762	1,737,745	10.0%
Education and Training	0	0	0	4,320	0	N/A
Supplies	5,000	4,998	8,399	8,400	8,400	68.0%
Equipment	3,000	7,275	4,482	4,935	5,000	66.7%

[1] Average headcount as reported in the City's quarterly financial and performance reports.

[2] Budgeted positions as reported in the City's annual operating budgets.

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Miscellaneous Services	109,000	83,434	86,768	74,290	114,866	5.4%
Total	**1,697,000**	**1,626,111**	**1,714,291**	**1,769,707**	**1,866,011**	**10.0%**

Projected Baseline Expenditures – City Council and City Clerk

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	1,737,115	1,781,188	1,825,718	1,871,361	1,918,145	10.4%
Supplies	8,400	8,610	8,825	9,046	9,272	10.4%
Equipment	5,000	5,125	5,253	5,384	5,519	10.4%
Miscellaneous Services	114,866	117,738	120,681	123,698	126,791	10.4%
Total	**1,865,381**	**1,912,660**	**1,960,477**	**2,009,489**	**2,059,727**	**10.4%**

Progress and future challenges

The 2004 Recovery Plan required Council and City Clerk to combine their budgets, which was done until FY2007. The 2004 Recovery Plan also required the combined Council/Clerk budget to be reduced by 15 percent from FY2004 levels (enacted budget of $2.2 million) to help address the City's projected multi-million dollar shortfall. The FY2005 budget approved by the Intergovernmental Cooperation Authority (ICA) reduced the budget an additional 13.5 percent below the 2004 Recovery Plan level. The expenditures for the combined Council/Clerk budget have been below the level set in the 2004 Recovery Plan each year and below the amount allocated in ICA-approved annual budget each year.

	FY2005	FY2006	FY2007	FY2008	FY2009
2004 Baseline Projection	2,288,085	2,355,649	2,425,225	2,496,871	2,570,650
2004 Recovery Plan Reduced Budget	1,956,229	2,012,437	2,071,877	2,133,087	2,196,120
ICA Approved Annual Budgets[6]	1,725,025	1,684,013	1,764,979	1,821,395	1,866,011
Actual Expenditures	1,697,000	1,626,111	1,714,291	1,769,707	N/A

[6] These are the amounts from the City's annual operating budgets as approved by the ICA and enacted by Council each year. For example, the 2007 amount comes from the FY2007 operating budget enacted by Council on December 18, 2006.

Personnel and Civil Service Commission

Overview

The Department of Personnel and the Civil Service Commission provide staffing and employee development services for the City of Pittsburgh. Both the Department and Commission aim to develop a strong workforce for the City, uphold laws and regulations, and encourage a positive of culture in the City's workforce.

The Department handles the human resources functions for Pittsburgh, and is responsible for all functions related to staffing and employment. These duties include recruiting, orientation, employee recognition and benefits administration. The Department also seeks to provide education and training opportunities, ensure City compliance with appropriate regulations, ensure on-the-job safety, prevent work injuries and develop best practices for City personnel policies. The Workers' Compensation Program, another major responsibility of the Personnel Department, is addressed in a separate chapter. Insurance and risk management responsibilities which are shared with the Department of Finance are also addressed in a separate chapter.

Along with the positions in the General Fund, the City also budgets positions in the Workforce Investment Act Trust Fund for providing training and employment services in accordance with the federal Workforce Investment Act.

Historic Employee Count – Filled Positions[1]

Fund	2005	2006	2007	2008
Operating	30	28	30	33
Workforce Investment Act Trust Fund	44	44	42	41

Historic Employee Count – Budgeted Positions[2]

Fund	2005	2006	2007	2008	2009
Operating	34	33	33	36	37
Workforce Investment Act Trust Fund	53	54	54	50	46

Historical Expenditures – Personnel and Civil Service Commission

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	2005-09 Growth
Salaries	1,121,707	990,397	1,087,360	1,285,563	1,375,172	22.6%
Premium Pay	379	6,385	2,973	2,438	3,416	801.3%
Education and Training	4,732	839	2,144	7,492	7,531	59.2%
Supplies	17,773	17,319	13,097	17,234	17,831	0.3%

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets.

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	2005-09 Growth
Materials	4,047	621	2,810	4,076	4,098	1.3%
Equipment	27,810	16,728	34,202	34,278	34,336	23.5%
Repairs	271	101	50	237	308	13.7%
Rentals	8,351	4,606	7,317	8,499	8,633	3.4%
Miscellaneous Services	281,000	219,429	346,506	220,541	340,861	21.3%
Total	**1,466,070**	**1,256,425**	**1,496,459**	**1,580,358**	**1,792,186**	**22.2%**

Under Miscellaneous Services the City budgets an additional one-time allocation of $81,000 for advertising in FY2009. As the table below shows, that allocation is reduced in FY2010 and beyond.

Projected Baseline Expenditures – Personnel and Civil Service Commission

	2009 Projected	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	1,375,172	1,409,551	1,444,790	1,480,910	1,517,933	10.4%
Premium Pay	3,416	3,501	3,589	3,679	3,771	10.4%
Education and Training	7,531	7,606	7,682	7,759	7,837	4.1%
Supplies	17,831	18,277	18,734	19,202	19,682	10.4%
Materials	4,098	4,200	4,305	4,413	4,523	10.4%
Equipment	34,336	35,194	36,074	36,976	37,901	10.4%
Repairs	308	316	324	332	340	10.4%
Rentals	8,633	8,849	9,070	9,297	9,529	10.4%
Miscellaneous Services	340,861	266,526	273,189	280,019	287,019	-15.8%
Total	**1,792,186**	**1,754,021**	**1,797,758**	**1,842,586**	**1,888,535**	**5.4%**

Progress and future challenges

Since 2004, the Personnel Department has made progress in addressing two significant cost drivers in the City's budget: workers' compensation costs and health insurance. The Workers' Compensation Program has begun to reduce legacy claims, and the City and the Department must continue these efforts. The Program and related initiatives are discussed fully in the Workers' Compensation chapter.

With the rising impact of employee health insurance on the City's finances, the Department made changes to the City's health insurance based on initiatives in the 2004 Recovery Plan. These changes include bringing all employees under the same health insurance carrier and negotiating for savings in a citywide contract. To that end, the City negotiated with Highmark for a three-year contract to cover City workers through 2010. Over the three-year term of the contract, the City saved an estimated $17 million.

Beyond the Highmark contract, the Department also implemented a citywide employee wellness program beginning in 2007. It encourages employees to participate in health screenings by providing a discount on annual premiums. The data collected through these screenings helps the City to determine areas where

workforce health can be improved, and target events to address employee needs and concerns. An initiative in the Workforce and Collective Bargaining chapter builds on this program.

The 2004 Recovery Plan recommended that the Personnel Department perform a compensation comparability study. While that study has not been conducted, City Council did authorize the Department to perform a study examining any disparities in compensation related to gender or race. This study is part of a broader Mayoral initiative to improve the City's workforce diversity. As part of that initiative, the Department has implemented new recruiting techniques.

Challenges

The rising cost of healthcare is a persistent challenge for all employers, including the City of Pittsburgh. While cost increases have been managed through the Highmark contract, healthcare inflation is outpacing normal inflation and this trend is expected to continue. The City plans to issue a request for proposals (RFP) for a new contract when the current contract with Highmark expires at the end of 2010. The City's FY2009 Budget projects substantial savings from the first year of the contract, and it is important that the City use the contract as a tool to moderate health care cost growth.

Initiatives

PC01. **Conduct compensation comparability and pay equity study**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

As Pittsburgh's fiscal condition improves, the City shall conduct a study of compensation comparability for major benchmark job classifications across the City, and for selected highly competitive specialties, to ensure continued competitiveness and pay equity for recruitment and retention. This study shall determine appropriate labor markets for each classification surveyed; evaluate total compensation including employee benefits, not solely base wages; review and apply as appropriate the findings and recommendations of the Comprehensive Study of Positions Within Pittsburgh City Government, dated April 2009, prepared by Evergreen Solutions, LLC; and consider whether restructuring the pay grade system, including reducing the number of grades, is appropriate.

PC02. **Petition the General Assembly to change State law denying the City's ability to reduce its workforce through consideration of employee merit, capabilities or efficiency**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

If the City, for reasons of economy, chooses to reduce its workforce, current state law prohibits the City from considering employee merit, capabilities or efficiency in determining which employees are laid off. Rather, state law mandates that such reductions proceed according to strict seniority without regard to job classification or merit. This rule has created undesirable results during the City's efforts to reduce its workforce to address its fiscal distress. For example, the former Department of Engineering and Construction was forced to furlough its only qualified traffic engineer because he was less senior than other personnel in the Department. Since those more senior personnel could not perform his duties, the City was therefore forced to retain outside contractors to perform the engineer's services. Similar problems occurred in other City departments. The City shall petition the General Assembly to make necessary changes to state law.

PC03. Confer with department managers on other concerns and, where necessary, establish alternatives for collective bargaining negotiation

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

During departmental meetings to discuss the Amended Recovery Plan, managers cited specific policies, work rules or collective bargaining agreement provisions that they consider counterproductive, overly restrictive or otherwise problematic for the City. Examples include:

- Lack of options for pursuing training cost recovery for Police or Building Inspection employees who leave City employment shortly after taking advantage of City funded training.
- Lack of control over the volume and scheduling of certain kinds of paid leave for paramedics.
- Need to remove certain positions with management responsibility from the bargaining unit.

City management shall fully exercise the discretion given it through the Management Rights provisions established or reaffirmed in this Amended Recovery Plan to resolve these concerns.[9] In cases where the Management Rights provisions is not sufficient, the Departments of Personnel and Law shall confer with the relevant operating departments to discuss the problem and identify alternatives that can be negotiated during the upcoming collective bargaining process.

PC04. Increase Citywide focus on training

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

During the preparation of the Plan, internal and external stakeholders offered myriad suggestions regarding improving service by increasing the skills and knowledge of City workers. During the years of Pittsburgh's fiscal distress, experienced employees left and training funds for remaining workers were limited. To address this, in the FY2009 City budget, the Administration added training funds, especially for Bureau of Building Inspection initiatives described in that chapter. Subsequently, City Council added another $133,448 in Citywide training funds.

One of the Personnel Department's responsibilities is to identify training needs and develop customized training programs in consultation with other departments. As a part of this work, the Personnel Department, with input from other Directors, the Risk Manager, City Council and others as appropriate, shall develop a Citywide strategic training plan that identifies broad categories of training and development needs, current programs and resources to address those needs, and remaining unfunded training needs. Issues addressed may include the need for training on new technology as it is adopted, such as computerized work order systems in the Public Works Department. While a separately established project management team will be responsible for designing training related to the City's new Enterprise Resource Planning (ERP) system, the Personnel Department will have natural role coordinating that training with other programs. The same may be true of specialized training to improve coordination between the Bureaus of Fire and EMS and to strengthen the Bureau of Building Inspection.[10]

[9] Please see initiative WF01 in the Workforce and Collective Bargaining chapter.

[10] Please see initiative PS01 in the Public Safety Administration chapter and BI01 in the Building Inspection chapter.

The training needs identified through this process will likely require more resources than the City has set aside, at least in the short term. But having a Citywide view to training needs will help the City think strategically about which training is a priority and where opportunities for cooperation and coordination with other partners, such as Allegheny County. This strategic assessment, which can be prepared at a high level, should be provided to the Mayor, Finance Director and City Council to inform training funding and prioritization in future budgets by January 1, 2010.

Additional initiatives

The chapters addressing pensions and other post-employment benefits, workers' compensation, workforce and collective bargaining and risk management are pertinent to the Department of Personnel and Civil Service Commission. Other initiatives related to the Personnel Department include:

- Provide adequate (ERP) project staffing (ERP system)
- Identify and plan to meet technology and professional needs (Public Works)

City Information Systems

Overview

The City Information Systems (CIS) department plans, implements and maintains all technology for the City. This includes proprietary software, all computers, mobile and telecommunications systems, the City's website and cable television production, and technology initiatives for specific departments, such as public safety departments.

The department director reports to the Director of Operations and, by the nature of the department, supports and interacts with all City departments. Setting aside staffing changes related to GIS, videography/television production and the Mayor's Response Line, CIS has 13 fewer budgeted positions in FY2009 (43) than in FY2005 (56). Geographic information system (GIS) functions were moved from CIS to City Planning in 2007.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
59	59	54	47

Historic Employee Count – Budgeted Positions[2]

	2005	2006	2007	2008	2009
Director/Deputy Director/Assistant Director	3	3	3	3	2
Database/LAN Network/Unix Administrators	4	4	2	2	2
Information Security Analyst	0	0	1	1	1
Computer Support Analyst	0	0	1	1	1
Network Analyst/Technician	7	7	9	8	9
Senior Systems Analyst	11	9	7	5	5
Project Leader/Project Manager	1	2	2	2	0
Web Master/Web Developer	1	1	3	3	3
Telecommunications/Communications	6	6	3	0	1
Computer Operator	3	3	2	2	1
Client Support	10	10	10	9	8
Videographer/TV Production Technician	0	4	4	4	4
Mayor's 311 Response Line	0	0	0	0	8
Geographic Information System (GIS)	3	3	0	0	0
Other Managers	5	6	6	6	6

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets. Telecommunications/Communications includes Senior Telecom Inspector, Telecom Inspector, Telecom Analyst, Communications Analyst and Radio Technician. Client Support includes Manager Client Technology, Client Application Developer and Client Support Analyst. Mayor's 311 Response Line includes Supervisor, Representative and Part-time Representative. Other Managers include Software Development Manager, Public Safety Development Manager, Energy and Utilities Manager, Financial Systems Manager, Manager of Operations, Administration and Regulation Manager and Sustainability Coordinator.

	2005	2006	2007	2008	2009
Other	5	5	5	5	5
Total	**59**	**63**	**58**	**51**	**56**

The 311 call center staff, including four full-time and four part-time staff, was shifted from the Mayor's Office to CIS under the FY2009 budget, accounting for the increase in the number of employees. The other CIS divisions combined have three fewer positions in the FY2009 budget than in the FY2008 budget. The 311-related staffing shift is also reflected in the budget projections for the next five years.

Historical Expenditures – City Information Systems

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	2,553,555	2,545,052	2,425,629	2,123,972	2,476,241	-3.0%
Premium Pay	24,224	13,066	408	3,063	34,050	40.6%
Education and Training	21,967	13,329	19,491	19,855	24,522	11.6%
Supplies	163,799	168,196	168,294	167,925	168,485	2.9%
Equipment	146,641	150,311	150,281	0	149,950	2.3%
Professional Services	0	180,543	66,265	149,950	566,234	N/A
IT Maintenance Contracts	0	955,287	1,070,717	0	882,190	N/A
Other Miscellaneous Services	1,199,350	880	215	0	3,500	-99.7%
Utilities	505,857	826,317	770,700	0	870,209	72.0%
Total	**4,615,393**	**4,852,981**	**4,672,001**	**4,660,113**	**5,175,381**	**12.1%**

CIS salary expenses dropped from FY2005 to FY2008, though by a greater percentage (16.8 percent) than the budgeted positions (13.6 percent) or filled positions (22.0 percent). While CIS has more budgeted positions in FY2009, four positions for the Mayor's 311 Response Line are part-time. The $566,000 budgeted for professional services is for integrated science and technology (ISAT) and public safety projects, including the police reporting system and enhancements to it, such as ability to track nuisance properties. The utilities line includes $679,000 budgeted for telephone services in FY2009 compared to $673,000 in FY2005.

Projected baseline expenditures – City Information Systems

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	2,476,241	2,538,147	2,601,601	2,666,641	2,733,307	10.4%
Premium Pay	34,050	34,901	35,774	36,668	37,585	10.4%
Education and Training	24,522	24,767	25,015	25,265	25,518	4.1%

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Supplies	168,485	172,697	177,015	181,440	185,976	10.4%
Equipment	149,950	153,699	157,541	161,480	165,517	10.4%
Professional Services	566,234	580,390	594,900	609,772	625,016	10.4%
IT Maintenance Contracts	882,190	904,245	926,851	950,022	973,773	10.4%
Other Miscellaneous Services	3,500	3,588	3,677	3,769	3,863	10.4%
Utilities	870,209	905,017	941,218	978,867	1,018,021	17.0%
Total	**5,175,381**	**5,317,451**	**5,463,591**	**5,613,924**	**5,768,576**	**11.5%**

Though not reflected in the projections above, CIS estimates that approximately one third of the department will be eligible for retirement in the next five years. Turnover from retirement generates salary savings as more senior employees with higher salaries leave. However, it also creates challenges since the retiring employees have established skills and knowledge of the City's systems. Depending on the position, recent college graduates have an average salary of $35,000 annually plus $20,000 in non-reimbursable training costs. As with other departments, these historic and projected costs do not include fringe benefits, which are significant.

Demands for new functionality and upgrades to aging technology also increase department costs. Dynamic functionality often requires more dollar and staff resources to maintain it, while basic technology requires fewer resources but may only provide basic functionality.

Progress and future challenges

The most prominent challenge noted in the 2004 Recovery Plan – maintaining and supporting existing infrastructure – continues today. While the City works to consolidate services (both internally and externally) and provide a majority of the development, maintenance and support services in-house to reduce costs, as with any organization, there are on-going demands for upgrades, improvements and challenges to maintain aging technology.

While not a direct cost-saving mechanism, the implementation of a new enterprise resource planning (ERP) system is a high priority for the City to improve financial reporting and core business system stability. The ERP system is addressed in its own chapter. Shared services are another significant opportunity for CIS to contribute to the goal of improving the City's financial health and exiting distressed status. Those opportunities are discussed in the Intergovernmental Chapter.

Including the initiatives outlined in the 2004 Recovery Plan, CIS' progress includes the following:

- CIS has centralized telecommunications in line with the 2004 Recovery Plan recommendation. A joint agreement with the County has allowed the City to negotiate substantial cost savings. As discussed in the Intergovernmental Cooperation chapter, CIS was integral to the City's successful joint purchasing of electricity with Allegheny County and related Authorities.

- CIS worked to develop a disaster recovery site in 2008. CIS is speaking with other government organizations, including Allegheny County, about sharing this service for a fee to be determined.

- CIS is adding functionality to the City's 311 system, which has been in place for 18 months. The new functionality will improve code enforcement by utilizing GIS and handheld devices to allow inspectors to record and respond to incidents in the field more efficiently.[13]

The CIS Department has a number of initiatives they are either reviewing or actively engaged in this fiscal year:

- Consolidation of public safety computers/equipment.

- Consolidation of permitting functions and development of online permitting. In April 2009 the Administration introduced a proposal to allow residents and businesses to apply for permits online.[14]

- With CIS' support, the Bureau of Police is pursuing automated ticket functionality in police cars, pending State approval.

- The City received a $3.5 million grant from US Department of Homeland Security to expand the surveillance camera network citywide. The City issued an RFP for this work and has retained a local firm to assess the proposals to determine the best deal for the City in terms of short-term implications and on-going maintenance and support. Once the infrastructure funded by the $3.5 million federal grant is in place, the City also has a $625,000 grant from the Commonwealth General Assembly administered by the Department of Community and Economic Development (DCED). This grant will be used to extend the camera network to certain neighborhoods. CIS has been working through the related privacy issues and finalized a policy in summer 2008.

- Negotiation of franchise agreement: CIS is negotiating a cable franchise agreement with Verizon that will ideally mimic the agreement with Comcast that generates approximately $4 million in annual revenue and provides cable and network fiber at no cost to the City valued at $50,000 per month. The City has also contracted with an external firm that will audit whether the franchise fee is being levied on all applicable services.

Initiatives

One of the biggest operational challenges facing the City is the implementation of a new enterprise resource planning (ERP) system. This system will be the central mechanism for storing and managing the City's financial, accounting, budget information. It may also include payroll, headcount and human resource related information. CIS is responsible for maintaining the current PeopleSoft system which, though critical to these day-to-day functions, precariously operates without an external system support agreement. The urgent need for an improved system and significant challenges associated with implementing it are described in a separate ERP section within the Financial Management chapter. CIS will be an integral part of that effort.

Another opportunity for CIS to contribute to the City's fiscal recovery is through shared services arrangements with other local government organizations. The Intergovernmental Cooperation chapter discusses how technology-related services could be the cornerstone of a Shared Service Organization (SSO) between the City, County and other government organizations. Either as part of the SSO or separate from it, there may be services like disaster recovery, email hosting or computer maintenance that CIS can provide to other municipalities for a fee. CIS should pursue both options to reduce costs and improve services for the City.

[13] Please see the Bureau of Building Inspection chapter for more detail.

[14] Please see the Bureau of Building Inspection chapter for more detail.

Following the success of the reverse energy auction for electricity at larger facilities, CIS can also contribute to similar efforts to leverage the joint purchasing power of the City, County, School District and other governments to reduce utility costs. Those opportunities are discussed in the Intergovernmental Cooperation chapter.

Because cable production, which includes taping and televising Council hearings/events, public announcements, special events/award ceremonies and other mayoral events, was moved from the since-eliminated Department of General Services to CIS, the Department also has initiatives in this Amended Recovery Plan related to this activity.

IT01. <u>Explore alternative staffing structures for cable television operations</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The 2004 Recovery Plan included an initiative in the Department of General Services chapter to eliminate the staffing and supplies dedicated to cable television production so the City could focus its limited resources on more essential services. It also directed the City to seek a partnership through which the School District would cover Council meetings.

Instead the City's television production capacity remains at a stable staffing level of four positions. The salary costs for the four positions are $130,672 plus fringe benefits. This does not include the cost of equipment (current or future), supplies or other related services.

The service does generate some revenue by filming the School District meetings for annual $50,000 charge in line with the 2004 Recovery Plan initiative. The general fund supports the remaining costs. An increased demand by Council for televising events may limit the availability of staff for other revenue-generating production.

Research of comparable city cable television operations found examples of alternate structures with staffing levels similar to or less than the current staffing in Pittsburgh. Some operations use interns to supplement staff. CIS already has an effective intern program, which should be expanded.

City14 and Government Meeting Channel 79 (GMC79)
Minneapolis, Minnesota

The City of Minneapolis (population 377,392) has two city government cable stations through Comcast, whom holds a non-exclusive franchise covering the entire area. City14 and Government Meeting Channel 79 (GMC79) offer live information about City services and initiatives for Minneapolis residents. Channel 79 broadcasts all regularly scheduled City Council and Committee meetings, public hearings and town hall meetings and Channel 14 airs programs such as "Meet the Mayor," "On the Scene", and "Access Minneapolis." They also telecast other pre-recorded feeds from City meetings and special event shows for a minimal fee to generate revenue. For example, the separately elected Minneapolis Park and Recreation Board purchases time on the station. The two channels operate with only 2.5 FTEs and intern support.

In Pittsburgh CIS plans to issue a request for proposal (RFP) in spring 2009 for upgraded equipment. They estimate the cost around $1.2 million, which has been requested from capital funds. This would also cover staff training.

As part of the RFP, the City should request information on methods to reduce staff needs and operating costs. In addition, the RFP should request information on any best practices for

efficiency in cable television operations, information on revenue generating practices of other local governments, and use of unmanned production equipment.

IT02. **Increase cable television associated revenue**
Status: New
FY2009 Impact: $25,000 **Five-year impact:** $200,000

City Channel Pittsburgh televises Council hearings/events, public announcements, award ceremonies and other mayoral events. Council meetings average between 3 to 4 hours long, with each meeting aired twice a week during prime time hours. This programming shares air time with mayoral events and other local government meetings. Other comparable cities schedule significant time for non-Council programming on their stations. The following table illustrates the percentage of time allocated for airing Council programming.

City Cable Station	Percent Hours of Council Programming per Week*
City of Cincinnati CitiCable 23	20.8%
City of Spokane City Cable 5	17.6%
City of Minneapolis City 14	16%
City of Buffalo Government Channel 22	8.8%
City of Wichita CITY 7	7.1%
Average Percentage	**14.1%**
City of Pittsburgh City Channel Pittsburgh (13)	21.7%**

* Based on a 24 hour/day schedule, includes rebroadcasts
** Based on an average 3.5 hours per City Council meeting

The City currently charges for recording/production but not airtime. The City receives $50,000 per year from the School District for recording its meetings. The City airs both School District and County meetings at no cost. The County provides a taped program to the City for airing.

Since Council meetings occur during the day and other local governments usually hold meetings during the night, the City's station has an opportunity to sell its open airtime to other governments. With the potential to generate additional revenue to the City, it is recommended that CIS designate 20% of time slots for revenue generating, prerecorded programming feeds, and target an additional $50,000 in revenue. The revenue target is discounted by 50 percent in the first two years.

Fiscal Impact

	FY2009	FY2010	FY2011	FY2012	FY2013
Discount %	50%	50%	0%	0%	0%
Fiscal Impact	25,000	25,000	50,000	50,000	50,000

Additional initiatives

As mentioned above, the chapter discussing a new ERP system is relevant to CIS' operations. The Department will also be integral to the successful implementation of initiatives described in other chapters such as:

- Increase utilization of online payments and tax collection (Finance)
- Develop online subscription based access to GIS datasets for private use (Planning)
- Decentralize code inspections (Building Inspection)
- Improve online services and telephone response (Building Inspection)
- Streamline permitting processes (Building Inspection)
- Digitize historic data (Building Inspection)
- Establish a shared services organization (SSO) for information technology and other services (Intergovernmental Cooperation)

City Planning

Overview

The Department of City Planning coordinates the orderly, timely and consistent development of Pittsburgh's public and private properties. The Department ensures that development complies with the City's neighborhood plans and zoning regulations. The Department also handles Geographic Information Systems (GIS) products and services, automated permitting and administration of federal community development funds including the Community Development Block Grant (CDBG) program.

The Department has five divisions:

- **Strategic Planning and Policy (SPP)** conducts development reviews of proposed projects and manages the City's participation in regional and citywide transportation planning. SPP administers the City's Sector Neighborhood Asset Profile (SNAP), a database of valuable information on neighborhoods' resources, physical conditions, building capacity, socioeconomics and demographics.

- **Development Administration and Review** administers the City's zoning code, processes lot subdivisions and consolidations and handles phone and walk-in permit requests. The Division also manages the Planning Commission, Zoning Board of Adjustment, Civic Design Advisory Panel, Historic Review Commission and Art Commission.

- **Community Development** administers federal funds related to community development including CDBG, the Emergency Shelter Grant (ESG) program and the Housing Opportunities for Persons with AIDS (HOPWA) program.

- **Geographic Information Systems (GIS)** provides related products to other City offices and residents and handles automated permitting. GIS was moved to Planning from City Information Systems (CIS) in 2007.

- **Public Art** inventories the city-owned public art and works with the community in the placement of art throughout the City.

The number of Planning positions budgeted within the General Fund grew from 24 in FY2005 to 35 in FY2009. Growth in GIS capacity (from one position to four) explains a portion of the increase. The Department also has several new positions, such as the Business Assistant and Retention Team (BART) Manager, Public Art Manager and Bicycle Pedestrian Coordinator. Some of these new positions are funded by private organizations. For example, the Richard King Mellon Foundation is funding the Bicycle Pedestrian Coordinator position for two years (2008 and 2009). The Heinz Endowments fund the Public Art Manager position.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
33	34	40	40

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

Historic Employee Count – Budgeted Positions[16]

Fund	2005	2006	2007	2008	2009
General	24	22	30	36	35
Community Development Trust Fund	14	14	13	12	12
Total	**38**	**36**	**43**	**48**	**47**

Historical Expenditures – City Planning

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	2005-09 Growth
Salaries	838,794	807,352	1,200,181	1,159,178	1,453,388	73.3%
Premium Pay	707	15	10,118	1,024	4,140	485.6%
Education and Training	-	2,085	986	1,718	8,000	N/A
Supplies	20,193	21,430	19,328	21,922	26,789	32.7%
Equipment	6,053	6,441	6,461	-	6,481	7.1%
Rentals	4,607	7,444	4,230	6,140	7,699	67.1%
Miscellaneous Services	65,000	67,067	56,169	-	68,422	5.3%
Utilities	246	2,040	1,244	2,798	2,151	774.4%
GF Grants	-	8,237	-	62,359	-	N/A
Total	**935,600**	**922,111**	**1,298,716**	**1,256,357**	**1,577,070**	**68.6%**

The salary expenditures shown above are net of the Heinz and Mellon contributions. The City budgeted $201,000 for those contributions in FY2008 and $197,000 in FY2009. Once the Heinz grant expires in FY2010, the salaries projected in the baseline below also drop.

Projected Baseline Expenditures – City Planning

	2009 Budgeted	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	1,453,388	1,450,340	1,486,599	1,523,763	1,561,858	7.5%
Premium Pay	4,140	4,244	4,350	4,458	4,570	10.4%
Education and Training	8,000	8,080	8,161	8,242	8,325	4.1%
Supplies	26,789	27,459	28,145	28,849	29,570	10.4%

[16] Budgeted positions as reported in the City's annual operating budgets.

	2009 Budgeted	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Equipment	6,481	6,643	6,809	6,979	7,154	10.4%
Rentals	7,699	7,891	8,089	8,291	8,498	10.4%
Miscellaneous Services	68,422	70,133	71,886	73,683	75,525	10.4%
Utilities	2,151	2,205	2,260	2,316	2,374	10.4%
Total	**1,577,070**	**1,576,994**	**1,616,298**	**1,656,583**	**1,697,874**	**7.7%**

Progress and future challenges

The Department has made progress toward implementing the specific initiatives in the 2004 Recovery Plan and achieving the general objectives that drove those initiatives.

As directed in the 2004 Recovery Plan, the Department reduced the stipends for Zoning Board members to levels more aligned with comparable cities. As a result, the City has saved $65,000 per year. The Department also increased permit fees to cover the costs of operation. These initiatives were designed to help the Department direct more of its limited resources to hiring planning staff. Since 2006 the Department has added more staff, most of which have a specialized focus (e.g. LAN Administration, BART Manager, grant funded positions).

Detail on Budgeted Positions

Position	2003	2004	2005	2006	2007	2008	2009
Planning Director/Asst. Director	3	2	2	2	2	2	2
Director of Neighborhood Initiatives	0	0	0	0	0	1	1
Riverfront Development Coordinator	1	1	1	1	1	1	1
ADA Coordinator	1	0	0	0	0	1	1
Special Projects Manager	0	1	1	2	1	1	1
Coordinator - Weed and Seed	0	1	1	1	2	2	2
Neighborhood Policy Coordinator	1	1	1	1	1	1	0
Neighborhood Outreach Specialist	2	0	0	0	0	0	0
Neighborhood Initiatives Coordinator	0	0	0	0	0	2	2
LAN Network Administrator	0	0	0	0	1	1	1
BART Manager	0	0	0	0	1	1	1
Design Review Specialist (Heinz)	0	0	0	0	1	1	1
Public Art Manager (Heinz)	0	0	0	0	1	1	1
Bicycle Pedestrian Coordinator (Mellon)	0	0	0	0	0	1	1
Grants Specialist	0	0	0	0	1	0	0
Urban Forrester	0	0	0	0	0	0	1
Principal Planner	4	2	2	2	2	2	1
Senior Planner	3	3	3	3	3	3	3
Planner 2	1	1	2	2	2	2	2

Position	2003	2004	2005	2006	2007	2008	2009
GIS positions	1	1	1	1	4	4	4
Zoning positions	4	4	5	5	5	5	5
Other	7	5	5	2	2	4	4
Total	**28**	**22**	**24**	**22**	**30**	**36**	**35**

The 2004 Recovery Plan also cited the "absence of a strategic and interactive planning function" in contrast with "a development policy that is based upon the strategic direction of residents, non-profit institutions, and the business community by educating and reaching out to these groups." The City's "Map Pittsburgh" program addresses some of these concerns by including public input in a process that culminates in neighborhood based zoning proposals. This process began in 2005 and is nearing completion with five remaining neighborhood proposals awaiting approval. The Department is also a member of the CD Collaborative, a coalition of City agencies and community organizations that seek to create a coordinated support system for the City's community development organizations. In 2007, the CD Collaborative participated in an "Environmental Scan" that examined the role and capabilities of each organization and identified opportunities to develop services not currently available in Pittsburgh.

One of the Department's largest projects is the Sector/Neighborhood Asset Profiles and Sector/ Neighborhood Action Plans (SNAP). The Profiles gather and compile data on a community's demographics, housing stock, employment, construction activity and other indicators of its economic and social vitality. The data is presented in a user-friendly format that can be sorted and viewed online. The Profiles are used to create Action Plans through which the City and community stakeholders will focus on activities that preserve, stabilize, reinvest or reclaim neighborhoods depending on their level of need. As directed in the 2004 Recovery Plan, the Department also expanded its GIS system to include data sharing with the local universities. It is seeking to build on this progress by developing neighborhood-level data sets made publicly available through the City's websites for community development purposes.

Challenges

Like many other City departments, City Planning must balance its limited resources with the need to fulfill its mandated mission. The first initiative below is a natural progression from the community-based re-zoning efforts nearing completion toward an integrated plan that accounts for open space, transportation and cultural needs across the entire City. Limited resources have historically prevented the Department from developing internal capacity or engaging outside support for this endeavor.

Initiatives

PL01. **Create and adopt a comprehensive plan**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A[17]

A Comprehensive Plan is a long-range planning document that serves as a blueprint for a municipality's land use over a period of time, typically five to 10 years. Municipal governments regularly adopt and revise this document to identify the goals for how the community should grow and develop; establish strategies and guidelines for the pursuit of those goals; make decisions about land allocation and zoning changes; direct infrastructure investments for transportation, social services and other purposes; cultivate or preserve green and open space; and prioritize economic and community development programs and incentives. Many state governments

[17] The City has budgeted for expenditures related to this initiative in its capital budget. Because this field focuses on the operating budget, no impact is shown here.

require the regular adoption of a Comprehensive or Master Plan along with the development and adoption of local zoning ordinances.

Although the City has zoning regulations that guide development within specific zoning districts, there is no Comprehensive Plan. Without such a Plan, the City is in danger of having inefficient, contradictory or uncoordinated development that leads to disparate and uncoordinated growth. While community based efforts like Map Pittsburgh are important, they should be integrated into a comprehensive document that covers the entire City.

Along with completing the SNAP process, the City is focused on addressing four elements of a Comprehensive Plan – open space, transportation, cultural heritage and public art – that would be integrated with the community specific efforts into a broader, coordinated Citywide strategy. Through the joint efforts of the Administration, City Council, City Planning and the Urban Redevelopment Authority (URA), the City has proposed a $1.4 million budget that would use City operating and capital funds, Commonwealth grant support and private foundation funding to complete these objectives. The Commonwealth's support would be provided through the Land Use Planning and Technical Assistance Program (LUPTAP). The City's FY2009 Capital Budget includes $350,000 in FY2009 and $350,000 in FY2010 to support this effort.

The City shall complete its work on SNAP and make it available through its website. In addition, the City shall integrate its current focus on open space, transportation, cultural heritage and public art into a Citywide Comprehensive Plan providing vision, policy and prioritization of scarce resources across the City.

PL02. **Expand online access to GIS datasets and products**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The GIS Division provides mapping and geographic data services to City agencies, citizens and private entities upon request. Many hard copies of city maps are available on the City's website and by request from the GIS division for a fee. The Division also has electronic GIS data sets available for purchase upon request. To receive data, a paper form request must be completed and sent to the Department with the corresponding fee, and the requested data sent is sent within seven days. Alternatively, an interested party may visit the GIS Division's Map Room in person to request the data sets.

The City does not currently have the capacity to provide web-based access to its maps or basic datasets. Many other large cities nationally have begun to provide basic GIS data sets to the public through their websites. These data sets may include crime statistics, land use or property tax assessments.

To improve service, provide more information publicly and strengthen revenue collection, the City shall explore opportunities to provide online access to some baseline maps and subscription-based online access to frequently requested GIS data sets. Some products could be designated as general and publicly available while data sets that are used for commercial purposes would remain available for purchase.

Additional initiatives

The Economic and Community Development chapter is also pertinent to the Department's operations. Along with the initiatives above, others impacting City Planning include the following:

- Streamline permitting process (Building Inspection)
- Negotiate an Agility Agreement with the County for public works and other services (Intergovernmental Cooperation)

Department of Law

Overview

The City of Pittsburgh Department of Law acts as the attorney for the City and its officials, and renders legal opinions and advice for the Mayor, City Council, and City departments. The Department consists of several general divisions and service areas, organized by topic.

The five Divisions of the Law Department are litigation, general municipal, tax, zoning, and claims. The Litigation Division represents the City in all lawsuits, and focuses primarily on torts, civil rights, employment, taxation, environmental issues, and construction. The General Municipal Division works with the City Council and all City departments in need of legal advice or counsel. It is responsible for a number of areas, including review of all City contracts, bankruptcy claims, and proceedings before regulatory agencies. The Tax Division works with and counsels the Finance Department. The Zoning Division advises the City Planning Department and, when necessary, participates in zoning proceedings. The Claims Division investigates various claims brought against the City.

In addition to the five divisions, the Department has an Office of Labor Relations and Real Estate Office. Labor Relations handles all labor negotiations, contract administration, and grievances. The Real Estate Office processes the City's transactions through the courts for possessed properties. The Department also includes an administrative group, charged with overseeing daily operations.

Historic Employee Count – Filled Positions[1]

Department	2005	2006	2007	2008
Law	37	33	32	34

The 2004 Recovery Plan required the City to eliminate two assistant solicitor positions by January 1, 2006. The FY2006 budget had one fewer assistant solicitor slot (10) than the FY2005 budget (11). The FY2007 budget returned the number to 11. In 2008, another assistant solicitor position was added to the Law Department and assigned to work on "Quality of Life" ("QOL") issues as part of a mayoral initiative. The QOL attorney is tasked with various issues affecting City neighborhoods such as abandoned buildings and other property matters. The FY2009 budget maintains 12 assistant solicitor positions. City Council amended the Department's FY2009 budget to include a new City Council Solicitor position. That Solicitor will assist with the preparation of legislation for Council among other tasks.

Historic Employee Count – Budgeted Positions[2]

	2005	2006	2007	2008	2009
Solicitors[3]	15	14	15	16	17
Total	**28**	**27**	**27**	**29**	**29**

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets.

[3] Includes City Solicitor, Deputy Solicitors, Associate Solicitors, City Council Solicitor and Assistant Solicitors.

Historical Expenditures – Department of Law

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	1,349,158	1,281,206	1,266,670	1,375,024	1,634,173	21.1%
Premium Pay	96	5,554	12,518	0	518	439.6%
Education and Training	12,761	10,703	12,916	13,871	17,000	33.2%
Supplies	23,465	23,721	24,067	24,711	29,897	27.4%
Equipment	5,339	8,801	21,328	12,871	16,821	215.1%
Rentals	6,106	7,490	3,986	539	8,015	31.3%
Miscellaneous Services	410,000	275,484	196,034	324,509	412,639	0.6%
Total	**1,806,925**	**1,612,959**	**1,537,519**	**1,751,525**	**2,119,063**	**17.3%**

The largest item in the Miscellaneous expenses is outside counsel, which was budgeted for $310,000 in FY2005 and $242,000 in FY2009. The FY2009 budget allocation for salaries includes the new City Council Solicitor position.

Projected Baseline Expenditures – Department of Law

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	1,634,173	1,675,027	1,716,903	1,759,826	1,803,821	10.4%
Premium Pay	518	531	544	558	572	10.4%
Education and Training	17,000	17,170	17,342	17,515	17,690	4.1%
Supplies	29,897	30,644	31,411	32,196	33,001	10.4%
Equipment	16,821	17,242	17,673	18,114	18,567	10.4%
Rentals	8,015	8,215	8,421	8,631	8,847	10.4%
Miscellaneous Services	412,639	371,705	380,998	390,523	400,286	-3.0%
Total	**2,119,063**	**2,120,535**	**2,173,290**	**2,227,363**	**2,282,784**	**7.7%**

Progress and future challenges

The 2004 Recovery Plan mandated the reduction of two assistant solicitor positions within the City's Law Department by January 1, 2006. The chart below compares the FY2004 budgeted position allocation to the FY2009 budgeted position allocation.

Changes in Department Budgeted Positions

2004 Operating Budget	2009 Operating Budget
City Solicitor	City Solicitor
Deputy Solicitor	Deputy Solicitor
Associate Solicitor (2)	Associate Solicitor (2)[21]
Administrative Assistant (1)	Administrative Assistant (2)
Paralegal (1)	Paralegal (1)
Claims Administrator (1)	Claims Administrator (1)
Legal Secretary (5)	Legal Secretary (4)
Real Estate Technician (3)	Real Estate Technician (3)
Clerk (2)	Clerk (1)
Assistant Solicitors (10)	Assistant Solicitors (12)[22]
	City Council Solicitor (1)
Total: 27	**Total: 29**

Although the City decreased the combined number of legal secretaries, it did not reduce, and in fact increased, the number of Assistant Solicitors working in the Law Department since the 2004 Recovery Plan was adopted.

One of the two currently vacant Assistant Solicitor positions is in the labor area. The Law Department has historically maintained three labor specialists to handle routine grievances and other employee issues and to assist outside counsel in negotiating collective bargaining agreements. Since several of the City's collective bargaining agreements will expire over the next 24 months, it is critical that the Department recruit and maintain labor specialists. However, with the recent addition of the positions of Assistant Solicitor to address Quality of Life issues and the City Council Solicitor to assist with preparation of legislation, the Department has significantly increased its capacity since 2004, making it possible to eliminate one Assistant Solicitor position.

Initiatives

LW01. <u>Reduce current staffing levels by one Assistant Solicitor</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: $52,687 **Five-year impact:** $276,940

The City shall not fill one of the currently vacant Assistant Solicitor positions during the FY2009 budget year and shall eliminate this Assistant Solicitor position beginning with the FY2010 budget year, reducing the number of Assistant Solicitor positions to 11. The cost savings projected below are based on the lowest Assistant Solicitor salary in the FY2009 budget. There will be additional savings associated with the position's fringe benefits.

[21] One of the Associate Solicitor positions is currently vacant.
[22] Two of the Assistant Solicitor positions are currently vacant.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
52,687	54,004	55,354	56,738	58,157

LW02. **Continue to modify and revise City ordinances as necessary to implement the Amended Recovery Plan**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

This Amended Recovery Plan contains additional initiatives that require new ordinances, resolutions and regulations as well as other official actions. The City shall enact any such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Amended Recovery Plan in a timely manner.

Additional initiatives

The chapters addressing Workforce and Collective Bargaining and the Department of Personnel and Civil Service Commission are also pertinent to the Department of Law's operations. Other initiatives impacting the Department are distributed throughout the Amended Recovery Plan including the following:

- Establish a risk management team (Insurance/Risk Management)
- Petition the General Assembly to change State law requiring trial board approval for disciplinary action (Fire)
- Resolve differences with County procurement regulations (Intergovernmental Cooperation)

Commission on Human Relations

Overview

The Commission on Human Relations seeks to eliminate unlawful discrimination in employment, housing, and public accommodations in the City of Pittsburgh, and improve the relations of Pittsburgh's diverse population. The Commission oversees five program areas: unlawful practices administration and enforcement; monitoring and moderation of community tensions that affect inter-group relations; public education and outreach; employment discrimination enforcement; and identification and enforcement of housing discrimination.

In addition to the five positions budgeted in the General Fund for FY2009, there are two in the Equal Employment Opportunity Commission (EEOC) Trust Fund and one in the Housing and Urban Development (HUD) – Fair Housing Trust Fund.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
10	8	7	7

Historic Employee Count – Budgeted Positions[2]

	2005	2006	2007	2008	2009
General Fund	5	5	5	5	5
HUD – Fair Housing Trust Fund	1	1	1	1	1
EEOC Trust Fund	2	2	2	2	2
Total	**8**	**8**	**8**	**8**	**8**

Historical Expenditures – Commission on Human Relations

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	156,169	136,997	197,870	197,213	224,349	43.7%
Education and Training	250	250	250	250	1,200	380.0%
Supplies	961	944	936	779	1,051	9.4%
Equipment	0	0	776	736	974	N/A
Miscellaneous Services	3,139	12,602	6,519	1,308	10,320	228.8%
Total	**160,519**	**150,793**	**206,351**	**200,286**	**237,894**	**48.2%**

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets.

The apparent 43.7 percent increase in salaries is due to a reduction in Community Development Block Grant (CDBG) funding, which is credited against these expenditures. In FY2005 the City budgeted $245,000 in salaries supported by $104,000 in CDBG funding for a net budgeted expenditure of $141,000. In FY2009 the City budgeted $259,000 in salaries supported by just $35,000 in CDBG funding for a net budgeted expenditure of $224,000.

Projected Baseline Expenditures – Commission on Human Relations

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	224,349	229,958	235,707	241,599	247,639	10.4%
Education and Training	1,200	1,212	1,224	1,236	1,249	4.1%
Supplies	1,051	1,077	1,104	1,132	1,160	10.4%
Equipment	974	998	1,023	1,049	1,075	10.4%
Miscellaneous Services	10,320	10,578	10,842	11,114	11,391	10.4%
Total	**237,894**	**243,823**	**249,901**	**256,130**	**262,514**	**10.3%**

Office of Municipal Investigations and Citizen Police Review Board

Office of Municipal Investigations (OMI)

The Office of Municipal Investigations coordinates the receipt, analysis, and investigation of complaints of criminal and civil misconduct by citizens against employees of the City of Pittsburgh. The Office, which consists of both civilian and sworn investigators, seeks to use uniform investigative techniques to provide fair, thorough, consistent, and timely investigations for the City. In addition to investigating complaints, the Office also performs pre-employment background investigations for Public Safety positions and investigates questions on residency compliance.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
10	9	8	10

Historic Employee Count – Budgeted Positions[2]

2005	2006	2007	2008	2009
10	10	10	11	10

Historical Expenditures – Office of Municipal Investigations

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	365,578	389,938	359,900	391,223	448,190	43.7%
Premium Pay	0	0	279	0	518	N/A
Education and Training	8,004	12,987	6,113	1,017	10,000	24.9%
Supplies	5,710	4,013	2,757	5,489	5,839	2.3%
Equipment	2,811	2,415	1,287	995	7,000	149.0%
Rentals	1,379	1,275	2,323	1,083	750	-45.6%
Miscellaneous Services	68,000	31,809	27,093	51,215	96,433	41.8%
Total	**160,519**	**150,793**	**206,351**	**200,286**	**237,894**	**48.2%**

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets.

Projected Baseline Expenditures – Office of Municipal Investigations

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	448,190	459,395	470,880	482,652	494,718	10.4%
Premium Pay	518	531	544	558	572	10.4%
Education and Training	10,000	10,100	10,201	10,303	10,406	4.1%
Supplies	5,839	5,985	6,135	6,288	6,445	10.4%
Equipment	7,000	7,175	7,354	7,538	7,727	10.4%
Rentals	750	769	788	808	828	10.4%
Miscellaneous Services	96,433	98,844	101,315	103,848	106,444	10.4%
Total	**568,730**	**582,798**	**597,217**	**611,994**	**627,139**	**10.3%**

The 2004 Recovery Plan required the City to reduce the number of police detectives and civilian investigators in OMI and the Police Integrity Unit (PIU) from 12 (eight for OMI, four for PIU) to nine. The PIU no longer exists and OMI has kept the same level of staffing so this head count reduction has been achieved.

Citizen Police Review Board (CPRB)

The Citizen Police Review Board (CPRB) promotes responsible citizenship and respectable law enforcement in the City of Pittsburgh through mutual accountability. In order to achieve this, the Board independently reviews and investigates any allegations of police misconduct; evaluates current police procedures and makes recommendations to the Mayor and City Council; and provides public education on rights, responsibilities, and police authority.

Historic Employee Count – Filled Positions[27]

2005	2006	2007	2008
6	6	6	6

Historic Employee Count – Budgeted Positions[28]

2005	2006	2007	2008	2009
7	7	7	7	7

[27] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[28] Budgeted positions as reported in the City's annual operating budgets.

Historical Expenditures – Citizen Police Review Board

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	237,268	212,636	246,835	253,819	305,675	28.8%
Education and Training	4,176	3,694	3,733	4,348	7,232	73.2%
Supplies	3,847	4,321	4,868	3,709	5,160	34.1%
Equipment	936	1,562	1,274	912	1,576	68.4%
Repairs	0	0	160	0	257	N/A
Rentals	54,000	55,000	50,185	57,036	57,500	6.5%
Miscellaneous Services	70,699	80,128	80,812	85,982	91,365	29.2%
Total	**370,926**	**357,341**	**387,867**	**405,807**	**468,765**	**26.4%**

Projected Baseline Expenditures – Citizen Police Review Board

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	305,675	313,317	321,150	329,179	337,408	10.4%
Education and Training	7,232	7,304	7,377	7,451	7,526	4.1%
Supplies	5,160	5,289	5,421	5,557	5,696	10.4%
Equipment	1,576	1,615	1,656	1,697	1,740	10.4%
Repairs	257	263	270	277	284	10.4%
Rentals	57,500	58,938	60,411	61,921	63,469	10.4%
Miscellaneous Services	91,365	93,649	95,990	98,390	100,850	10.4%
Total	**468,765**	**480,376**	**492,275**	**504,472**	**516,972**	**10.3%**

Equal Opportunity Review Commission

Overview

The Equal Opportunity Review Commission (EORC) ensures that historically under-represented groups, such as Minority and Women-owned Business Enterprises, have fair opportunities at business with the City and related authorities. The EORC also sets the policies for reviewing and approving Minority and Women Business Enterprise participation in all applicable construction, service, commodity and professional service contracts. Rules and regulations proposed by the EORC require approval from City Council, the Mayor's Office, and the City authorities' boards of directors.

The EORC provides five main services: to implement fair practices for contracts with the City and related authorities; to remove barriers and hindrances which affect opportunities for Minority and Women Business Enterprises; to prescribe rules and regulations for Minority and Women Business Enterprise participation in contracts; to review and ensure contract compliance; and to provide education and training for interested entities.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
3	3	3	5

Historic Employee Count – Budgeted Positions[2]

2005	2006	2007	2008	2009
6	6	6	6	5

Historical expenditures – Equal Opportunity Review Commission

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	115,676	139,580	114,464	170,729	223,365	93.1%
Premium Pay	8,018	1,245	1,853	0	518	-93.5%
Education and Training	385	3,125	1,320	4,943	6,000	1458.4%
Supplies	657	251	4	245	2,919	344.3%
Equipment	3,018	5,991	2,399	7,142	7,238	139.8%
Rentals	0	163	48	310	514	N/A
Miscellaneous Services	345	2,478	3,988	2,561	14,000	3958.0%
Total	**128,099**	**152,833**	**124,075**	**185,930**	**254,554**	**98.7%**

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets.

The increase in salary expenditures from FY2007 to FY2008 is likely attributable to the City filling vacant positions. The City budgeted $228,000 for Commission salaries in FY2005 but only spent $116,000.

Projected Baseline Expenditures – Equal Opportunity Review Commission

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	223,365	228,949	234,673	240,540	246,553	10.4%
Premium Pay	518	531	544	558	572	10.4%
Education and Training	6,000	6,060	6,121	6,182	6,244	4.1%
Supplies	2,919	2,992	3,067	3,143	3,222	10.4%
Equipment	7,238	7,419	7,604	7,795	7,989	10.4%
Rentals	514	527	540	554	567	10.4%
Miscellaneous Services	14,000	14,350	14,709	15,076	15,453	10.4%
Total	**254,554**	**260,828**	**267,258**	**273,847**	**280,601**	**10.2%**

Initiatives impacting the EORC are detailed in other sections of this Amended Recovery Plan including:

- Resolve differences with County procurement regulations (Intergovernmental Cooperation)

6. Financial Management

Department of Finance

Overview

Financial management in the City of Pittsburgh is shared between the Department of Finance and the Controller's Office. The Department of Finance reports to the Mayor and provides a broad array of financial support services to City government. The Department, through its tax collection function, also has frequent interaction with the City's businesses and residents. The Department of Finance has a series of divisions under the supervision of the Finance Director, his Assistant Directors and the Treasurer.

The Department's size grew in FY2007 partly due to the City's decision to dissolve the Department of General Services and move some of its functions to Finance. Within its new Bureau of Fleet, Procurement and Asset Services, Finance assumed responsibility for all procurement, capital asset accounting, printing and graphic services and fleet maintenance and management. The Bureau is addressed in greater detail in its own chapter. The chart below shows filled positions for the Department including the Bureau of Fleet, Procurement and Asset Services.

Historic Employee Count - Filled Positions[1]

2005	2006	2007	2008	2009
84	94	121	122	N/A

The Department of Finance also grew in FY2007 because of new positions associated with the Mayor's Action Line, Pittsburgh's 311 system. The 311 system positions have been moved to City Information Systems for FY2009. The chart below shows the Department's growth in budgeted positions **without** including the Bureau of Fleet, Procurement and Asset Services.

Historic Employee Count - Budgeted Positions[2]

	2005	2006	2007	2008	2009
Three Taxing Bodies Trust Fund	8	8	6	5	6
General Fund	91	93	107	106	95
Total	**99**	**101**	**113**	**111**	**101**

Operationally, the Department's work is divided as follows:

The **Collections and Compliance Division** is responsible for the billing and processing of self assessed taxes (most non-real estate taxes), customer service and audits and investigations. Collections and Compliance is the largest division within the Department with 47 part time and full time positions. As of August 2008, there were eight vacancies within the Division.[3] Personnel within the division are assigned as described below:

- Nine full-time staff and one part-time clerk are assigned to accounts receivable, including processing tax forms and posting returns. The accounts receivable unit processes both self assessed taxes and real estate taxes.

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds

[2] Budgeted positions as reported in the City's annual operating budgets. In FY2006 the Department had a "General Services Administration" section that is not included here.

[3] All references to vacancies were per department interviews in August 2008.

- 10 full-time staff and two part-time clerks are assigned to records management and customer service. As of August 2008, three full-time positions were vacant. These staff members are primarily responsible for responding to taxpayer inquiries. There are 6,300 to 12,000 phone inquiries per month with more during tax season.

- 25 full-time positions are in audit and investigations. As of August 2008, there were five vacancies in the unit. Auditors and investigators are responsible for ensuring compliance. Audit targets are identified through review of filings, returns, taxpayer referrals and information provided by state and federal tax authorities. Investigators focus on non-filers and use information from State and City contracts and exhibitioners. An investigator is also assigned to parking tax enforcement.

The **Real Estate Division** is responsible for real estate tax billings, administration of Treasurer sales and disposition of City-owned property, including property acquired by the Three Taxing Bodies through tax delinquency. Real Estate has 21 part-time and full-time positions. As of August 2008, there were six vacancies.

- 14 full-time positions and one part-time position are assigned to billing and processing real estate tax payments. It is responsible for billing approximately 126,000 accounts citywide with the bulk of billings in January. It is also responsible for the Treasurer's sale process for properties with delinquent taxes.

- The remaining members of the Real Estate Division are responsible for the management, maintenance and disposition of City property and property acquired by the Three Taxing Bodies due to tax delinquency.

The Treasurer is responsible for a small unit that files appeals on behalf of the City to assessments by the County and insurance claims. The appeal process is used to seek increases in assessments based on comparables and other evidence.

The **Data Entry Division** is responsible for entering tax form information, scanning tax forms, validating certain data and processing other fees, specifically alarm permits. Data Entry has 15 full-time and temporary positions, of which five are temporary employees and three are vacant.

The **Financial Controls Division** includes the City's investment officer, grants management and cashier staff who collect all taxes, fees and water system payments at customer service windows. There are seven full-time staff positions - three cashiers, a supervising cashier, the investment officer, an internal auditor responsible for tracking state and federal funds and a new vacant grants officer position.

The **Pension and Audit Division** has three staff - two internal auditors and one person charged with the day to day administration of pension funds. While each of the three municipal pension funds has its own staff, the Department staffs all three boards with respect to overseeing reporting, cash calls and draw downs.

The **Office of Management and Budget** consists of a ten member staff and includes the project manager for Pittsburgh's Management and Performance System ("PittMAPS"), the City's performance measurement initiative.

The Department of Finance also includes four other support positions (one of which is vacant), responsible for mail distribution, bond processing and supply ordering.

Historical Expenditures - Finance

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	2,481,074	2,750,013	3,041,677	3,172,988	3,612,065	45.6%
Premium Pay	30,954	22,310	21,286	12,627	32,085	3.7%
Education and Training	3,389	1,051	7,472	17,463	22,674	569.0%
Supplies	293,848	267,124	299,008	284,726	300,000	2.1%
Materials	1,684	37	1,744	478	3,838	127.9%
Equipment	25,658	37,109	12,622	36,892	42,900	67.2%
Repairs	239	904	1,954	332	1,977	727.2%
Rentals	21,160	22,008	18,888	16,860	29,169	37.8%
Advertising	-	(36,292)	118,510	21,441	110,000	N/A
Insurance premiums	-	23,407	19,473	19,678	30,000	N/A
Postage	-	495,761	445,124	72,972	0	N/A
Maintenance contracts	-	189,698	154,098	14,585	350,000	N/A
Professional Services	-	202,701	237,300	241,629	306,452	N/A
Miscellaneous[4]	1,089,000	12,830	12,675	(10,151)	23,500	-97.8%
Total	**3,947,006**	**3,988,661**	**4,391,829**	**3,902,519**	**4,864,660**	**23%**

While there is apparent salary growth of 45.6 percent, this rate compares actual spending in FY2005 to budgeted spending in FY2009. As shown below, the City has spent much less than budgeted on Finance salaries each of the last four years but the FY2009 budgeted amount was built off the FY2008 budgeted amount.

Department Salary Expenditures - Budgeted versus Actual

	2005	2006	2007	2008
Budgeted	2,978,401	3,159,558	3,604,756	3,731,198
Actual	2,481,074	2,750,013	3,041,677	3,172,988
Difference ($)	497,327	409,545	563,079	558,210
Difference (%)	16.7%	13.0%	15.6%	15.0%

[4] Advertising, insurance premiums, postage, maintenance contracts and professional services were part of "Miscellaneous" in 2005; postage was budgeted differently beginning in 2008.

The largest item in the professional services line is the City's contract for actuarial services budgeted for $306,000 in FY2008. Starting in FY2008 the City budgeted most postage expenses centrally under "Non-Departmental - Citywide" expenses instead of within each department.

Projected Baseline Expenditures - Finance

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	3,612,065	3,702,367	3,694,926	3,787,299	3,881,981	7.5%
Premium Pay	32,085	32,887	33,709	34,552	35,416	10.4%
Education and Training	22,674	22,901	23,130	23,361	23,595	4.1%
Supplies	300,000	307,500	315,188	323,067	331,144	10.4%
Materials	3,838	3,934	4,032	4,133	4,236	10.4%
Equipment	42,900	43,973	45,072	46,199	47,354	10.4%
Repairs	1,977	2,026	2,077	2,129	2,182	10.4%
Rentals	29,169	29,898	30,646	31,412	32,197	10.4%
Advertising	110,000	112,750	115,569	118,458	121,419	10.4%
Insurance premiums	30,000	30,750	31,519	32,307	33,114	10.4%
Postage	0	0	0	0	0	N/A
Maintenance contracts	350,000	358,750	367,719	376,912	386,335	10.4%
Professional Services	306,452	314,113	321,966	330,015	338,266	10.4%
Miscellaneous	23,500	24,088	24,690	25,307	25,940	10.4%
Total	**4,864,660**	**4,985,936**	**5,010,241**	**5,135,150**	**5,263,179**	**8.2%**

Progress and future challenges

Since the 2004 Recovery Plan, the Department has undertaken a series of steps to make progress on Act 47 initiatives as well as other steps to improve performance and operational efficiency and effectiveness.

- In accord with the 2004 Plan, the Department has significantly improved the City's budget process and presentation. Important reforms include production of a Five Year Financial Plan; subclass detail for any class of spending over $25,000; an overview of expenditures and revenues, trend analysis and discussion of cross cutting issues such as workforce, consolidation opportunities and technology; an Executive Summary that provides three year data (one year of actuals and two years of budget) at the department level and for specific categories (e.g. salaries, fringe benefits); and greater use of performance data.

- In addition to the budget presentation, the Office of Management and Budget now produces quarterly financial reports to evaluate projected results and identify contingencies. The reports are produced in cooperation with the Act 47 Coordinator under the Municipalities Financial Recovery Act and the Intergovernmental Cooperation Authority (ICA) under Act 11 of 2004.

- To reduce reliance on manual data collection, information on dispositions in assessment cases now comes to the Department in a computerized file; tax refunds are now automated and investments are now done on line; and payments by mortgage companies on real estate taxes are can now be handled on line.

- All parking related revenue, other than parking tax, is now collecting by the Parking Authority, which contracts out for collection.

- The Office of Management and Budget staff actively reviews all citywide hiring decisions to assess both budgetary authority and departmental need. They also review citywide professional service contracts prior to Mayoral approval.

- The Department has initiated a series of innovations in efforts to dispose of properties acquired through the periodic Treasurer's sales. This includes a side yard program (allowing adjoining property owners to acquire the site), work with non-profit organizations and marketing properties on line.

- As of early 2008 credit card payments were accepted for real estate taxes. Taxpayers can file self assessed taxes on line, but only where there is no tax due.

Beyond these procedural improvements, the Department has also been central to the City's success in building and maintaining a fund balance. While governments' individual circumstances prevent any prescription for the appropriate level of a fund balance, the Government Finance Officers Association (GFOA) recommends "at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures."[5]

The 2004 Plan directed the City to build and maintain undesignated fund balance reserves that meet the five - 15 percent revenue threshold with the goal of having an approximate balance of $22.5 million by 2009. The ICA-approved FY2009 budget has a reserve fund balance of $24.3 million, 5.5 percent of General Fund revenues ($441.4 million). The fund balance at the end of FY2007 was $74.2 million, 16.5 percent of General Fund revenues ($448.3 million).

Challenges

The City continues to struggle with an antiquated financial management system, which hinders its ability to implement other initiatives from the 2004 Plan. This challenge is addressed separately in the Enterprise Resource Planning System chapter.

The City has made progress toward implementing other 2004 Plan initiatives but still has work to do. These include:

- Joint collections: The Department is in the process of negotiating an intergovernmental agreement with the County, School District and Pittsburgh Water and Sewer Authority (PWSA) for cooperative delinquent tax and fee collection. This is addressed in further detail in the initiatives below.

[5] GFOA, "Appropriate Level of Unreserved Fund Balance in the General Fund," 2002.

- Correct conditions noted by independent auditors: The Department and the Controller do not have a formal process for jointly responding to independent audits nor is there a formal, written process for acting on independent audit recommendations.

- Budget presentation: While the City has made its budget more user friendly by adding narrative and charts that describe revenues and expenditures at the City level, more can be done to provide similar information at the departmental and programmatic level as discussed in initiative FI06.

The Department is also reviewing its current investment policy to bring it in line with recent revisions to the State investment policy, but no new formal policy is in place. As the Department continues this review, it should also consider the investment guidelines and sample policies published by GFOA. Those tools may help the City think through questions concerning how resources are pooled, what kinds of investments are permitted and how investment returns will be reported.

Initiatives

FI01. **Reduce general fund expenditures by 1.0 percent each year**
Status: New
FY2009 Impact: $0 **Five-year impact:** $18.5 million

The City has successfully held actual year-end general fund expenditures below budget each year since FY2005 once they are adjusted to exclude non-recurring transfers to pay-as-you-go capital funding (FY2007, FY2008) or the new restricted debt fund (FY2008).

Budgeted versus Actual Year-End Expenditures

	FY2005	FY2006	FY2007	FY2008
Budgeted expenses	416,828,765	427,501,378	425,657,607	423,755,326
Actual year-end expenses	399,389,834	401,232,146	393,981,638	403,365,187
Difference ($)	17,438,931	26,269,232	31,675,969	20,390,139
Difference (%)	4.2%	6.1%	7.4%	4.8%

In view of this success and in consideration of the non-quantified initiatives in this Amended Recovery Plan that would generate savings if implemented, the City shall reduce general fund expenditures by 1.0 percent each year starting in FY2010 through implementing Plan or other internal initiatives. While this calculation is listed here, the savings target applies to the entire General Fund, not just the Finance Department.

Fiscal Impact[6]

FY2009	FY2010	FY2011	FY2012	FY2013
0	4,519,280	4,622,633	4,647,215	4,726,490

FI02. **Participate in implementation of earned income tax collection changes**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

[6] This is one percent of the City's expenditures after the savings associated with other quantified Plan initiatives are applied.

In July 2008, the Governor signed into law Act 32, amending portions of the Local Tax Enabling Act related to earned income tax (EIT) collection. The Act lays out a three-year process for reducing the number of EIT collectors statewide from 560 municipalities, school districts and other collection bodies to 69 Tax Collection Districts (TCD). The City of Pittsburgh, Pittsburgh School District and Borough of Mount Oliver will comprise one TCD. The rest of Allegheny County will be separated into three other TCDs.

The Pennsylvania Economy League estimated a statewide loss of $237 million a year due to problems with the current fragmented, decentralized collection structure. Reducing the number of EIT collectors will make administering and collecting the tax simpler and more efficient. Pittsburgh is affected by the legislation in three ways.

First, the City currently levies the EIT on residents (3.0 percent, a majority of which is remitted to the School District[7]) and non-residents who work in the City but claim residency outside Pennsylvania (1.0 percent). The City's EIT ordinance provides for employers to levy the tax on non-residents who work in the City but live in other Pennsylvania municipalities. The employers would then remit that revenue to the City which would pass it along to the non-residents' home municipalities. The City does not follow this provision.

Under Act 32, employers in Pittsburgh will be required to withhold EIT for all employees, even the commuters who live in other Pennsylvania municipalities. That money will be remitted back to the commuter's Tax Collection District, unless the home municipality does not levy the EIT. In those cases the City can keep the revenue. If a municipality's EIT rate is less than 1.0 percent, then the City will be able to keep revenue from the difference between 1.0 percent and the municipality's rate. The same will be required of employers outside Pittsburgh who employ City residents.

Second, the City will participate in the formation of a Tax Collection Committee (TCC) comprised of the City, School District and Mount Oliver. Representatives selected by these three governments will adopt bylaws, rules and regulations. The TCC will also enter into an agreement with the Pennsylvania Department of Revenue to share information annually for pursuit of delinquent EIT. According to the Act, the City shall name its delegate(s) to the TCC by September 15, 2009. The TCC will appoint a tax officer for the Tax Collection District effective no later than September 15, 2010.

Third, the TCC may select the City to be EIT tax collector for itself, the School District and Mount Oliver. The City already collects EIT for the School District. The School District pays the City approximately $4.1 million annually for its EIT and real estate tax collecting services. Mount Oliver residents pay the School District portion of the tax to Pittsburgh and the municipal portion to the Borough.

The City may apply to the TCC for selection as the EIT collector. If the TCC selects Pittsburgh as the tax collector, the School District and Mount Oliver will share in the costs associated with its EIT collection operations. Their share will be proportional to their share of the three entities' total prior year EIT revenue.

The City could lose the annual payment it receives to serve as the School District's tax collector if the TCC selects a different collector. Alternatively the City may receive payment from the School District and Mount Oliver if the TCC selects Pittsburgh to be the collector. The amount of that potential payment is unknown.

[7] Please see the Revenue chapter for more detail on how the EIT is shared between the City and the School District.

As noted above, improved collections are an important objective for the Act's provisions. Once the provisions take effect in January 2012, Pittsburgh may receive more EIT revenue when employers outside the City levy the tax on City residents more uniformly. These gains may be partially offset by improved transfer of revenue from the City to the suburban jurisdictions. If Pittsburgh was able to capture 100 percent of the proportional amount estimated in the PEL study, it could gain several million dollars in revenue annually. However, given the uncertainty around this process prior to its implementation, this Plan does not assume a revenue increase or decrease at this time.

FI03. Maintain fund balance

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The 2004 Recovery Plan directed the City to build and maintain an undesignated Fund Balance equivalent to at least 5.0 percent of annual revenues, which the City has accomplished. The City shall continue to maintain a Fund Balance of at least 5.0 percent of annual revenues. The 5.0 percent fund balance is already built into the baseline and initiative-related projections in this Plan so no further calculation is necessary here.

FI04. Increase utilization of online payments and tax collection

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Department shall continue to work to expand opportunities for taxpayers to make payments on line. For example, the Department should proceed with plans to explore ways that taxpayers currently on payment plans can authorize automatic, online Automated Clearing House (ACH) draws on their bank accounts to make regular payments. This and other online payment options can proceed prior to a full overhaul to the financial management system. Increased online payment and collection would result in reduced processing time and cost for the Department as well as potential increased collection rates.

FI05. Increase automation of manual processes

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

While some gains have been made in this area, some data is still collected and entered manually when automation would be more efficient. The new Enterprise Resource Planning System should help eliminate unnecessary manual data entry. The Department shall also proceed with plans to closely review its current manual methods involved with the processing of tax returns. As noted in the City Controller's chapter, that Office may be helpful in identifying automation opportunities, and the eventual implementation of a new ERP system will accelerate such changes.

FI06. Continue improvements in budget preparation, presentation and monitoring

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Continued improvements that provide greater detail and transparency will continue to allow citizens and policymakers to make more informed decisions about budget priorities. The Department shall build on its recent progress in this area by working toward developing a

"popular" budget to provide a high level assessment for the public. The School District of Pittsburgh's Popular Annual Financial Report, while relatively new, is a good model for this undertaking.

More historic data and greater detail is also needed in certain revenue and expenditure line items in the City's regular budget document. While the budget now provides detail for any subclass over $25,000, in some cases the additional detail is still too vague to be meaningful. For example, the Bureau of Procurement, Fleet and Asset Services spent $5,401,848 on the Miscellaneous Services subclass in FY2007. The detailed breakdown for that subclass includes the similarly named category "Miscellaneous Services" in which is listed $1,895,041. Therefore, beginning with the Mayor's FY2010 budget proposal, the section for each department shall include an organizational chart showing filled positions as of a specific date in the current year, and proposed positions for the new fiscal year. When known, positions that are not intended to be filled for a full year (for example, mid-year police training classes) shall be noted in the budget narrative. Positions shall be budged in the department where the employee reports, although employees may be seconded by agreement. Major budget categories shall include additional detail, listing contracts over $50,000 by service (and when possible, by vendor). In connection with the implementation of initiative EP03, the City shall work with the Controller to restructure the budget and budget reporting documents to allocate personnel-related non-salary expenditures to individual departments so as to be able to present the full cost of each department's services as well as the overall cost of all fringe benefits.

As the City applies its new PittMAPS system, one way to improve the use of performance metrics in the budget development process is for the Mayor's Office, the Finance Director and the Office of Management and Budget to convene regular (e.g. monthly) meetings with Department heads to review both budget issues and departmental performance based on the PittMAPS reports. To make this process effective, however, accounting and budget documents would need a further break down of expenditures to increase the ability of budget staff to regularly assess programs' costs and benefits. One focus of these meetings shall be the status of filled positions; the City shall also add a budgeted versus filled position report, by department and including explanatory narrative, to its Quarterly Financial & Performance Reports.

As noted in the City Controller's chapter, that Office's performance audits have the potential for identifying trends and issues that are important in the budget process. The Department of Finance and Controller's Office shall work together so that relevant components of these audits (current and prior year) are considered in the development of the City budget. They shall also discuss whether changes to the performance auditing process would further assist the Department of Finance in its development of the City's budget. This issue is addressed through a parallel initiative in the City Controller's chapter to emphasize the importance of improved coordination.

FI07. <u>Formalize process for follow-up on internal and independent audit recommendations</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Department and Controller shall develop a formal process for responding to findings and recommendations in independent audits. In addition, the Department shall work with the Controller's Office develop a formal process for reviewing and assessing findings from the Controller's audits when those findings specifically related to potential departmental savings. Such a process will improve overall accountability for City departments and provide better feedback to the Controller's Office as to usefulness of the recommendations. This is not intended to suggest that departments will agree with all recommendations or that resources will necessarily be available for implementing all recommendations. However, both the Controller's

Office and the Administration should have a formal process for discussing the findings. This issue is also addressed through a parallel initiative in the City Controller chapter to emphasize the importance of improved coordination.

FI08. Create a departmental chargeback process for centralized costs and services
Status: Continued from the 2004 Recovery Plan[8]
FY2009 Impact: N/A **Five-year impact:** N/A

As noted in 2004, a variety of key agency costs are budgeted centrally as "non-departmental" costs and not allocated or "charged back" to departments. These costs include employee fringe benefits, vehicle maintenance, fuel and energy, postage, and facility maintenance. This approach means that departments make spending decisions in the absence of full cost information and reduces accountability for the impact of those decisions. It also affects policy debates within the Administration and outside since it makes service departments look smaller than they actually are while administrative functions seem too large. In the same vein, with the partial exception of the breakeven centers, revenues related to user departments are not linked to their budgets. Again, this makes accurate review and evaluation more difficult, as the net cost of services is harder to see. The Finance Department understands these limitations and supports the use of charge backs, but the current computer system makes implementing charge backs unwieldy. As discussed further in the Enterprise Resource Planning System chapter, the City shall institute charge backs of appropriate centrally budgeted expenses and revenues to departments and bureaus.

FI09. Improve tax audit and collection process
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Department shall review and improve the tax audit and collection process as a means of increasing revenue for the City. For example, because of delays in hiring clerical support, auditors and investigators must frequently perform clerical duties (e.g. processing returns). Reducing delays in the filling of vacant, budgeted clerical positions would free up more time for auditors and investigators to engage in compliance and collection activity. They would also have more time to follow up on information from State and federal returns. The Department should also create a method of tracking auditor and investigator performance and effectiveness without creating quotas. Finally, hires added to achieve these goals should be made after taking into account the staffing needs that will prevail after the new Enterprise Resource Planning System is implemented. This initiative, coupled with initiative IG01 highlighting the value of improved coordination with the County, Pittsburgh School District and Pittsburgh Water and Sewer Authority (PWSA), will strengthen the City's ability to collect delinquent taxes.[9]

FI10. Identify and pursue opportunities to lease City-owned property
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

While the Real Estate Division engages in numerous efforts to dispose of City-owned property, less effort and focus appears to be applied to leasing City properties. Existing leases were described as "open ended," suggesting a more detailed review of leases may be warranted. In addition, there is no current process for marketing City properties for lease, only those for sale.

[8] This item was addressed under the Budget Oversight and Implementation initiative in the 2004 Recovery Plan.

[9] Please see the Intergovernmental Cooperation chapter for more information.

The Treasurer should work with the Urban Redevelopment Authority (URA) to identify and pursue opportunities to lease, as well as sell, property as a means of generating additional revenue, reducing property maintenance costs and assisting in community development. The facility maintenance and space utilization review addressed in the Bureau of Procurement, Fleet and Asset Services chapter may also identify opportunities to lease other properties and generate additional revenue.

FI11. Budget amendments

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

Any amendment to the City's annual operating budget adopted after the adoption of this Amended Recovery Plan shall maintain a balanced budget consistent with this Amended Recovery Plan.

FI12. Act 47 status reports

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

The Act 47 Coordinator will annually provide to Council and the Administration an implementation report, including a list of Amended Recovery Plan initiatives implemented and their respective fiscal and operational impacts.

Additional initiatives

The Department's Bureau of Procurement, Fleet and Asset Services is addressed in a separate chapter. Insurance and risk management, which is coordinated by the Department, is also addressed in its own chapter. The chapters addressing the City Controller's Office, an improved ERP system, the capital budget and debt service are also pertinent to Department's operations. Along with these chapters and the recommendations outlined above, other initiatives impacting the Department of Finance include:

- Decentralize code inspections (for 311 response line staff) (Building Inspection)
- Pursue joint collection of delinquent taxes and fees (Intergovernmental Cooperation)
- Explore the transfer of pet licensing to the County (Intergovernmental Cooperation)

Bureau of Procurement, Fleet and Asset Services

Overview

As part of the Finance Department, the Bureau of Procurement, Fleet and Asset Services is responsible for several functions that were previously located in the Department of General Services (DGS):

- Procurement: The Bureau is responsible for procuring all goods, commodities and services for City departments.
- Fleet: The Bureau oversees the maintenance, repair and fuel management for the City's fleet of vehicles. This is primarily done through managing the City's contract with a private vendor.
- Assets services: The Bureau provides information on the City's fixed assets and ensures compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, which requires governments to report the value and depreciation of its infrastructure (e.g., buildings, roads, bridges).
- Printing and distribution: The Bureau provides printing, graphics, copying and mailroom services to City government.

The Bureau's budgeted positions are shown below.

Historic Employee Count - Budgeted Positions[1]

2005	2006[2]	2007	2008	2009
N/A	N/A	26	24	22

Separate of the Bureau, the City has an Equipment Leasing Authority (ELA), a board of mayoral and council appointees who approve vehicle purchases. While the ELA has the capacity to issue debt like other City authorities, it does not typically do so. Instead vehicle purchases are funded by contributions from the City's operating and capital budgets.

Historical Expenditures - Bureau of Procurement, Fleet and Asset Services

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
Salaries	-	-	777,181	852,809	885,509
Premium Pay	-	-	25,289	10,530	16,315
Education and Training	-	-	1,080	2,275	3,250
Uniforms	-	-	1,509	1,572	3,000
Supplies	-	-	3,010,011	28,873	31,790

[1] Budgeted positions as reported in the City's annual operating budgets.

[2] When DGS dissolved in 2006, the Finance Department had a separate section for "General Services Administration" that handled procurement, fixed asset services and graphic services for one year.

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
Equipment	-	-	3,709	3,801	4,000
Repairs	-	-	910,770	1,282,377	1,554,707
Rentals	-	-	1,748,312	1,573,690	1,999,054
Maintenance Contracts	-	-	2,584,800	4,746,104	103,906
Maintenance Contract - Fleet	-	-	-	-	4,959,219
Cleaning	-	-	348,877	462,655	375,929
Security	-	-	291,251	267,123	303,500
Other Miscellaneous	-	-	2,176,921	350,399	351,920
Total	**-**	**-**	**11,879,708**	**9,582,205**	**10,592,099**

There is an apparent contradiction in that budgeted positions have dropped from 26 in FY2007 to 22 in FY2009 but salary expenditures are projected to rise by 13.9 percent over that time. However, it is noteworthy that the City spent $198,000 less on salaries than budgeted in FY2007 and $81,000 less in FY2008. This spread between budgeted and actual expenditures indicates the Bureau may have had vacant positions, which could be eliminated to reduce budgeted headcount without effecting actual salary expenditures. The spread also suggests that the City may spend less than budgeted in FY2009, leading to a lower growth rate than the 13.9 percent projection.

The majority of the supplies expense in FY2007 was vehicle fuel (budgeted for $2,985,000), which is now budgeted in a non-departmental category. The majority of the repairs expense is “non-target costs,” non-routine repairs not covered by the City’s fleet maintenance contract and often attributable to accidents, unplanned major repairs, etc. The quarterly reports that are the source of actual expenditures for FY2005 - FY2008 do not show the costs related to the fleet contract separate of other maintenance contracts. For the “Other Miscellaneous” expenses in FY2007, $1,895,041 is described only as “miscellaneous services.”

Projected Baseline Expenditures - Bureau of Procurement, Fleet and Asset Services

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	885,509	907,647	930,338	953,596	977,436	10.4%
Premium Pay	16,315	16,723	17,141	17,569	18,009	10.4%
Education and Training	3,250	3,283	3,315	3,348	3,382	4.1%
Uniforms	3,000	3,000	3,000	3,000	3,000	0.0%
Supplies	31,790	32,585	33,399	34,234	35,090	10.4%

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Equipment	4,000	4,100	4,203	4,308	4,415	10.4%
Repairs	1,554,707	1,593,575	1,483,414	1,420,499	1,456,011	-6.3%
Rentals	1,999,054	2,049,030	2,100,256	2,152,763	2,206,582	10.4%
Maintenance Contracts	103,906	106,504	109,166	111,895	114,693	10.4%
Maintenance Contract - Fleet	4,959,219	5,083,199	5,075,279	5,202,161	5,332,215	7.5%
Cleaning	375,929	385,327	394,960	404,834	414,955	10.4%
Security	303,500	311,088	318,865	326,836	335,007	10.4%
Other Miscellaneous	351,920	260,718	267,236	273,917	280,765	-20.2%
Total	**10,592,099**	**10,756,778**	**10,740,573**	**10,908,962**	**11,181,561**	**5.6%**

The City projects vehicle repair expenses to decrease in FY2011 and FY2012 because of the ongoing investment in its fleet and an anticipated corresponding reduction in non-target costs. The City projects $135,000 in savings in FY2011 related to jointly procuring fleet maintenance services with Allegheny County. Both governments use the same private vendor for these services and may be able to procure them at a lower rate if they bid together. Beginning in FY2010 the City also projects $100,000 in savings related to additional joint purchasing efforts with the County, which is reflected in the "other miscellaneous" expenses above. The potential expansion of the City-County joint purchasing agreement is discussed in the Intergovernmental Cooperation chapter.

The remainder of this chapter addresses progress and major changes since the 2004 Plan and new initiatives for 2009 and beyond.

Procurement

The 2004 Recovery Plan envisioned a comprehensive transformation of City procurement through joint purchasing, particularly with Allegheny County.[12] This is discussed in further detail with related initiatives in the Intergovernmental Cooperation chapter. Beyond this effort, the City has made progress on other procurement-related initiatives from the 2004 Recovery Plan:

- The City continues to participate in monthly cooperative purchasing workshops with the County and School District.
- The City and County jointly contract for telecommunication services. The City estimated that combining its purchasing power with the City would reduce associated costs by approximately 25 percent.
- The City, County, Sports and Exhibition Authority (SEA), Pittsburgh Water and Sewer Authority (PWSA) and Zoological Society of Pittsburgh conducted a reverse energy auction through which the entities used their purchasing power to leverage lower rates on electricity at certain facilities,

[12] 2004 Recovery Plan initiatives related to joint procurement were located in the Intergovernmental Cooperation chapter.

such as the City-County Building and Bureau of Police Headquarters. The City estimates it will save $125,000 annually through this arrangement. It is working with the County, Zoo, PPG Aquarium, PWSA, School District and Allegheny County Airport Authority to conduct a similar auction for natural gas.

- City Council adopted a resolution enabling the City to use other governments' purchasing contracts to procure vehicles, tractors, street sweepers and office supplies at a lower cost. The City also participates in the State's COSTARS cooperative purchasing program.

The City also issued a request for a request for proposals (RFP) for a consultative evaluation of its procurement policies, regulations and practices. One objective is to make procurement more uniform between the City and its Authorities.

Fleet

As of November 2008 the City had approximately 940 vehicles and related pieces of equipment.[13] This does not include the Pittsburgh Water and Sewer Authority's vehicles and related equipment, which would bring the total to approximately 1,050. The chart below shows how these vehicles are allocated across departments. Please note the vehicle type column is only intended to give overview of each department's vehicles and is not a comprehensive list.

Pittsburgh Fleet Overview[14]

Department/Bureau	Qty	Vehicle Types
Police	299	Police Cruiser, Motorcycle, Sedan, SUV, Van
Public Works	264	Sedan, SUV, Truck, Van
Public Works - Environmental Services	100	Recycling Truck, Refuse Hauler, Truck
Fire	94	Aerial, Engine, Pumper, Quint, Sedan, SUV, Truck
Emergency Medical Services	60	Ambulance, Rescue Truck, Sedan, SUV, Truck
General Services[15]	34	Forklift, Sedan, Truck, Van
Office of Municipal Investigations	22	Sedan
Parks and Recreation	22	Sedan, SUV, Van
Emergency Management	20	Engine, Pumper, SUV, Trailer, Truck
Public Safety	8	Truck
Building Inspections	4	Sedan
Mayor's Office	4	Sedan, SUV
CIS	3	SUV, Van

[13] The count and vehicle-by-vehicle listing was provided by First Vehicle Services.

[14] Based on information provided by First Vehicle Services as of November 10, 2008. This does not include another 108 vehicles used by PWSA.

[15] Since the Department of General Services no longer exists, most of these vehicles have likely been reallocated to the Department of Public Works.

Department/Bureau	Qty	Vehicle Types
Finance	3	Sedan
Controller	2	Sedan
Total	**939**	

The 2004 Recovery Plan recommended significant changes to the City's methods for maintaining, repairing and purchasing vehicles. The City has made significant progress toward completing those initiatives:

- **Managed competition:** The original Plan recommended that the City contract with First Vehicle Services (FVS), a private fleet management firm that bid to provide these services in response to the City's RFP. After an interim step that allowed the City's fleet maintenance workers to tender a competing bid to provide the services in-house, in December 2004 the City entered a three-year agreement with FVS for vehicle maintenance. FVS agreed to abide by the terms of the collective bargaining agreement that existed between the City and associated employees. Most employees were given priority consideration in the application process for jobs at FVS or transferred to other City positions.

  Department personnel who rely on vehicles for critical services like fire suppression, emergency medical response and police patrols have generally given positive reviews of the private vendor's services. Nationally recognized public safety operations consulting firm TriData studied the City's Bureau of Fire and noted, "A review of the privatized fleet services revealed that the system is working well."[16] It is difficult to quantify savings generated through privatization, partly because the anticipated change increased attrition among City employees and lowered salary costs directly before the change took effect. The vendor also agreed to abide by the existing collective bargaining agreement, potentially eroding some savings. However, vehicle maintenance costs were approximately $400,000 *lower* in FY2007 than in FY2003, instead of higher as would be anticipated with inflation, rising supply costs, etc. Using FVS also accomplished the 2004 Recovery Plan's goal to provide better information on vehicle usage and costs through an Automated Fleet Management Information System.

  Based on these factors, the City extended its contract with FVS through 2010. The City has also discussed working with Allegheny County to combine their purchasing power and secure better rates in future contracts. As noted above, the City projects $135,000 in FY2011 savings associated with this joint procurement effort.

- **Fleet rightsizing:** The 2004 Recovery Plan had a multi-faceted strategy to reduce the City's fleet size through changing the policy governing take-home vehicles, identifying and eliminating underutilized vehicles[17], reimbursing employees who use personal vehicles for business purposes and starting a car sharing program.

  The City has reduced the number of take-home vehicles from the 83 reported in the 2004 Recovery Plan. The City has mileage reimbursement for employees using their own vehicles for City business, reducing the pressure to maintain a higher vehicle complement. The City reviews vehicle mileage and considers opportunities to share vehicles before making purchases and, though not yet completed, has tried to establish a pilot car sharing program through which employees could begin using vehicles owned and maintained by a third-party.

[16] "Comprehensive Management Study Pittsburgh, PA Bureau of Fire." April 2008.

[17] Vehicles using less than 8,000 business miles per year were considered underutilized in the original Recovery Plan.

Overall, the City has made only limited progress in reducing the size of its fleet, a particularly costly part of local government operations. The 2004 Recovery Plan identified 1,100 City vehicles and other rolling stock, including the PWSA. The current figure is 1,050, and is likely to increase due to the replacement of personal vehicles for BBI inspectors with City cars.

- **Other initiatives:** The original Plan directed the City to begin "charging back" the cost of vehicle maintenance and repairs to operating departments to more fully reflect their operating costs. As discussed in the Finance and Enterprise Resource Planning System chapters, this initiative has not been completed.

The 2004 Recovery Plan also directed the City to create an Annual Purchasing Plan (APP) to ensure that vehicles are replaced on a cyclical basis. The City's progress toward that objective is discussed in initiatives below.

Fleet Initiatives

PF01. **Procure vehicles designated for Bureau of Building Inspection use**
Status: New
FY2009 Impact: $10,325 **Five-year impact:** $155,455

In its assessment of the Bureau of Building Inspection (BBI) completed for the ICA, consultant TriData cites problems associated with the lack of clearly marked BBI vehicles. Without the vehicles, it is not clear that employees driving slowly through a neighborhood and surveying properties are performing an important City service. The lack of vehicles plus capping the mileage reimbursement for employees using their own vehicle at $225 per month[18] creates a disincentive for BBI inspectors to aggressively perform field investigations.

At the recommendation of TriData, the ICA and the Director of Public Safety, the City plans to purchase 45 vehicles designated for a newly establish BBI fleet. This will help the Bureau decentralize operations and have more efficient, more vigorous field inspections. The City's FY2009 Capital Budget provides funds for the initial BBI vehicle purchase. The City will also have to increase its operating budget to handle vehicle maintenance, repairs and fuel costs.

Vehicle Operating Cost Estimate

Under the following assumptions, the City would pay $1,732 in operating costs per new vehicle in FY2009.

- Vehicle maintenance costs for a car driven 10,000 a year are approximately $1,160 over five years or $232 annually.[19]

- Driving 10,000 miles a year, a car that consumes 25 miles per gallon would use 400 gallons a year. At $3.00 per gallon the fuel would cost $1,200 annually.

- The non-target costs for a car driven 10,000 a year are assumed to be $300 annually. The City has experienced higher non-target costs than the general population, which is estimated to have $119 in repair costs per year over a five-year period.[20]

[18] This maximum is established in the collective bargaining agreement between the City and AFSCME District Council 84, Local 2179. See Section 6 on "Mileage Reimbursement."

[19] Data provided through the "cost to own" calculator available on the Yahoo! Autos website. These projected costs are associated with a 2009 Chevrolet Cobalt LS Coupe, though the specific year, make and model of the City's intended purchase is unknown.

[20] Ibid. These repair costs are specific to the 2009 Chevrolet Cobalt LS Coupe.

Multiplying the $1,732 per vehicle operating cost by the assumed 45 vehicle purchase gives an additional $77,940 in costs for FY2009. Using the growth rates from the baseline financial projection (6.0 percent for fuel, 2.5 percent for other), the five-year total cost is shown below.

Maintenance, Fuel and Non-Target Costs for 45 Additional Sedans

	2009	2010	2011	2012	2013
Maintenance	10,440	10,701	10,969	11,243	11,524
Fuel	54,000	57,240	60,674	64,315	68,174
Repairs	13,500	13,838	14,183	14,538	14,901
Total	**77,940**	**81,779**	**85,826**	**90,096**	**94,599**

Countering this additional expense, the BBI vehicles should alleviate the need to budget for BBI employee mileage reimbursement. The City budgeted $119,241 for that reimbursement in FY2009 growing at 2.5 percent annually, which is credited against the new vehicle maintenance costs in the fiscal impact calculation below. The net impact is discounted to account for the time needed to purchase, prepare and roll out the new vehicles.

Please note that while the impact shown below is a net savings to the City, this projection does not include the cost to purchase the vehicles since that expense is allocated to the Capital Budget. At an approximate cost of $15,000 per vehicle, there is an additional $675,000 cost for the 45 vehicles that is not shown below.

Projected Fiscal Impact

	FY2009	FY2010	FY2011	FY2012	FY2013
Fleet maintenance costs	(77,940)	(81,779)	(85,826)	(90,096)	(94,599)
Mileage reimbursement savings	119,241	122,222	125,278	128,410	131,620
Discount (time to implement)	75%	25%	0%	0%	0%
Operational savings	10,325	30,333	39,452	38,314	37,021

PF02. Continue efforts to reduce vehicle fleet size and cost
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Through the efforts described above, the City has made some progress toward reducing its vehicle fleet and controlling its growth. To accelerate this progress, the City shall continue to monitor vehicle usage before making purchases, periodically review the allocation of take home vehicles to ensure compliance with its policy and pursue opportunities to reduce its fleet. Such opportunities include:

- **Car sharing programs:** The City worked to establish a car sharing program through which employees could use vehicles owned and maintained by a third-party. Because of contracting

problems related to the merger of the selected vendor with its successor, the agreement has not been completed. While this Plan does not require the City to pursue this particular arrangement again, the City shall continue to identify opportunities to reduce its fleet through vehicle sharing, whether through an internal motor pool or an externally operated car sharing program. The City shall also determine whether its downtown motor pool can be shared or merged with any pool vehicles maintained downtown by Allegheny County.

- **Maintenance** Exploring the combination of fleet maintenance contracts with the County since the City and County use the same private vendor.

- **Charge backs:** Charging back the cost of vehicle maintenance and repairs, including fuel, to operating departments will encourage efficiency by relating these costs to the policy decisions that drive them.

The Annual Purchasing Plan initiative below will also help the City view its fleet in the context of its limited resources and encourage efforts to reduce it where possible. To maintain the momentum established under the 2004 Recovery Plan initiatives, the City shall seek to achieve a target reduction in its vehicle fleet by five percent below current levels by the end of FY2011 and a target reduction in fleet costs of 25% by 2013.

PF03. <u>Maintain an Annual Purchasing Plan (APP) and integrate it into annual operating and capital budget process</u>

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Having an adequate number of operable vehicles is critical to the City's ability to provide vital services. The vehicles are the primary tools by which police officers conduct patrols, firefighters respond to incidents, paramedics transport patients and the Department of Public Works plows streets and collects garbage. The Plan discusses the fleet needs and challenges of individual departments and bureaus in their relevant chapters.

Beyond these operational concerns, the City's fleet also has a significant financial impact. Combined the City's expenses on vehicle fuel, repairs and maintenance will cost $11.1 million in the FY2009 operating budget. Vehicle purchases account for $5.1 million in the City's FY2009 capital budget.

Given the variety of demands on its limited resources, the City must plan its vehicle purchases wisely, emphasizing energy efficiency and low maintenance costs. Orderly purchases are particularly important in replacing older vehicles. First Vehicle Services charges the City non-target costs for target repairs when they are performed on vehicles used beyond the mutually agreed upon life cycle. If several vehicles reach the end of their useful life simultaneously, there is pressure to replace them all at the same time. Such large "all at once" purchases can improve the fleet's condition quickly, but it also sets up a situation in which many vehicles reach the end of their life cycle simultaneously in the future requiring more large purchases.

To avoid these difficulties, the 2004 Plan directed the City to create an Annual Purchasing Plan (APP). The Bureau maintains a projection of which vehicles will need to be replaced when and at what projected cost. The Bureau works with operating departments and ELA to review this list and then purchase vehicles using the allocation in the capital budget. In some cases, the operating departments and the ELA use different assumptions for a vehicle's estimated lifespan.

Working with the ELA and operating departments, the Bureau of Procurement, Fleet and Asset Services shall continue to maintain and update its APP annually. In establishing a replacement

cycle, the Plan should continue to consider factors like the number of vehicles each operating department requires on a daily basis, expected life cycle, and downtime that vehicles spend out of service for repair and maintenance. Where the Bureau, ELA, vehicle maintenance contractor and operating departments have different assumptions for these indicators, the City shall work to resolve these inconsistencies.

The APP shall also be integrated and included in the City's annual budget to guide vehicle purchasing decisions and emphasize the impact that individual decisions, like adding new BBI sedans, have on the Citywide fleet replacement cycle. As the City's needs, goals and resources change, the APP should reflect those changes. And while contingencies will arise for replacing vehicles that do not reach the end of their life cycle, integrating the APP into the budget process more explicitly will help policy makers understand vehicle purchasing decisions in the context of the City's limited resources.

Other initiatives

PF04. **Expand proposed Facility Maintenance Plan to include an evaluation of space utilization to identify opportunities to sell, lease or share excess property**

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** $300,000

The 2004 Recovery Plan directed the City to undertake a comprehensive space utilization study that would identify opportunities to consolidate City operations and collocate them with the County, Commonwealth, School District or other appropriate partners. Consolidation and collocation have the potential to decrease facility maintenance, utilities, security and other operating costs. The study also could increase revenues by finding opportunities to lease or sell excess City property.

Although there have been no joint City-County efforts, in 2006 the City requested that the Urban Redevelopment Authority (URA) Real Estate Department issue a Request for Qualifications (RFQ) to conduct this study on the City's behalf. The City received eight responses and identified two teams as strong candidates to conduct the analysis. When the URA estimated the study's cost could approach $250,000, the City decided to put the project on hold. Since that time, the URA has initiated space utilization reviews of individual properties, including the Robin Civic Building (200 Ross Street) and the Police Tow Pound.[21] These reviews were focused on the value of the properties for private development purposes and the cost of moving current City operations to new locations.

The City's FY2009 capital budget includes a different, but related, effort to establish a Facilities Maintenance Plan. That plan would catalog and prioritize the facility maintenance needs handled by the Department of Public Works' Bureau of Properties. The capital budget appropriation for this effort also cites the objective "to ensure optimal space utilization." In support of that process, the Bureau of Procurement, Fleet and Asset Services shall work with the Department of Public Works to ensure the proposed Facility Maintenance Plan achieves the following objectives:

- Catalog and evaluate all City-owned, maintained or leased sites and facilities, including recreational fields, parks, playgrounds and facilities.
- Identify opportunities to consolidate City operations or collocate them with the County, Commonwealth, School District or other appropriate partners. Based on these findings, the City shall engage the appropriate parties in collocation discussions. For example,

[21] The Tow Pound is discussed in more detail in the Bureau of Police chapter.

Carnegie Mellon's Center for Economic Development published a report showing potential locations for "super service community centers" that provide recreation, social service, educational and other offerings in one facility.[22] That report suggested public school facilities that were being closed as potential sites for such centers.

- Identify opportunities to sell or lease excess property.[23]

- Establish a plan for facility and site maintenance and upgrading of facilities to high energy efficiency that guides City allocations in future operating and capital budgets.

While the upfront cost of this effort may be considerable, so are the potential savings and revenue that may be identified through the study, particularly when those savings and revenue reoccur each year in comparison to the one-time study cost. This study would also support the City's efforts to complete a comprehensive inventory of all City facilities and equipment for use in establishing insurance coverage limits.[24] The targeted savings from these efforts is 40% by 2013.

The FY2009 capital budget includes $150,000 for this process in FY2009 and $200,000 in FY2010. The City shall expand the scope of the study proposed in the FY2009 capital budget and complete it by the end of FY2010. To provide incentive for completing this process and implementing its findings, the following conservative savings target is included in this Amended Recovery Plan.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	0	0	100,000	200,000

Additional initiatives

Along with the initiatives outlined above, others impacting the Bureau of Procurement, Fleet and Asset Services are detailed in other chapters including:

- Charge back centrally budgeted costs to departments (Finance)
- Create comprehensive facilities and equipment inventory (Insurance Coverage/Risk Management)
- Decentralize code inspections (Building Inspection)
- Resolve differences with County procurement regulations (Intergovernmental Cooperation)
- Continue joint energy procurement (Intergovernmental Cooperation)

[22] Carnegie Mellon Center for Economic Development, "Serving the Citizens: Options for Using Public Facilities and Providing Community Services," May 2005.

[23] The Department of Finance is also directed to work with the Urban Redevelopment Authority (URA) to identify and pursue opportunities to lease City property. Please see the initiatives in the Department of Finance chapter.

[24] Please see the Insurance and Risk Management chapter for more details on this initiative.

City Controller

Overview

Financial management in the City of Pittsburgh is shared between the Controller's Office and the Department of Finance. This chapter addresses those financial functions that are the responsibility of the Controller's Office. The City's Home Rule Charter establishes the Office of the Controller, who is elected to a four-year term. The Controller's duties and powers include prescribing the form of reports and accounts; auditing the accounts and performance of City Council, units of government, agencies and trusts; and keeping separate accounts for each item or appropriation. The Controller also prepares the City's Comprehensive Annual Financial Report (CAFR).

The City consistently budgeted for 72 positions in the Controller's Office until FY2009, although some positions were not funded. Vacant, unfunded and unused positions were eliminated in the FY2009 budget. The actual number of filled positions has been lower than 72 and declining since 2005. The drop in filled and budgeted positions indicates the Office is making progress toward rightsizing the operation as directed by the 2004 Recovery Plan and the ICA.

Historic Employee Count - Filled Positions[1]

2005	2006	2007	2008
61	55	51	50

Historic Employee Count - Budgeted Positions[2]

2005	2006	2007	2008	2009
72	72	72	72	58

Since the 2004 Plan the Office reorganized some components of its organization. In addition to the Controller and administrative staff, the primary functional groups are as follows:

- **Accounting** is responsible for accounting, financial reporting, both interim and annual, and fiscal auditing.
- **Accounts payable/contracts** is primarily responsible for payments made by the City, both vendor and payroll. It is also responsible for staffing the front desk/reception function for the Controller's Office.
- **Engineering** has two primary responsibilities. The first is verifying and auditing capital projects such as street rehabilitation. The second is auditing related contracts and receipt of goods to ensure that the City received the contracted supplies.
- **Information services** includes records management for the Office including scanning and indexing all documents. It is also responsible for managing the PeopleSoft system to meet the Controller's needs.

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds

[2] Budgeted positions as reported in the City's annual operating budgets.

- **Performance audits** is responsible for the performance auditing of all City departments and authorities, which are to be reviewed at least once every four years.

Historical expenditures - City Controller

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	2,399,000	2,006,979	1,930,704	2,087,883	2,163,338	-9.8%
Premium Pay	1,000	0	0	552	7,525	652.5%
Education and Training	10,000	10,589	3,768	8,258	10,597	6.0%
Supplies	8,000	6,101	4,586	6,059	9,440	18.0%
Equipment	6,000	18,689	13,799	12,442	15,275	154.6%
Rentals	9,000	15,831	13,572	9,439	13,808	53.4%
Miscellaneous Services	105,000	100,603	101,251	1,246	99,637	-5.1%
Total	**2,538,000**	**2,158,792**	**2,067,680**	**2,125,878**	**2,319,620**	**-8.6%**

Projected Baseline Expenditures - City Controller

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	2,163,338	2,217,421	2,272,857	2,329,678	2,387,920	10.4%
Premium Pay	7,525	7,713	7,906	8,104	8,306	10.4%
Education and Training	10,597	10,862	11,133	11,412	11,697	10.4%
Supplies	9,440	9,676	9,918	10,166	10,420	10.4%
Equipment	15,275	15,657	16,048	16,450	16,861	10.4%
Rentals	13,808	14,153	14,507	14,870	15,241	10.4%
Miscellaneous Services	99,637	102,128	104,681	107,298	109,981	10.4%
Total	**2,319,620**	**2,377,611**	**2,437,051**	**2,497,977**	**2,560,426**	**10.4%**

Progress and future challenges

The Controller's Office has implemented some of the reporting improvements required in the 2004 Recovery Plan. It now produces a quarterly "Accountant's Report" with a statement of revenues, expenditures and changes in fund balance on a cash basis. It plans to produce an annual report in a manner eligible for the Government Finance Officers Association (GFOA) Popular Annual Financial Reporting Award.

As with the other elected officials, the 2004 Recovery Plan required the Controller's Office to reduce its budget by 15 percent from FY2004 levels (enacted budget of $2.8 million) to help address the City's projected multi-million dollar shortfall. The FY2005 budget approved by the ICA reduced the Office's budget an additional 13.5 percent below the 2004 Recovery Plan level. In 2005 the Controller at that time filed a Complaint in Mandamus in the Court of Common Pleas of Allegheny County on the basis that the reductions prohibited the Office from performing its duties. The litigation was resolved through a consent order between the Controller, City, Act 47 Coordinator, Commonwealth, Department of Community and Economic Development (DCED) and ICA. In 2006 a new Controller renewed the litigation and the Court dismissed the complaint. Despite these legal proceedings, the Controller's Office's has spent less than established in the 2004 Recovery Plan each year since FY2005.

Comparison of Controller's Office Budget Levels

	FY2005	FY2006	FY2007	FY2008	FY2009
2004 Baseline Projection	2,893,386	2,979,152	3,067,479	3,158,445	3,252,128
2004 Recovery Plan Reduced Budget	2,473,856	2,545,144	3,067,479	2,698,323	2,778,361
ICA Approved Annual Budgets[27]	2,139,608	2,300,000	2,212,901	2,256,467	2,319,620
Actual Expenditures	2,538,000	2,158,792	2,067,680	2,125,878	N/A

The Controller's Office is currently pursuing an independent evaluation of its own functions, which is funded by the ICA. This ICA-funded evaluation is focused on providing recommendations for strengthening the Controller's Office in its execution of auditing, internal control, financial reporting and accounting responsibilities.

Challenges

One of the primary challenges to the work management in the Controller's Office continues to be the City's antiquated financial management systems. The systems restrict the ability of all offices to make improvements; require too many manual processes; lack basic integration among components; restrict the ability of management to allocate and assign charges to users; make inquiries and real-time access to information difficult, if available at all; and generates non-integrated, potentially duplicative shadow systems so that users can meet at least some of the information needs. The financial management system, in its current version, is no long maintained by its vendor, PeopleSoft.

Specifically for the Controller's Office, the aging systems and lack of integration have resulted, among other issues, in:

- Fixed assets are maintained on spreadsheets due to limitations of the current system capabilities.
- Manual development and compensation of compensated absences.
- Inability to integrate the external vendors payroll system data into the City's financial system.
- Limited ability to use system data for bank reconciliations.

[27] These are the amounts from the City's annual operating budgets as approved by the ICA and enacted by Council each year. For example, the 2007 amount comes from the FY2007 operating budget enacted by Council on December 18, 2006.

- Inability to allocate costs such as employee benefits and workers' compensation to departments, which would allow management to measure the actual costs of functions and improve departments' responsibility for all of their costs, assisting in expenditure control.

The City recognized the need for a system improvement and, with the financial support of DCED through the Act 47 process, engaged GFOA to review its current systems and to provide recommendations and options for the City to address these issues. That process is discussed further in the Enterprise Resource Planning (ERP) System chapter.

Initiatives

CN01. **Address conditions noted by independent auditor**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The City does not have a formal process for addressing comments made by the City's independent auditors. In some cases, the same comments have been repeated over a period of years. High-performing cities develop written responses for all comments, which come from the department that "owns" the issue (while most comments may be directed toward the Controller's Office, not all are its responsibility). The responses include whether the City department agrees (and why), the plan for addressing the issue and the time frame for doing so. While the Controller's Office should work with the Department of Finance to develop a formal process for responding to findings and recommendations in independent audits, the Controller's Office is the logical coordinator for the City's response in the next management letter. The Controller's Office can also provide early leadership in this area by responding to the current ICA-funded evaluation of the Office itself.

CN02. **Formalize process for follow-up on performance audit recommendations**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

While the Controller's Office is now on schedule to conduct performance audits every four years for all departments, it does not have a formal follow-up process to discuss the implementation of audit recommendations. The Controller's Office shall work with Department of Finance to develop a formal process for reviewing and assessing findings from the Controller's audits when those findings specifically relate to potential departmental savings. Such a process will improve overall accountability for City departments and provide better feedback to the Controller's Office as to usefulness of the recommendations. This is not intended to suggest that departments will agree with all recommendations or that resources will necessarily be available for implementing all recommendations. However, both the Controller's Office and the Administration should have a formal process for discussing the findings. This issue is also addressed through a parallel initiative in the Department of Finance chapter to emphasize the importance of improved coordination.

CN03. **Work with the Department of Finance to integrate performance audits into budget process**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Controller's Office is now working on a schedule for performance audits so that it meets its mandated responsibility of auditing each department every four years. These audits have the potential for identifying trends and issues that are important to the City's overall budget, and may already have data and supporting information that would be useful to the Administration. The Controller's Office and the Department of Finance should work together so that relevant

components of these audits (current and prior year audits) are considered in the development of the City budget. They should also discuss whether changes to the performance auditing process would further assist the development of the City's budget.

CN04. Reduce manual processes

Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The City's finance functions continue to be hindered by the prevalence of time-consuming manual processes. While the City is addressing the need for a more stable ERP system to help facilitate automation, the Controller's Office shall, in the interim, help the Department of Finance identify processes and procedures that could be improved through automation. The Controller's Office also shall identify any duplicative processes, whether manual or automated, with the goal of eliminating those processes.

CN05. Develop and maintain workload and performance measures

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The Controller's Office should develop and routinely track performance and workload measures for its own functions. This information will help in allocating resources and determining the effectiveness of some of the functions within the office. While the City is refining its performance management through the new Pittsburgh Management and Performance System ("PittMAPS"), these reports do not include consistently collected and reviewed statistics for the Controller's Office.

CN06. Document office procedures

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Most of the policies and procedures for the Controller's Office have been maintained on an informal basis. The lack of written documentation for such procedures has been one of the repeat comments made by the City's independent auditors. The lack of written documentation becomes an even more critical issue as the Office has fewer budgeted positions and several employees in key positions approach or reach retirement eligibility. The documentation should also include appropriate segregation of duties with both primary and back-up responsibilities. The Controller's Office should establish a definitive schedule to complete this task within one year of the adoption of this Plan. The Controller's Office shall also establish a process for periodically updating these procedures as needed.

CN07. Realign staff titles

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

As the Controller's Office has reorganized, it has moved and reassigned its employees. That has created some situations where titles and duties within functional areas are misaligned. The Office should consider realigning these titles so the responsibilities and organizational structure is both clearer as to duties and represents the structure within which the Office is operating.

Additional initiatives

The chapters addressing the Department of Finance, an improved ERP system and debt service are also pertinent to the Office's operations.

Enterprise Resource Planning System

Overview

An Enterprise Resource Planning (ERP) system organizes and manages the information, activities and processes of the City's financial, accounting, payroll, customer/constituent relations and human resource functions. In the Amended Recovery Plan the term generally refers to the software and related hardware that the City uses for this purpose. This system is critical to storing and accessing sensitive financial, accounting and employee compensation information; tracking transactions such as payroll, procurement and grant reimbursement; providing the data that underlies budgets and financial reports; and performing several other essential functions.

In the mid-1990s the City implemented an ERP system designed by PeopleSoft. The modules for financial functions "went live" in 1997, replacing other applications for general ledger, accounts payable, accounts receivable, purchasing, and fixed asset management. The City also licensed PeopleSoft human resource and payroll modules, but those applications were never activated or used. Instead, the City outsourced its payroll operations to Ceridian, Inc. in January of 2002 for a five-year period. The City later negotiated a two-year extension with Ceridian, with a City option for a third year.

Due to a number of factors, including a failed attempt to upgrade the PeopleSoft product to a newer version in 2003, the City is no longer under a system support agreement. Instead the City runs the system itself with limited internal staff from City Information Systems (CIS). The City has been dissatisfied for many years with the ERP system's limited capabilities and recognizes its precarious position in which a system failure without external support readily available could paralyze City government.

Under funding provided through Act 47, the Government Finance Officers Association (GFOA) completed a needs assessment of the City's ERP and outsourced human resource/payroll functions. That assessment made the following findings:

- Fragmented system: The City's patchwork structure with multiple side systems causes duplicate data entry with conflicting information, weak and rigid reporting, poor project and grant accounting capabilities and lack of position control. Overall the City cannot access enterprise wide information quickly (if at all) to make informed decisions.

- Obsolete system: Oracle and PeopleSoft[1] no longer support the City's version of the ERP software, increasing the risk of a significant downtime event or system failure.

- Reduced staff and reduced staff expertise: Staff turnover and customized, internally designed systems exacerbate these problems.

Opportunities, options and risks

Addressing the ERP system's shortcomings is not just intended as a preventive measure to avoid system failure. It will also provide City stakeholders, including the Administration, Council and Controller, with stronger tools to manage the City, make policy decisions based on the best information available, allocate its resources and improve efficiency. More specifically improving the ERP system would allow:

- Improved position control including easier monitoring of filled versus budgeted positions.

- The ability to "charge back" centralized costs, like employee benefits and vehicle maintenance, to departments to more accurately reflect their true cost of operations.

[1] The Oracle Corporation acquired PeopleSoft in 2005.

- The ability to quickly search the status of vendor payments by invoice.

- Elimination of duplicate and manual data entry processes.

- Stronger grant and project tracking to support compliance requirements.

Options for improvements

Because of the shortcomings and opportunities described above, improving the current ERP is a high priority. The City has options for how it addresses this priority:

- Upgrading the existing financial management system to a new product provided by Oracle/PeopleSoft or another vendor and extending its contract with Ceridian for human resources/payroll services.

- Purchasing a new ERP system that includes human resource and payroll functions currently handled by Ceridian.

- Using an Application Service Provider (ASP) option in which the City pays an outside vendor to host and maintain the ERP system.

- Merging into the ERP system maintained by another government entity, like Allegheny County.

As described below, the City and the County have invested a significant amount of time in exploring the last of these options.

Challenges

While improving the ERP system creates opportunities, there are also risks associated with this significant undertaking. Regardless of the path the City pursues, the project will require leadership, staff, training and effective implementation.

- Leadership: For the improvements to be successful, leadership must come from the highest levels of City government. Political and financial concerns must be overcome, and the City should dedicate its best staff to the project. This leadership should be formalized immediately through a series of actions by the City, such as establishing a steering committee, identifying subject matter experts, and introducing the project across departments.

- Staff: The City has ongoing challenges recruiting and retaining staff with the skills necessary for this undertaking. Current support for the City's PeopleSoft system is just 0.5 full-time equivalent positions. Many staff from the original PeopleSoft implementation team left City government long ago. Clearly, adequate staffing is necessary for any successful improvement, whether it is a system acquisition or transition to a different system. Cross training and contracting for external support are options to address this risk. Even in the current economy, it is likely that the City will have to use a substantial number of temporary or contract staff to implement an ERP.

- Training: An effective training program must be in place to help ensure that City employees know how to make full use of the improved system. Lack of training and knowledge of the current system was a common concern cited in GFOA's report and by City employees. There is no formal process in place to provide training on the existing system to new or current employees. The chance for successful implementation can be improved by creating requirements for training materials and courses for new and current employees.

- Implementation: The above factors impact the City's ability to implement ERP system improvements successfully. Based on previous failed attempts, there is a real fear of undertaking new efforts. Regardless of the path chosen, close oversight and rapid attention to emerging issues will be needed to ensure success.

Ongoing progress

The City and County are working toward migrating the City's financial functions to the County's ERP platform. Such an arrangement would allow the City to take advantage of the County's financial management software while keeping each government's information in separate, secure and confidential databases. The County would provide ERP related services to the City for a fee as determined under a cooperative agreement. Staff from the City and County finance and information technology operations, as well as City Council and the City Controller, are participating in these ongoing discussions.

This dialogue is the outgrowth of another study funded by the Commonwealth through Act 47. In April 2008 SMART Business Advisory and Consulting completed a shared services assessment that noted the potential to use the City's ERP system improvement process as an opportunity to strengthen cooperation between the City and County. This cooperation could eventually generate efficiencies and savings related to information technology, payroll processing and other "back office" functions. The cooperative arrangement might also extend to the related City and County authorities and the School District. Opportunities for shared information technology services are discussed in greater detail in the Intergovernmental Cooperation chapter.

The Act 47 Coordinator strongly supports this dialogue between the City and County and recommends updating the authorities on a quarterly basis to apprise them of these developments. Pursuing this kind of cooperative venture provides unique opportunities (e.g. savings and better cooperation across governments) and risks (e.g. potential conflict over how resources will be shared and system changes will be made when participants have conflicting or divergent interests). It is important to note that while there are tremendous potential benefits to establishing a shared services organization through which the City, the County and any other partners jointly manage the ERP, there is no single "correct" path to implementing a shared system. The case study below provides an example of how another set of governments are addressing these challenges.

Case study: North Dakota and ConnectND

North Dakota is unique among state ERP projects in that it implemented a shared system with its higher education institutions. The higher education institutions had pursued separate ERP systems but were unable to acquire the funds needed for the systems. As a result, the State initiated a joint effort to pool resources between its eleven university campuses and 58 state agencies.[29]

Because of the often competing needs and demands of the State and its higher education institutions, it was necessary from the project inception to develop a rigorous organizational structure to deal with governance issues. To accomplish this, the State and its higher education institutions developed the Organizational Charter for "ConnectND."[30]

ConnectND is North Dakota's implementation of the PeopleSoft financial, human resource and student administration applications across the state government and university system. Implementation began in April 2002 with pilot and full implementations spread over two years. The initial scope of implementation was completed in July 2005. During the implementation, Executive Steering Committees and an Executive Sponsor Committee were established to guide the project.

Case study: North Dakota and ConnectND *(continued)*

Once the project moved beyond implementation, a longer-term governance structure was needed. The following assumptions were made in developing that structure:

- It is expected that business and functional needs, identified by various council and user groups, will direct the continued evolution of the system.
- The needs identified will require prioritization based upon functional criticality, resource availability and funding requirements.
- The needs of the university system may, at times, conflict with the needs of the state government operations and vice versa. Resolution of some of these conflicts may need to occur at the highest levels of those entities.
- A Memorandum of Understanding (MOU) between the Information Technology Department (ITD) and the Higher Education Computer Network (HECN) will provide the operational basis for the daily technical needs of ConnectND.

The Governance Structure provides for a gradual process for bringing issues through a logical chain of command and establishes accountability for various aspects of the system. It provides a role for representatives of the State executive and legislative branches, as well as the higher educational institutions.

Initiatives

EP01. **Merge the City's ERP functions into the County's platform**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

As described above, current City and County efforts to migrate City ERP functions to the County platform are valuable and are encouraged to be treated as a priority for the two governments. A successful merger of the City and County systems would provide an excellent base from which additional shared services, for information technology or other areas, could be developed over time. However, the City also has a critical need to attain a new ERP in a timely manner to avoid system failure or another situation in which the system is down for prolonged period. To meet those objectives, the City shall continue to work with the County to merge its ERP functions to the County's platform by December 31, 2009. If the City and County cannot complete this merger by that date, the City shall issue an RFP to procure a new system or pursue some other solution, such as an Application Service Provider (ASP).

EP02. **Establish a project management team**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

For a system change or implementation to be successful, leadership must come from the highest levels of government. This leadership shall be formalized through a series of actions by the City and other participating governments, such as establishing a joint steering committee, identifying subject matter experts, and introducing the project across departments/governments.

In addition, the City shall designate a project manager (or, if working with Allegheny County, half of a team of two project managers with one from each government) who will be internal to the

operation and have the proper authority and responsibility for any RFP, system selection, upgrade and/or implementation processes. This project manager(s) and the implementation team should be co-located. The project manager(s) will be a liaison between the elected officials and all relevant staff members and committees, report to the steering committee, the Act 47 Coordinator, and other stakeholders, and will be key in identifying and committing the proper level of City personnel and resources to the project.

EP03. <u>Ensure ERP improvements address critical financial management needs</u>

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

The City currently lacks the ability to perform key business processes. Examples include the inability to allocate central costs among departments, a lack of automated information on budgeted versus filled positions, limited reporting/automation to support budget control and lack of processes and reports to support CAFR preparation.

Through its own experience and expertise and the GFOA's work, the City is aware of the shortcomings of its current ERP system. However, it is equally important that the City carefully consider and document the desired functionalities that any new system should include to make sure the solution selected meets those needs as completely as possible. Regardless of the solution chosen, a detailed business requirements listing is a necessary step to any implementation.

The City shall undertake a detailed business requirements documentation process which includes existing, absent and desired functionality. Vendor software demonstrations can be a tool for understanding current ERP functionality. The detailed business requirements should also include and be compared with standard ERP financial management functionality to position the City to take advantage of out-of-the-box functionality.

This documentation process shall also include relevant findings from the ongoing evaluation of the City Controller's operations. This ICA-funded evaluation is focused on providing recommendations for strengthening the Controller's Office in its execution of auditing, internal control, financial reporting and accounting responsibilities. While the recommendations of the evaluation are not available yet, the Controller's Office and Department of Finance shall consider those recommendations in documenting existing, absent and desired ERP system functionality.

At a minimum, the new system shall allow the City to:

- Fully implement the Capital Assets Policies and Procedures Manual described in the Capital chapter of this Plan.
- Allocate central costs among departments;
- Generate automated information on budgeted versus filled positions.
- Support budget control.
- Enable processes and generate reports to support CAFR preparation.

EP04. <u>Provide adequate project staffing</u>

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

There has been significant attrition of functional and technical staff that supports the City's business enterprise systems. Current support for the City's PeopleSoft applications is 0.5 FTE. Many staff from the original PeopleSoft implementation team have left City government. This is compounded by the City's difficulty in recruiting staff with the required skill set.

Clearly, adequate staffing is necessary for successful project implementation, and while a joint implementation will provide the opportunity for more resources, it is also equally if not more challenging and staff intensive during implementation. As a result, there shall be a development of options to mitigate this risk, ranging from hiring contractors for the project to hiring temporary workers to replace reallocated staff from within the governments.

EP05. Minimize customization of any new ERP system to allow future integration with other government entities

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

The City's business functions are supported by a series of incompatible systems using separate platforms and different databases, resulting in challenges for accessing and maintaining data. In addition, during the initial implementation of PeopleSoft and subsequent work on the system, it has been highly customized. Customization of software increases both initial costs for programming and also long-term costs, especially costs related to applying software upgrades. Customizations may also threaten the sustainability of the solution as it may be more difficult to follow the vendor's standard upgrade path and may even impact the ability to take advantage of generic (i.e., low cost) training opportunities. Conversely, minimizing customization results in hard and soft savings through improved ease of upgrade implementation and system patches, as well as increased ability to obtain vendor support to correct issues.

The City and County shall establish a rigorous process for the review and approval of any customization. This process would include a proposal with justification, time/cost estimates and proposed workarounds, review by a committee, and approval by project leadership. There are a variety of models for management of customization requests during and after ERP implementations but such a process should be established.

EP06. Provide an effective training program

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

An effective training program must be in place to help ensure that all users (existing and new) know how to utilize the new systems. The lack of training and knowledge on the City's current system has been a common concern throughout the City. In the case of new or existing employees and current systems, there is also no system currently in place to provide training. This risk must be mitigated by creating requirements for training materials, courses and on-going training plans. The training plan should be in place prior to beginning any implementation.

Additional initiatives

Along with the recommendations outlined above, other initiatives related to the Enterprise Resource Planning system are detailed in the Finance and Controller's Office chapters and as noted below:

- Fully adopt and implement the Capital Asset Policies and Procedures Manual (Capital Budget)

Insurance Coverage and Risk Management

Overview

The 2004 Recovery Plan emphasized that the City's efforts to manage risk were disjointed and lacked strategic focus. Specifically, liability and risk management were fragmented across several City departments with no central supervision; high risk service areas were not identified or prioritized for attention; the City was generally reactive, not proactive, in addressing risks. In addition, the Coordinator concluded that the City was underinsured in several real and personal property and general liability areas.

A few improvements have occurred since 2004.

- The coordination of insurance plan design, preparation of specifications for coverage, managing the Request for Proposal (RFP) process and overseeing insurance contracts have been successfully transferred to the Department of Finance. However, the Department does not currently oversee a comprehensive risk management program for the City.

- Employee dishonesty bond and faithful performance limits have been increased on an overall and position basis and are now adequate.

- In 2008 the City added a Safety Manager and a second Safety Specialist position to its operating budget. Those employees work under the supervision of the Director of Personnel.

The City has also made progress in its management of Workers' Compensation, which is addressed in a separate chapter.

Challenges

Despite some progress, several shortcomings still exist regarding the City's overall risk management control and specific kinds of insurance coverage.

- Although the Department of Personnel monitors employee safety through its Workers' Compensation Program, no single department, bureau or individual has responsibility for risk management initiatives.

- An informal group of managers that occasionally met in the past to discuss risk management has not met on a formal or informal basis since the Department of General Services was dissolved in 2006.

- There is no evidence that the City's current insurance underwriters or brokers make loss control visits to evaluate City operations and properties as required by insurance contracts in place.

- RFPs were distributed and bids were received for all general liability coverage. The total premiums paid by the City for insurance liability protection are significantly below premiums paid by similar sized cities, an indicator that there are voids in coverage.

- The City's self insurance program and its self insured retention are not managed or reviewed and effectiveness, efficiency and overall cost are not measured.

- The limits for real and personal property in the City's policies are based on building values rather than replacement values resulting in a reduction in blanket limits from $76.0 million in 2003 to $60.0 million in 2008, a decrease of 21 percent during the five year period. The cost of construction on a replacement value basis increased by 26 percent, resulting in a net negative coverage value of 47

percent. Some stated building values are less than one-third their actual value on a replacement cost basis.

- Business interruption and valuable papers coverage limits are the same in 2008 as they were in 2003, both clearly below the limits necessary for this coverage.

- Vehicle coverage is provided only for garbage/refuse packer and recycling trucks. The per vehicle deductible of $100,000 on trucks valued at $130,000 to $150,000 is too high for reasonable self insured retention. Although coverage is not provided for any other city vehicles, this is a practice common to many municipalities with coverage provided only for vehicles with replacement costs in excess of $75,000 to $100,000.

Initiatives

IR01. <u>Establish Citywide risk manager position</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** $400,000

While the City has improved some aspects of risk management, there are still significant challenges as outlined above. If those challenges are not addressed, they become liabilities that endanger the City's financial recovery.

The Departments of Finance and Personnel are sharing risk management duties, but there is no single department, bureau or individual with responsibility for coordinating risk management. That contrasts with the approach taken by the following cities:

- The City of Cleveland has an Office of Risk Management within its Department of Finance. The Office oversees workers' compensation and work safety policies.

- The City of Cincinnati has a Risk Management Division within its Department of Finance that administers workers' compensation, some employee benefit plans, property insurance coverage, liability insurance coverage and loss control practices.

- The City of Baltimore has an Office of Risk Management and Division of Safety within its Department of Finance that coordinates all risk management efforts, including workers' compensation. The unit also tracks, reassesses and forecasts the City's liability and loss experience.

While these three examples all place the designated risk management unit under the Department of Finance and give the unit responsibility for workers' compensation, the City of Pittsburgh could adopt a different structure tailored to its strengths and needs. However, in 2010, the City shall establish a citywide risk manager to implement a comprehensive Risk Management and Loss Control Program for all phases of the City's operations.

While there will be costs associated with the new position, strengthening risk management by implementing this and subsequent initiatives in this chapter may generate savings by reducing the number or severity of incidents resulting in claims, lowering policy premiums or improving coverage so that the City has less exposure to cover costs on its own. The savings target shown below is assumed to be net of any additional expenses the City incurs in establishing the risk manager position.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	25,000	75,000	150,000	150,000

IR02. <u>Establish a risk management team</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

A risk management team shall be organized under the leadership of the Risk Manager. The team shall include the City Solicitor or a designated Assistant City Solicitor, the Director of the Department of Public Works, the Public Safety Director, the Director of Personnel and the City Controller. The risk management team shall be required to meet at least once quarterly to implement effective risk management procedures and policies for the City.

IR03. <u>Establish a risk management implementation program</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

A proactive program shall be established by the end of 2010 with procedures and policies for implementation by all departments and supervisory personnel. Areas that must be covered include facility and program area risk management processes, safety practices and training, notification procedures and record keeping. Existing insurance brokers and underwriters should be required to conduct loss control audits of insurance coverage.

IR04. <u>Create comprehensive facilities and equipment inventory</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The Risk Manager shall complete a comprehensive inventory of all City facilities and equipment for use in establishing coverage limits under all policies to be implemented in 2009. The Department of Finance's Bureau of Procurement, Fleet and Asset Services, which manages the City's vehicles and fixed assets, and the Department of Public Works' Bureau of Properties, which handles property maintenance, may be helpful in this effort.

IR05. <u>Conduct interdepartmental liability risk audits</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

Department heads should be assigned the responsibility to conduct audits of departments other than their own to determine where liability risks exist.

Additional initiatives

The chapter addressing workers' compensation is also pertinent to the City's insurance coverage and risk management. Other than the initiatives above, others related to insurance coverage and risk management include:

- Increase Citywide focus on training (Personnel and Civil Service Commission)

7. Public Safety

Bureau of Administration (Public Safety)

Overview

Within the Department of Public Safety the Bureau of Administration houses the Director and associated staff, the Office of Emergency Management and Office of Youth Policy. Emergency Management's responsibilities include developing citywide plans for responding to natural or man-made disasters; managing the programs and assets from the US Department of Homeland Security, Pennsylvania Emergency Medical Agency (PEMA) and the Region 13 Counter-terrorism Task Force; and coordinating implementation of the National Incident Management System (NIMS). The Office of Youth Policy works with the Pittsburgh Public Schools, Allegheny County, the Three Rivers Workforce Investment Board and other community groups to coordinate resources and programs for the City's youth.

In recent years the various public safety units[1] – Building Inspections (BBI), Emergency Medical Services (EMS), Fire and Police – reported directly to the Mayor or the Chief of Staff. The prior directorate structure was reestablished when the current Director of Public Safety was appointed in 2007. The FY2009 budget added 11 positions to the Bureau of Administration, but nine were transferred from EMS or Fire since the Department is consolidating supply functions to eliminate unnecessary duplication. The City's quarterly reports did not regularly show filled positions in the Bureau until FY2008.

Historic Employee Count – Bureau of Administration (Public Safety)

	2005	2006	2007	2008	2009
Filled Positions[2]	N/A	N/A	N/A	4	N/A
Budgeted Positions[3]	4	3	3	4	15

Historical Expenditures – Bureau of Administration (Public Safety)

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	193,769	117,587	107,257	161,156	712,350	267.6%
Premium Pay	0	0	1,776	1,425	0	N/A
Miscellaneous Services	0	0	0	0	500,000	N/A
Total	**193,769**	**117,587**	**109,033**	**233,490**	**1,212,350**	**525.7%**

[1] Animal Control moved under Public Safety in 2008. It was previously part of the Department of Public Works' Bureau of Environmental Services.

[2] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[3] Budgeted positions as reported in the City's annual operating budgets.

Projected Baseline Expenditures – Bureau of Administration (Public Safety)

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	712,350	730,159	748,413	767,123	786,301	10.4%
Miscellaneous Services	500,000	0	0	0	0	-100.0%
Total	**1,212,350**	**730,159**	**748,413**	**767,123**	**786,301**	**-35.1%**

As explained above, the FY2009 increase in salary expenses is attributed to transferring positions into Administration from other public safety bureaus. The City budgeted $500,000 under Miscellaneous Services in FY2009 for the operation of the Youth Curfew Center.

Progress and future challenges

As the home office for the Public Safety Director, the Bureau of Administration is responsible for coordinating the efforts of other bureaus within the department. The current Director has expressed the need to have public safety employees work more closely together to solve difficult problems that often overlap bureau boundaries. In its studies of the Bureaus of EMS, Fire and Building Inspection, public safety operations consulting firm TriData also highlighted the importance of cooperation, particularly between Fire and EMS and between BBI and Police. For example, a vacant property may create code violations, a fire hazard and hot spot for criminal activity. Certain incidents require police and animal control officers to respond. In the event of a man-made or natural disaster, the City would rely on all bureaus to work together seamlessly which will only happen if there is a foundation of cooperation already in place. In dire circumstances cooperation is vital. In less urgent circumstances it can contribute to operational efficiencies that will help the City complete its financial recovery.

Initiatives

PS01. **Improve cooperation between the Bureaus of EMS and Fire through coordinated training**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

TriData's operational study of the Bureau of EMS describes a tense relationship between that Bureau and the Bureau of Fire:

> "The EMS Bureau questions the efficacy of the first responder program [in which firefighters provide BLS], citing a lack of training, poor attitude among some firefighters, a lack of respect for EMS authority, and inaccurate emergency medical dispatch leading to unnecessary fire unit responses. These concerns are valid, but the causes are two way. During interviews with staff and paramedic personnel, we learned that EMS is reluctant to support upgrading firefighters to EMT-B or allowing them to use equipment assigned to EMS units. **This attitude is of great concern, and causes a lack of synergy between organizations."** (emphasis added)[4]

[4] TriData, "Administration and Response Report – Pittsburgh Bureau of EMS," April 2008, page 70.

To improve that relationship, TriData suggests that the bureaus work more closely together on employee training. "A well-known axiom of training and mutual aid is applicable here: Organizations that train together work better together during an incident."[5]

According to TriData, the bureaus have similar needs for new training space. TriData characterizes the EMS training facility at 220 22nd Street as "inadequate" and the Fire training facility at 1395 Washington Boulevard as "very outdated" and in need of eventual replacement.[6] To strengthen coordination between the bureaus and address the coinciding need for improved training facilities, the Director of Public Safety, EMS Bureau Chief, Fire Chief and relevant staff shall work on a cooperative training program that may include:

- Collocating senior managers in a common training facility managed jointly by both bureaus
- Building a new joint training facility
- Establishing new and expanding existing joint training exercises.

The cost of building a joint training facility would be included in the City's capital budget. There may be operational efficiency gained from having one large, joint training facility instead of two smaller, separate facilities, but those savings are not estimated here.

PS02. <u>Enhance rescue services by building the Bureau of Fire's capacity</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

One area in which the City must improve coordination and bolster its capacity is rescue services. Incidents requiring a rescue response range from vehicle entrapments to building collapse, from river rescue to chemical spills on roads or in waterways. The Bureau of EMS responds to most incidents through its two heavy rescue units each staffed by two paramedics on a 24-hour a day, 365-days a year basis.[7] While it is not financially feasible to staff rescue services in EMS at a significantly higher level around the clock just in case a large scale disaster occurs, such a catastrophic event that requires several kinds of rescue response simultaneously could overwhelm the City's current capacity.

As an example of this risk, TriData discovered instances in which Fire units arrive at a vehicle accident scene before the EMS rescue unit but can only provide limited support until the EMS unit arrives.[8] With better training and distribution of the necessary tools, the fire unit could save valuable time and provide a more sophisticated response. If this mismatch between service needs and available resources occurs for a relatively common incident – vehicle extrications are estimated to be 80 percent of rescue incidents[9] – there could be an even greater risk in the event of a large scale disaster.

In recognition of this risk, the Public Safety Director has articulated a vision for a pyramid-shaped emergency response system with a few highly trained people at the top and a broad base of personnel with more basic skills that can be deployed quickly. While EMS staff currently have the expertise to meet the needs at the top of the pyramid, the Bureau is also responsible for providing quality pre-hospital medical care and transport to injured people.

[5] Tri-Data "Comprehensive Management Study – Pittsburgh, PA Bureau of Fire," April 2008, page 183

[6] Ibid, pages 90, 184.

[7] In some cases, such as river rescue and hazardous material (hazmat) incidents, EMS works with the Bureaus of Police or Fire to respond to incidents.

[8] TriData, "Administration and Response Report – Pittsburgh Bureau of EMS," April 2008, page 84

[9] Ibid, page 5.

Meanwhile, the Bureau of Fire has more staff available than EMS on a per shift basis and more locations from which staff can be deployed quickly. Firefighters are also trained to provide first responder, basic life support services to support EMS. Given this availability and the need to enhance rescue services in a financially responsible manner that makes full use of available resources, the City shall develop its rescue support capacity within the Bureau of Fire.

TriData recommends training and equipping the Bureau of Fire to respond to vehicle entrapment and extrication through a three-step process[10]:

- *Training:* Train all Bureau of Fire employees assigned to ladder companies. Recruits would receive the training during the academy and existing firefighters would receive it as the Public Safety Director deems it practical.

- *Skill building:* Fire ladder company personnel begin assisting EMS personnel with operating equipment during emergencies. EMS personnel have extensive experience and can provide the guidance needed during this skill building phase.

- *Enhancing service:* At a time determined by the Public Safety Director, Fire ladder companies would be equipped with necessary rescue equipment.

Beginning with vehicle extrication and entrapment, the City shall begin enhancing rescue capacity in the Bureau of Fire. Once the Public Safety Director determines fire staff is adequately trained, the City will have to use capital budget funds to purchase more vehicle extrication and entrapment equipment for distribution among fire companies. The timing and level of equipment distribution among fire companies (i.e. how many companies have the equipment and when they get it) shall be solely at the discretion of City management including the Public Safety Director. Similarly, additional training of Fire personnel designed to increase the number of base personnel who can assist in catastrophic response shall be at the discretion of City management including the Public Safety Director.

PS03. <u>Work with the Department of Finance to maintain an Annual Purchasing Plan (APP)</u>
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The chapters addressing the Bureaus of Police, Fire, EMS and Building Inspection each discuss the importance of having an adequate number of vehicles ready for use every day. These vehicles are the primary tools by which police officers conduct patrols, firefighters respond to incidents, paramedics transport patients and code inspectors travel for field inspections.

To build on the City's progress achieved in replacing Fire and EMS vehicles, address Police concerns about a lack of vehicles and coordinate the purchase and deployment of new BBI vehicles, the Bureau of Public Safety shall coordinate the Department's participation in the maintenance of an Annual Purchasing Plan for vehicles. The APP is primarily the responsibility of the Bureau of Procurement, Fleet and Asset Services within the Department of Finance. However, Public Safety should work with and support the Bureau, the Equipment Leasing Authority (ELA) and the private vehicle maintenance contractor in putting together and maintaining the APP. This includes ensuring the City has one set of consistent assumptions about vehicle life span, replacement cycles and the number of vehicles required for daily operations. As the City's needs, goals and resources change, Public Safety shall work with the Bureau of Fleet, Procurement and Asset Services and the ELA to ensure the APP reflects

[10]Ibid, page 84.

those changes. The APP is addressed in further detail in the chapter on the Bureau of Procurement, Fleet and Asset Services.

PS04. **Adopt a recruitment plan**
Status: New
FY2009: N/A **Five-year impact:** N/A

The City shall adopt a recruitment plan, including goals and objectives, to increase diversity across the City's workforce, with concentration on Public Safety services.

Additional initiatives

The chapters addressing the other public safety bureaus are relevant to the Bureau of Administration since it houses the Public Safety Director. Along with the initiatives outlined above, others impacting this Bureau include:

- Confer with department managers regarding concerns specific to collective bargaining agreements and establish alternatives for negotiation (Personnel & Civil Service Commission)
- Maintain an Annual Purchasing Plan for Vehicles (Procurement, Fleet and Asset Services)
- Establish a risk management team (Insurance Coverage and Risk Management)
- Pursue police regionalization initiatives (Intergovernmental Cooperation)
- Pursue intergovernmental service arrangements with neighboring municipalities (Intergovernmental Cooperation)
- Continue discussions with the Borough of Wilkinsburg regarding further intergovernmental service arrangements (Intergovernmental Cooperation)

Bureau of Animal Control

Overview

Animal control services were formerly handled as a division within the Bureau of Environmental Services under the Department of Public Works. To reflect its safety related duties and interaction with other public safety units, Animal Control became its own Bureau within the Department of Public Safety through an initiative advanced by City Council in 2007. This Bureau enforces City ordinances regarding all domestic and wild animal life by:

- Issuing dog licenses
- Removing dead animals from private and public property
- Controlling the stray and wild animal population
- Responding to nuisance animal requests
- Coordinating with other city units, including the Bureaus of Police, Fire and EMS

The City currently contracts with the Animal Rescue League (ARL) for the detention and euthanasia of domestic animals. Wildlife euthanasia, however, is performed in-house by a veterinarian with whom the Bureau has contracted. Rodent control services are also contracted out. While the Bureau does not perform rodent poisoning, it does respond to other calls regarding rodent control issues.

Historic Employee Count – Filled Positions

2005	2006	2007	2008
N/A	N/A	N/A	16

Since FY2004, animal control services has consistently had 17 budgeted positions, including one foreman, 12 controllers, two truck drivers and two clerks. Before FY2008 those positions were budgeted in the Department of Public Works. When rodent control was temporarily moved in-house in FY2007, six additional positions were budgeted to perform those duties until they were outsourced to a private firm. With the restructuring of these services as a Bureau within the Department of Public Safety, a new supervisor position was added to the 17 core budgeted positions bringing the FY2008 total to 18 budgeted employees. The City eliminated the vacant foreman position (previously held by the current Supervisor) and one vacant clerk position in the FY2009 budget.

Historic Employee Count – Budgeted Positions[1]

2005	2006	2007	2008	2009
N/A	N/A	N/A	18	16

The Bureau of Animal Control recently took full possession of the building that previously housed the Bureau of Police's Auto Squad, and reports having adequate space for the performance of its duties.

[1] Budgeted positions as reported in the City's annual operating budgets.

Historical Expenditures – Animal Control

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
Salaries	-	-	-	515,832	557,185
Premium Pay	-	-	-	53,711	80,000
Education and Training	-	-	-	-	7,000
Uniforms	-	-	-	9,627	10,000
Supplies	-	-	-	263	3,000
Equipment	-	-	-	4,549	9,000
Miscellaneous Services	-	-	-	297,681	485,000
Total	**-**	**-**	**-**	**881,663**	**1,151,185**

Prior to FY2008 expenses related to animal control were budgeted as part of the Department of Public Works' Bureau of Environmental Services. The largest item in Miscellaneous Services is the animal detention contract with ARL. It is budgeted for $380,000 in FY2009, up from $320,000 budgeted for FY2008.

Projected Baseline Expenditures – Animal Control

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	557,185	571,115	585,392	600,027	615,028	10.4%
Premium Pay	80,000	82,000	84,050	86,151	88,305	10.4%
Education and Training	7,000	7,070	7,141	7,212	7,284	4.1%
Uniforms	10,000	10,100	10,201	10,303	10,406	4.1%
Supplies	3,000	3,075	3,152	3,231	3,311	10.4%
Equipment	9,000	9,225	9,456	9,692	9,934	10.4%
Miscellaneous Services	485,000	497,125	509,553	522,292	535,349	10.4%
Total	**1,151,185**	**1,179,710**	**1,208,945**	**1,238,908**	**1,269,618**	**10.3%**

Progress and future challenges

The 2004 Recovery Plan evaluated Animal Control Services as a division of the Bureau of Environmental Services. The Plan identified three initiatives for the division that presented opportunities for potential cost savings and improved operational efficiency. The status of each of those initiatives is as follows:

- ***Competitively bid animal control services***: In compliance with the 2004 Recovery Plan initiative, the City held a managed competition process for animal control services. The only bids submitted were from Triangle Pet Control Services Company, Inc. and the City's animal control

staff. Based on the Act 47 Coordinator's recommendation after reviewing the bids, the City staff's proposal was selected since it offered a higher level of services at a lower final cost. In addition to quoting a one year total cost which was nearly $400,000 less than Triangle's proposal, the City proposal included performance measurement and emergency response duties not apparent in Triangle's proposal.

The City staff's proposal emphasized its experience in providing rapid customer response and incident resolution, triage procedures that maximized public safety, and a system of City-wide proactive patrol coverage. At the time of the proposal, City staff already handled the following responsibilities:

- Enforcement of City Code chapters 631, 633, 634, 635, and 636, and the Pennsylvania Dangerous Dog Law
- Capture of dogs running at large
- Removal of nuisance animals
- Investigation, capture and quarantine of animals involved in bites
- Investigation of animal fighting incidents
- Investigation of animal abuse incidents
- Removing dead animals from City rights-of-way and parks
- Removal of deceased pets from residents' properties and shelters

Animal control staff also presented a plan for providing services of particular focus in the City's request for proposals, including:

- Stray animal roundup
- Seizure and removal of threatening animals
- Humane trap provision to residents on a deposit/return basis
- Seizure and removal of wildlife from homes

While the City's animal control staff have established daily hours of operation, they also offered on-call services 24 hours a day and pledged to answer all emergency call within 15 minutes and all non-emergency call within 30 minutes. Triangle's proposal, if selected, would have reduced total service hours and required the City to pay additional fees for services performed outside of normal business hours. Triangle's proposal did not include dead animal transport or a pet "lost and found" program.

The City also proposed five revenue generating ideas – increased dog licensing fees, a cat registration fee, a service fee for animal trap rentals, advertising on City animal control vehicles and contracting to provide animal control to other municipalities.[2] Some of these ideas, like the advertising and intergovernmental contracting, are covered in other sections of this Amended Recovery Plan. The City has a service fee for animal trap rentals to recover its costs if the trap is not returned.

- ***Transfer animal registration responsibility to the County***: Allegheny County handles animal registration for all municipalities within it except Pittsburgh. The County and City reported in October 2007 that they were exploring this possibility but there has been no resolution. This is discussed further in the Intergovernmental Cooperation chapter.

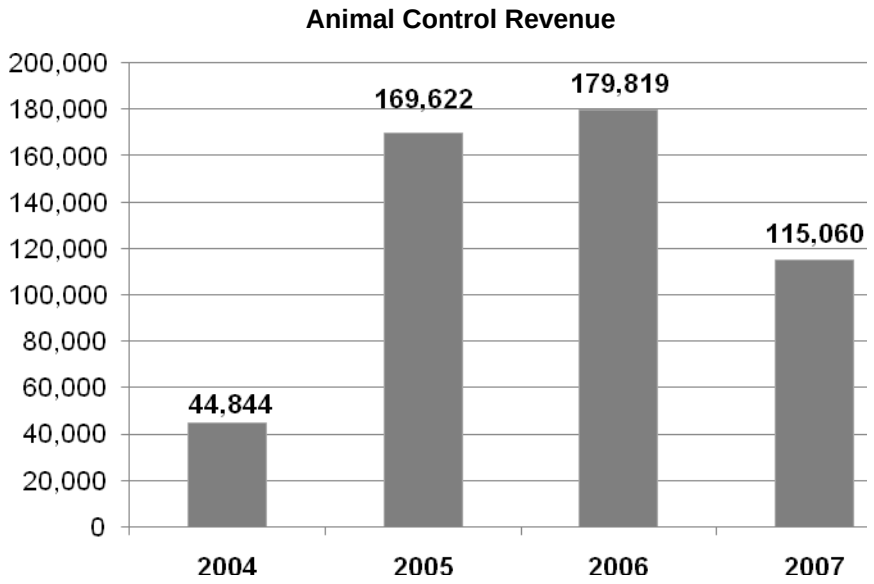
- ***Eliminate spay and neuter voucher program***: The City previously offered residents a voucher program, subsidized at City expense, to encourage them to take their pet to any veterinarian to

[2] The City's proposal projected an additional $70,000 in annual revenue associated with these ideas. While the City has not implemented all the ideas, revenue related to Animal Control increased by $125,000 in FY2005, potentially through other initiatives or improved enforcement of previous regulations.

be spayed or neutered. This program was discontinued as recommended in the 2004 Recovery Plan. Councilwoman Harris has worked with community organizations including the ARL, Western Pennsylvania Humane Society and Animal Friends to launch a pilot spay-and-neuter project in her district with possible extension to other parts of the City.

Challenges

While the City budgets revenue associated with Animal Control under Breakeven Centers, it is unlikely the Bureau's services could generate sufficient revenue to cover the total cost of services. Some Bureau services, like responding to incidents involving wild animals or removing dead animals, do not lend themselves to traditional cost recovery in which a service recipients pays for the service received. Other services, like dog registration, have charges set by statutory limits beyond the City's control. In recent years, revenues approximated 10-15 percent of City animal control expenditures. Still, cost recovery where possible and appropriate shall remain a goal. Recent revenues related to animal control are shown below.



The Bureau of Animal Control currently contracts with the Animal Rescue League (ARL) for its animal detention and euthanasia services. In FY2008, the City budgeted $320,000 for this contract, which is significantly greater than the $100,000 budgeted for each of the prior two fiscal years. This spike in cost is attributable to a restructuring of fees in the new contract. Previously, the City was charged a holding fee of $38 per cat and $42 per dog and a euthanasia fee of $25 per cat and $27 per dog. Under the new contract, the City must pay $182 for each animal surrendered, regardless of whether it is adopted or euthanized. This increases expenses and acts as a deterrent for other municipalities to enter shared service agreements with the City.

Initiatives

AC01. **<u>Create a contingency plan for animal shelter services</u>**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City currently contracts with the Animal Rescue League (ARL) for the shelter and euthanization of cats and dogs surrendered to the shelter by animal control officers. These animals come under the responsibility of Animal Control and then ARL in the course of an

animal control officer's daily mandated duties, such as picking up strays or removing nuisance animals. Once placed at the shelter, the animal may be euthanized after no less than a 72-hour holding period.

In the past year ARL restructured its rate schedule to create a single flat fee for all animals the City surrenders to the shelter. Previously, different rates were assessed for retention and euthanization and for handling cats and dogs. Assuming that the animal is eventually euthanized, the new flat fee is more than double the two separate fees previously assessed. City personnel have also cited the higher fees as an obstacle to contracting with other municipalities for animal control services.

Beyond the concern with the higher rates, City employees and Council members expressed interest in reducing animal euthanasia through a City-operated or sponsored no-kill shelter. No-kill shelters are generally operated as non-profits and, though they may coordinate with a municipality, are not usually operated by them directly.

Whether Pittsburgh operated a traditional or a no-kill shelter, resource restraints would limit the number of animals it could house. To reduce animal euthanasia, the City needs a strategy to reduce the animal population in need of shelter services. Elements of that strategy may include internally providing spay-and-neuter services (intermittent or ongoing)[3], requiring that all retrieved animals be spayed or neutered, requiring microchipping for all registered pets, or providing reduced registration costs for microchipped pets.

The City needs to provide animal shelter services, even if the current arrangement with ARL does not continue. Therefore, the City shall establish a contingency plan for sheltering animals in the absence of continued service from ARL. The contingency plan shall consider alternatives for animal shelter services, including contracting with other third party service providers. In putting together this contingency plan, the City shall analyze the volume of animals to be served, staffing needs, costs (operating and capital) over a multi-year period and time frame for enactment. The contingency plan may also include policies for reducing the population of animals needing shelter or improving the rate of adoption. The City shall have a draft plan in place before the expiration of its current contract with ARL. The Act 47 Coordinator is available to help the City estimate costs associated with alternative shelter arrangements.

Additional initiatives

Along with the initiatives outlined above, others impacting the Bureau of Animal Control include:

- Explore the transfer of pet licensing to the County (Intergovernmental Cooperation)
- Pursue intergovernmental service arrangements with neighboring municipalities (Intergovernmental Cooperation)

[3] As directed in the 2004 Recovery Plan, the City eliminated its subsidized voucher program for spaying and neutering pets. If the City provides spaying and neutering on an ongoing basis, it should be sure to recover its costs through appropriate fees.

Bureau of Building Inspection

Overview

The Bureau of Building Inspection (BBI) regulates the construction, occupancy, and demolition of all buildings and structures within the City of Pittsburgh. The Bureau is also responsible for the review, approval, and issuance of all permits required by code for both existing structures as well as for new construction. These duties are performed by one of the two divisions within the Bureau:

- **Code Enforcement** enforces the requirements contained in the Uniform Construction Code (UCC) by performing in-field inspections of buildings and structures throughout the City. The Code Enforcement division oversees all general building inspections, as well as electrical, accessibility, energy and fire inspections.

- **Planning and Review** is responsible for the review and approval of construction drawings and specifications, and the issuance of permits for all phases of construction.

Actual Bureau staffing has been relatively stable since FY2005, although the number of budgeted positions has increased over the past four years. The Bureau picked up five positions in FY2006 when fire prevention, plan examination and fire code inspection were moved from the Bureau of Fire, and grew again in FY2009 with the addition of a business technology analyst and two account clerks to handle work associated with the Rental Registration program.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
66	67	69	65

Historic Employee Count – Budgeted Positions[2]

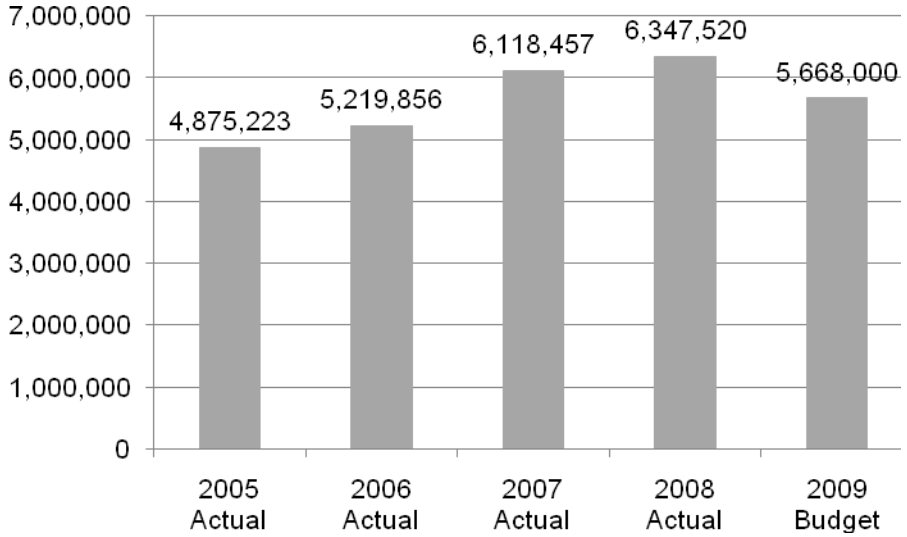
	2005	2006	2007	2008	2009
Chief/Assistant Chiefs	3	3	3	3	3
Master Code Professional	1	1	2	1	2
Building Plan Examining Engineer	3	3	2	3	2
Field Operations Manager	1	1	1	1	1
Demolition Manager	1	1	1	1	1
Project Chiefs	3	3	3	3	4
Senior Inspectors	25	23	23	23	22
Fire prevention and inspection	-	5	5	5	4
Electrical wiring inspectors	7	7	7	7	7
Code inspectors	11	12	12	12	12
Other	12	13	13	13	16
Total	**67**	**72**	**72**	**72**	**74**

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets. FY2009. Fire prevention and inspection positions include Prevention Administrator, Plan Examiner and Inspectors.

The Bureau generates revenue from fees charged for permitting, licensing, and testing services which are recorded as "Breakeven – BBI" revenue in the City's budget. The chart below shows the revenues for FY2005 – FY2008 and the FY2009 budget.

Breakeven – BBI Revenue



The FY2009 budgeted revenues do not include any additional amount that may be generated by a new ordinance requiring all rental units to be registered with the City and to be inspected annually.[3] Those revenues would be deposited into a designated trust fund, rather than the City's General Fund.

Historical Expenditures – Building Inspection

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	2,381,314	2,516,009	2,674,132	2,578,986	3,059,441	28.5%
Premium Pay	(2,342)	2,841	531	18,375	5,175	-321.0%
Education and Training	14,314	14,728	22,808	20,855	67,020	368.2%
Uniforms	11,604	15,197	14,761	11,894	17,763	53.1%
Supplies	12,108	12,197	11,825	12,041	13,139	8.5%
Equipment	9,192	12,598	12,510	5,776	12,691	38.1%
Repairs	0	45	0	0	720	N/A
Rentals	2,481	2,968	2,429	2,235	6,328	155.1%
Miscellaneous Services	129,178	137,892	130,849	116,518	136,189	5.4%
Transfers	0	0	0	0	300,000	N/A
Total	**2,557,849**	**2,714,475**	**2,869,846**	**2,766,680**	**3,618,466**	**41.5%**

[3] The enactment of this ordinance resulted in legal action against the City. Other than ongoing registration of rental units, the remaining ordinance provisions have been stayed by the Court pending negotiation among the parties.

The largest item in the Miscellaneous Services line is the mileage reimbursement for inspectors who use their personal vehicle for Bureau work. The City's collective bargaining agreement with AFSCME District Council 84, Local 2719 provides a maximum reimbursement of $225 a month.[4] The City budgeted $119,241 for this reimbursement in FY2009.

The $300,000 transfer in FY2009 is a one-time expenditure with matching funds from the Intergovernmental Cooperation Authority (ICA) to support public safety demonstration projects promoting neighborhood stability. In FY2009 these funds were used to certify the Bureau's three demolition inspectors to perform asbestos-related inspections in the City's building demolition program. Such inspections were previously outsourced but the City will now be able to perform some in house as discussed in the initiative section.

Projected Baseline Expenditures – Building Inspection

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	3,059,441	3,135,927	3,214,325	3,044,683	3,127,050	2.2%
Premium Pay	5,175	5,304	5,437	5,573	5,712	10.4%
Education and Training	67,020	47,490	47,965	48,445	48,929	-27.0%
Uniforms	17,763	17,941	18,120	18,301	18,484	4.1%
Supplies	13,139	13,467	13,804	14,149	14,503	10.4%
Equipment	12,691	13,008	13,333	13,667	14,008	10.4%
Repairs	720	738	756	775	795	10.4%
Rentals	6,328	6,486	6,648	6,815	6,985	10.4%
Miscellaneous Services	136,189	139,594	143,084	146,661	150,327	10.4%
Transfers	300,000	0	0	0	0	-100.0%
Total	**3,618,466**	**3,379,956**	**3,463,473**	**3,299,069**	**3,386,794**	**-6.4%**

The City has projected $500,000 in unspecified savings attributable to implementing the changes recommended in an operational study by TriData. Those savings are reflected in the City's approved five-year plan for 2009-2013, reflected in the salaries line for FY2012 and FY2013, and resulting in the low five-year growth percentage. Spending on education and training is expected to drop in FY2010, but remain higher than pre-FY2009 levels.

Progress and future challenges

In 2008 the ICA funded an operational review of the Bureau by public safety consulting firm TriData. The study found that "As an organization, BBI is in severe distress."[5] The report cited problems with the Bureau's structure and processes, lack of training, and technology and identified a need for greater leadership and inspector accountability. The report also detailed challenges facing the Bureau given Pittsburgh's older building stock, vacancy rate and prevalence of rental properties. TriData also noted that strengthening BBI is integral to the success of the City's other public safety bureaus. For example, BBI coordinates the demolition of vacant properties that are high risks for fire and criminal activity.

[4] Section 6 of the Collective Bargaining Agreement.

[5] TriData, "Review of Pittsburgh, Pennsylvania Bureau of Building Inspection," October 2008.

The Administration has acknowledged the significant problems facing the Bureau and has begun to take steps to address them, including naming a permanent Bureau head. In October 2008 the Administration outlined objectives to improve inspector training and decentralize operations, which are addressed in more detail below. The initiatives section of this chapter seeks to build on TriData's findings and priority improvements identified by the Administration, City Council and the ICA.

Housing profile

To better understand the challenges facing the City, Pittsburgh's housing stock was compared to a peer group of regional cities of similar size and number of housing units. Pittsburgh's median housing value is below the median and average for the peer group, and well below the national average. Removing Newark, New Jersey as an outlier, Pittsburgh is still below the group median and average but is closer in range. With a median housing value of $84,500, the only cities recording a lower value are Buffalo, Erie and Rochester.

	Total Population	City Square Mileage	Total Housing Units Per Square Mile	Median Housing Value
Pittsburgh, PA	**290,918**	**56**	**2,875**	**$84,500**
Akron, OH	196,073	62	1,575	$94,100
Allentown, PA	108,459	18	2,495	$140,800
Buffalo, NY	264,292	41	3,540	$60,700
Cincinnati, OH	297,304	78	2,124	$132,800
Cleveland, OH	395,310	78	2,780	$89,700
Erie, PA	98,507	22	2,028	$80,300
Newark, NJ	270,007	24	4,522	$317,400
Philadelphia, PA	1,449,634	135	4,890	$136,400
Rochester, NY	204,122	36	2,803	$69,100
St. Louis, MO	350,759	62	2,905	$128,300
Toledo, OH	283,851	81	1,728	$101,600
Median w/o Pittsburgh	**270,007**	**62**	**2,780**	**$101,600**
Average w/o Pittsburgh	**356,211**	**58**	**2,854**	**$122,836**
National Average	**---**	**---**	**---**	**$194,300**

One of the challenges facing the City of Pittsburgh is a high housing vacancy rate. In 2007, the vacancy rate was 18.3 percent in Pittsburgh, which ranks above the median and average vacancy rates for the peer group and well above the national average. Vacant housing has become a serious concern for the City and for the Bureau due to the tendency of these properties to attract criminal activity, including arson. The Bureau has taken steps to increase the rate at which it demolishes condemned buildings, but has made little progress in reducing the backlog. According to 2008 PittMAPS data, during the past year 602 building were condemned but only 566 were demolished, bringing the total backlog of condemned structures to 1,449. Of the demolitions completed in 2008, a majority were performed by the City with only 115 completed at the owner's expense.[6]

[6] City of Pittsburgh Quarterly Financial & Performance Report for the Period Ending December 31, 2008, page 74.

	Total Housing Units	Vacant Housing Units	Vacant Housing Units (%)
Pittsburgh, PA	**159,852**	**29,312**	**18.3%**
Akron, OH	97,833	14,955	15.3%
Allentown, PA	44,156	4,180	9.5%
Buffalo, NY	143,720	30,495	21.2%
Cincinnati, OH	165,695	37,724	22.8%
Cleveland, OH	215,760	50,342	23.3%
Erie, PA	44,612	6,555	14.7%
Newark, NJ	107,629	17,449	16.2%
Philadelphia, PA	660,646	98,262	14.9%
Rochester, NY	100,336	18,289	18.2%
St. Louis, MO	179,797	38,238	21.3%
Toledo, OH	139,244	21,305	15.3%
Median w/o Pittsburgh	**139,244**	**21,305**	**16.2%**
Average w/o Pittsburgh	**172,675**	**30,709**	**17.5%**
National Average	**---**	**---**	**11.6%**

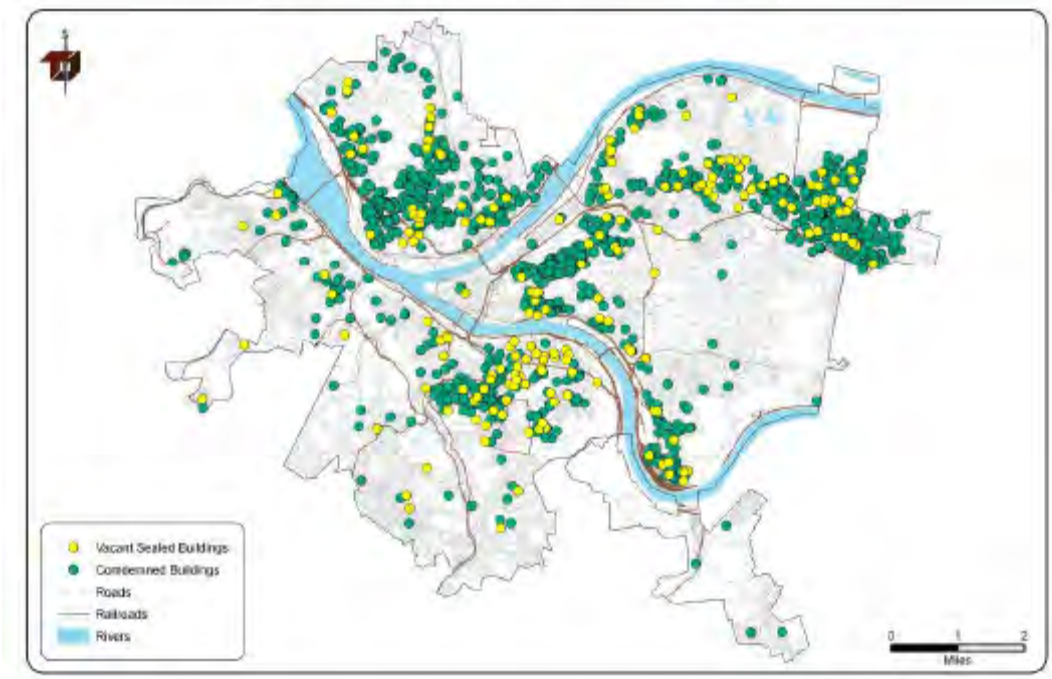
While the City of Pittsburgh reports a higher-than-average vacancy rate, the percentage of renter-occupied housing units is less than the 42.2 percent average reported for the comparable group. Though many of the City's problems are perceived to be with renters, the City's lower renter occupancy rate may suggest otherwise.

	Owner Occupied Housing Units	Renter Occupied Housing Units
Pittsburgh, PA	**44.0%**	**37.7%**
Akron, OH	48.8%	35.9%
Allentown, PA	43.6%	46.9%
Buffalo, NY	35.7%	43.1%
Cincinnati, OH	33.2%	44.0%
Cleveland, OH	35.8%	40.9%
Erie, PA	49.3%	36.0%
Newark, NJ	24.0%	59.7%
Philadelphia, PA	48.9%	36.2%
Rochester, NY	32.9%	48.8%
St. Louis, MO	39.9%	38.8%
Toledo, OH	50.9%	33.8%
Median w/o Pittsburgh	**39.9%**	**40.9%**
Average w/o Pittsburgh	**40.3%**	**42.2%**
National Average	**67.3%**	**32.7%**

TriData mapped the location of the City's vacant and condemned properties, which are concentrated in certain communities, as shown below. TriData also reported that "Neighborhoods throughout the city are at risk of further decline due to increased crime; graffiti; weeds, abandoned cars and other exterior up-keep problems; absentee landlords; and tenant problems."[7]

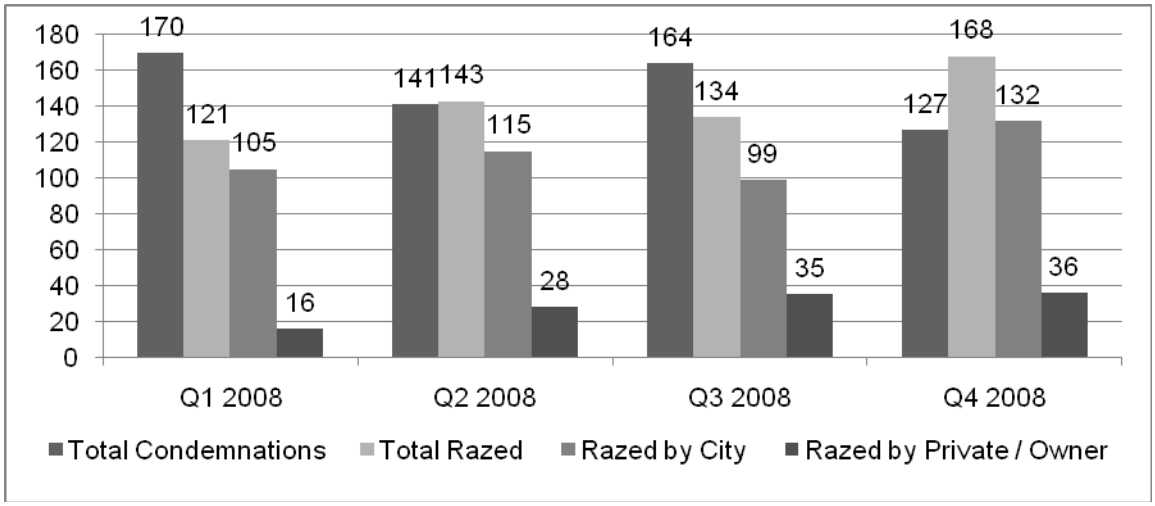
[7] TriData, "Review of Pittsburgh, PA Bureau of Building Inspection," October 2008, page 5.

Vacant Sealed and Condemned Properties



Source: TriData BBI review. October 2008. Page 5.

The City's PittMAPS performance system reported the statistics shown below for the first through fourth quarters of 2008. As the graph shows, there are typically more buildings condemned than razed and a majority of the buildings demolished are razed by the City of Pittsburgh and not by a private entity or owner.



While the period of time covered by this graphic is limited due to the recent inception of PittMAPS, these numbers illustrate the issues the City faces in keeping up with newly-condemned properties and in making owners take responsibility for their properties. To address these concerns City Council has passed and the Mayor has signed the following ordinances:

- **Disruptive Property**: A property accumulating three violations from any public safety unit in 60 days is deemed a disruptive property. Property owners can be required to submit a plan to address the disturbances or pay a charge for subsequent responses by public safety bureaus at that property.

- **Residential Property Registration**: All rental units must be registered with the City so as to enable annual inspection of the property. The City is discussing possible amendments to this ordinance with groups representing landlords.

- **Trash Disposal Notification:** Landlords must have tenants initial a list of rules outlining when and how trash should be set out for collection. Landlords with non-compliant tenants may be fined.

Operational challenges

Beyond the City's housing profile, BBI also faces operational challenges.

- **Insufficient training:** The Commonwealth's Uniform Construction Code (UCC) requires that code inspectors obtain certification for the categories in which they perform inspections. The table below shows the number of inspectors with each type of certification. Third-party firms are used for inspections where the City lacks certification. Allegheny County's Health Department handles plumbing inspections.

Number of Certified Inspectors (As of January 2009)

Certification Category	No.
Building Inspector	20
Accessibility Inspector / Plans Examiner	2
Asbestos Inspector	3
Building Plans Examiner	1
Electrical Inspector	7
Electrical Plans Examiner	1
Energy Inspector	2
Fire Inspector	2
Mechanical Inspector	2
Property Maintenance	5
Residential HVAC	1
Residential Mechanical Inspector	1

In some cases, like commercial energy inspections, the lack of certifications creates a bottleneck where there are a limited number of inspectors to respond to a large caseload. This also increases the number of inspectors who have to be assigned to a project requiring multiple types of review. Lack of certification also prevents the Bureau from allocating its staff to meet changing demand for different kinds of inspection and review.

The Commonwealth's Department of Community and Economic Development (DCED) recently provided a two-day seminar for the City where most Bureau plan review and code inspector staff

gained valuable training focused on Building Code Official (BCO) certification. As outlined in the initiative section, the Bureau shall continue to work with the Commonwealth and its Pennsylvania Construction Code Academy (PCCA) to address this shortcoming and increase the number of certifications held by City BBI personnel.

Similarly, the Allegheny County Department of Health requires that all single-family structures be inspected for asbestos before demolition, unless the properties are bid individually. Since demolition contracts are usually bundled in groups for efficiency and since the City, until recently, did not have any inspectors with the required certification, the City has paid a private firm $1,600 per structure for asbestos inspection. This increases the cost and time involved in building demolition, limiting the number of structures that can be removed. Though the Bureau now has three inspectors with asbestos certifications, it cannot yet estimate the positive impact this will have in terms of improving demolition efficiency and general cost savings.

TriData also noted in its report that only a few code inspectors have the nationally recognized (but not currently Commonwealth-required) International Code Council (ICC) certification for property maintenance and housing inspections.

- **Inefficient processes:** Until recently all code inspectors began their shift by reporting to the Bureau's office on Ross Street in downtown Pittsburgh. Before the inspectors began their field work for the day, they had to travel to the office, locate parking downtown, handle administrative tasks including filing the previous day's field reports, and then travel to their first inspection site. Once the inspectors were in the field, communication with management was inconsistent since the radios assigned to staff may not work or were not used. Because inspectors use their own vehicle, they occasionally are stopped by police who appropriately question why an unmarked vehicle is slowly surveying houses. The capped monthly mileage described above creates a disincentive for inspectors to cover more territory. Before the deployment of some portable computers (see more below), the field reports were written by hand and then held until they could be entered into the City's computer system (often by separate clerical staff) the next morning. In some cases reports were not entered into the system, making retrieval and tracking difficult. TriData and Bureau management described this centralized structure as inefficient and ineffective in giving management the information needed to monitor inspectors' progress and deploy them appropriately. The City is in the process of decentralizing code inspection and providing marked BBI vehicles as discussed in the initiative section.

- **Technology needs:** The 2004 Recovery Plan contained several initiatives targeted at improving the Bureau's technology, including digitizing data, deploying handheld computers and improving online permitting. The City has made progress in some areas, but much work remains to be done.

  With many inspection records and plans only available in hard copy, it is cumbersome to sort and review them by categories such as structure, owner, location or outstanding compliance issues. Manual processes create duplication of effort and the potential for inconsistency and inaccuracy. TriData's review found that the Bureau's software system is sufficient, but underutilized.

  The 2004 Recovery Plan charged the Bureau with developing a more effective and comprehensive web presence so permit applicants could access information, download application forms and submit them online. The Bureau has made most forms and applications accessible via its website and in April 2009 the Administration introduced a proposal to allow residents and businesses to apply for permits online. The estimated the cost of the proposed system is $1.3 million. In 2008, the City secured a one-time $250,000 contribution from a local non-profit foundation to begin to pursue this objective.

Progress

While the Bureau faces serious challenges, it has also made some progress toward implementing 2004 Recovery Plan initiatives:

- **Implement the Uniform Construction Code:** In 2004 all Pennsylvania municipalities were required to make arrangements to implement Act 45, the Uniform Construction Code (UCC) that standardizes code and enforcement practices across the Commonwealth. Municipalities could agree to administer the code themselves, contract with a third party or another government, or enter an agreement with the Commonwealth's Department of Labor and Industry (L&I) to do so. Pittsburgh chose to administer the code itself and designated one Bureau inspector (usually the Building Inspections Chief) to serve as its municipal code official.

  To comply with the UCC mandate, the Bureau is working to meet the 15-day and 30-day thresholds for reviewing residential and commercial permits, respectively. As recommended in the 2004 Recovery Plan, the City added a fourth plan examiner position to help meet this goal. Prior to adopting the UCC mandate, the Bureau typically completed reviews in 31 (residential) and 34 (commercial) days. The Bureau has since made progress toward consistently meeting this new review time requirement. According to 2008 PittMAPS data, during the last six months of the year there were five or fewer permits that were not completed during the established timeline.[8]

  To respond to the increased demand for timely permit review, the City contracted with three state-approved, privately operated construction code agencies. Applicants may submit their paperwork to one of these third-parties for review if they are willing to pay the fee associated with the third-party review in addition to the City's fee. The Bureau reports that third-party reviews have dramatically decreased and are typically only used when an applicant cannot wait until the end of the approval period.

  The City has a UCC board of appeals with four members participating on an ongoing volunteer basis including two architects, one mechanical engineer, and one electrical engineer. There is a vacancy for a fifth position. While the four-member board does not violate Commonwealth statute, it is advisable to have an odd number of members to break tie votes.

- **Deploy portable computers for inspectors:** To help reduce the reliance on inefficient paper-based processes, the 2004 Recovery Plan directed the Bureau to invest in portable computers for its code inspectors. The Bureau recently employed 12 field-ready computers that will allow inspectors to receive, respond to and report on code violations more quickly. City Information Systems (CIS) helped create software that links the computers to the City's 311 response line. The City should continue to invest in these computers as part of the decentralization initiative described below.

To build on this progress and address the challenges described above, the Bureau and other relevant City departments shall pursue the following initiatives.

Initiatives

BI01. **<u>Restructure training requirements</u>**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

[8] Quarterly Financial and Performance Report for Q4 FY2008, page 74.

One of the Bureau's highest and most immediate priorities is to improve staff training. The Bureau received a $300,000 grant from DCED to make this improvement. The Director of Public Safety, Bureau personnel, TriData and the ICA have suggested different elements to accomplish this objective.

As an initial step the City shall establish a training academy structure in which all new inspector recruits shall attend training targeted at gaining three basic certifications: Building Code Official, Residential Building Inspector and Property Maintenance. The academy training will conclude with attendees taking the certification tests. Trainees shall have a limited number of attempts to gain these certifications, which shall be mandatory for continued employment.

The City shall work with DCED to provide this critical, basic training where possible. If there are any current employees who do not have this training, they shall also attend a session. Only those employees and third party inspectors who have obtained necessary certifications are authorized to conduct inspections, so the City shall employ a process to validate all certifications of City employees and third party inspectors.[9]

Other options that the City shall explore include:

- TriData proposes improving staff training by providing incentives to inspectors who obtain specified certifications. Incentives may include stipends, promotion to new positions, or step increases within the same position. As employees gain more certifications, the Bureau will have more flexibility to assign them to meet changing service demands and provide support when other primary staff is unavailable.

- Bureau leaders and TriData expressed concern that the costs of training new staff are high. It takes one to two years to achieve certain relatively basic types of certification. In some cases the Bureau funds required training only to have staff leave for employment elsewhere once they earn the certifications. An initiative in the Personnel and Civil Service Commission chapter addresses this concern which was also expressed by other bureaus.

- There are some specialized areas where it may be more efficient for the City to direct work to third party firms because that area requires significant specialization to handle a relatively small number of requests. Even if the City loses some revenue because a third party handles the work, it may be more cost effective not to invest its limited resources in training and maintaining staff that could more effectively be used elsewhere. Prioritization is particularly valuable given that the Bureau's workload will only grow with the new responsibilities related to rental property permitting and inspections. The Bureau shall review the list of required certifications and the volume of activity related to each area to determine those areas where it is cost effective to use third party providers instead of relying on in house expertise. This will guide the Bureau in focusing its limited resources on higher priorities.

BI02. **<u>Perform asbestos inspections in-house</u>**
Status: New
FY2009 Impact: $200,000 **Five-year impact:** $1,000,000

Staff in the Bureau's demolition division recently obtained asbestos certifications enabling them to perform the pre-demolition asbestos inspections required by the Health Department. Previously, the City paid a private firm $1,600 per structure for these inspections. Though there

[9] Please note that, as of April 10, 2009, persons holding Department-issued Registration cards (i.e. were "grandfathered" and temporarily relieved of certification requirements) may no longer engage in any aspect of UCC enforcement.

are inspectors certified to perform these inspections, the Bureau is unable to estimate what percentage they will now be able to complete in-house. Assuming the Bureau arranges for the demolition of 500 single-family structures every year over the next five years and that the Bureau can perform 25 percent of these inspections in-house, the City could save approximately $200,000 each year for a total of $1,000,000 over five years.

Units Inspected before Demolition	FY2009	FY2010	FY2011	FY2012	FY2013	Total
125	200,000	200,000	200,000	200,000	200,000	1,000,000

BI03. **Decentralize code inspections**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

To help address the flaws associated with the code inspection, the Bureau shall decentralize field work. Acting on a TriData recommendation, the City has begun having inspectors report to assigned police zones instead of the Ross Street office.[10] The inspectors may also participate in daily briefings (similar to police officers' "roll call"). For support regarding inspection regulations and protocol, inspectors will continue to report to the Bureau. However, for daily assignments and prioritization of inspections, inspectors will report to their police supervisor. This will improve coordination between the Bureau of Police and BBI as they help the City fight crime and blight. The City shall also invest in additional rugged portable computers and marked BBI vehicles so inspectors can remain in the field longer, respond to incidents more quickly, and file their reports more efficiently.

Decentralization will require an initial investment to ensure code inspectors can work effectively from the field. While the total cost of this initiative cannot be identified, a majority of costs fall into the investments listed below. Costs associated with the vehicles and portable computers are covered through prior year encumbrances. Fuel is allocated separately.

- Vehicles: The City plans on making this purchase through the FY2009 capital plan. The increased cost of vehicle maintenance is calculated in the Bureau of Fleet, Procurement and Asset Services chapter with some offsetting savings related to reduced employee mileage reimbursements.

- Portable computers: Decentralization will increase the speed with which inspectors can respond to incidents only if they have the technology to receive incident reports and file reports from the field. A quick survey of online vendors indicates a cost estimate of $3,000 to $4,000 for a portable computer, depending on the model.

- Code inspector work space: In this configuration, inspectors are expected to predominantly use their vehicles as "office space." However, the City may decide that it is beneficial to provide minimal space for inspectors at police district offices or other neighborhood City facilities.

Once the City's Enterprise Resource Planning (ERP) system allows the Department of Finance to "charge back" the cost of services like fleet maintenance to specific departments and bureaus, those costs should also be reflected in BBI's budget.[11] There will also be operating costs such as increased internet service; costs for repair, licensing and maintenance of existing

[10] This was instituted for Police Zone 5 in March 2009.

[11] See the Department of Finance and ERP System sections for further discussion of charge backs.

portable computers; and "soft costs" related to the CIS, 311 response line and Bureau of Police time related to the effort. However, there will also be efficiencies gained so that BBI can commit more resources to field inspections and less to administrative tasks.

BI04. Maintain fire plan review, system testing and inspection responsibilities within BBI

Status: Continued from the 2004 Recovery Plan

FY2009 Impact: N/A **Five-year impact:** N/A

In 2005 the City restructured the way in which it handled fire plan review, fire system testing and fire code inspections from the Bureau of Fire to the BBI. Previously the Bureau of Fire handled inspections and then forwarded written reports to BBI. Splitting the responsibility between two bureaus created coordination problems as written reports were lost and not filed or received in a timely manner. TriData also cited problems with the bid system through which the City used to fill inspector positions, creating a situation in which "most of the inspectors were senior personnel with limited training in code enforcement."[12]

The City moved these responsibilities to BBI in December 2005 but a delay in filling the new BBI positions left the City with inadequate capacity to perform these new functions, particularly testing existing fire suppression/prevention systems. TriData notes, "The decision to move all but the most basic (fire prevention) programs from Fire Bureau to BBI in 2005, although well intended, was not implemented effectively."[13]

TriData recommended returning these functions to the Bureau of Fire and assigning them to civilians (not uniform firefighters), which the Act 47 Coordinator has considered and discussed with Public Safety management. As outlined in this section, the City is in the process of significantly enhancing BBI's capacity through improved training (see initiative BI01) and increased use of technology to eliminate reliance on paper based processes (see initiatives BI02, BI07 and BI08). The City is also focused on improving BBI's processes so that all plan reviews and permit issuances (including those related to fire) are coordinated, reducing the number of agencies with which customers have to interact (see initiative BI06). Based on these plans and the need for the Bureau of Fire to work with EMS to increase the City's rescue capacity,[14] the City shall maintain fire plan review, system testing and code inspection in BBI. The Bureau of Fire shall continue to perform company inspections in commercial and multi-unit residential structures as determined by the Public Safety Director and Fire Chief.

BI05. Seek best practices for managing vacant structures and absentee landlords

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

The City has made continuous efforts to address blight, ranging from increased demolition of vacant buildings to the aforementioned recent City Council ordinances. As the comparative housing profile statistics show, vacant structures are not a problem unique to the City. Other municipalities within and outside of the Commonwealth are wrestling with the same issues and have adopted their own approach, elements of which may be useful to the Bureau. Along with the models described by TriData in its report, the Bureau shall seek other best practices for managing vacant structures and absentee landlords. The City should take advantage of DCED's peer consultant review program to learn how other municipalities in the Commonwealth are attacking these issues.

[12] Tri-Data "Comprehensive Management Study – Pittsburgh, PA Bureau of Fire," April 2008, page 167.

[13] Tri-Data "Comprehensive Management Study – Pittsburgh, PA Bureau of Fire," April 2008, page 158.

[14] Please see initiative PS02 in the Bureau of Administration (Public Safety) chapter.

BI06. **Streamline permitting processes**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

TriData's review of the Bureau describes the procedure for attaining commercial building permits as "a cumbersome four step process." Customers must visit City Planning's Zoning Office for occupancy permits and zoning review, BBI's file counter to check for outstanding code violations, BBI's engineers for review of the Commercial Building Permit Application and BBI's License and Cashier counter to pay the fees. The process is further complicated when the City has to refer the applicant to a third party for reviews that BBI does not have capacity to provide. While the use of third party reviewers is necessary given the Bureau's limited resources and consistent with the prioritization aspect of initiative BI01, there are opportunities to streamline the permitting process, such as using technology to centralize information so Bureau staff can provide all the relevant information at one stop, enabling applicants to apply online and consolidating the number of places where fees are paid. In April 2009 the Administration introduced a proposal to allow residents and businesses to apply for permits online. Working with the Department of Planning, the Bureau shall continue to identify ways to streamline the permitting process, taking into account resource limits, with the eventual goal of establishing a central clearinghouse as the single point of contact for all applicants.

BI07. **Improve online services and telephone response**
Status: Continued from 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

In conjunction with the previous initiative, the Bureau shall continue its progress toward developing its online presence. The website currently offers downloadable permit applications, reports on permits issued, City code ordinances and fee schedules. While the City pursues funding for a system through which residents and businesses can submit license and permit applications online, other potential improvements to consider shall include:

- Building Information System (BIS): In New York City, citizens are able to review permits, licenses, and complaints associated with a property by searching through this online database. Buildings are searchable by street address and by their Building Identification Number (BIN).

- Online Account Management: Chicago contractors and citizens may set up an account to manage permit and license requests online. This password protected account enables users to complete and review the status of applications as well as to schedule inspections appointments.

- Automated Inspection Request System: In Denver, citizens can schedule inspections appointments using this 24-hour automated telephone request line. To use the system, the caller simply needs to provide their permit identification number and permit code type to schedule an appointment. At the end of the call, the caller receives a verification number and inspection date.

- Permit Fee Calculator: This online calculator offered in Chicago enables users to accurately estimate permitting fees by calculating fees according to permit type, occupancy type, construction classification, and square footage.

- Online Bulletins and Listserv Newsletters: The City of Los Angeles keeps its citizens current on code changes through this electronic bulletin, which is both posted on the web and available via email. The bulletin aims to provide a uniform interpretation of codes, clarify code issues as they relate to new construction and technology, and to explain new code regulations.

CIS and the Department of Finance, which houses the 311 response line, should work closely with Bureau personnel to maintain and strengthen communication between the inspectors in the field and 311 response line representatives. Given the high volume of code-related 311 calls, BBI staff may be able to provide 311 staff with answers to frequently-asked questions or give call representatives guidance on how to handle multiple people reporting the same incident simultaneously so as to improve telephone response.

BI08. Digitize historic data
Status: Continued from 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

While the described technological improvements should help the Bureau track more new transactions electronically, there is still a significant amount of historic records that are only available in paper copies. Transferring the paper copies to electronic files would:

- Reduce the time spent researching information and improve the ability to track important trends and changes over time.
- Facilitate coordination between BBI and other departments and bureaus who contribute to the permitting process or code inspection process.
- Reduce the potential for lost, damaged, duplicate or inaccurate records.

The Bureau shall outline a strategy for digitizing these paper files, including prioritization of which files are the best targets for digitization given the City's resource limitations.

BI09. Consider expanding coverage to include evenings and weekends
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

To further improve BBI's ability to coordinate with the Bureau of Police, inspector scheduling should include evening and weekend coverage. A majority of work for police occurs during the hours of 8 p.m. to 4 a.m. As such, the City should evaluate the feasibility of adding shifts to ensure code inspectors are available when needed by the Bureau of Police. It is assumed that these would be regularly scheduled shifts, not periodic coverage with overtime; management should have the discretion to leave unfilled shifts open.

Additional initiatives

Along with the initiatives outlined above, others impacting the Bureau of Building Inspection include:

- Confer with department managers regarding concerns specific to collective bargaining agreements and establish alternatives for negotiation (Personnel & Civil Service Commission)
- Procure vehicles designated for BBI use (Procurement, Fleet and Asset Services)

Bureau of Emergency Medical Services

Overview

The Pittsburgh Bureau of Emergency Medical Services (EMS) is dedicated to the reduction of morbidity and mortality of residents and visitors through the provision of Advanced and Basic Life Support pre-hospital care, transportation of the ill and injured and medically directed rescue from a variety of accidents and entrapments, including incidents on the City's rivers. The Bureau also provides Advanced Life Support (ALS) coverage at community events and community education in cardiopulmonary resuscitation (CPR) and automated external defibrillation (AED).

In 2008 the Intergovernmental Cooperation Authority (ICA) retained public safety operations consulting firm TriData to review the Bureau, including trends in demand for service and opportunities and risks for improving operations. TriData found that respiratory and cardiovascular related calls are the most common types of high resource calls handled by the Bureau. The total number of calls has remained steady between 2005 and the third quarter of 2008, (averaging around 54,500 calls per year), and TriData expects this number to either remain constant or decrease from 2008 to 2012. Priority zero calls (defined as any life threatening emergency such as cardiac arrest, unconscious/non responsive person, choking, etc) have decreased by 7.5% for the same time period, from 19,364 in FY2005 to a projected 17,916 in FY2008.

The Bureau is divided into the Ambulance (Medic) Division and Rescue Division.

The **Ambulance Division** provides pre-hospital medical care to injured persons and medical coverage for all City special events. The division has a total of sixteen Advanced Life Support (ALS) ambulance units. Thirteen units are geographically positioned throughout the city to respond to calls for assistance, one unit is stationed at the EMS headquarters, and two units are located at the 9-1-1 call center to assist city operators with pre-arrival instructions.

The Ambulance Division covers all City neighborhoods and responds to hazmat, trauma, stroke, respiratory, cardiovascular, and general rescue related calls. The Bureau deploys ten ambulances 24 hours per day and three additional units during peak times (7:00 a.m. to 11:00 p.m.). Each ambulance is staffed with two paramedics.

The **Rescue Division** is divided into three units:

- The **Hazardous Material Unit** is jointly operated by the Bureau of EMS and the Bureau of Fire and responds to potentially hazardous material investigation calls throughout the City. It consists of 38 paramedics and 45 firefighters.

- The **Heavy Rescue Unit** is staffed with a minimum of four paramedics at all times and operates two rescue vehicles to respond to mass casualty incidents, trench/confined space incidents, and elevator entrapments.

- The **River Rescue Unit** is jointly operated by the Bureau of EMS SCUBA Search and Rescue Team and the Bureau of Police River Patrol. It is responsible for surface and subsurface water rescue and for administering ALS emergency medical care to victims until a medic unit arrives to provide additional treatment. It is staffed with 25 Certified Master EMS Divers and 22 police officers.

Most of the Bureau's staff is assigned to the Ambulance and Rescue functions. The City's fourth quarter report for FY2007 listed 153 of the 176 filled positions as allocated to those areas.

Historic Employee Count – Filled Positions[1]

2005	2006	2007	2008
177	178	176	182

Historic Employee Count – Budgeted Positions[2]

	2003	2004	2005	2006	2007	2008	2009
Senior chiefs[3]	15	15	15	15	15	15	15
Crew chiefs	53	53	53	53	53	53	53
Paramedics	109	109	109	109	109	109	108
Other	32	8	5	6	6	6	4
Total	**209**	**185**	**182**	**183**	**183**	**183**	**180**

Before the adoption of the 2004 Recovery Plan, the City eliminated ten Emergency Medical Technician (Senior) and 14 Emergency Medical Technician 1 positions. This shift accounts for the drop in "other" positions from 32 in 2003 to eight in 2004, as shown above.

Facilities

As noted above, the Bureau has 13 stations geographically located throughout the city. According to TriData's review, many of the facilities are old fire or police facilities that will eventually require replacement or significant repair. The facilities and their locations are listed below.

EMS Station Locations

Station	Location
Medic 1/11	519 North Dallas Avenue
Medic 2	401 Mathews Avenue
Medic 3	320 South Main Street
Medic 4	Federal & Lafayette
Medic 5	Allequippa & Whitridge
Medic 6	4740 Mossfield Street
Medic 7	Winterburn & Bransworth
Medic 8	212 Walter Street

[1] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[2] Budgeted positions as reported in the City's annual operating budgets.

[3] This category includes the Bureau Chief, Deputy Chief, Assistant Chief, Division Chief and District Chiefs.

Station	Location
Medic 9/Rescue 1	800 South Millvale Avenue
Medic 10	2800 Shadeland Avenue
Medic 12	500 Baldwin Road
Medic 14/Rescue 2	344 Boulevard of Allies

Rescue 1 and Rescue 2 are heavy-duty, Commonwealth-certified vehicles with technical rescue equipment. All Medics are ALS ambulances.

Budget data

When the City eliminated the Emergency Medical Technician positions, the Bureau's budget decreased by 3.0 percent from $11.6 million in FY2003 to $11.3 million in FY2004. Bureau expenditures rose to $11.7 million in FY2005, largely due to a $678,000 increase in premium pay. As shown in the table below, after several years of stable expenditures, the EMS Bureau spending is projected to grow, primarily due to full staffing and the impact of wage increases effective for most employees beginning in 2008.

Historical Expenditures – Emergency Medical Services

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	8,255,860	8,321,065	8,598,043	8,791,562	9,354,833	13.3%
Premium Pay	2,876,081	2,557,685	2,757,478	2,691,251	2,607,836	-9.3%
Education and Training	20,292	13,982	13,281	22,897	28,345	39.7%
Uniforms	115,050	116,975	113,750	116,350	125,197	8.8%
Supplies	214,014	200,143	200,174	211,948	255,088	19.2%
Equipment	132,255	69,460	107,531	107,609	124,982	-5.5%
Repairs	41,472	48,955	64,442	55,171	66,009	59.2%
Rentals	2,590	3,097	2,665	1,916	4,848	87.2%
Miscellaneous Services	89,640	85,223	117,212	79,707	124,017	38.4%
Total	**11,747,254**	**11,416,585**	**11,974,576**	**12,078,410**	**12,691,155**	**8.0%**

The largest item in Miscellaneous Services is the City's contract for medical direction, through which a physician guides the Bureau in its patient care ($80,000 in FY2009). TriData highlighted this innovative approach as one the Bureau's strengths.

Projected Baseline Expenditures – Emergency Medical Services

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	9,354,833	9,588,704	9,828,421	10,074,132	10,325,985	10.4%
Premium Pay	2,607,836	2,673,032	2,739,858	2,558,354	2,628,563	0.8%
Education and Training	28,345	28,628	28,915	29,204	29,496	4.1%
Uniforms	125,197	126,449	127,713	128,991	130,281	4.1%
Supplies	255,088	261,465	268,002	274,702	281,569	10.4%
Equipment	124,982	128,107	131,309	49,738	50,981	-59.2%
Repairs	66,009	67,659	69,351	71,084	72,862	10.4%
Rentals	4,848	4,969	5,093	5,221	5,351	10.4%
Miscellaneous Services	124,017	127,117	130,295	133,553	136,892	10.4%
Total	**12,691,155**	**13,006,131**	**13,328,958**	**13,324,978**	**13,661,979**	**7.6%**

The City has projected $500,000 in savings attributable to implementing recommendations from TriData's operational study. Those savings are reflected in the premium pay line for FY2012 and FY2013. The City also projects approximately $85,000 in equipment savings in FY2012 and FY2013.

Progress and future challenges

In an effort to distinguish itself as a national leader in pre-hospital care, research and technology, the Bureau has made several significant gains including the following:

- Hypothermia therapy for patients suffering cardiac arrest to improve neurological outcomes and survival rates, a technique that will be highlighted in an EMS professional journal.
- GPS navigation in first response vehicles to reduce response times; onboard driving cameras to improve safety;
- Participation in an international study that provided 53 cutting-edge heart monitors valued at $1.5 million.

Beyond these operational successes, the Bureau is recovering a higher percentage of its costs, due to the outsourcing of billing. As directed by the 2004 Recovery Plan, the City contracted with a private vendor to invoice patients transported to the hospital. This contract went into effect on January 1, 2005, increasing revenue by an average of more than $2.0 million per year through 2008.

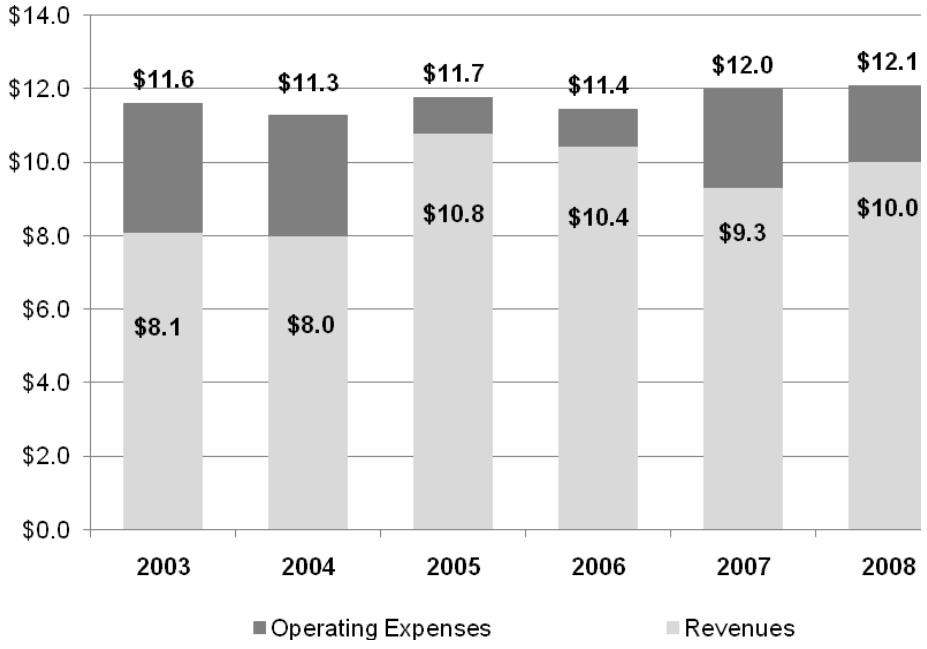
In conjunction with the outsourcing of billing, EMS rates were increased on December 2, 2004 to reflect then-current market rates. Prior to 2004, rates had not been adjusted since 1999. The City is evaluating whether another increase is appropriate to maintain cost recovery. Current and previous rates are illustrated in the following table.

EMS Fee Changes

Charge Type	1999 Fee	Current Fee	% Increase
BLS Base Charge	$375	$500	33%
ALS -1 Base Charge	$450	$650	44%
ALS-2 Base Charge	$450	$700	56%
Patient Loaded Mile	$9	$10	7%

As the following graph indicates, cost recovery has improved significantly. In the first year of outsourcing, revenue increased by 30.0 percent from $8.0 million in 2004 to $10.4 million in 2005. In the first several years of the new arrangement the private firm was able to collect a portion of the backlog of uncollected fees. With most older revenues now collected, EMS revenue dropped in FY2007 but the City is still collecting a higher percentage of its costs. In FY2008 the City recovered 82.6 percent of the expenses in the Bureau's direct budget[4] compared to 70.8 percent in FY2004. The 2004 Recovery Plan included a provision to bill City residents directly, consistent with practices for non-residents, which the City has not pursued.

EMS Cost Recovery: Revenues and Expenses ($Ms)



The Bureau of EMS has also made significant gains in its fleet purchases over the past few years. Since 2004, the department has acquired 13 ambulances, two rescue trucks, two van-type ambulances for special event coverage, two District Chief vehicles, two rescue boats, a mass casualty unit and a truck for

[4] The City separately budgets for a variety of direct and indirect Bureau operating costs, such as employee fringe benefits and vehicle maintenance, and all capital costs.

responding to hazardous material incidents. As a result, the EMS fleet is more reliable and more cost-effective to operate than it was prior to the adoption of the 2004 Recovery Plan.

Challenges

Demographics

As described in the 2004 Recovery Plan, the City continues to have a high percentage of residents age 65 and older. Compared to similar cities and the Commonwealth of Pennsylvania as a whole, Pittsburgh has the highest percentage of residents in this demographic.

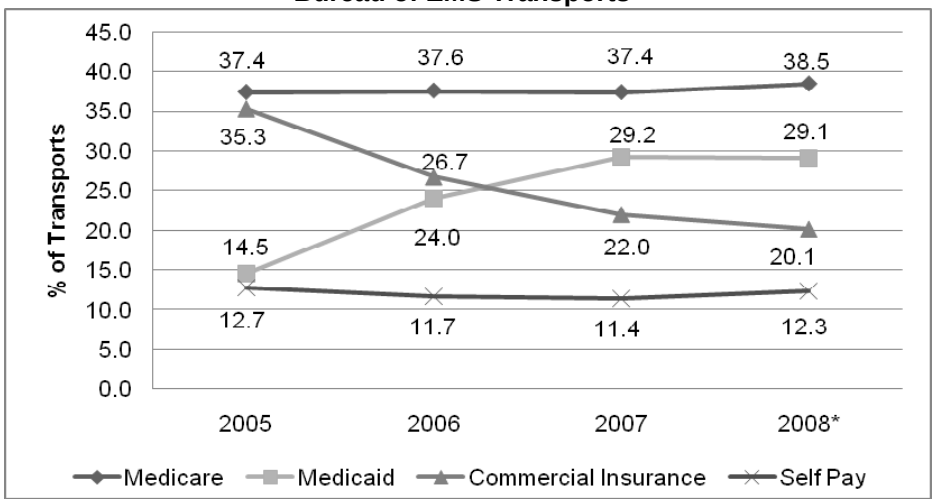
Percent of Population Age 65 or Older

City	State	Primary County	2005	2007	Change %
Pittsburgh	**PA**	**Allegheny**	**14.6%**	**15.9%**	**1.3%**
Philadelphia	PA	Philadelphia	12.7%	12.9%	0.2%
Cleveland	OH	Cuyahoga	11.1%	12.8%	1.7%
Akron	OH	Summit	12.1%	12.7%	0.6%
Toledo	OH	Lucas	12.0%	12.5%	0.5%
Buffalo	NY	Erie	12.1%	12.3%	0.2%
Cincinnati	OH	Hamilton	11.3%	12.3%	1.0%
St. Louis	MO	St. Louis	11.7%	11.6%	(0.1%)
Newark	NJ	Essex	8.5%	9.7%	1.2%
Rochester	NY	Monroe	7.8%	8.9%	1.1%
Comparable Cities Average			**11.0%**	**11.7%**	**0.7%**
Commonwealth of Pennsylvania			**14.6%**	**15.2%**	**0.6%**

Source: 2005 and 2007 American Community Surveys, US Census Bureau

An older population tends to increase the number of transports, resulting in higher activity for the Bureau of EMS. An older population also means a significant number of EMS transports are Medicare and Medicaid patients. As illustrated in the following graph, the number of Medicare and Medicaid transports has increased considerably since 2005, while self pay transports have remained steady and commercial insurance transports have declined sharply. Because Medicare and Medicaid reimbursements do not cover the full cost of transporting patients, this trend could erode the City's progress on EMS cost recovery.

Bureau of EMS Transports[5]



TriData reports that 14 percent of Allegheny County residents are in "fair" or "poor" health and 57 percent are overweight. They further report that, when compared to the rest of the United States, the County has a much higher number of residents dying from heart and other cardiovascular related diseases, and a higher percentage of families living in poverty. These demographic factors significantly increase cardiovascular and stroke related calls for service.

Staffing and overtime

Beyond these demographic and reimbursement issues, overtime remains a significant operational and financial challenge. As the table below shows, the number of overtime hours increased by 24.2 percent from 2005 to 2007. Overtime to provide necessary coverage during scheduled shifts has grown at a much higher rate than overtime related to paramedics working at special events. As TriData notes in its study, working excessive hours without proper rest can result in safety issues as well as errors in driving and patient care. Though secondary to concerns about employee and patient safety, this growth pattern also has a financial impact since the City is not reimbursed for overtime used to cover short shifts, unlike the special event overtime.

Annual Overtime Hours, Bureau Emergency Medical Services

	2005	2006	2007	% Growth
Shift overtime	61,453	68,718	78,890	28.4%
Special events overtime	12,368	13,788	12,779	3.3%
Total overtime	**73,821**	**82,506**	**91,669**	**24.2%**

Source: City of Pittsburgh fourth quarter reports for FY2005 – FY2007

A number of factors drive overtime including, but not limited to, the volume and timing of calls for service (e.g. paramedics making runs near the end of their shift), head count, shift structure and employee leave policies. Bureau management cited the level and timing of employee leave as a factor driving overtime usage. The City's collective bargaining agreement with the Fraternal Association of Professional Paramedics (FAPP) allows employees:

[5] Data from 2008 is through September 30.

- 12 personal days per year, which includes sick leave;
- A maximum of 4 weeks of vacation annually;
- Up to 36 hours of accumulated compensatory time. Employees may earn compensatory time by working a holiday, with the time applied to the 36-hour limit. Like personal leave, employees can use compensatory time on 48 hours notice.

The collective bargaining agreement guarantees that an employee can take off any requested day so long as that request is filed before the tenth day of the preceding month. This provision does not limit the number of employees who can take off on the same day. Employees are also allowed to trade shifts with one another and defer worked holiday time to use at a later date.

Bureau management also described a practice through which employees can use compensatory time up to seven times per quarter (28 days per year). This practice does not appear to be required under the current collective bargaining agreement, though it may be addressed through another written agreement between the City and the FAPP.

Without proper management and scheduling of employee leave, the City risks falling into a cycle where several employees take leave simultaneously, requiring other employees to fill their open shifts on overtime and accumulate compensatory time, which they in turn take as leave later, restarting the cycle. The City can reduce the amount of time an employee is unavailable for an assignment by managing the timing and level of more discretionary leave, like vacation or compensatory time. That will increase the coverage provided by the given staffing level and alleviate the need to use overtime or hire more paramedics to fill open shifts. If the City's collective bargaining agreement with the FAPP restricts the management's control over employee scheduling, the City should use the management rights protections discussed in the Workforce chapter or pursue changes through the collective bargaining to attain greater flexibility to manage these factors as directed in the Personnel and Civil Service Commission chapter.

Initiatives

EM01. **Northside EMS service review**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall analyze and determine whether additional EMS services are necessary on the North Shore to accommodate the new casino, amphitheatre and other developments.

There are other initiatives relevant to the Bureau discussed in other chapters:

- Confer with department managers regarding concerns specific to collective bargaining agreements and establish alternatives for negotiation (Personnel & Civil Service Commission)
- Improve cooperation between the Bureaus of EMS and Fire through coordinated training (Public Safety Administration)
- Enhance rescue services in cooperation with the Bureau of Fire (Public Safety Administration)
- Work with the Department of Finance to maintain an Annual Purchasing Plan for vehicles (Public Safety Administration)

Bureau of Fire

Overview

The primarily functions of the Pittsburgh Bureau of Fire (PBF) are to develop, implement, and administer public safety programs in the areas of fire suppression, first responder emergency medical care, fire prevention, hazardous materials code enforcement, fire and arson investigation and public education.

The Fire Bureau responds to approximately 29,500 calls per year. The total number of calls has remained consistent over the past fifteen years, and the majority of these calls (nearly 48 percent) are for emergency medical service/rescue related incidents. The Fire Bureau also responded to calls regarding structural fires, gas main rupture/explosions, hazardous conditions, service calls,[1] good intent calls, false alarms, and severe weather emergencies. Good intent calls are situations where a reasonable person would conclude that calling 911 is necessary, even if the situation turns out not to be an emergency. This is the second largest category of calls and has risen significantly over the past few years. Calls in this category may also be a result of classification errors when calls are coded by 911 operators.[2]

The Bureau of Fire is divided into four battalions deployed regionally and consists of:

- 29 stations
- 34 engine companies
- Three quint truck companies
- 11 ladder truck companies
- One mobile air compressor unit

From 2004 to 2009 the City restructured fire suppression services and reduced the Bureau of Fire's budgeted headcount by approximately 22 percent from 849 to 660 (see table below). The equivalent of seven companies was eliminated, the number of battalions was reduced from five to four, and six fire stations were closed. Seven civilian positions were moved from the Bureau of Fire to the Bureau of Administration in FY2009.

Historic Employee Count – Budgeted Positions[3]

	2003	2004	2005	2006	2007	2008	2009
Chief/Assistant Chiefs	3	2	2	3	4	4	4
Deputy Chief	5	5	5	5	4	4	4
Battalion Chief	21	21	21	17	18	18	18
Firefighter Instructor	6	6	6	4	4	4	4
Fire Captain	140	137	140	50	50	62	59
Fire Lieutenant	43	43	43	108	108	95	99

[1] Service calls involve situations that do not necessarily constitute an emergency but still generate Bureau response (e.g. pumping out a flooded basement, lock-out details).

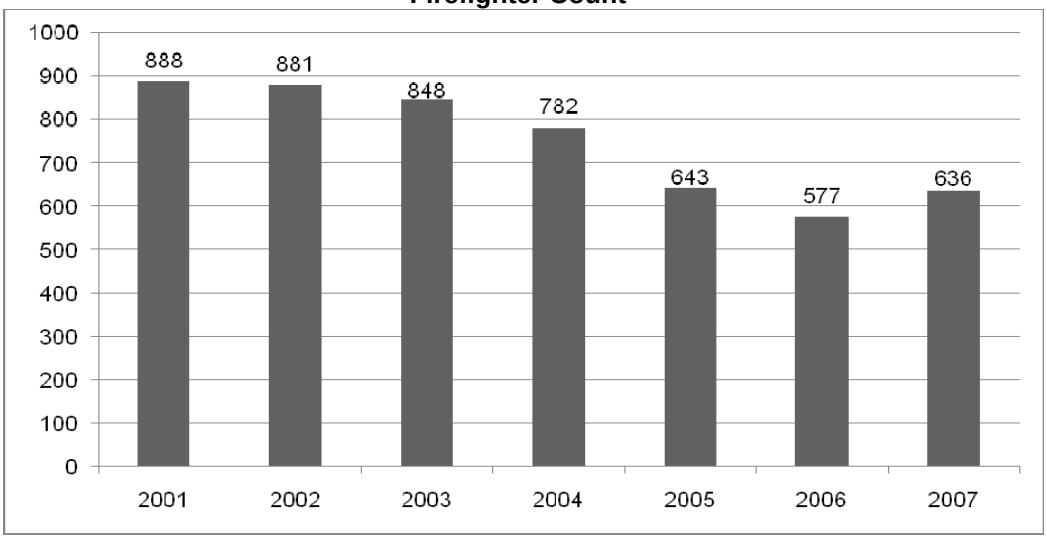
[2] The information in this paragraph is found in the April 2008 comprehensive management study of the PBF, completed by Tri-Data under the auspices of the Intergovernmental Cooperation Authority.

[3] Budgeted positions as reported in the City's annual operating budgets. The fire captain includes "fire captain, as needed."

	2003	2004	2005	2006	2007	2008	2009
Master Firefighter	346	327	288	134	134	127	114
Firefighters (includes recruits)	332	300	316	308	331	339	351
Civilian	9	8	12	15	16	15	7
Total	**905**	**849**	**833**	**644**	**669**	**668**	**660**

Corresponding with the reduction in budgeted positions, the number of filled firefighter positions dropped from 888 in 2001 to 577 in 2006. The number of firefighters dropped lower than budgeted due to 233 members retiring on a voluntary (201), disability (29) or mandatory (3) basis in 2005. In comparison, there were just four retirements in 2006 and nine in 2007. There were no separations due to layoffs from 2004 – 2007.[4] The number of filled firefighter positions rose back to 636 positions in 2007, approximately one-quarter less than the average number in the early years of the decade.

Firefighter Count[5]

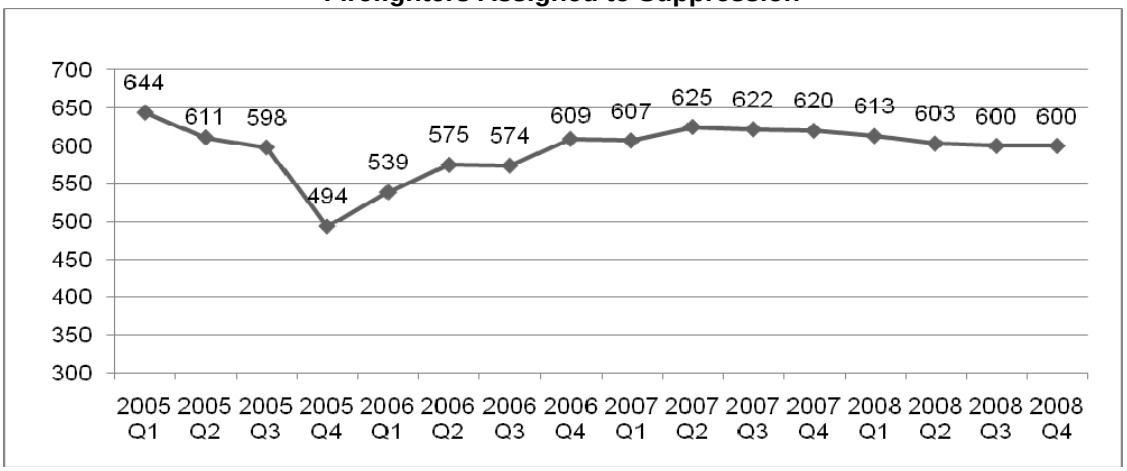


Most of the firefighters in the Bureau are assigned to suppression activities. Under current staffing assumptions, four shifts of 159 firefighters, or 636 personnel, are required to staff suppression. According to the City's quarterly financial and performance reports, the number of firefighters assigned to suppression dropped from 644 in first quarter of FY2005 to 494 in the fourth quarter of FY2005. As noted earlier, this was largely attributable to the large number of retirements that year. After the fourth quarter of FY2005 the Bureau has generally increased suppression staff. The City planned to add a recruit class in late 2008/early 2009, which is not reflected in the chart below.

[4] Retirement and other separation data provided by the City's Department of Personnel.

[5] Figures shown are the average number of firefighters based on a daily count as provided by the Department of Public Safety.

Firefighters Assigned to Suppression



Facilities

The Pittsburgh Bureau of Fire has 29 stations located as shown in the table below. EMS units are collocated in four fire stations (10, 12, 20 and 24). The condition of the facilities is addressed later in the chapter.

Station No.	Address	Neighborhood	Company Type
Battalion One			
No. 34	3914 Perrysville Ave.	Observatory Hill	Engine
No. 34T	3284 Central Ave.	Woods Run	Truck
No. 35	1519 Orchlee St.	Brighton Heights	Engine
No. 37	1124 W. North Ave.	Manchester	Engine, HazMat
No. 38	198 Essen St.	Northview Heights	Engine
Battalion Two			
No. 3	1401 Penn Ave.	Strip District	Engine, Mobile Air Compressor
No. 4	1324 Forbes Ave.	Mercy Hospital	Engine, Truck
No. 10	2500 Allequippa St.	Upper Oakland	Engine + EMS
No. 12	4156 Winterburn St.	Greenfield	Engine +EMS
No. 13	200 Flowers Ave.	Hazelwood	Engine and Truck
No. 14	259 McKee Pl.	Oakland	Truck
No. 15	7024 Lemington Ave.	Homewood	Engine
No. 18	5858 Northumberland	Squirrel Hill	Engine (Quint)
Battalion Three			
No. 6	3958 Penn Ave.	Lawrenceville	Engine and Truck
No. 7	4603 Stanton Ave.	Stanton Heights	Engine
No. 8	5714 Penn Circle W.	East Liberty	Engine, Truck

Station No.	Address	Neighborhood	Company Type
No. 17	7601 Hamilton Ave.	Homewood	Engine and Truck
No. 19	159 Homestead St.	Swisshelm Park	Engine
Battalion Four			
No. 20	514 Baldwin Road	Hays	Engine +EMS
No. 22	1945 Arlington Ave.	Arlington	Engine
No. 23	1704 Brownsville Rd.	Carrick	Engine (Quint)
No. 24	1729 Mary St.	South Side	Engine, Truck + EMS
No. 26	630 Brookline Blvd.	Brookline	Engine and Truck
No. 27	96 Virginia Ave.	Mt. Washington	Engine, (Quint)
No. 28	1428 Beechview Ave.	Beechview	Engine
No. 29	2100 Noblestown Rd.	Westwood	Engine
No. 30	916 Steuben St.	Elliot	Engine and Truck
No. 31	3000 Chartiers Ave.	Sheraden	Engine
No. 32	900 Spring Garden	Spring Garden	Engine and Truck

As a result of the implementation of the initiatives in the 2004 Recovery Plan, the Bureau's direct expenditures decreased from $60.4 million in 2004 to $53.6 million in 2005, a decline of over 11 percent. By 2007 direct Fire expenditures fell to $46.3 million, more than 23 percent less than before Plan implementation. Since that time, selected hiring and the resumption of annual pay increases have contributed to modest growth in Bureau spending with $50.7 million budgeted in FY2009. Equipment costs are projected to rise sharply in FY2009 because of a one-time $270,000 purchase of turnout gear and additional rapid intervention equipment purchases.

Historical Expenditures – Bureau of Fire

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	40,763,323	33,968,631	36,219,429	37,051,306	38,800,725	-4.8%
Premium Pay	12,040,915	12,598,574	9,327,842	10,275,572	10,778,441	-10.5%
Education and Training	10,619	16,120	11,970	17,346	18,150	70.9%
Uniforms	457,072	396,250	406,253	401,585	407,500	-10.8%
Supplies	145,025	124,693	125,171	145,153	145,174	0.1%
Equipment	27,721	(38,498)	28,428	28,479	334,480	1106.6%
Repairs	29,946	30,983	34,682	41,130	41,131	37.4%
Miscellaneous Services	108,174	91,185	98,883	127,661	127,676	18.0%
Total	**53,582,795**	**47,187,938**	**46,252,657**	**48,088,232**	**50,653,277**	**-5.5%**

In the future, modest annual growth in spending is projected. In the FY2009 - FY2014 Five-Year Plan proposed by the City and adopted by the ICA in 2008, the City projects that it will not need a fire recruit training class in FY2010, resulting in a $100,000 one-time drop in salary expenses. The classes resume in FY2011. The City's projects premium pay savings of $500,000 in FY2012 and $750,000 in FY2013. Beginning in FY2011, the City and the ICA also projected achieving salary and premium pay savings from a station move/closure.[6] The total projected savings associated with this move is $4.1 million over three years.

Projected Baseline Expenditures – Bureau of Fire

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	38,800,725	39,645,743	39,801,785	40,796,829	41,816,750	7.8%
Premium Pay	10,778,441	11,047,902	11,137,081	10,915,507	10,950,895	1.6%
Education and Training	18,150	18,332	18,515	18,700	18,887	4.1%
Uniforms	407,500	411,575	415,691	419,848	424,046	4.1%
Supplies	145,174	148,803	152,523	156,337	160,245	10.4%
Equipment	334,480	66,092	67,744	69,438	71,174	-78.7%
Repairs	41,131	42,159	43,213	44,294	45,401	10.4%
Miscellaneous Services	127,676	130,868	134,140	137,493	140,930	10.4%
Total	**50,653,277**	**51,511,475**	**51,770,692**	**52,558,446**	**53,628,329**	**5.9%**

Progress and future challenges

The 2004 Recovery Plan concluded that staffing levels and the operational configuration for the Fire Bureau were notably greater than necessary given the population decline, advances in building materials and practices, and declining service demands. In March 2005, six stations were closed and the number of battalions was reduced from five to four. As described above, the Bureau significantly reduced the number of full-time employees through attrition, particularly the retirement of 233 firefighters in 2005.

Beyond this progress in scaling Fire Bureau's operations to the City's needs, the Bureau has made significant gains in training and educating personnel. The last recruit class spent 19 weeks in the training academy, as opposed to the normal 14. The curriculum for the additional five weeks focused on risk management, incident command, building construction, basic vehicle rescue and hazardous material incident responses. In addition, the Bureau instituted a comprehensive training program for company officers in FY2008.

As shown in the table below, the City also has made significant progress toward addressing the quality of the Bureau's fleet, one that TriData initially described as "in very poor condition." The Bureau has either upgraded or has on order 10 of 11 ladder trucks, and has replaced all quints. Although the City has accepted delivery of 10 new pumpers in the past four years (with two more currently in production),

[6] Though not shown in this chart because employee benefit expenses are not budgeted at a departmental level, there are also savings for employee benefits associated with this change.

additional new rolling stock needed. The Public Safety Bureau of Administration chapter includes an initiative regarding the City's Annual Purchasing Plan (APP) to help the City maintain its recent progress.

Bureau Vehicle Replacement

Vehicle Type	Total Apparatus	Replaced/ On Order	Remaining
Ladder	11	10	1
Quint	3	3	0
Pumper	24	12	12

Other Fire Bureau achievements include:

- Launching an aggressive recruitment campaign to attract more women and minorities to the department.
- Amending promotional exam requirements to ensure they reflect more in-depth knowledge requirements from applicants.
- Requiring all fire officers to complete an incident safety officer's course, thus improving overall incident safety.
- Reducing firefighter injuries as a result of continued emphasis on safety and accountability.

Challenges

The Intergovernmental Cooperation Authority (ICA) commissioned a study of Fire Bureau's structure, operations and workload by Tri-Data. That study cited the following challenges:

- **Vacant buildings:** Despite recent efforts to accelerate demolition, the City still has many vacant and/or abandoned structures. TriData notes the unique risk that these structures pose for fire suppression and prevention:

  > "Vacant…properties have some of the most dangerous fires and pose special firefighting risks. These fires are frequently arson-related…and with multiple ignition points. Fire defenses built into such structures are often not working or working only partially. Many of these fires are started when no one is around and the fire spreads rapidly before the fire department is called… Abandoned properties are also dangerous to firefighters because the structural integrity of the building is sometime[s] unknown."[7]

  As noted in the TriData report, many abandoned residential structures are intertwined in neighborhoods with occupied structures, thereby increasing the risk of fire spreading from vacant to occupied structures. Vacant buildings are addressed in greater detail in the Bureau of Building Inspection (BBI) chapter.

- **Prevention:** TriData's report also emphasizes the need to improve fire prevention, which TriData describes as "at a critical level of deterioration."[8] TriData cites reductions in fire prevention and education staff and the poorly implemented shift of some prevention activities to BBI as contributors to weakened fire prevention. To increase the Fire Bureau's focus on traditional

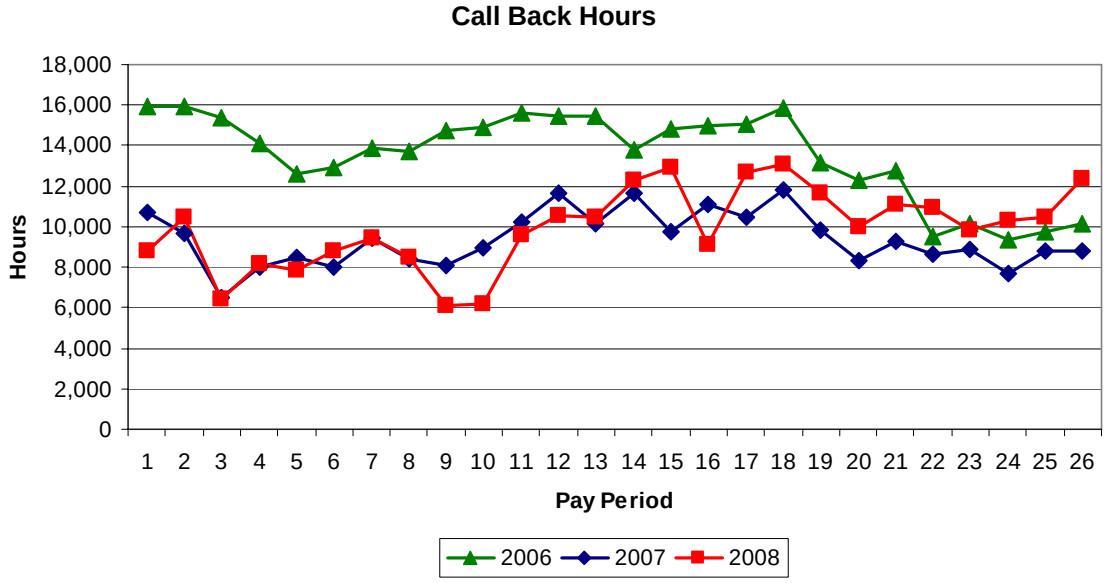
[7] Tri-Data "Comprehensive Management Study – Pittsburgh, PA Bureau of Fire," April 2008, pages 67-68.

[8] Tri-Data "Comprehensive Management Study – Pittsburgh, PA Bureau of Fire," April 2008, page 158.

firefighting responsibilities, the City transferred fire plan review, suppression/prevention system testing and code inspection to the Bureau of Building Inspection (BBI). The City also pursued this shift to resolve problems involving weak record keeping and coordination between Fire and BBI. This change is addressed further in the BBI chapter.

- **Facility investments:** The Tri-Data report recommends replacing the Fire Bureau training facility at 1395 Washington Boulevard, modernizing or upgrading 23 of the 29 stations, relocating Station No. 19 and closing Station 12 and moving Station 13. While TriData highlights opportunities to restructure the Bureau, those recommendations acknowledge the City's need to reduce the number of vacant buildings, strengthen fire prevention and education activities and make targeted investments to replace or upgrade facilities.

Another ongoing challenge is controlling overtime. The most common type of Fire Bureau overtime is "call back" hours, in which the Bureau calls in off-duty firefighters to fill open shifts. The City monitors call back overtime through its quarterly reports to the Commonwealth, ICA and the Act 47 Coordinator. The chart below shows call back overtime usage (in hours) for FY2006 through the fourth quarter of FY2008.



Source: City of Pittsburgh Quarterly Financial and Performance Report for Fourth Quarter FY2008

As shown in this chart, the implementation of changes since 2005 has reduced expensive call-back time dramatically, although winter holiday and peak summer vacation periods remain an issue.

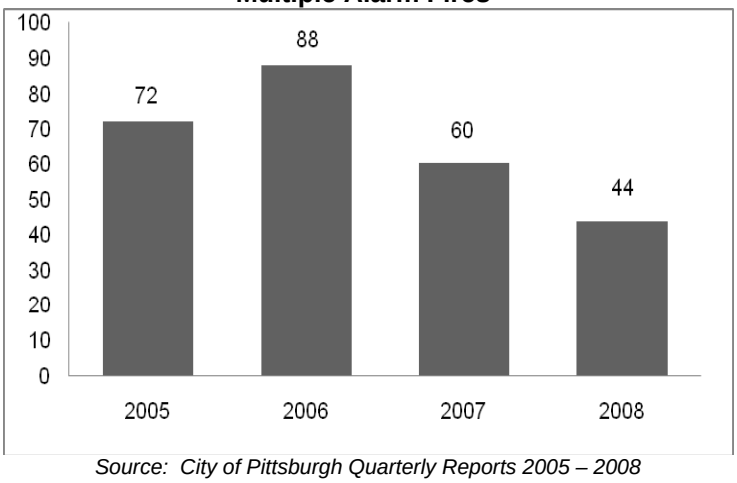
Initiatives

In addition to the initiatives below, the chapter on the Public Safety Administration discusses the need for the Bureau of Fire to work with the Bureau of EMS to increase the City's rescue capacity.

FB01. **Decrease the total number of Deputy Chief positions**
Status: New
FY2009 Impact: $0 **Five-year impact:** $286,453

With the total number of multiple-alarm fires steadily decreasing (see the graph below), TriData suggests that the Bureau of Fire eliminate three of its four Deputy Chief positions once the number of multiple-alarm fires is reduced to 24 per year.

Multiple Alarm Fires[9]



Source: City of Pittsburgh Quarterly Reports 2005 – 2008

TriData notes that "multiple alarm incidents averaging two per month or less could easily be handled by chief officers who rotate on-call availability."[10] The Fire Bureau shall eliminate three of the four Deputy Chief positions when the annual number of multi-alarm fires falls below 24 per year. The remaining Deputy Chief position shall have oversight over battalion chiefs.

This projection below assumes this will be achieved by 2013 and shows the savings associated only with base salary. Further savings related to employee benefits, payroll taxes and other expenses tied to employee compensation will likely be achieved.

Fiscal Impact

	FY2009	FY2010	FY2011	FY2012	FY2013
Discount %	100%	100%	100%	100%	0%
Fiscal Impact	0	0	0	0	286,453

FB02. **<u>Petition the General Assembly to change State law requiring fire trial board approval for disciplinary action</u>**

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

The collective bargaining agreement between the City and the IAFF establishes a process through which employees may participate in an Employee Assistance Program (EAP) to address substance abuse problems.[11] If the employee does not adhere to the EAP and the related treatment program, City management may bring disciplinary action against the

[9] The fourth quarter report for FY2008 shows 40 multiple alarm fires through November. Based on an average of 3.6 multiple alarms per month (40 / 11 months), this assumes 4 fires for December 2008.

[10] Tri-Data "Comprehensive Management Study – Pittsburgh, PA Bureau of Fire," April 2008, page 30.

[11] See Section 21 – Letter of Understanding and Last Chance Agreement.

employee through a trial board comprised of firefighters with an equal or higher rank than the accused. According to state law, the City can pursue certain disciplinary actions only through this trial board. The City shall explore an alternative to the trial board process for fire disciplinary actions, such as a grievance and arbitration procedure, and petition the General Assembly to make the necessary changes to state law.

Additional initiatives

Along with the initiatives outlined above, others impacting the Bureau of Fire include:

- Confer with department managers regarding concerns specific to collective bargaining agreements and establish alternatives for negotiation (Personnel & Civil Service Commission)
- Improve cooperation between the Bureaus of EMS and Fire through coordinated training (Public Safety Administration)
- Work with the Bureau of EMS to increase the City's rescue capacity (Public Safety Administration)
- Work with the Department of Finance to maintain an Annual Purchasing Plan for vehicles (Public Safety Administration)

Bureau of Police

Overview

The Pittsburgh Bureau of Police (Bureau) maintains an authorized strength of 917 sworn law enforcement officers who patrol over 58 square miles of land and water area. The Bureau has three branches:

- **Administration** includes the Police Training Academy; Personnel and Finance; Planning, Intelligence, Crime Analysis and Special Events; Support Services; and School Crossing Guards.
- **Operations** personnel are deployed throughout six geographic zones and the Special Deployment Division (SDD).
- **Investigations** consist of Major Crimes, Narcotic/Vice, and Firearms Tracking Units.

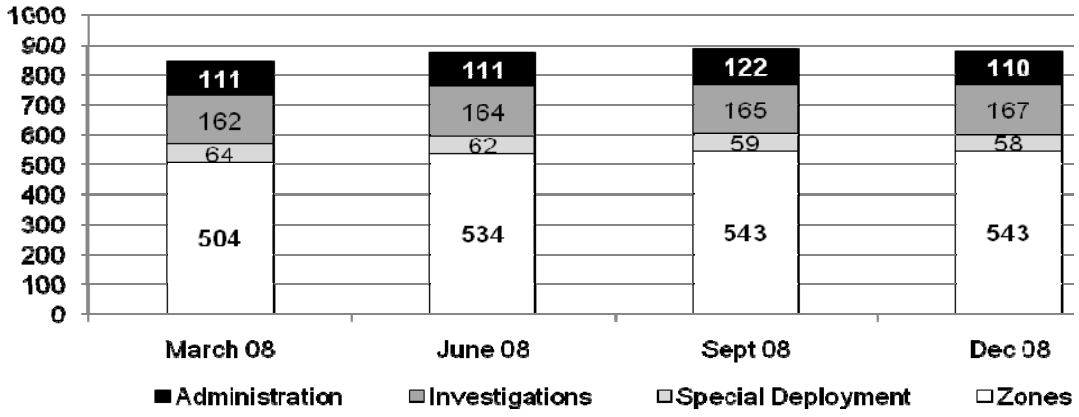
Staffing

During the financial distress that led to the City's entrance into Act 47, the City reduced its workforce, including the Bureau. In August 2003, months before petitioning for Act 47 status, the City laid off 93 police officers. A study by the International Association of Chiefs of Police (IACP) showed the Bureau's sworn staffing declining from 1,067 in 2002 to 873 in 2003 and then reaching 881 in 2004.[1] In response to the provisions of the 2004 Recovery Plan, a large cohort of officers retired at the end of 2004, and by June 1, 2005 uniformed headcount stood at 793 officers.

Since then, the number of sworn officers has increased, though it has not reached the FY2008 and FY2009 budgeted level of 917 positions. The City reported 895 officers at the end of 2008.[2] Uniformed headcount increases have come from a series of recruit classes beginning in 2005 and from the addition of 17 officers through merging the Pittsburgh Housing Authority's force with the City's in 2007.

Most of the Bureau's officers are assigned to one of the City's six patrol zones, with the rest working with the Special Deployment, Investigations or Administrative Units. As shown in the following graph, in December 2008, 61.8 percent of uniformed officers were assigned to patrol zones. The number of officers assigned to the zones increases as recruits finish their time at the Police Academy and complete in-field training.

Sworn Officer Allocation by Function[3]



[1] IACP, "FY2005 Funding for the Pittsburgh Police Bureau," Phase I Report, September 2004.

[2] City of Pittsburgh Q4 FY2008 quarterly financial and performance report, page 13.

[3] Figures in this table do not include recruits or officers in field training.

Overall the Bureau's staffing has grown by 60 filled positions (6.7 percent) since 2005. Nearly all of that growth has been in sworn staff, as the number of civilians has remained between 62 and 65.

Historic Employee Count – Filled Positions[4]

2005	2006	2007	2008
904	923	946	964

At the same time that filled positions have increased, the City has reduced the number of budgeted positions. With a larger and more stable uniformed complement, the number of budgeted recruits was reduced from 120 in FY2005 to 68 in FY2006, with smaller classes in subsequent years.

Historic Employee Count – Budgeted Positions[5]

	2005	2006	2007	2008	2009
Sworn (including recruits)	980	897	900	917	917
Civilian	67	69	68	68	65
Total	**1,047**	**966**	**968**	**985**	**982**

Ratio of Civilian to Uniformed Staffing

The Federal Bureau of Investigation compiles annual national criminal justice statistics that allow comparisons between local police departments. In 2007 the Bureau reported 850 officers[6] serving a City population of 311,218,[7] amounting to 2.7 officers per 1,000 residents. The Bureau also reported 62 full-time equivalent (FTE) civilians in the Police Bureau, or 0.2 civilians per 1,000 residents, for a total staffing ratio of 2.9 staff members per 1,000 residents. Using the same data sources, the City's ratio of officers per 1,000 residents was 2.7 in 2004 and the ratio of civilians per 1,000 residents was 0.3.

According to the 2006 data from the International City Managers Association's (ICMA) Center for Performance Management, the mean ratios among interviewed cities with more than 100,000 in population was 1.8 sworn officers per 1,000 residents and 0.6 civilians per 1,000 residents[8]. The ICMA's mean suggests a ratio of 3 sworn employees for every 1 civilian police employee, compared to the City of Pittsburgh's ratio of almost 14 sworn employees for every 1 civilian police employee.

It is not unusual for similarly-sized cities to have a sworn-to-civilian ratio that exceeds the mean in the 2006 ICMA report, but as shown in the table below, Pittsburgh does so by a larger margin than others.

[4] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[5] Budgeted positions as reported in the City's annual operating budgets. These figures do not include school crossing guards, who are budgeted in the Bureau and work 200 days each year. In FY2009 the City budgets for 132 crossing guards and two supervisors. The number of filled crossing guard positions has declined from 143 at the beginning of FY2005 to 126 at the end of FY2008.

[6] Federal Bureau of Investigation, 2007 Uniform Crime Report.

[7] U.S. Census Bureau 2007 population estimate.

[8] International City/County Management Association, *Comparative Performance Measurement: FY 2006 Data Report,* pg 505.

Ratio of Sworn to Civilian Police Employees in Comparison Cities

	Sworn	Civilian	Ratio
Pittsburgh, PA	**850**	**62**	**13.7**
Akron, OH	474	45	10.5
Toledo, OH	669	136	4.9
Buffalo, NY	708	148	4.8
Cleveland, OH	1,655	366	4.5
Cincinnati, OH	1,107	256	4.3
Rochester, NY	734	173	4.2
Newark, NJ	1,227	396	3.1

Source: 2007 FBI Uniform Crime Report

This data indicates there are opportunities for civilianization in Pittsburgh's Police Bureau – placing civilian employees in positions held by sworn employees so the latter can be reassigned to patrol and more traditional police activities. That exchange allows the City to make full use of its police resources while potentially generating short- and long-term budget savings. That Pittsburgh has opportunities for civilianization is also a finding of the 2004 Recovery Plan and a subsequent study of the Police Bureau by International Association of Chiefs of Police completed on behalf of the Intergovernmental Cooperation Authority. Civilianization is discussed in greater detail in the Initiatives section.

Facilities

The Police Bureau's facilities are located across the City, as shown in the following table

Police Bureau Facilities

Building	Street
Police Headquarters	Western Ave
Police Zone 1	Brighton Rd
Police Zone 2	Centre Ave
Police Zone 3 / Firehouse 24	Mary St
Police Zone 4 / Firehouse 18	Northumberland St
Police Zone 5	Washington Blvd
Police Zone 6	South Main Street
Liberty Tubes Traffic Booth	Liberty Bridge
Commercial Vehicle Inspections	Ley St.
Police Accident Investigations / SWAT	Webster Ave.

Building	Street
Tow Pound	31st St. and Allegheny Valley Railroad St.

While most of these facilities are owned by the City, Police Headquarters is located in a leased facility on the North Side. In 2007 the City moved the station in Zone 5 from the East Liberty station on Penn Circle to Washington Boulevard.

In 2003 the Bureau closed the West End Station (then Zone 4) and covered its operation with personnel from Zone 3, creating one large coverage area comprised of most of the City's South Side. Citizens expressed concerns about high response times and low visibility of police on patrol. Police officers expressed concern about time lost in transit between the areas. In response to these concerns, the Bureau reopened the West End station (now Zone 6) and moved officers from other parts of the City to staff it. The Bureau reported that the reopening generated modest personnel costs associated with promoting officers to sergeant status for the zone. Changing the timing of other promotions mitigated this cost. In late 2007 City Council approved a plan to relocate the Zone 3 police station to a facility on Warrington Avenue in the Allentown neighborhood. The station opened at its new location in April 2009.

Budget

The Police Bureau has the largest budget of any City operating department, $68.0 million in FY2009, 15.5 percent of all expenditures and 33.1 percent of departmental expenditures. These figures understate the actual cost of the Police Bureau, since fringe benefit costs and most other overhead expenses are not allocated to departmental budgets. If these costs were allocated, the full cost of the Police Bureau would easily exceed $100.0 million per year.

As shown in the table below, the Police Bureau's expenditures grew by almost $8.0 million and 14.0 percent from FY2005 through FY2008, with growth of $10.4 million and $18.1 percent when FY2005 spending is compared to the FY2009 budget. The majority of this growth is attributable to Salaries and Premium Pay, reflecting the increased personnel and overtime spending discussed elsewhere in this chapter. Significant growth has also occurred in Miscellaneous Services, where a majority of the budget is related to the towing contract, budgeted at $1,081,500 in FY2009. In FY2008 the City spent $1,019,236 on its towing contract and collected $1,184,891 in tow pound revenue.[9] The tow pound is discussed further in the Initiatives section of this chapter.

Historical Expenditures – Bureau of Police

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	49,408,116	50,065,629	52,186,707	55,200,562	57,078,479	15.5%
Premium Pay	5,141,449	6,748,276	7,041,926	6,909,586	7,296,441	41.9%
Education and Training	21,633	52,221	62,673	57,553	66,419	207.0%
Uniforms	999,306	922,353	1,027,806	1,082,360	1,181,700	18.3%
Supplies	272,673	288,183	247,905	266,129	358,555	31.5%
Equipment	142,152	113,530	131,130	131,964	146,038	2.7%

[9] Towing expenditures come from the City's Q4 FY2008 financial and performance report. Towing revenues come from the Controller's December 2008 revenue report.

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Repairs	6,082	6,600	8,083	7,941	8,226	35.3%
Rentals	125,556	127,095	133,530	102,555	147,394	17.4%
Miscellaneous Services	1,481,941	1,543,614	1,662,708	1,805,194	1,741,014	17.5%
Total	**57,598,908**	**59,867,501**	**62,502,469**	**65,563,843**	**68,024,266**	**18.1%**

As shown in the table below, the FY2009 budget assumes that the City will fund its full complement of 917 officers, increase premium pay, and maintain that spending in the future. The City's projections include premium pay savings of $500,000 in FY2012 and $750,000 in FY2013.

Under the American Recovery and Reinvestment Act of 2009 (ARRA, also commonly called the "federal stimulus package"), the City will receive $2.1 million in funding through the Edward Byrne Justice Assistance Grant program. It is not clear how the City will use the grant, though it may not be able to use it in place of funding allocated in the FY2009 budget ("supplanting"). Given the uncertainty in how the City will use this grant, it has not been factored into the baseline below.

Projected Baseline Expenditures – Bureau of Police

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	57,078,479	58,430,441	59,891,202	61,388,482	62,923,194	10.2%
Premium Pay	7,296,441	7,478,852	7,665,823	7,357,469	7,303,906	0.1%
Education and Training	66,419	67,083	67,754	68,432	69,116	4.1%
Uniforms	1,181,700	1,193,517	1,205,452	1,217,507	1,229,682	4.1%
Supplies	358,555	367,519	376,707	386,125	395,778	10.4%
Equipment	146,038	149,689	153,431	157,267	161,199	10.4%
Repairs	8,226	8,432	8,642	8,859	9,080	10.4%
Rentals	147,394	151,079	154,856	158,727	162,695	10.4%
Miscellaneous Services	1,741,014	1,784,539	1,829,153	1,874,882	1,921,754	10.4%
Total	**68,024,266**	**69,631,151**	**71,353,021**	**72,617,748**	**74,176,403**	**9.0%**

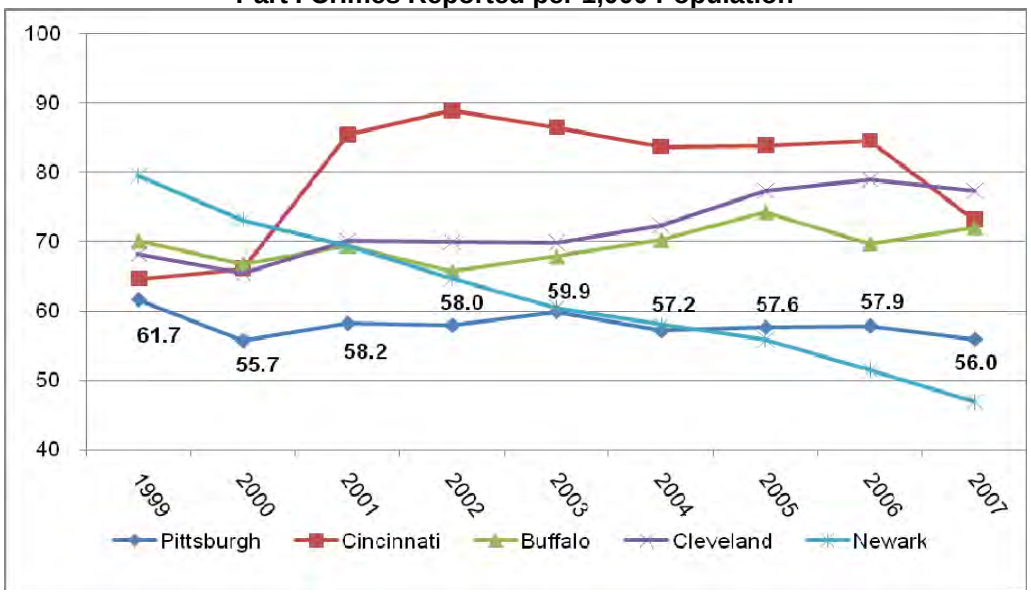
Crime Comparison

The Bureau's most important challenge is successfully preventing and responding to criminal incidents, including solving those crimes that do occur.

The Federal Bureau of Investigation (FBI) collects and publishes nationwide statistics on crime. In the FBI's reports, Part I crimes are those considered most serious and include violent crimes (murder, forcible rape, robbery, and aggravated assault) and property crimes (burglary, larceny-theft, vehicle theft,

and arson). As shown in the table below, the number of Part I crimes reported in Pittsburgh has been generally lower than in similarly-sized cities.[10]

Pittsburgh and Comparable Cities
Part I Crimes Reported per 1,000 Population



Source: 1999 – 2007 FBI Uniform Crime Reports. Buffalo's arson statistics for 2003 and 2004 were unavailable.

Looking more closely at the incidence of Part I crime in Pittsburgh, the number of incidents of each crime except burglary dropped between 2003 and 2007. Adding in the crime statistics from 2008, there has been a drop in every category but one and a significant drop in some categories, such as the 22.1 percent decline in larceny theft and the 49.6 percent decline in vehicle theft. However, the area that has understandably generated the most public attention is the increase in murders from 52 in 2007 to 74 in 2008. Last year's experience ran contrary to the pattern in which murders had dropped by 22.4 percent from 2003 to 2007. The Police Bureau also reports less citizen cooperation in clearing murder cases.

Part I Crimes, City of Pittsburgh, 2003 - 2008

	2003	2004	2005	2006	2007	2008	% Change
Murder	67	46	63	56	52	74	10.4%
Forcible Rape	136	99	117	102	129	130	-4.4%
Robbery	1,635	1,602	1,617	1,722	1,596	1,563	-4.4%
Aggravated Assault	1,721	1,992	1,588	1,593	1,678	1,644	-4.5%
Violent Crime Subtotal	**3,559**	**3,739**	**3,385**	**3,473**	**3,455**	**3,411**	**-4.2%**
Burglary	3,180	3,045	3,018	3,713	3,418	3,125	-1.7%
Larceny Theft	10,610	9,841	10,337	9,658	8,977	8,262	-22.1%

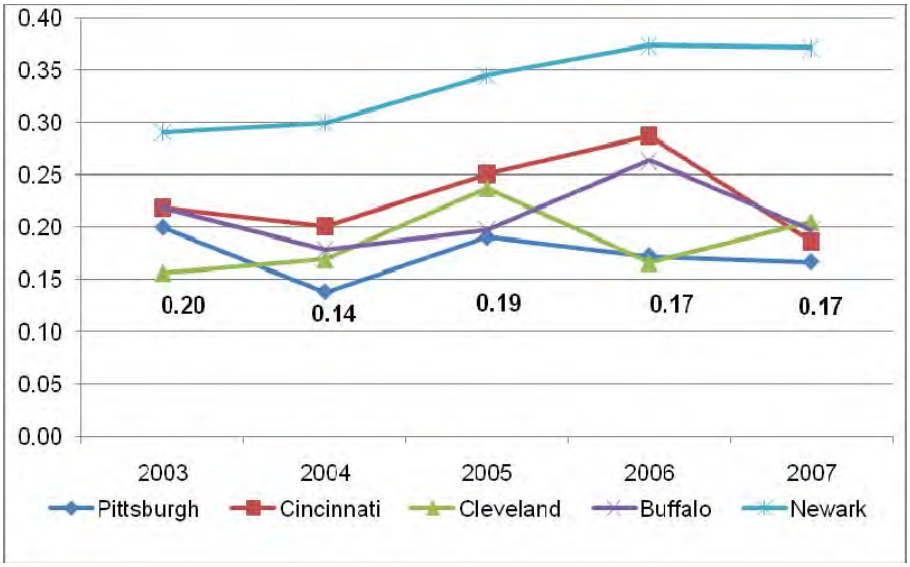
[10] According to US Census Bureau data for 2007, the population of the comparable cities is Pittsburgh, 311,218; Cincinnati, 332,458; Cleveland, 438,042; Buffalo, 272632; Newark, 280,135.

	2003	2004	2005	2006	2007	2008	% Change
Vehicle Theft	2,645	2,392	2,273	1,865	1,538	1,332	-49.6%
Arson	97	87	55	70	79	84	-13.4%
Property Crime Subtotal	**16,532**	**15,365**	**15,683**	**15,306**	**14,012**	**12,803**	**-22.6%**
Total Part I Crime	**20,091**	**19,104**	**19,068**	**18,779**	**17,467**	**16,214**	**-19.3%**

Source: 1999 – 2007 FBI Uniform Crime Reports; Q4 FY2008 report (PittMAPS).

The chart below places the number of murders in Pittsburgh in a broader context. Before 2008 the City's murder rate (murders per 1,000 residents) had been generally lower than other similarly sized cities.[11] Regardless of absolute numbers or relative trends, of course, the uptick in the City's murder rate is disturbing, and has received an even closer focus after the murder of three City police officers in April 2009.

Murder Rate, 2003 – 2007



Progress and challenges

To make the best use of its resources for preventing and responding to crime, the Bureau has improved its efficiency, in part by implementing 2004 Recovery Plan initiatives. The two efforts described below allow officers to spend more time on patrol and less time on administrative duties:

- **Non-Emergency Telephone Response Unit:** The Telephone Response Unit (TRU) was initiated in 2005 to free officers to spend more time on patrol and traditional police responsibilities by using trained civilians to take reports at non-emergency situations. The Bureau estimates that each report completed by TRU personnel saves approximately 45 minutes of an officer's time stemming from the time it would otherwise take the officer to respond to the call and complete the necessary report. The following table summarizes TRU volume for 2006 and 2007.

[11] Final 2008 murder rate statistics for other cities were not available from the FBI's Uniform Crime Reports at time of the Amended Recovery Plan's publication.

Telephone Response Unit (TRU) Call Volume

Period	TRU Reports Completed	Estimated Time Savings
2006	7,279	5,459 hrs
2007	7,746	5,809 hrs

The Bureau has recently moved to employ two additional civilians on the TRU staff, increasing the civilian complement to four. Doubling the unit's capacity generates an equivalent savings of 11,618 hours, or approximately 6.2 sworn officers working 1,880 hours per year.[12]

- **Mobile Data Terminals (MDTs):** As of late 2008, 96 percent of the Police Bureau's vehicles had MDTs installed. A survey showed that only 55 percent of officers use the terminals to their full potential but a recent enhancement enabling reports to be filed remotely from MDTs is expected to encourage a much higher usage of the system. Bureau leadership anticipates reports filed through MDTs will soon account for one-half of all reports filed.

  To quantify the savings expected through use of MDTs, the chart below shows the time saved by filing one mobile report multiplied by the total number of mobile reports expected to be filed in a year. The expected time saved is equal to the time it would take the officer to otherwise return to the station to file the report. The officer instead is able to remain in the field.

Total Reports Filed 8/1/07 – 8/28/08	Interpolated Number Filed in 12 month Period		Savings per Report	Total Annual Savings
176,663	163,074	19,534 (current rate)	20 min	6,446 hrs
		81,537 (target 50%)	20 min	27,179 hrs

The current program is providing the equivalent of 3.4 sworn officers (assuming 1,880 annual hours worked per officer) and expected savings from target utilization would be 27,179 hours, or the equivalent of 14.5 full-time sworn officers.

Operational challenges

The Bureau has expressed concern about the City's difficulty in developing lists of eligible lists of police recruits. The Bureau is also concerned that after the City invests resources in training officers and bringing them to full performance, some leave to join suburban police forces. The chart below shows the number and reason for departures from the Bureau for 2005 through 2007. As of late 2008, there were 77 officers who were eligible for retirement (i.e. 50 years of age and 20 years of service) including one Chief, three Assistant Chiefs, six Commanders and ten Lieutenants.

Police Bureau Departures

Reason	2005	2006	2007
Disability Retirement	1	12	11

[12] This is based on an officer working forty hours a week, 52 weeks a year (2,080 hours) with 15 days vacation leave and 10 days personal leave.

Reason	2005	2006	2007
Mandatory Retirement	0	0	1
Voluntary Retirement	5	11	15
Retirement subtotal	**6**	**23**	**27**
Death	0	1	0
Termination-disability	1	0	0
Absenteeism/Excessive Tardiness	1	0	0
Failure to maintain domicile	1	0	0
Unsatisfactory probationary period	3	0	5
Involuntary subtotal	**6**	**1**	**5**
Other Employment	**15**	**11**	**7**
Other	**9**	**1**	**3**
Total	**36**	**36**	**42**

In the spring of 2008, the Bureau retooled its recruiting effort. The recruiting brochure was redesigned to highlight the diversity of positions available in the Bureau. Working with the City's Personnel Department and Civil Service Commission and the DiverseCity 365 initiative, the Bureau began a summer recruiting schedule including community and sporting events, job fairs and visits to college campuses and military bases. The recruiting process consisted of classroom presentations and information tables/sessions. The recruiting team also partnered with local community newspapers to advertise in those publications and used online job postings. The process culminated in 1,357 applicants for police positions, a significant increase over the 763 applicants in 2006.

While officer retention is driven by many factors, several of which are beyond the control of the Bureau, the Police Bureau shall work with the Departments of Personnel and Law (if collective bargaining is necessary) to explore options related to improving training cost recovery in the event that newly-trained uniformed employees leave for other employment. The chapter covering the Department of Personnel and Civil Service Commission has an initiative to this effect.

Fleet

Having an adequate number of operable vehicles is critical to the Bureau's ability to provide vital services, particularly police patrol. The Bureau of Police and Department of Public Safety raised concerns that the Bureau does not have enough properly functioning vehicles to police in the most efficient and effective way. While the standard operating procedure for a majority of police departments is to have one officer per vehicle, Pittsburgh's commanders have at times had to deploy two, three or even four officers in one vehicle.

Assuming the Bureau's staffing remains at approximately 900 officers, the Bureau has indicated a daily requirement for 308 vehicles (including 10 vehicles that serve as "spares" for when line cars are receiving preventive maintenance). In September 2008, the Bureau began receiving an order of 72 sedans which was expected to bring the Bureau closer, but not fully, to the 308 level. In May 2009 the Bureau reported

that, once the next order of cars arrives, it will have an appropriate number of vehicles (314), including safe and reliable reserves.

Police Fleet

Vehicle Type	Oct 2008 Count	May 2009 Count
Marked Patrol	107	111
Unmarked Sedans	77	83
Wagon	9	11
K-9	8	10
Motorcycle	26	30
Housing, Specialty, SUV, Van, Other	48	69
Total	**275**	**314**

Beyond the number of vehicles, their condition is also important. Generally, experts in the fleet maintenance field assign a marked patrol car a useful life between 100,000 and 125,000 miles. Pittsburgh has not historically achieved this mileage with consistency. If the Police Bureau does not have an adequate number of vehicles, it is difficult to take vehicles off the street for preventive maintenance, avoid 24-hour continual use or cycle vehicles through different areas of the department (e.g. starting in high usage, high mileage areas like patrol and ending in investigative areas). This in turn increases the risk that the available vehicles will become inoperable. Initiatives in the chapters covering the Bureau of Procurement, Fleet and Asset Services and the Department of Public Safety's Bureau of Administration address fleet concerns.

Overtime

One expense that is monitored regularly by the Intergovernmental Cooperation Authority (ICA) and Act 47 Coordinator is premium pay, the second largest subclass in the Bureau's budget. As noted earlier in this chapter, premium pay has grown from $5.1 million in FY2005 to $6.9 million in FY2008, a 34.4 percent increase in four years. A further increase to $7.3 million was budgeted for FY2009.

While the terms premium pay and overtime are sometimes used interchangeably, the premium pay expenses reported by the City in its budget and quarterly reports include more than overtime. Premium pay also includes amounts that officers receive for working holidays and for shift differential. The reported premium pay expenses are also net of any reimbursement that the City receives. The City is reimbursed for overtime expenses by private organizations that use police officers for security and by federal or state grants funding overtime related to certain activities (e.g. anti-gang, truck safety). The table below shows the Bureau's premium pay expenditures for 2005 through 2007. While the City's premium pay reimbursements grew in 2006 and 2007, net expenses rose as well (and a portion of the FY2007 growth is attributable to a 2.5 percent wage increase).

Premium Pay Expenses

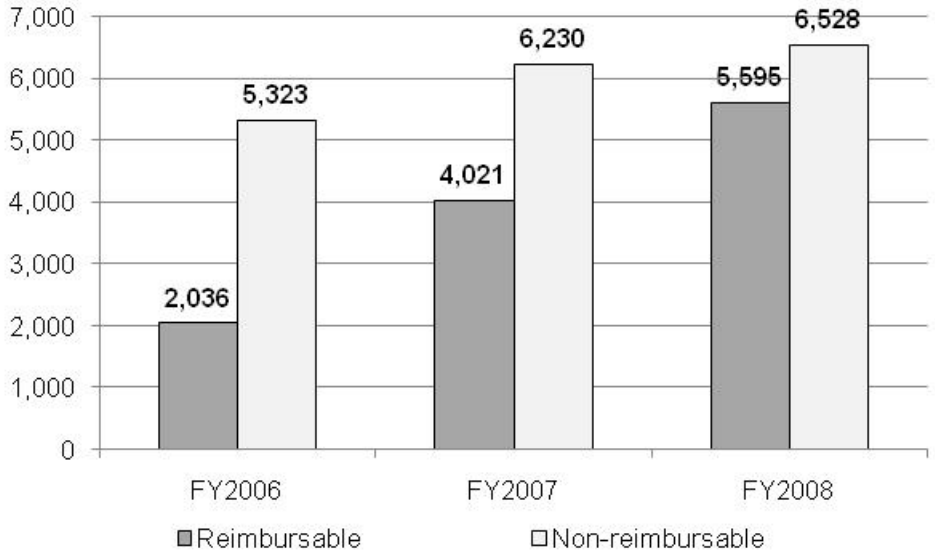
Year	Total	Reimbursed	Non-reimbursed (Net expense)	Net Expense Growth	Wage Increase
2005	6,500,723	1,359,274	5,141,449	N/A	N/A
2006	8,394,183	1,645,937	6,748,246	31.3%	0.0%
2007	10,700,330	3,663,236	7,037,094	4.3%	2.5%
Change	**4,199,607**	**2,303,962**	**1,895,645**	**36.9%**	**2.5%**

Assuming that the full complement of 968 budgeted employees shared in the $10.7 million in premium pay in 2007, the average employee earned over $11,000 in premium pay that year.

Within the premium pay subclass, overtime can be broken into different categories. Some overtime is driven by events outside Bureau management's control on a daily basis, such as court time[13] or the overtime associated with an officer making an arrest late in her or his scheduled shift. Other overtime is related to tactical decisions, like using extra patrols to saturate an area or calling in officers on overtime to fill short shifts.

While not an exact measure of overtime, the City tracks the amount of premium pay used (i.e. hours instead of dollars) each pay period in its quarterly reports. Those reports show that the Bureau's premium pay usage has grown the last three years, though reimbursable premium pay has done so by a larger percentage.

Average Premium Pay Hours per Pay Period



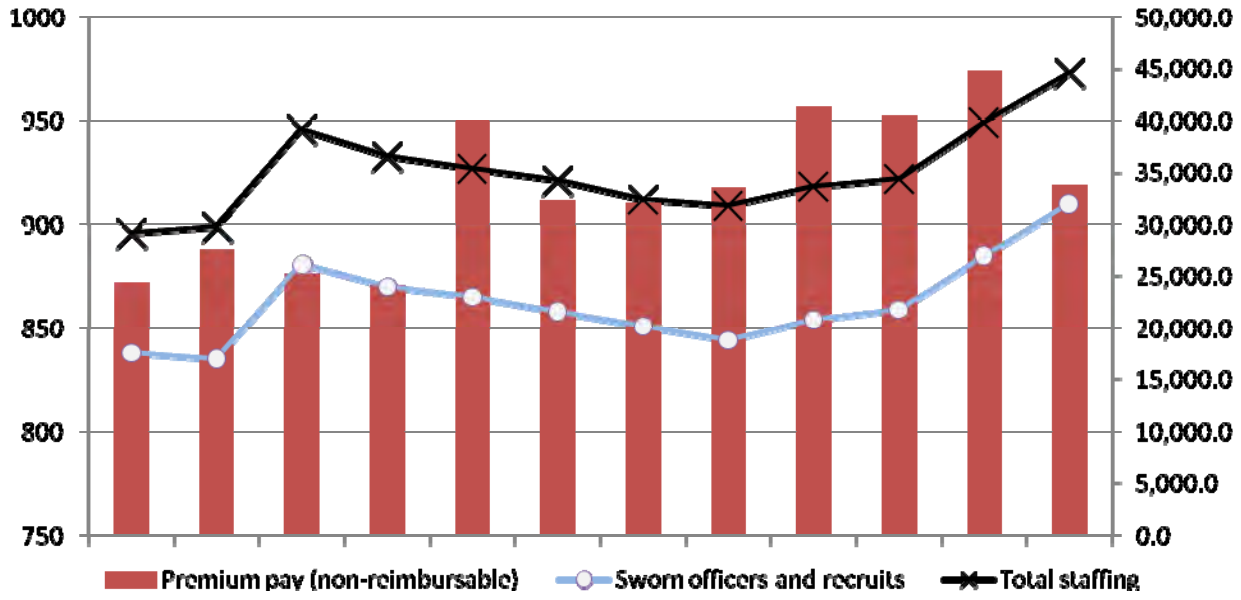
To improve the City's cost recovery for officers working reimbursable overtime, the Administration established a special events police cost recovery program. Every company that hires an off-duty officer

[13] Payments that officers receive for making court appearances outside of regularly scheduled hours are treated here as a type of overtime, not a separate category of premium pay.

for its event is charged $3.85 per hour per officer in addition to the officer's overtime rate. This helps the City recover the investment it has made in the officer (e.g. training, fringe benefits) and the tools used (e.g. uniforms, patrol car) at special events. However, the rate does not fully cover the costs, in particular those related to the City's increased liability exposure associated with officers working these details.

For non-reimbursable overtime, there is often an assumed cause and effect relationship between a Bureau's head count and the amount of overtime worked. Under this theory, the Bureau would reduce the amount of overtime used by hiring more people to work at the regular rate of pay. As the graph below shows, though, the Bureau's non-reimbursable premium pay increased from FY2005 through FY2007 even as the Bureau added staff. This does not indicate that adding staff generates more overtime, but does show that simply adding staff is not enough to control these costs.

Premium Pay (Hours) versus Staff Headcount (Q1 FY2005 – Q4 FY2007)



In addition to the staffing headcount, where employees are assigned has an impact on Police overtime. The Bureau cited the following reasons as factors in rising overtime usage:

- Officers were moved from patrol to other areas (e.g. Investigations, liaison to City Information Systems, Drug Abuse Resistance Education) or to special units like the Community's Technical Investigative and Preparedness Section (C-TIPS). To maintain the same level of patrol activity, some of these openings have been filled using overtime.

- The City used saturation patrols to prevent crime in certain communities. In some cases, such as Project Safe Summer, the overtime costs were covered by federal or state grants.

Increasing overtime does not mean that these staffing changes were inappropriate. The City should have flexibility to use its staff as it sees fit to respond to community needs and changing conditions. However, there are strategies the Bureau can use to reduce unnecessary overtime and ensure it is using its resources as efficiently as possible. The steady annual growth in overtime, as headcount has increased, indicates that overtime and cost control has not been a priority.

Initiatives

PB01. **Civilianization**

Status: Continued from the 2004 Recovery Plan

FY2009 Impact: N/A **Five-year impact:** N/A

The Police Bureau has an unusually high ratio of sworn officers to civilian employees, signaling opportunity for civilianization. The 14 to 1 ratio is much higher than the 3 to 1 ratio for comparable departments as reported by the ICMA.[14] The 2004 Recovery Plan identified 38 positions where the work performed by sworn police officers could be performed more cost-effectively by civilians. In its 2005 review of the Bureau, the International Association of Chiefs of Police (IACP) generally supported this recommendation. The table below summarizes the positions recommended for civilianization, the expected number of redeployed officers from the 2004 report, and the progress made to date.

Progress on 2004 Recovery Plan Civilianization Initiative

Title	Expected #	Office	Current Status/Remarks
Police Officer	5	Chief of Police	The office was reduced by two officers
Police Officer	12	Warrant Office	None to date; targeting 10 civilians replacing 10 sworn
Police Officer	2	Property Office	None to date
Police Officer	1	Crime Analysis	None to date but anticipate one civilian forthcoming who would replace one officer
Police Officer	1	Mail Car/Property Room	None to date
Police Officer	15	Zone Stations (Desk Officer)	FY2009 budget includes funds to renovate zone stations, enabling this change
Police Officer	2	Impound Lot	None to date; privatization in process, resulting in redeployment of officers
Total	**38**		**2 officers redeployed**

Though not on the list of opportunities identified in the 2004 Recovery Plan, the Bureau is pursuing civilianization in Special Events (two civilians replacing 2 officers) and grant administration (one civilian to replace one officer).

Given the public concern about crime, the Police Bureau's strategy to deploy officers in saturation patrols in response to crime, and the City's financial constraints, the City needs to make more progress toward civilianization. The Bureau will not be able to exchange one officer for one civilian in all cases, but civilianization will help the City ensure that its uniform resources are focused on patrol and other traditional police responsibilities and not administrative and clerical duties.

[14] ICMA Center for Performance Management, Comparative Performance Measures, 2006.

Aside from the operational advantages, civilianization will also generate savings. Having more officers available for patrol will alleviate the need to call back officers on overtime to fill short shifts. As shown below civilian employees in the Bureau are also generally paid less than sworn personnel and have less extensive retiree benefits. These indirect savings shall contribute to the City's projected premium pay reduction of $500,000 in FY2012 and $750,000 in FY2013.

Comparison of Sworn vs. Civilian Employees (FY2009 Budget)[15]

Position	No.	Salary	Total salary for position
Police officer 4th year	635	56,151	35,655,885
Police officer 3rd year	103	50,536	5,205,208
Police officer 2nd year	20	44,293	885,860
Police officer 1st year	35	39,308	1,375,780
Total	793	N/A	43,122,733
Weighted average - Police Officer			**54,379**
Network analyst	1	45,127	45,127
Secretary	1	35,109	35,109
Chief Clerk 1	1	40,950	40,950
Supervisory Clerk	1	32,561	32,561
Accountant 1	2	32,668	65,336
Account Clerk	7	29,886	209,202
Cashier 1	1	29,886	29,886
Clerical Assistant 1	6	27,145	162,870
Clerical Specialist 1	33	28,404	937,332
Clerk 2	3	27,145	81,435
Total	56	N/A	1,639,808
Weighted average – Civilian			**29,282**
Difference			**25,097**

The Bureau shall pursue the civilianization of the positions outlined in the 2004 Recovery Plan. During FY2009, the Bureaus of Public Safety Administration and Police shall also conduct a thorough review to identify any other opportunities for civilianization. There is potential for significant direct savings if the City filled positions currently held by sworn officers with civilians as those officers left the Bureau. However, the City would have to decrease the number of budgeted officers below the current 917 level to achieve those savings. Even without reducing the number of officers below 917, civilianization may generate indirect savings if deploying officers on straight time generates enough premium pay savings to counter the increased compensation associated with new civilian employees.

PB02. <u>Develop an overtime reduction strategy</u>

Status: Continued from the 2004 Recovery Plan

FY2009 Impact: N/A **Five-year impact:** N/A

The Bureau shall develop a comprehensive strategy for controlling overtime expenditures and achieving the premium pay savings projected in its baseline ($500,000 in FY2012 and

[15] This comparison does not include officers of higher rank (e.g. sergeants, lieutenants) nor does it include civilians in management positions (e.g. Manager of Personnel and Finance). Clerk Stenographers are also excluded because of the focused nature of their skills, though their budgeted salaries are comparable to other civilians in the Bureau.

$750,000 in FY2013) other than filling vacancies to reach the budgeted level of 917 officers. That strategy may include:

- **Court time reduction:** The Police Bureau reports that a large portion of its overtime is related to officers making court appearances. The 2004 Recovery Plan included an initiative to distribute pagers to officers who might need to make a court appearance when they are otherwise on duty. The officers would have remained on patrol near the courthouse and proceed to the courthouse if they were paged. The initiative was tested but disliked by judges, who felt that the officers should be waiting in the courthouse to expedite the court process. The initiative was therefore abandoned. In the place of pagers, the Bureau has recently implemented PayCops, a program that should improve court appearance scheduling and reduce court time. It allows officers' court appearances to be scheduled together so that they do not need to make repeated overtime trips. The City should also use its relationships with other Allegheny County governments to develop a joint approach to the Courts that can assist all local jurisdictions in controlling court time and putting more uniformed officers on the street.

- **Scheduling:** The Bureau indicated that uniformed Administrative personnel are now permitted to work holidays and receive 2.5 times their normal pay rate or 1.5 times the rate plus a day in deferred leave that may be used at a later date. The Bureau shall ensure that personnel who are not required to work on holidays are not scheduled to do so. Consistent with the management rights provision outlined in this Amended Recovery Plan's Workforce chapter,[16] the Bureau shall have sole discretion to determine which Administrative personnel are not required to work on a holiday.

- **Monitoring:** Each pay period the zone commanders receive aggregate reports that list individuals receiving overtime, but the commanders do not get summary reports that compare zones against one another or present the types of overtime within each zone. During the Bureau review process, the Act 47 Coordinator recommended improved reporting tools that summarize overtime by type and zone. Similar to the City's new performance management system (PittMAPS), better information on overtime would empower Police Bureau managers and zone commanders to monitor overtime usage more closely and manage it more effectively.

As noted above, achieving the civilianization discussed above would also help the Bureau control and reduce its overtime expenses.

PB03. **<u>Pursue privatization of tow pound</u>**
Status: New
FY2009 Impact: N/A **Five-year impact:** -$880,983

The Bureau operates a tow pound along the Allegheny River in the Strip District where vehicles with multiple moving violations are impounded. The 2004 Recovery Plan recommended that the pound's hours be shortened to bring it more in line with facilities in other cities and that civilians staff the pound instead of police officers. The IACP's 2004 study recommended privatizing the pound, an approach which the City is pursuing. The City issued a request for proposal (RFP) soliciting bids from private companies to operate a tow pound at another location, freeing the current site for other development. The City received two bids and selected one that is proposing moving the pound to a site near the Liberty Tunnel. The private vendor would also provide more weekend coverage so owners could more easily retrieve their car. City Council approved the privatization in April 2009.

[16] Please see initiative WF01.

By turning over the operations to a private vendor, the City would surrender the $1,258,000 in revenue collected from owners retrieving their car from the pound but also shed the $1,081,500 in expenditures for towing services.[17] In FY2007 the City collected $1,145,867 and paid $969,742 for a net gain of $176,125.[18] The table below shows the projected impact of this change using the growth rates in the City's FY2009 budget with the net difference representing revenue forgone by the City. The projection assumes the privatization would take effect in FY2010.

	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Revenue forgone	(1,299,525)	(1,344,404)	(1,393,331)	(1,446,943)
Expenditures saved	1,108,538	1,136,251	1,164,657	1,193,774
Net difference	**(190,987)**	**(208,153)**	**(228,674)**	**(253,169)**

Despite this net loss, pursuing this initiative would free sworn and civilian staff for deployment elsewhere, contributing to the civilianization discussed in initiative PB01. The City also plans to market the current tow pound site for development which could generate direct (sale proceeds) and indirect (property tax) revenue that offsets the net loss shown above. In view of those benefits, the City shall continue to pursue tow pound privatization.

PB04. **Study reuse of Zone 3 police station**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall analyze the feasibility of rehabilitating and reusing the former Zone 3 Police Station on the Southside for possible use for holding cells and processing summary offenders. Any initial funding for such rehabilitation and recurring funding for operational reuse must come from sources outside the City such as state, federal or private funding sources.

PB05. **Police retention and recruitment**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall work together with the Fraternal Order of Police to develop low cost incentives for the retention and recruitment of officers.

Additional initiatives

Along with the initiatives outlined above, others impacting the Bureau of Police include:

- Confer with department managers regarding concerns specific to collective bargaining agreements and establish alternatives for negotiation (Personnel & Civil Service Commission)
- Work with the Department of Finance to maintain an Annual Purchasing Plan for Vehicles (Public Safety Administration)
- Decentralize code inspections (Building Inspection)
- Pursue police regionalization initiatives (Intergovernmental Cooperation)

[17] The revenue and expenditure estimates come from the City's adopted FY2009 budget.

[18] The revenues are reported in the FY2009 budget and the expenses reported in the Q4 FY2007 financial and performance report.

8. Public Works and Parks and Recreation

Department of Public Works

Overview

The Department of Public Works (DPW) is comprised of five bureaus.

- **Administration** is responsible for information management, long term planning and all accounting functions for the Department. DPW is also responsible for the permitting, management and enforcement of the public right of way, and ensures that all uses and work is done in accordance with City standards.

- **Operations** maintains the City's infrastructure. Within the Bureau are the following divisions:

  - Park Maintenance provides daily and seasonal maintenance of 171 city-owned parks and four regional parks.

  - Maintenance conducts street cleaning, snow and debris removal, street repair and litter removal.

  - Painting installs street signs, stop and yield signs, parking signs, directional and safety signage and traffic lane markings.

  - Forestry coordinates planting and pruning of all City-owned trees.

- **Environmental Services** provides daily collection of municipal solid waste and enforces and monitors public compliance with City ordinances governing solid waste management.

- **Transportation and Engineering** oversees the design, construction, and maintenance of the City's infrastructure. Divisions within the Bureau include Executive, Engineering, Traffic Operations and Construction Services.

- **Properties**[1] provides a full range of services to maintain City government buildings, including administrative buildings; police, fire and medic stations; senior centers; recreation centers and swimming pools; and public works facilities.

Department Reorganization

As directed in the 2004 Recovery Plan, the City's Department of Engineering and Construction was abolished and moved into DPW, and its functions remain in the Department's Bureau of Transportation and Engineering. The Department's Bureau of Properties was formerly part of the Department of General Services, which the City dissolved in 2006. The Division of Animal Control was removed from Environmental Services and transferred to its own bureau within the Department of Public Safety in 2008.

The Department's staffing level varies during the year with the use of seasonal employees. For example, the Department had 415 employees for functions other than Environmental Services and Engineering and Construction at the end of March 2008. At the end of June 2008 the headcount increased to 450 and at the end of December 2008 it had dropped back to 428.

The table below shows the Department's headcount for all employees (part-time and full-time) across all funds (General and other), taking the count at the end of each quarter to account for seasonality. In FY2006 the DPW did not have the big head count increase in the second and third quarters (usually associated with

[1] The Bureau was called Facilities Management in the FY2008 budget, Facilities in the FY2007 budget and General Services – Facilities in the FY2006 budget.

seasonal workers) accounting for the lower total for that year. The table also shows staffing levels for the City's Engineering and Construction functions which are now fully housed within DPW. The City's quarterly reports display staffing for Engineering and Construction and Environmental Services separate from DPW's other functions, so that distinction is maintained below.

Historic Employee Count – Filled Positions[2]

	2005	2006	2007	2008
Public Works	396	345	433	436
Environmental Services	206	202	204	185
Engineering & Construction	33	30	29	30
Total	**635**	**577**	**666**	**651**

In terms of budgeted positions, the Department's staffing has been stable adjusting for the aforementioned changes in responsibility (e.g. property maintenance added in FY2006, animal control taken out in FY2008). The drop in total and Environmental Services head count from 2007 to 2008 is attributable to animal control moving to the Department of Public Safety. The Fleet Contract Manager and Administrator positions were temporarily housed in DPW before shifting to the Department of Finance's Bureau of Procurement, Fleet & Asset Services. Positions in the Redd Up Program, established in 2007, were transferred into the Facilities Division within the Bureau of Properties in 2009. The program continues to provide neighborhood clean-up services and implemented "Green Up," a new initiative targeting vacant properties.

Historic Employee Count – Budgeted Positions[3]

Bureau	2005	2006	2007	2008	2009
Administration	12	12	12	12	12
Operations	323	327	323	323	317
Environmental Services	217	216	215	196	196
Transportation & Engineering	37	34	37	39	34
Properties	-	48	42	43	48
General Services – Fleet	-	2	-	-	-
Redd Up Program[4]	-	-	8	8	0
Total	**589**	**639**	**637**	**621**	**607**

[2] The annual numbers shown are the average of the quarterly headcount as reported in the City's quarterly financial and performance reports. This count includes all active part time and full time employees, including those on various kinds of leave, across all funds.

[3] Budgeted positions as reported in the City's annual operating budgets.

[4] Redd Up positions were transferred to the Bureau of Properties

Facilities

As of May 2008 the City reported 2.3 million square feet of facility space, much of which is maintained by the Department of Public Works[5] including:

- Pool buildings and closed pool facilities
- Police buildings
- Firehouses
- Park shelters
- Office facilities
- Recreation, senior and community centers
- Medic stations
- Service facilities

The following chart shows the City's facilities by type and percentage of total square feet.[6]

Facility Type	Square Feet	Percent of Total
Office	484,913	21.5%
Service Facility	422,845	18.7%
Firehouse	228,352	10.2%
Recreation/Activity/Community	216,180	9.6%
Police Stations/Facilities	184,850	8.2%
Senior Center	148,465	6.6%
Pool	147,851	6.6%
Activity	123,282	5.5%
Medic Station	66,617	3.0%
Training	47,616	2.1%
Storage	45,576	2.0%
Salt Dome	40,223	1.8%
Shelter	38,180	1.7%
Restrooms	16,875	0.8%
Concession Stand	12,740	0.6%
Utility	10,770	0.5%
Other	15,404	0.7%
Grand Total	**2,250,739**	**99.9%**

Historical expenditures – DPW (except Bureau of Properties)[7]

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	19,592,000	18,833,889	19,555,001	19,600,134	21,105,892	7.7%
Premium Pay	941,000	913,761	1,218,625	983,443	1,316,333	39.9%

[5] DPW may not have primary maintenance responsibility for all of these facilities.

[6] As reported in May 2008

[7] This includes the expenditures from the Bureaus of Administration, Operations, Environmental Services, Transportation and Engineering/Engineering and Redd Up. Expenditures for the Bureau of Properties are presented separately.

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Education and Training	4,000	8,435	6,914	9,192	9,558	139.0%
Uniforms	75,000	73,592	85,884	62,950	76,329	1.8%
Supplies	127,000	140,167	190,431	138,669	211,551	66.6%
Road Salt	0	0	0	221,158	959,640	N/A
Street Sweeper Brooms	0	0	39,752	0	15,000	N/A
Other Materials	1,122,000	1,091,786	987,025	852,776	599,114	-46.6%
Equipment	110,000	129,377	130,117	120,844	137,810	25.3%
Repairs	254,000	262,630	277,094	282,709	325,000	28.0%
Rentals	454,000	502,741	642,138	646,654	518,621	14.2%
Eichenlaub Landscaping	0	82,282	65,845	50,041	74,150	N/A
BFI (landfill contract)	-	2,529,037	2,307,165	2,431,680	2,600,000	N/A
R.W. Beck	0	507,897	0	0	0	N/A
Miscellaneous Services	2,947,000	232,633	999,711	657,576	620,328	-79.0%
Judgments	0	0	0	0	10,000	N/A
Total	**25,626,000**	**25,308,227**	**26,505,704**	**26,057,826**	**28,579,326**	**11.5%**

Setting aside the expenses related to property maintenance, the Department's expenditures increased by 1.7 percent from FY2005 actual to FY2008 actual. However, the FY2009 budget is $2.5 million or 9.7 percent higher than FY2008 actual spending. The majority of this expected expenditure increase is in salaries, premium pay, and road salt.

The significant drop in spending on "Other Materials" is partly attributable to the dedication of a separate line for road salt beginning in FY2008. Note that the City budgeted $460,000 in road salt for FY2008 and then projected a $500,000 increase to $960,000 for FY2009. However, the City only spent $221,000 in FY2008, $239,000 below the budgeted amount. In the projections below, the City backs out the $500,000 projected increase in years FY2010 and beyond. The drop in historical Miscellaneous Services expenditures is attributable to the dedication of a separate line for the BFI contract.

Projected Baseline Expenditures – DPW (except Bureau of Properties)[8]

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	21,105,892	21,633,539	22,174,378	22,728,737	23,296,956	10.4%

[8] This includes the expenditures from the Bureaus of Administration, Operations, Environmental Services and Transportation and Engineering/Engineering. Expenses for the Bureau of Properties are presented separately.

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Premium Pay	1,316,333	1,349,241	1,382,972	1,417,547	1,452,985	10.4%
Education and Training	9,558	9,654	9,750	9,848	9,946	4.1%
Uniforms	76,329	77,092	77,863	78,642	79,428	4.1%
Supplies	211,551	216,840	222,261	227,817	233,513	10.4%
Road Salt	959,640	471,131	482,909	494,982	507,357	-47.1%
Street Sweeper Brooms	15,000	15,375	15,759	16,153	16,557	10.4%
Other Materials	599,114	614,092	629,444	645,180	661,310	10.4%
Equipment	137,810	141,255	144,787	148,406	152,116	10.4%
Repairs	325,000	333,125	341,453	349,989	358,739	10.4%
Rentals	518,621	531,587	544,876	558,498	572,461	10.4%
Eichenlaub Landscaping	74,150	76,004	77,904	79,851	81,848	10.4%
BFI (landfill contract)	2,600,000	2,665,000	2,731,625	2,799,916	2,869,914	10.4%
Other Misc. Services	620,328	635,836	651,732	668,025	684,726	10.4%
Judgments	10,000	10,250	10,506	10,769	11,038	10.4%
Total	**28,579,326**	**28,780,021**	**29,498,220**	**30,234,361**	**30,988,893**	**8.4%**

Expenses for the Bureau of Properties are shown below. The City's budgets show the actual FY2005 expenditures for the former Department of General Services – Bureau of Facilities as parallel to those in this DPW bureau so they are included in the chart below for historical comparison.

Historical expenditures – Bureau of Properties

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2005-09 Growth
Salaries	1,802,000	1,691,973	1,538,319	1,512,242	1,991,289	10.5%
Premium Pay	27,000	43,095	26,704	46,764	37,000	37.0%
Education and Training	1,000	297	425	492	500	-50.0%
Uniforms	25,000	24,646	25,283	25,425	25,425	1.7%
Supplies	17,000	17,052	1,666	1,666	21,671	27.5%
Materials	110,000	116,661	115,200	118,497	208,478	89.5%
Equipment	9,000	8,044	7,929	7,924	7,931	-11.9%
Repairs	19,000	16,168	14,568	14,615	14,617	-23.1%

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2005-09 Growth
Rentals	0	0	421	420	150,422	N/A
Cleaning	0	360,744	0	0	0	N/A
Security	0	265,601	0	0	0	N/A
Maintenance contracts	0	66,921	80,955	90,825	72,270	N/A
Other Misc. Services	824,000	83,941	9,030	0	78,907	-90.4%
Total	**2,834,000**	**2,695,143**	**1,820,500**	**1,818,870**	**2,608,510**	**-8.0%**

There is a 31.6 percent projected increase in salary expenditures from actual FY2008 to budgeted FY2009. However, salary expenditures have actually decreased each year since these responsibilities moved to DPW from the Department of General Services.

Projected Baseline Expenditures – Bureau of Properties

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	1,991,289	2,041,071	2,092,098	2,144,400	2,198,010	10.4%
Premium Pay	37,000	37,925	38,873	39,845	40,841	10.4%
Education and Training	500	505	510	515	520	4.0%
Uniforms	25,425	25,679	25,936	26,195	26,457	4.1%
Supplies	21,671	22,213	22,768	23,337	23,921	10.4%
Materials	208,478	174,111	178,463	182,925	187,498	-10.1%
Equipment	7,931	8,129	8,333	8,541	8,754	10.4%
Repairs	14,617	14,982	15,357	15,741	16,134	10.4%
Rentals	150,422	154,183	158,037	161,988	166,038	10.4%
Maintenance contracts	72,270	74,077	75,929	77,827	79,773	10.4%
Other Misc. Services	78,907	44,646	45,762	46,906	48,079	-39.1%
Total	**2,608,510**	**2,597,521**	**2,662,066**	**2,728,220**	**2,796,025**	**10.3%**

The City projects that Material expenditures will drop by approximately $39,000 in FY2010 and that Other Miscellaneous Service expenditures will drop by $35,000 that same year. In both cases the City's FY2009 allocation includes an increase for one-time expenditures that is removed for later years.

Progress and future challenges

Since 2004, the Department has implemented several initiatives both independently and as recommended in the 2004 Recovery Plan.

Refuse collection

- **Managed competition of solid waste services:** The 2004 Recovery Plan required the City to implement a managed competition pilot program for solid waste services in the City. The Plan specified that a service area comprised of approximately ten percent of the City's population (Area A) would be eligible for bid by private contractors, and that City workers would be ineligible. After a contractor was selected for Area A, a second area comprised of approximately one third of the City's households (Area B) was to be bid, and City workers were to be eligible to compete. However, geography, road and highway locations, and household distribution made the division of the two areas less efficient and would have increased the total cost of service had separate bids been selected. Therefore, a single request for proposals (RFP) was issued in October of 2005 for the entire Southern Division, which includes both areas. Both private contractors and City workers were eligible to compete.

  The City, along with national municipal solid waste consultants RW Beck, produced a professional, polished proposal that scored highest in three of the four RFP scoring categories. That proposal was selected on the assumption that one of two options would be implemented. In Option A, the City proposed collecting refuse four days per week rather than five, with 10-hour days. In Option B the City would keep a five-day workweek but reduce refuse collection crew sizes from three to two individuals. While Option A was estimated to yield the most savings, the City selected Option B. A major portion of the savings from this approach was associated with using a smaller number of routes.

  In 2007, the City moved away from the approach proposed during managed competition. It now uses three-person crews for refuse and bulky waste and collects bulky waste every week. This approach is essentially a citywide version of the four-day work week option (Option A) with five-day work weeks. According to the Department, four-day work weeks would create problems with excessive downtime in the final two hours of each day (2:00 pm – 4:00 pm) due to increased rush-hour traffic. The following table summarizes past practice before Act 47, the differences between the two options proposed during managed competition and current practice.

Proposed vs. Actual Solid Waste Collection
Option A and B: Southern Division Only[9]

	Pre-Act 47	Option A	Option B	Current
Days in Work Week	5	4	5	5
Bulky Waste Pickup	Every Other Week	Weekly, with Refuse	Every 4th Collection	Weekly, with Refuse
Crew Members Per Route				
Refuse	2	3	2	3
Bulky Waste	3	3	3	3
Recycling	2	2	2	2
Total Crew Members in Southern Division				
Refuse/Bulky Waste		36	39	
Recycling		10	10	
Number of Routes				
Refuse/Bulky Waste		9	12	

[9] The Act 47 Coordinator requested information on the crew members in the Southern Division, the number of routes and the number of trucks but the information was not available at time of publication.

Recycling		5	5	
Number of Trucks				
Refuse/Bulky Waste		11	14	
Recycling		6	6	
Cost Per Unit Per Month				
3-Year Fixed Rate		$7.56	$8.46	
5-Year Fixed Rate		$7.90	$8.83	

Re-routed solid waste collection routes: Prior to 2003 the City operated 53 garbage routes, each using two-person crews for regular weekly refuse collection and three-person crews for bulky waste collection every other week. In April 2003 DPW implemented a new routing program and was able to reduce the number of routes from 53 to 44. Another re-routing enabled the City to reduce the number of routes to a total of 34, not including two routes added for collecting refuse in the Borough of Wilkinsburg. As a result of the reduction in routes, the Department was able to decommission 70 older recycling and refuse hauler vehicles in 2005 through 2007. Over the period from 2006 to 2008 the City purchased 11 new vehicles, yielding a net decrease of 59 vehicles.

Recycling/Refuse Collection Vehicles Decommissioned (2005-2007)

Year	Recycling Vehicles	Refuse Haulers	Total
2005	29	29	58
2006	0	7	7
2007	0	5	5
Total	**29**	**41**	**70**

- **Implemented single-stream recycling collection pilot program:** In 2008 the Department initiated a pilot program in which residents were able to put all recyclables in one bin for collection without separating each type. The program has been successful, and results thus far have shown an increase in recyclable tonnage of approximately 30 percent over 2007. The City receives $56 per ton of separated recyclables compared to $46 per ton of mixed, single-stream recyclable material. However, the lower price for mixed material is at least partially offset by the increase in recyclable volume and a decrease landfill disposal fees. A net increase of $250,000 in revenue generated from the sale of recyclables was projected for 2008. In November 2008 the Department expanded the pilot program to all routes, which should yield further tipping fee savings and additional recyclable revenue. The initiatives section discusses the City's recycling program in more detail.

- **Landfill disposal cost containment:** The 2004 Recovery Plan required the Department to pursue strategies to lower disposal fees, such as the single stream recycling pilot described above. The Department has had some success in containing tipping fees and other landfill disposal costs. The City currently pays $20.65 per ton at the Allied Waste landfill in Imperial and $25.43 per ton at the Waste Management-owned landfill in Monroeville. Due to its location, the Monroeville landfill can be more cost-effective when picking up waste from the eastern part of the City and from collection points in Wilkinsburg.

- **Intergovernmental service agreement:** In January 2007 the City entered into an agreement with the Borough of Wilkinsburg to provide refuse collection service. The Borough pays the City $700,000 - $800,000 for the service while handling its own recycling collection. The agreement runs through FY2010. The City is exploring similar arrangements with other municipalities for refuse collection and other services.[10]

[10] Please see the Intergovernmental Cooperation chapter for more information.

Other

- **Consolidation of rights-of-way rental regulation:** The 2004 Recovery Plan required the City to consolidate the separate rights-of-way (ROW) regulation functions then performed separately by the now defunct Department of General Services and DPW. While DPW was responsible for street cut permit fees, lane use obstruction fees, and ROW occupancy privileges, DGS was responsible for franchise fee administration. Licensing and franchise fee administration is now handled by City Information Systems (CIS). DPW is responsible for all of the ROW permits required of franchisees, and also conducts the ongoing inspection process.

- **LED traffic signal upgrade:** In 2008 the City hired a contractor to install new traffic signals equipped with light-emitting diode (LED) technology at 609 intersections. LED lights are more efficient than traditional incandescent lights and last approximately ten times longer, reducing long-term energy, maintenance, and replacement costs considerably. While incandescent bulbs traditionally used in traffic signals require 60 to 135 watts, LED lights typically require six to 22 watts, depending on color and use.

  A 2003 study by the City of Little Rock, Arkansas' Department of Public Works found that intersections fitted with LED signals yielded an energy cost savings of approximately $35.19 per intersection, or 52.2 percent. While energy costs vary widely by region, Pittsburgh could experience similar relative savings or even higher dollar savings, given recent growth trends in energy costs. Applying Little Rock's experience to Pittsburgh and adjusting for electricity cost inflation and regional cost differences to get a preliminary estimate of savings potential, equipping 609 intersections with LED signals could save the City an estimated $400,000 in annual electricity costs. Given the lack of direct comparability in this analysis, the City should monitor cost savings to determine actual results.

  The Administration and Council are also working to identify the best replacement for the City's 40,000 streetlights. The University of Pittsburgh and Carnegie Mellon are helping the City test alternatives, potentially including solar-powered and light-sensitive technology, with the selected alternative serving as the basis for a large scale replacement beginning in late 2010.

Challenges identified by the City or the Act 47 Coordinator include the following items.

- **Infrastructure maintenance:** Infrastructure funding challenges are not unique to Pittsburgh. State and local governments across the country are finding it more and more difficult to maintain streets, highways, bridges, buildings and other capital assets on a sustainable repair cycle. As routine maintenance is deferred, long-term repair and replacement obligations grow at rates generally exceeding short-term savings. For example, controlling for climate and traffic volume, streets tend to deteriorate only 40 percent in quality in the first 75 percent of their useful life, but experience another 40 percent drop in quality in the next 12 percent of their useful life.[11] That, combined with the pronounced cost differential between repairing a street in poor condition and repairing a street in good condition, amounts to a strong argument for the importance of preventative maintenance.

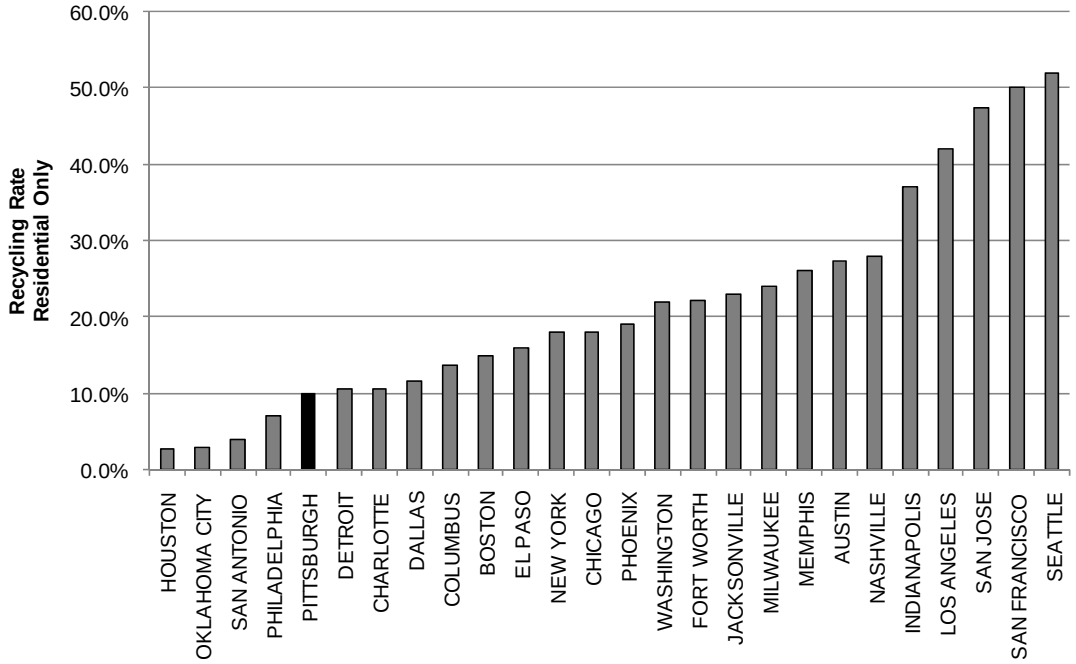
  As discussed in the Capital Improvement Plan (CIP) chapter, the City has recently funded most infrastructure improvements by allocating pay-as-you-go funds from its annual Capital Budget. Given its responsibilities, DPW receives a larger share of the Capital Budget than any other department. The City is also pursuing capital funds that may be available through the federal government's American Recovery and Reinvestment Act (ARRA) of 2009. Given these infrastructure needs and the uncertainty how much ARRA funding the City might secure, this

[11] Metropolitan Transportation Commission, *The Pothole Report: An Update on Bay Area Pavement Conditions*, March 2000, pg. 11. http://www.mtc.ca.gov/library/pothole/pothole.pdf

Amended Recovery Plan's CIP chapter makes other provisions for allocating more funds to the capital budget during the FY2009 – FY2013 period.

- **Low recycling rate:** The City recycled approximately ten percent of its waste in 2007, which is low compared to cities nationally. *Waste News* produced a survey of municipal solid waste operations in the thirty largest American cities in 2007, the results of which are shown in comparison with the City of Pittsburgh in the following chart.

2007 Residential Recycling Rates
Pittsburgh and 30 Largest U.S. Cities (where available)



Sources: Waste News, City of Pittsburgh

The City's new single-stream recycling program has increased recycling tonnage by approximately thirty percent as of fall 2008. As the program matures, those figures should continue to improve along with a decline in landfill waste tonnage. Assuming total waste tonnage in 2008 equals that of 2007, a 30 percent increase in recyclable tonnage translates to a projected recycling rate of approximately 12.5 percent – an increase of 2.5 percent.

As mentioned above, higher ratios of recycled to non-recycled waste generally represent a net savings to a municipal solid waste operation. Recyclables can be sold to partially offset the cost of collection, while non-recyclable refuse represents costs for both collection and disposal. Further, effective recycling programs have been shown to have positive ecological impacts since the environmental impact of producing new materials is generally greater than that of recycling. With a view to these financial and ecological benefits, the City should continue to set goals to divert as much waste as possible to the recyclable market. This challenge is addressed further in the initiatives below.

- **Recreation facility cost recovery:** DPW manages the rental of the City's ball fields. The 2004 Recovery Plan required DPW to evaluate increases to ball field rental fees, and in 2005 the Department increased fees for adult organizations according to the table shown below. No fees are administered for youth sports organizations, although some groups do charge users for league administration and uniform and equipment.

Ball Field Fee Schedule

Single event type	FY2003	FY2008
Spring Day (1hr 45 min ends before 7:45pm)	$20.00	$28.00
Spring Evening (1 hr. 45 min after 7:45 pm)	$25.00	$35.00
Fall Day (3 hr ends before 5:30 pm)	$25.00	$48.00
Fall Evening (3 hr after 5:30 pm)	$35.00	$60.00

The 2004 Recovery Plan required the City to evaluate fee structures to recoup between 15 percent and 25 percent of its field maintenance costs. Based on the most recent actual data available, in FY2007 the City recouped just 10.5 percent of its costs through field permit fees.

Ball Field Maintenance Cost Recovery Ratio (FY2007)

	FY2007
Landscape Maintenance	$87,531
Field Maintenance	$159,080
Light Maintenance	$190,678
Electricity	$202,263
Total Field Maintenance Cost	$639,552
Number of Permits Issued	461
Total Field Permit Fee Revenue	$67,149
Cost Recovery Ratio	**10.5%**

- **Road paving.** The City maintains approximately 900 miles of asphalt roadways and previously operated its own asphalt plant. The 2004 Recovery Plan required the City to sell the plant. The production level maintained by the plant yielded higher costs per ton than other available options. The sale of the plant generated $375,000 in one-time revenue, and DPW estimates that the efficiencies gained by purchasing asphalt from a third party generates recurring savings of approximately 20 percent per ton.

  However, the arrangement with the private asphalt plant presents some challenges. The plant is shared by other government agencies and private contractors so City staff may wait in line as long as 25 to 50 minutes. Fluctuations in the cost of asphalt also inhibit the City's ability to meet its paving goals. The Department's goal for 2008 was 50 miles but higher prices reduced the likely level to 35 miles. The Department believes City streets should be repaved on a 12-year cycle to properly maintain them, which would require an average of 75 miles per year. Because of these productivity and cost concerns, the Department is investigating the cost effectiveness of purchasing a new and more efficient asphalt plant, which would allow more exclusive access and decrease idle time for drivers. This issue is addressed further in the initiatives below.

Initiatives

PW01. Conduct an independent operational review of refuse, bulk waste and recycling collection and disposal
Status: New
FY2009 Impact: $0 **Five-year impact:** N/A

Refuse and recyclable collection is one of the most fundamental, visible services that the City provides residents and businesses. Outside of public safety, it is also one of the City's biggest operations with 196 employees budgeted for the Bureau of Environmental Services in FY2009. That budget allocates $10.4 million to the Bureau in FY2009, but that is only a portion of the amount the City actually invests in refuse collection. Fuel, fleet maintenance, employee benefits and ongoing investments in vehicles and facilities add millions more to the cost of this service.

Pursuant to the 2004 Recovery Plan, the City held a managed competition process as discussed above. The City submitted a proposal that recommended improvements to previous structure and won approval, highlighting the potential to make constructive changes. But the City has not implemented that approved proposal, underlining the need for further review.

Given the scale of investment in and critical nature of these services, the City should be vigilant to provide them in the most effective, efficient manner possible. To that end the City shall hire a third party to review its refuse, bulk waste and recycling collection and disposal and make recommendations for improving service quality or efficiency where possible. To that end, the City shall retain a third party consultant with recognized expertise in refuse, bulk waste and recycling collection and disposal to review these services and to make recommendations for improving service quality and efficiency where possible.

Areas of study will include, but are not limited to, the number and pattern of collection routes, staffing structure (employees per shift or per vehicle), frequency of collection and cost of service. The study shall review the City's recyclable collection and disposal and make recommendations for increasing the tonnage and rate of recycling (see initiative PW02 for more information on these objectives).

The study may consider new technology, such as semi-automated trash collection (SATC), or new funding mechanisms, such as "pay-as-you-throw," though it should do so in consultation with DPW employees. The study shall provide a timeframe within which its recommendations can be implemented and quantify the financial impact of implementing those recommendations where possible.

In consultation with the Act 47 Coordinator, the City shall draft and issue an RFP for this study no later than September 1, 2009. The study shall have a target release date of June 1, 2010 so that any recommendations that relate to the City's collective bargaining agreement with the International Brotherhood of Teamsters, Local No. 249 can be integrated into those negotiations.

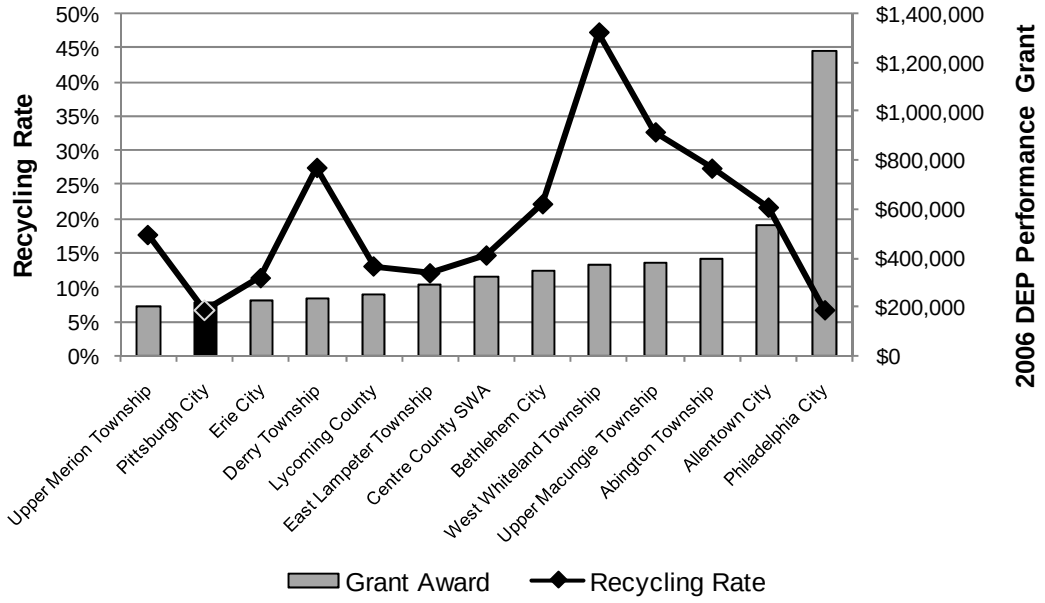
PW02. Achieve a target Act 101 recycling rate of 15 percent by 2013
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: $166,719 **Five-year impact:** $4.3 million

Pittsburgh receives two Act 101 grants from the Commonwealth's Department of Environmental Protection. The first, Section 902, allows counties and municipalities to be reimbursed 90% of approved recycling program development and implementation costs. The second is a recycling

performance grant established by Act 101, Section 904. The amount granted is determined by the amount of waste recycled ($5 for every ton) and the municipality's "recycling rate," which in this case is the total tonnage of approved recyclables divided by population divided by 0.8. The 0.8 tons per person per year is the average statewide waste generation rate.

In FY2006 DPW received $220,857 in DEP Recycling Performance grant funds, ranking twelfth by dollar amount despite being the Commonwealth's second largest municipality by population. Of the thirteen cities with the performance grants of more than $200,000, Pittsburgh had the lowest recycling rate – 6.6 percent – following closely behind the City of Philadelphia with 6.7 percent.[12] Despite the low rate, Philadelphia received more grant funds than Pittsburgh because of the higher recyclable tonnage. The following chart shows the recycling rate and performance grant funding for 2006, the most recent data available.

Recycling Rate and DEP Performance Grants – 2006
PA Municipalities with Greater than $200,000 in Performance Grant Funds



In 2006, the City implemented a single-stream recycling pilot program. The nearly thirty percent increase in recyclable tonnage should continue to grow as the program develops, but given the City's relatively low recycling rates there is still room for improvement. The State's Act 101, Section 904 grant formula awards $5 for every ton of waste recycled, and awards a bonus for every percentage of waste calculated to be diverted. This means that if the City was able to increase recycling tonnage by 30 percent as projected in 2008, an additional $108,000 in Performance Grant revenue could be generated. If the City was able to increase its Act 101 recycling rate to 15 percent, the portion of the grant based on the recycling rate would increase by nearly $600,000. Both scenarios are compared with 2006 data in the following table.

[12] It should be noted that "Recycling Rates" can be measured in different ways. In the Commonwealth's Performance Grant formula, recycling rate is measured as the total tonnage of recyclables disposed of divided by the municipality's population, divided by 0.8 (the statewide average of waste per capita). Essentially, this measures per capita recycling utilization. This differs from the recycling rates cited in comparing Pittsburgh to other large cities, which measures the percentage of a city's total waste stream that was recycled.

Potential Financial Impact of Improved Recycling Performance

Scenario	Recycling Tonnage	Population	Recycling Rate (tonnage/pop /0.8)	Tonnage Award (tonnage x 5%)	Diversion Award (rate x 100 x tonnage)	Total	Difference from 2006
2006	17,751	334,563	6.6%	$88,756	$117,730	$206,486	NA
2008 projection (30% increase)	23,077	334,563	8.6%	$115,383	$198,964	$314,347	$107,861
15% rate target	40,148	334,563	15.0%	$200,738	$602,213	$802,951	$596,465

Increasing the recycling rate can produce more significant benefits than larger performance grants. As recycling tonnages increase and refuse tonnages decrease, the City can expect more revenue from the sale of recyclables and reduced expenditures for disposal at landfills. Using the figures above and current price paid for recyclables ($46/ton), the City could receive an additional $245,000 with a 30 percent increase in tonnage and $1.0 million with a 15 percent diversion rate from the sale of recyclables alone.

The following chart calculates the additional benefits associated with improving from the projected 2008 recycling tonnage (30 percent more than 2006) to a recycling rate of 15 percent. Information on the 2007 recycling tonnage was not available at the time of analysis, but the Department estimates the 2007 tonnage is approximately equal to 2006. Therefore, the 30 percent increase estimated for 2008 was applied to the 2006 Act 101 approved tonnage figure.

Potential Financial Impact of Achieving 15 Percent Rate Target

Scenario	Tonnage	Incremental Increase	Sale of Recyclables: Revenue Increment ($46/ton)	Act 101 Grants: Revenue Increment	Total Incremental Revenue	Reduced Landfill Cost ($23.04/ton)	Total Revenue + Savings
2006 baseline	17,751.2	0	$0	$0	$0	$0	**$0**
2008 projection	23,076.6	5,325.4	$244,968	$107,861	$352,829	$122,697	**$475,526**
15% rate target	**40,147.6**	**17,071.0**	**$785,266**	**$488,604**	**$1,273,870**	**$393,316**	**$1,667,186**

As previously shown, a number of US cities have demonstrated the ability to recycle a significant percentage of residential waste. San Francisco and Portland, OR have been achieved recycling rates of 50 percent or greater, and at least another ten of the 30 largest cities have achieved rates of 20 percent or higher. The City should immediately begin efforts to increase its recycling rate through enhanced outreach programs and an informational campaign. The City could partner with the Allegheny County's Health Department which oversees recycling for the County government. The $1.7 million annual revenue/savings target identified above is discounted over five years to give the City time to achieve this goal.

Fiscal Impact

	FY2009	FY2010	FY2011	FY2012	FY2013
Discount %	90%	75%	50%	25%	0%
Fiscal Impact	166,719	416,797	833,593	1,250,390	1,677,186

PW03. **Fully analyze the costs and benefits associated with a new asphalt plant**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

As described above, the City is considering the viability of building its own asphalt plant to avoid having workers idling at a plant shared with other users and provide easier access to street paving material. While these concerns are valid, in the face of significant legacy costs and other competing operating and infrastructure needs, the City cannot afford to lose the savings generated by purchasing asphalt at a lower cost per ton than the City could have achieved through its former plant.

Still, the Act 47 Coordinator encourages the City to think creatively about ways to improve service while reducing costs, particularly where intergovernmental cooperation is possible. To produce asphalt at a high enough volume to reduce the cost per ton, the City may have to partner with other municipalities. Any operational savings achieved would have to cover the initial investment of building a new asphalt plant.

Before the City takes any action, budgetary or otherwise, to establish an asphalt plant on its own or with other partners, it shall conduct a full cost/benefit analysis that includes, but is not limited to, the following:

- The cost of building and operating a plant over a five and 10 year period.
- Comparison of projected costs of asphalt produced at the new plant versus asphalt produced by the current and other external providers.
- Level of production necessary to achieve a lower cost per ton than currently provided.

If the City's study reveals that asphalt can be produced more efficiently by partnering with other municipalities, the County or other entities, the City shall provide written expressions of interest from those potential partners.

The cost/benefit analysis, with a full set of assumptions, shall be provided to the Act 47 Coordinator for their review. The Coordinator will approve the analysis and its conclusion, reject it or request more information. The City shall not move forward with any action, budgetary or otherwise, to establish an asphalt plant in the absence of written approval from the Act 47 Coordinator. In the absence of such approval, the City shall retain its current arrangement of purchasing asphalt from an outside provider.

PW04. **Identify and plan to meet technology and professional needs**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

In conjunction with initiative PC04, the Public Works Department shall identify training, professionalization and technology needs. For example, computerized work order and maintenance management systems, succession plans for engineering professionals, and appropriate training for engineering technicians and trades workers shall be identified and shared with the Director of Operations, the Personnel Director, and the head of CIS, as appropriate to inform ongoing planning and budgeting decisions. This initiative shall also be coordinated with the additional initiatives listed below.

PW05. **Management system**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Within two years of the adoption of this Amended Recovery Plan, the City shall implement a professional management system for street paving, street cleaning and snow removal. The system shall utilize standard industry software to determine efficient routing, paving and maintenance schedules. Where appropriate, the paving schedule shall be reflected in the City's Capital Improvement Plan.

Additional initiatives

Along with the initiatives outlined above, others impacting the Department of Public Works are detailed in other chapters including:

- Expand proposed Facility Maintenance Plan to include an evaluation of a space utilization to identify opportunities to sell, lease or share excess property (Procurement, Fleet and Asset Services)
- Create comprehensive facilities and equipment inventory (Insurance Coverage/Risk Management)
- Establish a risk management team (Insurance/Risk Management)
- Negotiate an Agility Agreement with the County for public works and other services (Intergovernmental Cooperation)
- Pursue intergovernmental service arrangements with neighboring municipalities (Intergovernmental Cooperation)

Department of Parks and Recreation

Overview

The Department of Parks and Recreation (DPR) is composed of multiple units, with functions and services as described below.

Aquatics

The Aquatics Division operates and maintains the City's outdoor swimming pools and Oliver Bath House indoor facility. The division provides staff support for the Community Enrichment Program's after school aquatics classes and other fee-based programs.

Community Recreation

The Division is comprised of Community Recreation facilities that provide a wide range of sports, education, leisure, and community-service programs.

- The **BIG League program** is a cooperative effort between the City, the Pittsburgh Pirates, and the Roberto Clemente Foundation. The program goal is to create a comprehensive recreational program that will provide increased quality athletic and educational opportunities in Pittsburgh neighborhoods.

- The **Frick Environmental Center** provides educational, social, and recreational experiences to increase environmental awareness.

- The **Frick Woods Nature Reserve** coordinates management of 150 acres designated as a nature reserve.

- **Seasonal Rink Operations** oversees the year-round daily admissions and various fee-based programs and special activities.

- The **Mellon Park Indoor Tennis Center** is an indoor tennis "bubble" facility located in Mellon Park.

Senior Community Centers

The City operates Senior Community Centers providing service within four cluster areas. Services include nutrition, socialization, recreation, outreach, information and referral, and volunteerism.

Community Enrichment

This division provides family-friendly programs and activities, including:

- The **Storywalk** is annual free event for children in which books are read among large story sets in Frick Park.

- The **Roving Art Cart** is a travelling art workshop that visits Pittsburgh's neighborhoods in June through August.

Community Services

The Community Services Division provides other miscellaneous programs, including:

- The **Farmer's Market** offers seasonal Farmer's Markets in various City neighborhoods.
- Through the **Summer Food Service Program**, the City uses federal funds to provide free and accessible breakfasts and lunches to city youth under 18 years old.

Administration oversees the development of the Department's operating and capital budgets, accounting and payroll functions, financial and programming reports and presentations for the Allegheny Regional Asset District, human resources, labor relations, staff development, and general administrative functions.

In addition to General Fund revenues from the City, DPR receives funding from other sources, including federal Community Development Block Grant funds and state lottery revenues for senior center operations, Regional Asset District (RAD) funding for the maintenance of four regional parks in the City (Highland, Schenley, Frick, and Riverview) and several trust funds that have been established for the maintenance and operation of City facilities and programs. A breakdown of FY2009 budgeted expenditures by funding source follows:

FY2009 Department Funding by Source

Funding Source	Headcount	Budget	Fund Balance
General Fund	62	3,950,646	-
Schenley Park Rink Trust Fund	0	41,200	359,850
Senior Program Trust Fund	33	1,577,621	84,685
Special Summer Food Service Program	0	897,697	152,303
Frick Park Trust Fund	0	114,000	76,000
ARAD Trust Fund	71	5,288,647	230,224
Total	**166**	**11,869,811**	**903,062**

While park maintenance is the responsibility of the Department of Public Works, the Parks and Recreation budget has included the ARAD Trust Fund since 2005. ARAD reports that it has provided $67.7 million for the City's regional parks since 1995 and the City projects an ARAD fund balance of $230,000 in its FY2009 budget.

The Department is responsible for programming and policy decisions involving a number of facilities, including:

- Nine Community Centers
- 18 outdoor swimming pools
- Four ARAD-funded regional parks
- 15 Senior Community Centers
- Frick Environmental Center
- Mellon Park Tennis Center
- Schenley Park Skating Rink

The Department of Public Works is responsible for park maintenance and maintains many DPR operated facilities. DPR is responsible for the maintenance of pools and aquatic centers and internal facility maintenance, most of which is done by contract.

Historic Employee Count – Filled Positions[13]

2005	2006	2007	2008
225	261	244	275

While the number of filled positions (which includes seasonal employees) has fluctuated, the number of budgeted positions (which does not include seasonal employees) has remained stable. DPR has 33 positions funded through the Senior Program Trust Fund and another 71 through the ARAD Trust Fund. Most ARAD Trust Fund positions are tradesmen and laborers.

Historic Employee Count – Budgeted Positions[14]

	2005	2006	2007	2008	2009
Director/Assistant Director	2	2	2	2	2
Recreation Supervisor	2	2	2	2	2
Aquatics Supervisor	1	1	1	1	1
Aquatics Foreman	1	1	1	1	1
Program Coordinator	12	12	12	12	11
Community Rec Center Director	6	6	6	6	5
Recreation Center Director	4	4	4	4	4
Recreation Leader	22	22	22	22	22
Recreation Assistant	0	0	0	0	0
Other	14	14	14	17	14
Operating Fund	**64**	**64**	**64**	**67**	**62**
Director/Assistant Director	1	1	1	1	1
Program Supervisor	3	3	3	3	3
Senior Community Center Director	14	14	14	14	14
Recreation Leader	8	8	8	8	8
Other	5	5	5	6	7
Senior Program Trust Fund	**31**	**31**	**31**	**32**	**33**

[13] Average headcount as reported in the City's quarterly financial and performance reports. This count includes all active employees, including those on various kinds of leave, across all funds.

[14] Budgeted positions as reported in the City's annual operating budgets.

	2005	2006	2007	2008	2009
Program Coordinator	1	1	1	1	1
Park Naturalist	3	3	3	3	3
Other	65	67	68	67	67
ARAD Trust Fund	**69**	**71**	**72**	**71**	**71**

Historical expenditures – Department of Parks and Recreation[15]

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2005-09 Growth
Salaries	2,316,000	2,732,026	2,871,860	3,047,097	3,071,815	32.6%
Premium Pay	78,000	86,350	77,673	111,350	111,350	42.8%
Education and Training	2,000	0	975	0	3,674	83.7%
Supplies	195,000	223,577	222,249	225,594	225,798	15.8%
Equipment	40,000	39,695	42,602	42,595	44,126	10.3%
Repairs	8,000	2,910	9,093	8,901	9,254	15.7%
Rentals	23,000	19,664	44,201	44,140	44,291	92.6%
Miscellaneous Services	464,000	467,749	427,324	387,931	440,338	-5.1%
GF Grants	0	1,000	0	0	0	N/A
Total	**3,126,000**	**3,572,971**	**3,695,978**	**3,867,608**	**3,950,646**	**26.4%**

The largest item in the miscellaneous services line is professional services related to the Community Enrichment Program (CEP). This is budgeted for $301,265 in FY2009.

Projected baseline expenditures – Department of Parks and Recreation

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Salaries	3,071,815	3,115,790	2,963,685	3,037,777	3,113,722	1.4%
Premium Pay	111,350	89,134	91,362	93,646	95,987	-13.8%
Education and Training	3,674	3,711	3,748	3,785	3,823	4.1%
Supplies	225,798	231,443	237,229	243,160	249,239	10.4%
Equipment	44,126	45,229	46,360	47,519	48,707	10.4%

[15] The historical and projected expenditures shown here are for the General Fund only.

	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Repairs	9,254	9,485	9,722	9,966	10,215	10.4%
Rentals	44,291	45,398	46,533	47,697	48,889	10.4%
Miscellaneous Services	440,338	451,346	462,630	474,196	486,051	10.4%
Total	**3,950,646**	**3,991,537**	**3,861,270**	**3,957,745**	**4,056,632**	**2.7%**

The baseline projections remove the premium pay associated with the City's 250th Anniversary celebration, resulting in that line's decrease for FY2010. The projections also assume savings beginning in FY2011 related to the consolidation of senior and recreation centers as reflected in the lower salary allocation for that year. This consolidation is discussed in the initiatives below.

Progress and future challenges

DPR has made progress on the following initiatives from the 2004 Recovery Plan and its own ideas for improving services:

- **Developing new model for consolidated multipurpose recreational facilities.** The 2004 Recovery Plan required the City to reduce the number of recreation centers from 19 to 10. Nine centers are currently open. The Department is exploring the possibility of consolidating senior and recreation centers to create larger, multipurpose facilities that could accommodate a broad spectrum of the population. These proposed facilities would create economies of scale and reduce associated expenses.

- **Successful volunteer program.** The Department has recruited a large pool of volunteers to staff senior centers. Volunteer hours add up to approximately 50 full time equivalent (FTE) positions, which save the City an estimated $1.5 million annually.

- **Improved staffing structure for BIG League program.** The 2004 Recovery Plan directed the City to eliminate all Department positions assigned exclusively or primarily to running the BIG League program and use general on-board staff instead. The Department eliminated the program's full-time management staff, created a nine-member Board of Directors and assigned two part-time Recreation Assistants to rebuild the program. These changes reduced the program's costs while improving the program. BIG League currently has 5,000 youth participants.

- **Improved cost recovery.** As required by the 2004 Recovery Plan, the City increased swimming fees to improve cost recovery as shown in the following table. City residents who receive welfare benefits can buy pool tags at a 50 percent discount. The 2004 Recovery Plan assumed a 25 percent decrease in pool attendees and, among pools that were open in 2004 and 2005, attendance dropped by approximately 29 percent.

Swim Tag Fees – 2004 and Current

Pool Tag	2004	Current	Allegheny Co.
Family of Four Pass	$40	$60	$110
Additional Family Member	$6	$10	$15
Adult Pass	$20	$30	$60
Youth Pass	$10	$15	$60
Adult Daily Admission	$3	$4	$4
Junior Daily Admission	$3	$3	$3 - $4
Non-Resident Pass	$50	$45	N/A

Swimming fees have not been increased since 2005. As shown in the preceding table, the City's fees are still significantly lower than those at Allegheny County operated pools. As discussed in the Revenue chapter, these and other fees should be adjusted in the future to account for the rising costs of providing recreation services.

- **Mellon Tennis Center.** The Mellon Tennis Center is an indoor "bubble" tennis facility located in Mellon Park. The City charges court rental fees for use according to the following schedule:

Season	Hourly Rate
May - September	$10 - $15
October - April	$20 - $30

The 2004 Recovery Plan required the City to increase the marketing of the Center to increase fee revenue. So far, DPR has seen tremendous success and was able to pay off debt on the facility a full year ahead of schedule. The Center's Trust Fund currently has a balance of approximately $350,000, $200,000 of which is committed to install lighting on non-tennis playing fields. The Department is currently exploring the construction of an indoor soccer facility using the Tennis Center concept as a model.

- **Leveraging Additional Resources.** The 2004 Recovery Plan included an initiative requiring the City to leverage alternative resources for programs for seniors. The Department partnered with Duquesne University to implement a "Visiting Nurses" program in which gerontology nurses visit senior centers to conduct health screenings. A similar program matches 120 freshman nursing students with underserved community schools as tutors.

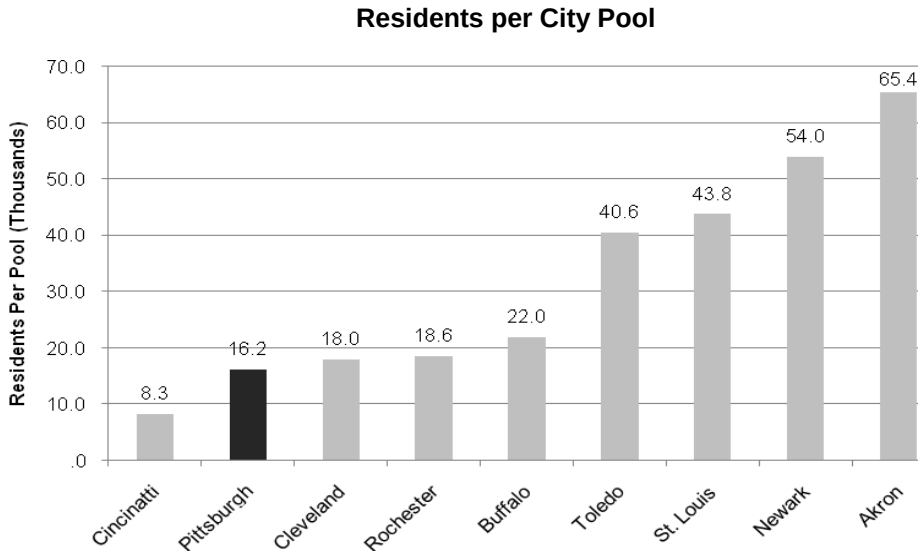
Challenges

During the extreme financial distress of 2004, the City closed all its outdoor swimming pools and recreation centers. Through the effort of the non-profit and business community, some pools and recreation centers were reopened.

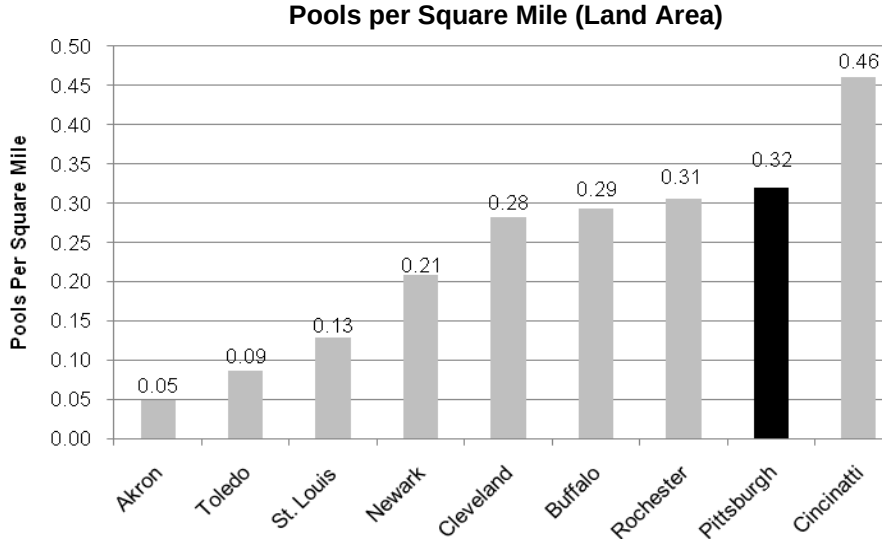
While the City can provide recreation opportunities by operating pools and recreation centers, it cannot sustain the number of facilities it had – 32 pools and 19 recreation centers. Pool usage declined

significantly with the City's population decline and many pools were not being used to capacity. The 2004 Recovery Plan also showed that the City had more pools and recreation centers per square mile than several larger cities. In view of Pittsburgh's financial distress and the oversized capacity, the 2004 Recovery Plan directed the City to reduce the number of pools from 32 to a maximum of 11 and the number of recreation centers from 19 to a maximum of 10. In response the Department advocated for a mix of13 pools and nine recreation centers to achieve the needed savings. However, since those initial savings were achieved, six of the pools closed in 2004 or 2005 have since been reopened to bring the total to 18 city-operated swimming pools. The Fowler pool was reopened in 2006 but is managed by an outside provider.

While the City's financial picture has improved since 2004, the challenges underlying the 2004 Recovery Plan recommendation remain. Even after reducing the number of city operated pools from 32 to 18, the City has a higher number per resident than comparable Midwest and Northeast cities. If the City returned to the Department's 2004 proposal of 13 open pools, Pittsburgh's ratio would be approximately 22,000 to one and would become the new median in the group shown in the following chart.



Pittsburgh also has more pools per square mile than most other cities selected for comparison.



Beyond this comparative analysis, many of the pools that have been reopened are underutilized. The chart below shows the average attendance at all city-operated pools since 2004.[16] To avoid skewing the data against smaller pools, the chart also shows the attendance figures without the four pools whose attendance is significantly higher than the other facilities'. In either case the attendance at the reopened pools is significantly lower than at the other pools.

	2004	2005	2006	2007	2008
Pools open	17	15	18	18	18
Total attendance	257,948	180,563	181,873	171,344	144,877
Average attendance	15,173	12,038	10,104	9,519	8,522
Pools open (w/out 4 large)	13	11	14	14	14
Total attendance (w/out 4 large)	140,257	87,355	91,639	84,599	81,924
Ave. attendance (w/out 4 large)	10,789	7,941	**6,546**	**6,040**	**5,852**
Ave. attendance reopened pools	N/A	N/A	**2,964**	**3,306**	**3,274**

The City has made significant progress in tailoring the number of recreation facilities to its population size and financial capacity. However, there is still room to achieve savings and provide community recreation opportunities by returning to the Department's original target of 13 pools. As the City closes pools, it should have a post-closure site remediation plan that returns the facilities to productive use instead of simply locking them to avoid accident liability and vandalism. The Capital Budget includes $775,000 in FY2009 to construct "splash zones," aquatic playgrounds that cost less to operate and still provide recreation opportunities.

The City may also be able to identify opportunities to strengthen its recreation offerings by partnering with Allegheny County, the School District or other local government entities. Along with joint program offerings, there are opportunities to reduce costs and improve services for all parties by consolidating facilities. In May 2005 Carnegie Mellon's Center for Economic Development published a report showing potential locations for "super service community centers" that provide recreation, social service, educational and other offerings in one facility.[17] That report suggested public school facilities that were being closed as potential sites for such centers.

Initiatives

PR01. **Close underutilized pools**
Status: Modified from the 2004 Recovery Plan
FY2009 Impact: $0 **Five-year impact:** $872,000

As discussed above, the City is again operating more pools than population size or facility usage supports. Meanwhile the Department has identified opportunities to change how the City provides aquatic recreation, such as building splash zones or one large indoor facility that is open year-round facility in place of several smaller pools that are only open in the summer. However, it will be difficult for the City to invest in these creative changes and fund little utilized pools simultaneously given the constraints on its resources and need to address multi-million dollar legacy costs.

[16] One of the reopened pools (West Penn) is not included in the 2007 statistics because it did not open until early July. One of the four large pools (OBH) is not included in the 2008 statistics because attendance data was not available.

[17] "Serving the Citizens: Options for Using Public Facilities and Providing Community Services."

The Amended Recovery Plan provides additional funding for capital projects on a pay-as-you-go basis to help address this issue. However, the City also must reallocate existing operating resources to better meet changing demands. Therefore, the City shall analyze pool usage statistics from 2008 and 2009 to identify pools where the average annual paid attendance is less than 70 percent of the paid attendance at all comparable pools.[18] Pools that fall below the 70 percent threshold shall be closed beginning in FY2010. The City shall consider prioritizing the construction of splash zones as funded in the capital budget for those communities affected by the pool closures. The City shall also develop site remediation plans for the closed facilities.

	2007	2008
Open pools	14	14
Average attendance	6,040	5,852

As a sample calculation, the table below shows the average attendance at these comparable pools. The two year average is 5,946 and the 70 percent threshold would be 4,162. Four pools had an average annual attendance below this threshold during that period and would be closed in FY2010.

According to Department provided data, each pool cost an average of approximately $50,000 to operate in FY2008. Using a 2.5 percent inflationary growth factor, the projected savings from closing four pools beginning in FY2010 are shown below. The actual number of pools impacted will depend on 2009 usage.

Fiscal Impact

	FY2009	FY2010	FY2011	FY2012	FY2013
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	0	210,000	215,000	221,000	226,000

PR02. **<u>Consolidate senior centers and recreation centers to create multipurpose facilities</u>**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City has proposed consolidating two facilities in favor of one large multipurpose recreation facility. Consolidation would eliminate approximately $707,000 in salary costs over three years, along with additional savings in employee benefits and utility costs. The City may be able to fund the consolidated center's operating costs through ARAD revenue. In addition, if the closed properties were sold or leased, the City would generate revenue.[19] Beyond the financial impact a new, larger facility may allow the City to offer different program offerings and improve the quality of residents' recreation experience. The City has already included the savings associated with the proposed consolidation in the Intergovernmental Cooperation Authority (ICA)-approved FY2009 operating budget and five-year plan. In addition to that consolidation, the City shall explore other opportunities to do similar consolidations with the Department reporting its findings as part of the FY2010 budget process.

[18] To avoid skewing the comparison against smaller pools, this calculation should not include attendance at the four pools whose usage is significantly higher than all others - Highland, Moore, OBH and Schenley.

[19] The Department of Finance's Bureau of Procurement, Fleet and Asset Services is charged with conducting a space utilization study to identify such opportunities for leasing or selling City property. The Department of Finance is also charged with more aggressively pursuing opportunities to lease City owned property.

Additional initiatives

Along with the initiatives outlined above, others related to Parks and Recreation are detailed in other chapters including:

- Expand proposed Facility Maintenance Plan to include a space utilization study to identify opportunities to sell or lease excess property (Procurement, Fleet and Asset Services)

- Explore City-County partnerships for regional parks (Intergovernmental Cooperation)

9. Economic and Community Development

Economic and Community Development

Two hundred and fifty years ago, the City of Pittsburgh was prized for its strategic location as the gateway to the west. Today the City is poised to be a gateway to opportunity for industries of the future. The City and its surrounding region have experienced growth in the life sciences, advanced manufacturing and information and communication technology industries. In addition, the City boasts low housing costs and residents enjoy short commutes and unparalleled arts, sports and recreation opportunities when compared to similarly sized regions. The City is in the process of building on a strong foundation laid during the region's comeback from a deep industrial recession in the late-1980s.

Yet there is much more to be done. In 2004, the Recovery Plan set an agenda for action to address issues that weaken the City's regional competitiveness. The Plan initiatives promoted further cooperation and collaboration among the City, the URA and community organizations and called for a focused overall community and economic development plan for the City.

Progress and future challenges

The past five years have witnessed significant, positive changes in the development landscape of the City, including both commercial and residential development. The 2004 Recovery Plan listed a number of value-added projects and recommended that the stakeholders in the community and economic development arena consider the listed projects a priority. Those value added projects and the progress made since 2004 include the following.

- **Nine Mile Run/Summerset at Frick Park**: This site was purchased by the URA in 1995. The 238 acre property was used by the previous owner, Duquesne Slag, as a dump to store slag – a waste product from steel making operations. Currently, the URA is developing the site for over 700 units of new, upscale housing. In addition, over 100 acres of the former slag dump will be used to extend Frick Park, one of four regional parks in the City. The extension of Frick Park will allow riverfront access to the Monongahela River. Federal, State and local funding was secured to implement site work, remediation and infrastructure to support the first two phases of this three phase development. As of mid-2008, approximately 250 units of housing had been completed and occupied, generating $1 million in new, annual tax revenue. At full build-out, the project will generate nearly $3 million in annual tax revenues for the three taxing bodies.

- **South Side Works**: South Side Works is just across the Monongahela River from the Pittsburgh Technology Center and has been connected to the Center by way of a recently-converted railroad bridge. The URA purchased the site, a former LTV steel mill, in 1993 and has developed about three-quarters of the site as part of a plan for a mixed-use development. To date, over 2,200,000 square feet of space has either been completed or is under construction, four parking garages have been completed, 353 residential units have been built and 3,000+ employees attracted to the site. An additional 100,000 square feet of commercial space is currently under construction. Public investment in the project includes over $50 million for site preparation and infrastructure raised from Federal, State and local sources, including tax increment financing. To date, these efforts have resulted in almost $3.0 million in annual real estate taxes for the three taxing bodies. The site was selected by American Eagle Outfitters for its world headquarters.

- **Magee-Women's Hospital Research Center**: Construction of the $31 million expansion of the Center was completed in 2007; the Center has grown from 20 faculty members to more than 260 scientists and staff. The Center is a member of the Association of Independent Research Institutes, a group of 89 independent, nonprofit research institutes in the United States whose primary mission encompasses a specific research discipline. The Center has attracted approximately $185 million in project grant funding focusing on the critical need for research in women's and infants' health and representing the Center's continued strong ties to the University

of Pittsburgh Schools of the Health Sciences and the University of Pittsburgh Medical Center (UPMC).

- **Schenley Plaza**: The Pittsburgh Parks Conservancy operates Schenley Plaza, a metered parking lot converted into an urban park. Schenley Plaza currently features a one-acre lawn, four food and drink kiosks, free wireless internet service, restrooms, a carousel, and ongoing entertainment. Metered parking spaces surround the Plaza. The Parks Conservancy has also begun restoring the adjacent Mary Schenley Fountain. Approvals have been obtained from the City and it is anticipated that a full-service restaurant with indoor and outdoor dining may open in the near future.

  The Plaza is also at the center of significant scientific research. A study on the genetic diversity of the Plaza's London Plane tree population is taking place in conjunction with the City and the Carnegie Museum of Natural History. London plane trees are widely planted throughout Pittsburgh as shade trees because of their tolerance to urban soil and drought. In 2005 and 2006, many of the plane trees at Schenley Plaza began to die from disease and decay, in part resulting from their age, and were subsequently removed. The study, which is unique to Pittsburgh, will analyze the DNA of the remaining healthy trees in Schenley Plaza, as well as the DNA of trees from local nurseries and national distributors. The goal is to plant about 100 new trees that have high genetic diversity along with the surviving plane trees at Schenley Plaza. This will help to create an insect- and disease-resistant population and serve as a model that other cities can use in tree selection.

- **LTV Coke Works Mixed-Use Redevelopment**: The new "Hazelwood Almono Site" is the 178-acre former LTV Coke Works property along the north shore of the Monongahela River, located just east of the Pittsburgh Technology Center. The Almono Partnership is undertaking early stage infrastructure improvements and site work to accommodate future development. Master planning for this proposed mixed-use site continues under the direction of Almono's general partner, the Regional Industrial Development Corporation (RIDC). The Almono Partnership has built a strong relation with the institutions in Oakland, realizing that their expansion will play a large role in the eventual development of the site. Nearby, six new single-family homes were constructed in spring 2008 in the City's Hazelwood neighborhood. Located on Monongahela Street Sylvan Avenue and Hazelwood Avenue near the 210 year-old Woods House, the three-bedroom, 2 ½-story units range in size from 1,300 to 1,500 square feet. The homes feature integral garages and front porches and are designed according to Energy Star efficiency specifications. The new homes are part of Hazelwood's master plan, which calls for redevelopment of the former LTV steel site and rehabilitation of Housing Authority of the City of Pittsburgh (HACP) properties.

- **The African-American Cultural Center**: This $36 million project is under construction with a 2009 expected completion date. The Center will be called the August Wilson Center for African American Culture, and will consist of a two-story, 65,000 square foot building. It will contain a 500-seat theater, 4,000-square-foot gallery, gift shop, cafe and educational and office spaces.

- **Junction Hollow Research and Development Technology Center**: The Collaborative Innovation Center (CIC) is a four-story, 136,000 square-foot, dry-lab research facility that provides office and lab space for technology companies wishing to collaborate with Carnegie Mellon University to create innovative new concepts and products for the marketplace. CIC is a partnership among Carnegie Mellon, the Carnegie Museums and local economic development organizations and is funded with $8 million in Commonwealth of Pennsylvania support. It represents the hub of Carnegie Mellon's engagement in the Keystone Innovation Zone (KIZ) program that accelerates economic growth and encourages collaboration among colleges, universities, local economic developers, local government and businesses within the region. The

facility promotes regional economic development as Carnegie Mellon researchers work with industry to develop new technologies, business ventures and jobs.

- **Pittsburgh Riverfront Development and Trail Connections**: In November 2007, the Hot Metal pedestrian bridge was opened which extended the riverfront trail system and provided a commuter connection among Oakland, the South Side and the Pittsburgh Technology Center. This was a $10 million project managed by the URA. The project involved building a switchback ramp on the south side and a bridge over Second Avenue connecting to the Eliza Furnace Trail. In 2006, the Riverlife Task Force, in a partnership with the Alcoa Foundation, held an international design contest to add improvements and enhancements to Pittsburgh's West End Bridge including a walking and bicycle trail across the Ohio River. The Task Force is now working on a funding strategy with both public and private sources to begin design and engineering.

  Currently the Mon Wharf is a deteriorated five-acre parking lot on the historic northern bank of the Monongahela River located at the base of the First Side area of downtown. The wharf lies beneath two highways and is subject to frequent flooding, harsh lighting and a large volume of runoff and noise. It is virtually inaccessible for pedestrians. The Mon Wharf is highly visible from Mount Washington, Station Square and the Fort Pitt Bridge. Improvements to the Mon Wharf landing will be implemented over the next two construction seasons, initially focusing on a connection to Point State Park and a linear park along the river's edge (with parking to continue behind the park). Eventually a connecting ramp will be built in the vicinity of the Smithfield Street Bridge to link the wharf park with the Eliza Furnace Trail and the Three Rivers Heritage Trail System. The park can serve as a symbolic green gateway into Pittsburgh. The goal is to reclaim this urban riverfront and transform it into a highly visible linear park, a trail and a docking area. With support from the Heinz Endowments, the Grable Foundation and the Richard King Mellon Foundation, this project is being executed through a partnership among the City, the Pittsburgh Parking Authority, the URA and Riverlife. The City continues to work with these and other partners in advancing a trail through the Strip District and Lawrenceville along the south shore of the Allegheny River and eventually extending beyond the City towards Oakmont. Plans for the redevelopment of the Heth's Run area of Highland Park (the Zoo parking lot) also provide the future connection of Highland Park with a trail along the south shore of the Allegheny River.

- **North Shore Transportation Improvements**. Presently under construction, the Port Authority's North Shore Connection project will extend the light rail transit system 1.2 miles from the Gateway Center subway station underneath Stanwix Street and the Allegheny River in twin bored tunnels, to the North Shore. The North Shore connector will serve the Del Monte and Equitable headquarters, the Marriot Hotel, the riverfront park and a proposed amphitheater, as well as the Carnegie Science Center, the Andy Warhol Museum, the Community College of Allegheny County, the National Aviary, and Allegheny Center. Funding to construct the North Shore connector is made available by a federal Full Funding Grant Agreement with the Federal Transit Administration. Through the grant, 80 percent of the project's funding will come from federal dollars, 16 2/3 percent from state funds and 3 1/3 percent from local resources. Completion of construction is expected in 2011.

Pursuit of Site Development Initiatives and Infrastructure Improvements

The 2004 Recovery Plan suggested the continued redevelopment of former industrial sites for private commercial and residential development by the City, County and URA.[1] In addition to the Southside Works development discussed above, the City's goal has been to reposition vacant and underutilized former industrial sites to bring new vitality through new jobs, residents and tax base. The City has been pursuing this effort through the URA. The URA has been acquiring brownfields for redevelopment since

[1] See initiative ED05 of the 2004 Recovery Plan.

its inception in 1945. In particular, over the past 20 years the URA has acquired over 500 acres of brownfields for redevelopment and reuse.

Brownfield redevelopment has several goals:

- Increase tax revenues to the City by returning non- or under-performing properties to the tax rolls.
- Create and retain jobs, often within the high-paying technology sectors.
- Reconnect communities to the rivers.
- Create "ready to go" sites for business expansion and attraction.
- Develop modern, energy-efficient housing to attract and retain residents within the City.

Several recent and current brownfield redevelopment projects are summarized below:

- The **Pittsburgh Technology Center** is the 48-acre site of a former Jones & Laughlin Hot Strip Mill which was purchased by the URA in 1983. The site has since been transformed into a research and development park for companies and universities involved in the development or application of advanced technologies. There are now seven buildings in the Center, including the University of Pittsburgh's Center for Biotechnology and Bioengineering and the Polypropylene Business Unit of Sunoco Corporation. The site has been rezoned to allow for more dense, urban development to accommodate as much as 1 million square feet of additional laboratory and office space. Infrastructure improvements are expected to be completed in 2009, including construction of the second parking garage at the site in support of two new laboratory facilities.

- The **62nd Street Industrial Park** is the former Tippins International plant located at the intersection of the 62nd Street Bridge and Butler Street. It is a 22.4 acre site with a severely deteriorated 365,500 square foot, substantially vacant and asbestos laden complex of former industrial buildings. In 2008 the URA acquired the site and is commencing remediation and demolition of all but the 27,000 square feet of the complex currently occupied by the Allegheny Valley Railroad. Demolition is expected to be completed in April 2009. The URA is in the process of applying for a $1.25 million Infrastructure Development Program grant from the Commonwealth. It would enable an access road and signalization to be built in late 2009/early 2010 to allow the site to be developed into approximately 175,000 square feet of new warehouse/distribution/flex space.

- The **Hatfield Street Development** residential project is located in the Lawrenceville neighborhood of the City and will sit on the former Heppenstall Headquarters and Sauer office building sites. This approximately one acre site is currently owned by the URA, and the existing buildings have been demolished. Additionally, the site has been environmentally remediated and is prepared for this potential housing development. It will include 15 townhomes and 32 flats (i.e. condominiums) to be located along 46th Street and Holly Way.

The 2004 Recovery Plan directed the City to develop a **Comprehensive Housing Strategy,** resulting in the following activity.[2]

Tax Abatement Program

Based on similar successful programs in other cities, (e.g. Philadelphia, Columbus, Ohio), the City and School District of Pittsburgh enacted targeted tax abatement programs effective July 2007 in the Central Business District, Uptown and 26 "Growth Zone" neighborhoods which were selected based on a comparative analysis of building permit data and a Neighborhood Vitality Index. The Growth Zones

[2] See initiative ED06 of the 2004 Recovery Plan.

selected were those neighborhoods exhibiting the greatest levels of distress and minimal building permit volume.

The enhanced tax abatement programs provide for 100 percent tax abatement (up to a cap) for a 10-year period on the increased City and School District real estate taxes related to improvements for residential use (i.e. new construction, rehabilitation and adaptive reuse in certain circumstances). These programs were designed to increase the marketability of and demand for new residential units in the Central Business District (see discussion below) and the Strip district and in those City neighborhoods that have not experienced significant investment in recent years. Since the abatement programs became effective in July 2007, the City has already realized increased building investment in several of the distressed "Growth Zones." For example, approximately 10 building permits have been filed in the "Growth Zone" neighborhood of East Allegheny. There are three new construction townhomes currently being built in East Allegheny that are already under sales agreements for prices exceeding $220,000.

Market Value Analysis

The City and Pittsburgh Community Re-investment Group commissioned a data-driven analysis to characterize the various housing markets in the City called the Market Value Analysis (MVA). The MVA focuses on residential real estate data and examines such statistics as housing pricing, rates of transaction, rates of vacancy, Section 8 vouchers, building permits and other indicators. Once the data are collected and distilled, the result is a color-coded map that characterizes clusters of census block groups across a spectrum of market values with seven categories ranging from strongest to weakest. The MVA map is designed to help the City and private investors target investment and prioritize action in ways that can leverage investment and revitalize neighborhoods. While the URA is in the process of working with the City and other groups to best connect the appropriate strategies to various market conditions across the City, the URA is also developing geographic targets for real estate investment particularly looking at places on the MVA map where strong value areas abut weaker areas.

The City Planning chapter discusses the related SNAP project (Sector/Neighborhood Asset Profiles and Action Plans), the current focus on four elements of a Comprehensive Plan (open space, transportation, cultural heritage and public art) and the necessity to integrate these tools into a Citywide Comprehensive Plan providing vision, policy and prioritization of scarce resources across the City.

Downtown housing has been a large focus of the City's economic development efforts over the past five years. Recent residential developments include:

- **151 Firstside:** An 84-unit condominium at Fort Pitt Boulevard and Chancery Way, the building's first four levels are for parking; developed by Ralph A. Falbo, Incorporated with Zambrano Corporation and EQA Landmark Communities.

- **The Carlyle:** Located at the corner of 4th Avenue and Wood Street in the Union Bank Building, it has 61 condominium units. The project is developed by E.V. Bishoff Company.

- **Piatt Place:** This is a redesign of the former Lazarus Department store, located at 301 Fifth Avenue. Plans for the building include an atrium, street-level retail boutiques, a grocery market, and a dining establishment. The second through fourth floors have Class A+ office space; there will be luxury rooftop condominiums as well as other condominiums with exterior balconies.

- **Market Square Place:** This is a renovation of the G.C. Murphy building located in Market Square. The development is by Millcraft Industries, and plans include keeping the exterior and the floors of the seven contiguous buildings intact while developing 60,000 square feet of stores, 42 apartments and 42 basement parking spaces.

- **The Granite Building:** This building is located in the Cultural District, opposite the Wood Street galleries, and is slated to be developed with each floor (3,000 square feet) containing one condominium unit. This building is being developed by Holly Brubach.

- **941 Penn Avenue:** This development in the Cultural District has 17 residences in an adapted and expanded warehouse building.

In addition to new downtown residential development, the City, in conjunction with the URA and local neighborhood-based community development corporations (CDC), has been working to rehabilitate blighted housing stock within the City. Examples of these efforts include:

- **Federal Hill:** With approximately 60 unit, this new construction for-sale development is on a strategic major corridor in the City's Central North Side neighborhood. The project is being developed by S & A Homes and the Central Northside Neighborhood Council. This development will revitalize an extremely blighted portion of the Federal Street corridor and dramatically improve this gateway to and from the City's northern neighborhoods. Construction of Phase I (23 units) is underway.

- **Liberty Park (Fairfield Development):** The URA acquired this distressed property from the US Department of Housing and Urban Development (HUD) in 2003. Consistent with the East Liberty Neighborhood Community Plan, McCormack Baron Salazar (MBS) has already developed 124 mixed income units as Phase I of the development. Plans have been initiated for a 69-unit mixed income Phase II rental development. A future phase will include approximately 40 for sale units to be developed by S & A Homes and East Liberty Development, Inc.

- **East Mall**: The URA and East Liberty Development, Incorporated are working with The Community Builders, Incorporated (TCB) to develop mixed income, mixed use (residential and commercial) developments on the former East Mall site in East Liberty which was acquired by the URA from HUD pursuant to a foreclosure action. Phase I of the development (54 residential units plus 11,000 square feet of commercial space) was scheduled to commence late in 2008. TCB will commence with the Phase II planning after the start of Phase I.

- **Bryant Street:** East Liberty Development, Incorporated and Highland Park CDC are working to revitalize an extremely blighted neighborhood serving business district in the Highland Park neighborhood. This multi-phase effort will remove blighting influences, create high quality residential units and attract neighborhood serving businesses to the street.

- **Garfield/Penn Avenue:** The URA is working cooperatively with the Bloomfield Garfield Corporation (BGC), Friendship Development Associates (FDA), and the Pittsburgh Housing Development Corporation (PHDC) on several housing development initiatives along the Penn Avenue corridor and into the Garfield neighborhood. These activities include:

    - BGC has completed approximately 65 percent of a multi-phase 50-unit PHFA Homeownership Choice development along strategic corridors in the Garfield neighborhood.

    - The FDA is working along the Penn Avenue corridor to redevelop critical sites for homeownership and mixed use. Many of the buildings developed are for live-work space for artists.

    - The PHDC and BGC are acquiring and rehabilitating vacant homes along North Fairmount Street.

- The BGC and S & A Homes are assembling sites for scattered sites affordable rental housing to complement the on-going for-sale housing development activity and to provide a housing product in Garfield to compete with slum landlords.

Technology Investment and Development

Another important aspect of economic growth is the development of key industries that build upon the region's existing strengths. The technology competencies of the City's existing businesses give Pittsburgh a competitive edge in retaining and attracting new industries and service-oriented companies. The URA, on behalf of the City, is a founding member in the Greater Oakland Keystone Innovation Zone as well as the Pittsburgh Central Keystone Innovation Zone. Membership in these organizations provides opportunities for development of regional technology strategies and policies; direct investment in early-stage commercialization of technologies; community revitalization through job creation in technology industries; and collaborative partnerships with universities, research incubators, philanthropic organizations, private corporations and others. Recent efforts include the following:

- Alcoa Foundation
- Allegheny Conference on Community Development
- Allegheny County Department of Economic Development
- Carlow University
- Carnegie Mellon University
- Community College of Allegheny County
- Duquesne University
- Heinz Endowments
- Hill House Economic Development Corporation
- Idea Foundry
- Innovation Works
- Institute for Transfusion Medicine
- MPC Corporation
- PNC Bank
- Pittsburgh Life Sciences Greenhouse
- Pittsburgh Technology Council
- Point Park University
- Richard King Mellon Foundation
- Technology Collaborative
- The University of Pittsburgh
- University of Pittsburgh Medical Center
- UPMC Health Plan

Through involvement with the Keystone Innovation Zone, participants become part of a larger, integrated service delivery system. Entrepreneurs have the opportunity to find the right kind of technical and managerial support they need along with appropriate financing for the particular stage of the business venture. In addition, potential businesses are connected with available space in the City while at the same time building City tax revenues. Finally, interns from participating colleges and universities are placed into Keystone Innovation Zone firms. These internships allow the students to gain real world experience, provide the businesses with additional assistance and enhance the likelihood that the students will remain in the City upon graduation.

Initiatives

ED01. <u>Continue to collaborate on priority community development projects</u>
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year Impact:** N/A

The City shall continue to collaborate on the following priority community development projects.

- **Mellon's Orchard South:** The URA is working with the City, the Pittsburgh Parking Authority and East Liberty Development, Incorporated on potential redevelopment of a largely vacant, underutilized public parcel in the Mellon's Orchard South portion of the East Liberty neighborhood. This development is expected to produce market rate for sale homes, the re-establishment of the neighborhood street grid and the improvement of public park space.

- **Hill District:** The URA is interested in expanding the residential development success of the Crawford Square development westward toward the Uptown neighborhood. To that end, the URA is supporting development efforts along the Dinwiddie Street Corridor. Additional housing efforts will be initiated as part of the Hill District Master Planning Process.

- **Larimer Green Zone**: Like a handful of similar neighborhoods in the City, the Larimer neighborhood has suffered the loss of 80 percent of its population since 1950. The area is characterized by a large number of vacant lots and vacant structures. High poverty and unemployment rates typify the community and it faces continued decline. Working with the community, the City and URA have begun a process of site assemblage via purchase of tax delinquent and abandoned properties. Using local non-profit partners, the assemblages are testing grounds for bioremediation activities and community-maintained greening projects. The greening initiative is running concurrently with a community planning process. This community plan will set priorities and goals for the neighborhood and help to guide the next phase of planning in the neighborhood. The Larimer Green Zone borders a City park and includes many properties that are vacant and underutilized. Plans to reprogram the vacant lots and expand the park will be considered during the next phase of planning. Ultimately this corridor could see greenhouses, a public market, outdoor vendors and new housing bordering a park and "green" centered business district. The development will complement the recent revitalization activities in the adjacent East Liberty neighborhood that are part of a comprehensive revitalization strategy endorsed by residents, community groups and the Pittsburgh Partnership for Neighborhood Development. The new Liberty Park housing development lies on the border of the Larimer neighborhood and will serve as a stable anchor for development along Larimer Avenue.

- **Washburn Square:** This proposed development is part of a progressive redevelopment plan for the Marshal Shadeland neighborhood. Substantial vacancy and poor management of a 46-unit apartment complex on a 1-acre site mobilized the local community group to approach the URA for funds to assist residents in relocating, site demolition and re-development planning. Ultimately the URA took title to the project. LaQuatra Bonci Architects has developed a master plan to provide for an extensive passive use park with limited (3-units) adjacent for-sale housing. This plan has the approval of the neighborhood group and the surrounding residents.

- **St. John's**. The redevelopment of a vacant 4.8 acre parcel that once contained St John's Hospital in the Brighton Heights neighborhood has been underway for over ten years. Since that time, the URA has been working to develop a feasible plan for the site. The URA engaged LaQuatra Bonci Associates to undertake site master planning the result of which is an eighteen unit development proposal which combines single family, for-sale housing with an extensive greening of the existing slopes in a revised "Garden City" design, similar to the historic Chatham Village in Mount Washington.

- **Closed Schools – South Hills High School:** Over twenty public school buildings have been closed in the City over the last ten years. These building often sit as blighted structures in the middle of City neighborhoods. The URA is currently negotiating with the Pittsburgh Board of Education (BOE) to become an agent to dispose of at least eight of these public schools for development purposes.

  Prior to this negotiation, the URA worked for several years with the BOE to issue an RFP for developers to redevelop South Hills High School in Mount Washington into senior housing. The URA, BOE, and the community picked A.M. Rodriquez Associates

to develop South Hills High School into a 106-unit senior housing building with 84 affordable units and 22 market-rate units. A YMCA and an early childhood development center are also proposed for the building. The developer has secured an allocation of Low Income Housing Tax Credits from the Pennsylvania Housing Finance Agency and expects to begin construction in summer 2009.

- **Market Square**: The City recently completed the preliminary design for the renovation of Market Square. This project is designed to make Market Square a destination and a significant downtown amenity serving both residents and visitors.

ED02. **Continue active participation in the Community Development Collaborative**
Status: New
FY2009 Impact: N/A **Five-year Impact:** N/A

The Community Development Collaborative is a voluntary group of private and governmental organizations including the Mayor's Office, the City Planning Department and the URA, focused on the revitalization of the City's neighborhoods and communities. The purpose of the Collaborative is to work with communities to develop comprehensive market-based strategies to move communities forward and provide necessary resources to implement these strategies. With the City's continuing, active participation, the projects should aim to maintain and develop quality affordable housing stock in the City and to provide attractive residential neighborhoods and commercial areas for City residents and visitors. The Collaborative should engage community groups in, and target resources toward, each of the four main sectors (East End Corridor, Allegheny City Corridor, Uptown Corridor and Hilltop Communities).

ED03. **Develop a plan for decommissioning vacant land for to be used for redevelopment or green space**.
Status: New
FY2009 Impact: N/A **Five-year Impact:** N/A

The City should partner with the Commonwealth's Department of Conservation and Natural Resources (DCNR) as well as the URA and local community groups to develop and preserve greenspace and rebuild and reclaim the City's vacant spaces. Vacant lots and abandoned properties are one of the most pervasive obstacles to revitalization in many post-industrial cities such as Pittsburgh. Vacant land development is a crucial part of increasing property values, deterring crime and improving overall community health.

ED04. **Continue to develop the Riverfront and other City biking trails**
Status: New
FY2009 Impact: N/A **Five-year Impact:** N/A

Plans are underway for a riverfront park at the David L. Lawrence Convention Center; a pedestrian bridge connecting Shadyside and East Liberty; underpass improvements at Sandusky and Anderson Streets on the North Side; and a new bridge along the Eliza Furnace Trail at Bates Street in Oakland. Construction on all four of these projects is slated to begin in late 2009 or early 2010. The Convention Center project will fill a missing link in the riverfront trail from the Strip District to Point State Park. It will extend from the Rachel Carson Bridge at Ninth Street to the old Fort Wayne Railroad Bridge. The Shadyside-East Liberty pedestrian bridge will link Shadyside and the Eastside development that includes Whole Foods, Borders and a planned Target store. Improvements at Sandusky and Anderson Streets on the North

Side include installation of new lighting, curbs, sidewalks and aesthetic improvements. Along the Eliza Furnace Trail, a low clearance railroad bridge will be replaced and sidewalks will be added along with scenic overlooks, landscaping, benches, lighting and signs.

Additional initiatives

As referenced above, the chapter covering the Department of City Planning is also pertinent to the City's Economic and Community Development initiatives. Other chapters that discuss trends, factors and initiatives that are integral to the City's economic and community development include:

- Bureau of Building Inspection, which leads code enforcement and blight removal efforts
- Capital Improvement Plan, which is a major tool for supporting and catalyzing redevelopment
- Revenue, which covers the tax policy that shapes redevelopment

10. Intergovernmental Cooperation

Intergovernmental Cooperation

Overview

The 2004 Recovery Plan listed 29 initiatives to implement significant cooperation in the provision of public services between the City and the County and between the City and other municipalities.

Cooperation between the City and County has been a theme for over a decade as various commissions and committees have reviewed the efficiency of City and County operations. In 1996, the Committee to Prepare Allegheny County for the 21st Century ("ComPAC 21"), chaired by then Duquesne University President John E. Murray, Jr., decried the County's fragmented governmental structure, recommended a change in the County's form of government and encouraged the County to "lead by example, by working with the City of Pittsburgh to eliminate service duplication between the two governments." Urging "zero tolerance for service duplication," ComPAC 21 identified several areas of potential cooperation which remained substantially unaddressed when the 2004 Recovery Plan was adopted.

In that same year of 1996, the Competition Task Force chaired by Paul O'Neill, then Chairman and CEO of Alcoa, released its report entitled "Establishing a Culture of Excellence." Commissioned by the City's Mayor to focus on City management, the report deplored significant duplication of services between the City and County and listed its own areas of potential cooperation.

More recently, in October 2006, Mayor Ravenstahl and County Chief Executive Onorato announced the creation of the Citizens Advisory Committee on the Efficiency and Effectiveness of City-County Government, chaired by Mark A. Nordenberg, Chancellor of the University of Pittsburgh. The 13-member committee conducted seventeen months of study on the City and County government as well as the results of mergers elsewhere. The 21-page report, entitled "Government for Growth: Forging a Bright Future – Built on Unity, Efficiency, Equity and Equality – for the People of Allegheny County and the City of Pittsburgh" concludes that any merger must meet the needs of City residents, ensure adequate minority representation, "deal equitably" with 3,300 City and 6,600 County employees and avoid saddling suburban taxpayers with the City's debt and underfunded pension plans. In addition to recommending that the question of whether the City and County governments should be consolidated be placed before the voters at the earliest appropriate time, the Committee urged the Mayor and Chief Executive to intensify efforts to achieve "higher levels of efficiency and effectiveness through functional cooperation" and to enter into a formal "cooperation compact" to ensure that efforts to partner in the delivery of services are pursued in the short term and remain a longer term priority respected by successor administrations.

Progress and future challenges

During the four and one-half years since the adoption of the 2004 Recovery Plan, some progress has been made in some areas of cooperation between the City and the County. Two areas – purchasing and information technology (IT) services – are discussed in further detail below.

Purchasing

The 2004 Recovery Plan envisioned a comprehensive transformation of City procurement through joint purchasing, particularly with Allegheny County The most ambitious initiative required the City to co-locate its purchasing department with the County at the latter's facilities and then transfer its purchasing operation to the County. At the time the County purchasing department had 14 employees and the City had eight full-time equivalent (FTE) positions within a broader administrative unit. The terms of the transfer would have included an agreement for a transition period during which the County would have hired City purchasing personnel to handle City procurement and the City would have reimbursed the County for associated costs. Two City buyers along with associated funding would have been transferred to the County. The County would have also given priority consideration to City purchasing and support staff in its

hiring process. Despite passing the 2004 Recovery Plan including this initiative, City Council did not pass a subsequent proposal to complete the transfer.

In February 2007 the City and County entered into a joint purchasing agreement through which the County handled procurement for some materials, general supplies and equipment on behalf of the City. Under this agreement the City paid the County $135,000 annually to cover overhead costs for joint commodity purchasing and the cost of the commodities themselves. The County and City estimated that this joint purchasing agreement saved the City $1 million with $385,000 in annual personnel cost savings achieved through reduced staffing.[1] For comparison, the City's FY2009 budget funds a procurement coordinator and three purchasing agents who procure professional, construction and other services at an annual salary cost of $153,943.

The City and County have negotiated a renewal of the joint purchasing agreement that expired in 2008 with an extension to cover services like plumbing and electrical maintenance. In return for the County handling more purchasing on behalf of the City, the City will pay the County $200,000 annually. Even with this progress, issues restricting further cooperation between the governments remain:

- The City and County have different "explanatory levels," which are the thresholds below which a department can make a purchase without competitive bidding. The County's explanatory level is $10,000 and the City's is $2,000. The City's lower level limits the areas where it can make joint purchases with the County.

- The County expressed concern about incurring additional liability if it procures certain services on behalf of the City.

Prior to the co-location discussed above, the City was to review its public procurement regulations and contracts and make necessary changes to address inconsistencies such as the explanatory level difference. Although some changes have occurred to alleviate initial problems encountered with joint purchasing by the City and County, discussions with both entities reveal that further review of the City's public procurement regulations must occur in order to properly facilitate additional joint purchasing with the County.

In addition to this functional consolidation, the 2004 Recovery Plan directed the City to give priority attention to joint purchasing with the County for four categories in which the governments have significant expenditures: uniforms, utilities, telecommunications and vehicles.[2] The City and County have jointly contracted for telecommunications services. There have been discussions related to jointly contracting for vehicle maintenance since both governments use the same private vendor for these services and may be able to procure them at a lower rate if they bid together.

For cooperation on utilities purchasing, the City and County entered into a joint energy-purchasing agreement in October 2007. Co-Exprise, Incorporated is helping the City and County to find the lowest prices by holding online reverse energy auctions.[3] During the auction, local and national energy providers offer bids electronically until the lowest number is reached and one firm wins the bidding. The first auction included electricity for the Pittsburgh Water and Sewer Authority (PWSA), the City-County Building, the Pittsburgh Police Headquarters, the County Jail and courthouse, and a few other similarly sized properties. It is estimated that the agreement will save the City approximately $125,000 per year. The City and County pay Co-Exprise a fee based upon their individual electricity consumption. It was estimated that the annual fee for the City would be approximately $4,900 a year. The remaining costs are paid by the winning bidder in the on-line auction. In the next phase, Co-Exprise will assist the City, County, the Pittsburgh Zoo & PPG Aquarium, PWCA, Pittsburgh Public Schools and the Allegheny County Airport Authority in a reverse online auction for natural gas.

[1] Karamagi Rujumba, "Pittsburgh, Allegheny County to expand joint buying," *Pittsburgh Post-Gazette,* March 13, 2009.

[2] For conservatism, the savings projections in the 2004 Recovery Plan were based on cooperation with three of the four categories.

[3] The 2004 Recovery Plan included an initiative for the City to expand its use of reverse auction software.

In addition, a new Energy and Utilities Manager position was created in the Bureau of Procurement, Fleet and Asset Services. The position salary and benefits are reimbursed from Commonwealth grants, including those provided by the Department of Community and Economic Development (DCED). In total, the City has received the following recent state and federal grants related to energy and utilities:

- DCED 2008: Shared Municipal Service Program grant for $127,500
- DCED 2007: Shared Municipal Service Program grant for $70,000
- U.S. Department of Energy: Solar America Cities grant for $200,000

The 2004 Recovery Plan directed the City to complete and distribute, in cooperation with the County, a Request for Proposals (RFP) for elevator maintenance services in City and County facilities, which the City has done. The 2004 Recovery Plan also suggested other areas where the City could achieve savings through joint procurement with the County and School District, including information technology services and vending. The potential for IT cooperation is discussed separately below and the City is pursuing partnerships with private vendors through its Market Based Revenue Opportunity (MBRO) program as discussed in the Revenue chapter.

The 2004 Recovery Plan directed the City to continue to encourage and support the monthly cooperative purchasing workshops that had been initiated in October 2003 among the City, the County and the School District staffs. These workshops among the governments have continued. In addition, City Council has adopted a resolution to allow piggyback purchasing from other contracts with school districts and other municipalities for items such as vehicles, tractors, street sweepers and office supplies. The City also participates in the state Co-Star program. Many City departments participate in this program, including Public Works and Public Safety, along with other local agencies such as the Allegheny County Airport Authority and numerous local municipalities.

Information Technology

Another area with potential for increased cooperation in which the City, DCED and Act 47 Coordinator have invested significant resources is information technology (IT) services. City Information Systems (CIS) is responsible for most IT services in Pittsburgh,[4] though employees in other departments have responsibilities pertinent to the systems critical to their operations.

In April 2008, using Commonwealth funding provided through Act 47, SMART Business Advisory and Consulting reviewed how IT responsibilities are handled by the following seven governments: the City, County, School District, Port Authority, Sports and Exhibition Authority (SEA), Parking Authority, PWSA and Urban Redevelopment Authority (URA). Based on discussions with these governments and research of successful approaches used elsewhere, SMART recommended a two pronged approach to coordinating IT services between the seven governments:

- The City and its related Authorities (PWSA, SEA, URA and Parking Authority) should establish a Shared Service Organization (SSO) through which the City would provide services to the Authorities. The SSO would start by meeting some needs provided by the Authorities' external consultants and then gradually provide more complex services (email management, server consolidation, Enterprise Resource Planning implementation) as the relationship develops. Eventually the mature SSO would enable the City and Authorities to consolidate non-IT functions such as human resource and payroll processing.

- The City, County, School District and Port Authority should use a major project, such as the City's acquisition of a new Enterprise Resource Planning (ERP) system, as the opportunity for

[4] Please see the CIS chapter for more information on this unit.

establishing a cooperative structure for providing IT services. The other three governments would participate in the City's ERP acquisition process and then eventually migrate to a shared system. The shared ERP run by the Shared Service Organization would provide the basis for further consolidation of IT and non-IT functions, such as human resources and payroll processing.

As discussed in the ERP system chapter, the City and County are working toward migrating the City's financial functions to the County's ERP platform. Such an arrangement would allow the City to take advantage of the County's financial management software while keeping each government's information in separate, secure and confidential databases. According to the ongoing discussions, the County would provide ERP related services to the City for a fee as determined under a cooperative agreement. Staff from the City and County finance and information technology operations, the City and County Controllers, City Council and the County's ERP vendor are participating in this effort.

Outside of the ERP system process, CIS management stressed that there are other opportunities for the City to provide services to the County, related Authorities and other municipalities including the following:

- **Disaster recovery site**: CIS developed and supports a disaster recovery site for storing and accessing critical information in the event that the City's main systems are disabled. CIS has discussed providing a similar service to the County and other local governments.

- **Joint 311 system:** The City operated 311 system makes it difficult for the County to establish its own parallel system, but the City could expand 311 to cover other governments' services.

- **Other:** The SMART study mentions email system management, help desk support and IT infrastructure management as services that the City could provide to its related Authorities, through a new SSO.

While addressing the critical need for a stable, effective ERP is the higher priority, the City should also continue to pursue initiatives that improve cooperation with these Authorities.

Other City-County Cooperative Efforts

The City has had mixed results in its pursuit of other intergovernmental initiatives in the 2004 Recovery Plan which directed the City to do the following:

- **Continue to implement the merger of City and County 911 services:** This initiative has been completed and five 911 call centers have been merged into one 911 system run by Allegheny County. The merger saved the City approximately $4.4 million in capital expenditures, including building renovation and equipment upgrade costs.

- **Explore the co-location of similar functions with the County, including sharing existing facilities owned by either government:** There have been no joint City-County efforts toward this objective, though the City has its own internal efforts to improve its space utilization.[5]

- **Share security costs at City-County building:** The City was to initiate discussions with the County to negotiate a sharing of costs of providing security at the City-County building. Currently, the City continues to pay 100 percent of all costs of security at the City-County Building, including the full cost of metal detectors and personnel projected to cost $365,000 in 2009.

- **Satellite booking/arraignment centers: I**f the County decided to establish satellite booking/arraignment centers, the City was to transfer its criminal booking and arraignment

[5] Please see the initiatives section of the Bureau of Procurement, Fleet and Asset Services chapter for more information.

functions to those satellite centers within three months of their establishment and initial operation in the City. To date there here are no satellite centers in the County. The County currently performs the City's booking and arraignment functions at the County Jail.

- **Cooperative road maintenance:** The City was to explore agreements with the County to control ice and snow on City and County roads and purchase asphalt cooperatively. Currently the City does cooperatively purchase asphalt and road salt with the County and other municipalities.

- **Pet licensing:** The City was to authorize the County to act as the City's agent to collect pet licensing fees for the City. Dog licensing is still done through the City's Finance Department.

- **Negotiate an Agility Agreement:** The City was to continue its efforts to draft and negotiate with the County an Agility Agreement to foster joint efforts in sign production, traffic line painting, equipment sharing, inventory control, graffiti control and Geographic Information System (GIS) information sharing. No such agreement has been consummated.

The 2004 Recovery Plan also directed the City to discuss functional consolidation or joint service provision with the County related to a broad range of activities, including public safety training, human resources and internal services (e.g. records storage, interoffice mail delivery). In some areas, like sharing police training facilities with the County, the City considered cooperation but found it unworkable at this time. In other areas, like human resources, there may be opportunities to pursue functional consolidation once the City and County make progress on interim steps outlined in the initiatives section.

Cooperating with Neighboring Municipalities

While most of the discussion above focuses on City-County cooperation, there are also potential savings and service improvements that can be achieved through cooperating with neighboring municipalities.

The City improved cooperation with the Borough of Wilkinsburg by providing refuse collection service on a contractual basis. Under an agreement that runs through FY2010, the Borough pays the City $700,000 - $800,000 for the service while handling its own recycling collection. The City is also beginning to collect refuse for the Pittsburgh Parking Authority.

Other municipalities have expressed interest in establishing similar arrangements. One of the challenges in doing so is allocating resources in a way that is cost effective for the City. For example, the City needs more refuse trucks to serve some areas, which creates additional cost. The City discussed an arrangement with another municipality that only needed refuse collection for two days, leaving questions concerning how to efficiently staff this extension.

Another area for potential cooperation is animal control. Residents from neighboring municipalities have called the City's Bureau of Animal Control for assistance, but there are not any agreements in place yet with these suburban communities. Bureau management suggested that City Animal Control could provide service with its existing staff if it did so by individually responding to calls, rather than providing general patrol coverage. The costs associated with sheltering animals at the facility currently used by the City have also been an obstacle to establishing formal cooperative agreements with other municipalities.[6]

Beyond these service agreement discussions, Pittsburgh is a participant in a new intergovernmental effort initiated by the University of Pittsburgh's Graduate School of Public and International Affairs (GSPIA). Under the auspices of GSPIA, its Innovation Clinic and Professor David Y. Miller, the City and its contiguous 35 communities are in the early stages of forming CONNECT (CONgress of NEighboring CommuniTies). CONNECT's stated goals are as follows:

[6] Please see the Bureau of Animal Control chapter for more detail.

- Forge a new direction in intergovernmental cooperation
- Complement existing intergovernmental institutions
- Build on cutting-edge research from around the country
- Leverage the strength of the core of the region
- Create a way to discuss and resolve common issues

Based on the premise that the City is the economic engine of the region while the neighboring communities are the glue that ties the region together, CONNECT's central goal is to create a way for the 36 local governments to discuss and resolve common issues. A critical component of that effort is to leverage the demographic, economic and political power of those 36 communities. For example, as a percentage of Allegheny County as a whole, CONNECT communities comprised 56 percent of the population,[7] 91 percent of the jobs and payroll, 88 percent of the sales and a large majority of the County Council, General Assembly House and Senate District, and US Congressional District seats. CONNECT's organizational meeting, held on November 7, 2008 was attended by representatives of the City, the County and 24 of the 35 contiguous communities. This is a promising effort in which the City should continue to participate.

Initiatives

While much of the attention on the 2008 Nordenberg Committee's report has been focused on the question of City-County consolidation, there is significant potential for improving services and achieving savings by vigorously pursuing the Committee's other recommendations for increased and sustained functional cooperation. That potential grows as the list of partners expands to include City and County Authorities, the School District and neighboring municipalities.

During the Recovery Plan amendment process, the Act 47 Coordinator received recommendations that would push the City toward functional consolidation with the County or other governments at a more aggressive pace than presented here. Those recommendations are worthy of further pursuit and demonstrate a commendable eagerness to think broadly and creatively about how to serve Pittsburgh's residents better. Given the slow progress that the City has made on some initiatives from the 2004 Recovery Plan, this Amended Recovery Plan instead focuses on short- and mid-term initiatives that, if achieved successfully, would provide a platform for expanding cooperation to other areas and partners. For example, establishing a Shared Service Organization that provides valuable information technology services to the City and County efficiently will provide an opportunity to expand cooperation to other functional areas and other partners. In that respect these initiatives represent "next steps" and not the limits of what can be achieved.

Intergovernmental cooperation can also take many forms other than full consolidation. The initiatives below include intergovernmental service agreements, Shared Service Organizations and participation in existing external organizations. While structural and governance issues are factors in whether a cooperative venture succeeds, the City should not lose sight of the ends, whatever means it uses – providing the same or better services more efficiently as an integral part of the City's effort to complete its fiscal recovery.

Regional Cooperation

IG01. **<u>Pursue joint collection of delinquent taxes and fees</u>**
Status: New
FY2009 Impact: $0 **Five-year impact:** $9.0 million

The City is considering entering a cooperation agreement with the County, Pittsburgh School District and PWSA to jointly collect delinquent taxes and fees. Under the agreement, all four

[7] All percentages are based on 2007 information.

entities would use the County's third party collector and special legal counsel. The City would still conduct Treasurer's Sales for parcels with longstanding tax delinquency, though those sales would now include the delinquent claims of all four parties and would be coordinated with the third party collector to avoid contradictory or duplicate efforts.

This cooperative arrangement will improve coordination between the parties in their pursuit of delinquent taxes, reduce the total cost of collection, consolidate legal proceedings and delinquent claim records and still give the City flexibility to focus on properties that are a priority for blight elimination and redevelopment. The agreement was approved by the School District in December 2008, PWSA in January 2009 and County Council in March 2009. The City shall also approve the agreement.

Using the same collector and legal counsel that would serve the City under this agreement, the County collected an estimated $15 million from 2005 – 2008. The City could experience similar revenue generation, though it has been significantly discounted here for conservatism. This cooperative initiative coupled with the improved auditing required in initiative FI09[8] will strengthen the City's ability to collect delinquent taxes.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	3,000,000	2,000,000	2,000,000	2,000,000

IG02. **Continue joint energy procurement**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall continue its efforts to purchase energy cooperatively with the County, School District, related authorities and other municipal government partners.

IG03. **Establish a shared services organization (SSO) for information technology and other services**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

As discussed in the ERP chapter, the City and County are working to migrate City ERP functions to the County's platform. A successful merger of the City and County systems would provide an excellent base from which additional shared services, for information technology or other areas, could be developed over time. Once the ERP effort is complete, the City shall continue discussions with the County to pursue creation of a shared services organization (SSO) that would provide information technology services to the City, County, related authorities and any other interested partners. This SSO could also provide the platform for combining other functions including, but not limited to, human resources, payroll processing, purchasing, non-sworn employee recruitment and training, benefits management, records management, internal mail delivery and printing services.

IG04. **Explore police regionalization initiatives**
Status: New
FY2009 Impact: N/A **Five-year impact:**

[8] Please see the Department of Finance chapter.

For many years, external reviews have commented on the proliferation of local police departments in Allegheny County, and particularly on the overlap between the City's Police Bureau and the County police. For example:

- The IACP's Phase I report on the Police Bureau, prepared for the Intergovernmental Cooperation Authority (ICA), recommended the thorough investigation of the creation of a "Pittsburgh-Allegheny County Metro Police Department."

- A subsequent IACP report stated that a good first step would be consolidation of investigative functions now divided among the City, the County and the District Attorney.

- In 2008, the Nordenberg Commission report, endorsed by the County Executive and the Mayor, recommended increased City-County functional cooperation, and specifically mentioned the arson and bomb disposal units as "expected to receive careful attention in the near term."

In October 2003 the Pittsburgh Regional Cooperation Committee highlighted the overlap in police services provided by the City and County. The Committee's report recommended further exploration of a centralized support services/decentralized patrol model in which support services like records management, recruitment and personnel functions are handled centrally for several municipalities while patrol functions continue to be handled by individual municipalities.[9]

While functional consolidation is complicated and could take many years, there are clearly areas where either the County or the City could take the lead in policing, helping to share costs and expertise. For example, the City has developed an effective multi-disciplinary approach to investigating and solving arson crimes that includes the Police and other bureaus. It may be possible for this team to expand and take on crimes in other parts of Allegheny County in return for specific investigative, laboratory or training services delivered to Pittsburgh by the County or suburban police forces.

Working jointly with the County and other Allegheny County municipalities, the City shall creatively investigate ways to share police services across jurisdictional and physical boundaries, including, but not limited to patrol, investigative, and special services, with the goal of expanding City services to other jurisdictions in return for cost-saving service enhancements provided in kind.

City-County Cooperation

IG05. **Resolve differences with County procurement regulations**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City's Departments of Finance and Law shall continue to review the City's procurement regulations and work with the County to make their procurement regulations mutually compatible and to otherwise facilitate joint purchasing of goods and services with the County.

The City shall also update its Minority/Women Owned Business study to ensure that data is used in the development and implementation of programs and activities related to increasing opportunities for minority and women-owned business to participate in commerce with the City

[9] Regional Cooperation Committee, *Report to City Council*, October 29, 2003. Page 70.

and its authorities and to ensure that joint purchasing activities do not unfairly disenfranchise the minority and women-owned businesses.

IG06. **Explore City-County partnerships for regional parks**

Status: New

FY2009 Impact: N/A **Five-year impact:** N/A

The City's four regional parks provide a total of 1,723 acres of green space, recreational trails, picnic areas, and athletic and cultural facilities within city limits. Allegheny County maintains and operates nine regional parks with similar facilities and programming as shown in the following table.

Regional Parks – Features, Functions, and Facilities

Park	Jurisdiction	Acreage	Ballfields	Golf	Aquatics	Boating	Tennis	Playgrounds	Nature Center	Recreation Trails	Ice Skating	Equestrian Facilities	Other
North Park	County	3,075	●	●	●	●	●	●	●	●	●	●	Basketball courts, horseshoe pits, observation tower, r/c airplane field
South Park	County	2,013	●	●	●		●	●	●	●	●	●	Basketball courts, r/c airplane field, bmx track, South Park VIP Area (bumper boats, go-karts, mini-golf), Oliver Miller Homestead (tours)
Settler's Cabin	County	1,610			●		●			●			Wave pool
Deer Lakes	County	1,180						●		●			Observatory, fishing lakes
Round Hill	County	1,101	●							●			Exhibit farm
Boyce Park	County	1,096	●		●		●		●	●			Ski/snowboard trails, Four Seasons Activity Center
White Oak	County	810						●	●	●			Rabbit farm, volleyball courts, horseshoe pit, shared facilities w/Westmoreland County
Hartwood	County	629								●		●	Middle Road Concert Area, Theater Tent, Mansion w/tours, Off-leash dog park, facility rentals for events
Frick Park	City	600					●	●	●	●			Lawn bowling green
Harrison Hills	County	500	●					●	●	●			Observation Deck
Schenley Park	City	456	●	●	●		●	●		●	●		Phipps Conservatory and Botanical Gardens, Disc golf course
Highland Park	City	380	●		●		●	●		●			Entry garden and reflecting pool, Pittsburgh Zoo and PPG Aquarium on-site, Lake Carnegie, Washington Blvd Cycling Track
Riverview Park	City	287			●		●	●		●		●	Allegheny Observatory

The City shall explore other opportunities to partner with the County through shared services agreements or other cost-sharing initiatives. Within twenty-four months of the adoption of this Amended Recovery Plan, the City shall explore the creation of a non-profit Park Commission to oversee all City and County RAD-supported parks. The goal is to determine with the County whether such a Commission can save money for the City and County without reducing services.

IG07. **Pursue shared security costs at City-County building**

Status: Continued from the 2004 Recovery Plan

FY2009 Impact: N/A **Five-year impact:** N/A

The City shall continue discussions with the County regarding the sharing of security costs at the City-County Building.

IG08. **Explore the transfer of pet licensing to the County**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The City's Finance Department shall determine whether transfer of pet licensing to the County will save the City money and, if so, pursue such transfer with the County.

IG09. **Negotiate an Agility Agreement with the County for public works and other services**
Status: Continued from the 2004 Recovery Plan
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall continue to discuss with the County negotiating and executing an Agility Agreement to foster joint efforts in sign production, traffic line painting, equipment sharing, inventory control, graffiti control and Geographic Information System (GIS) information sharing.

IG10. **Pursue City-County consolidation of departments**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall pursue with the County functional consolidation/cost sharing of some of its departments. In addition to the ERP functions mentioned in the Enterprise Resource Planning chapter, the City shall work with the County to merge and or cost share their City Information Systems (CIS), Payroll, Personnel, Law, Purchasing and Tax Collection departments. The City shall start negotiations on departmental mergers/cost sharing by 2010, and where applicable, complete any merger/cost sharing arrangement by 2012.

City-Neighboring Municipality Cooperation

IG11. **Pursue intergovernmental service arrangements with neighboring municipalities**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Similar to the City's arrangement with the Borough of Wilkinsburg for refuse collection, the City shall continue to pursue opportunities to provide services to other municipalities for a fee. The fee must cover any change in the City's cost of operations associated with providing that service including, but not limited to, the operating and capital costs associated with additional staff, equipment or facilities. As described above, there have been discussions with municipalities regarding refuse collection and animal control services. The City shall also continue discussions with the Borough of Wilkinsburg regarding further intergovernmental service arrangements.

Additional initiatives

Along with the initiatives outlined above, others related to intergovernmental cooperation are detailed in other chapters including:

- Participate in implementation of earned income tax collection changes (Finance)
- Expand proposed Facility Maintenance Plan to include an evaluation of space utilization to identify opportunities to sell, lease or share excess property (Procurement, Fleet and Asset Services)
- Minimize customization of any new ERP system to allow future integration with other government entities (ERP)
- Fully analyze the costs and benefits associated with a new asphalt plant (Public Works)

11. Capital Improvement Plan

Capital Improvement Plan

The construction and maintenance of public infrastructure is one of the primary responsibilities of the City of Pittsburgh. Article Five of Pittsburgh's Home Rule Charter directs that the capital budget shall be based on a six year capital program that is reviewed and updated annually. Capital planning that builds and preserves sound transportation, neighborhood infrastructure, and technology systems along with citywide facilities and major equipment serves as the physical foundation for public services, as well as a key component of potential future community growth and economic expansion.

As discussed in the Debt chapter of this Plan, Pittsburgh's high debt service payments through FY2017 limit its ability to incur new debt, creating a significant impact on the City's capital improvement plan (CIP). As a matter of policy, the City's recent capital budgets have been funded through Community Development Block Grants (CBDG), pay-as-you-go (PAYGO) financing, and intergovernmental funds as the City works to reduce its outstanding debt. The following table depicts the City's capital budgets by department over the past three fiscal years.

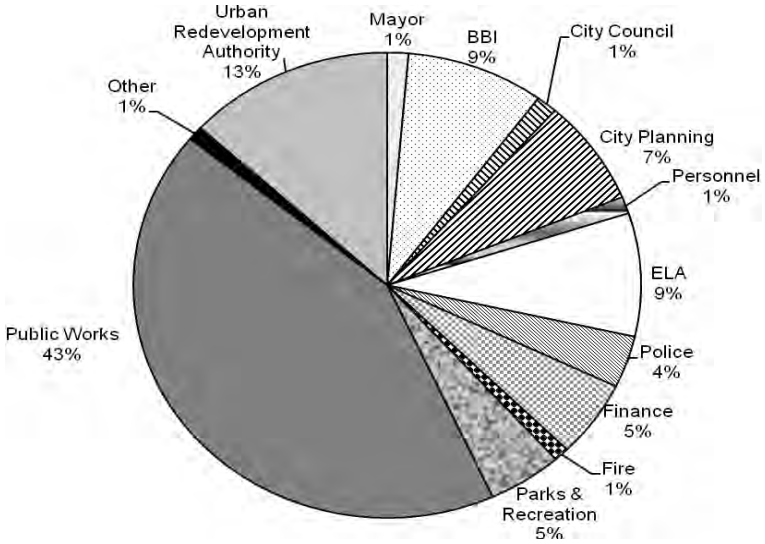
Capital Budget by Department

Department	FY2007	FY2008	FY2009
Bureau of Building Inspection	$2,200,000	$4,200,000	$5,000,000
City Council	$800,000	$800,000	$800,000
City Information Systems	-	-	$400,000
City Planning	$2,900,000	$2,450,000	$2,910,680
Emergency Medical Services	$150,000	$150,000	$150,000
Equipment Leasing Authority (esp. vehicles)	$7,350,000	$7,300,000	$5,100,000
Finance	$50,000	$1,190,000	$175,000
Fire	$400,000	$500,000	$579,190
Human Relations Commission	$50,000	$35,000	$35,000
Mayor's Office	$1,800,000	$800,000	$800,000
Parks & Recreation	$700,000	$1,400,000	$2,721,090
Personnel	$325,000	$600,000	$700,000
Police	$150,000	$350,000	$2,146,000
Public Works	$12,020,000	$15,643,500	$16,470,320
Urban Redevelopment Authority	$8,105,000	$6,900,000	$6,902,958
Total City Funds	**$37,000,000**	**$42,318,500**	**$44,890,238**
Total Other Funds*	**$33,954,241**	**$56,466,197**	**$14,719,578**
Grand Total Capital Budget	**$70,954,241**	**$98,784,697**	**$59,609,816**

* Other Funds primarily represent State and Federal funds that are matched by the City. The variation is due to fluctuation in funding for the Urban Redevelopment Authority's Neighborhood Housing Initiative.

The recent passage of the American Recovery and Reinvestment Act is expected to provide the City with an additional $6 million to $10 million over the next several years that will largely be spent on capital needs. The chart below shows the FY2009 capital budget by department including State and Federal matching funds where applicable.

FY2009 Capital Budget by Department



Progress and future challenges

Since the 2004 Recovery Plan, the City has made progress in certain areas of its capital budget. After years of neglect, significant funds have been made available for street resurfacing and replacement of fire apparatus, especially ladder trucks. Increased funds have been dedicated to demolition of abandoned, dangerous properties. The City has managed to support an ongoing capital plan despite its financial constraints in recent years due primarily to its commitment to the use of pay-as-you-go funding generated from positive performance in the City's operating budget. In 2007, the City designated $60.0 million in fund balance for future capital projects. In December 2008, an additional $27.2 million was designated for capital in this manner, and the City entered FY2009 with approximately $78 million in available capital resources.[1] This approach has been cited as a positive factor by bond rating agencies and has allowed Pittsburgh to continue to invest in projects citywide while steadily paying down the City's outstanding debt.

Management of the City's capital assets was the focus of a report funded by the Commonwealth's Department of Community and Economic Development and completed in August 2008 which produced a "Capital Asset Policies and Procedures Manual" for the City. The report, developed with the input of the City's Department of Finance and the City Controller's Office, provides a roadmap for the City to improve management of its capital assets. The report highlighted the need for an integrated asset management system as a component of the City's financial management system, in addition to improvements in communication amongst City staff, improved internal controls, and the adoption of a scanner system to more efficiently maintain inventory of City assets. The manual was accepted by the City and a memo outlining the new policy to City staff has been distributed.

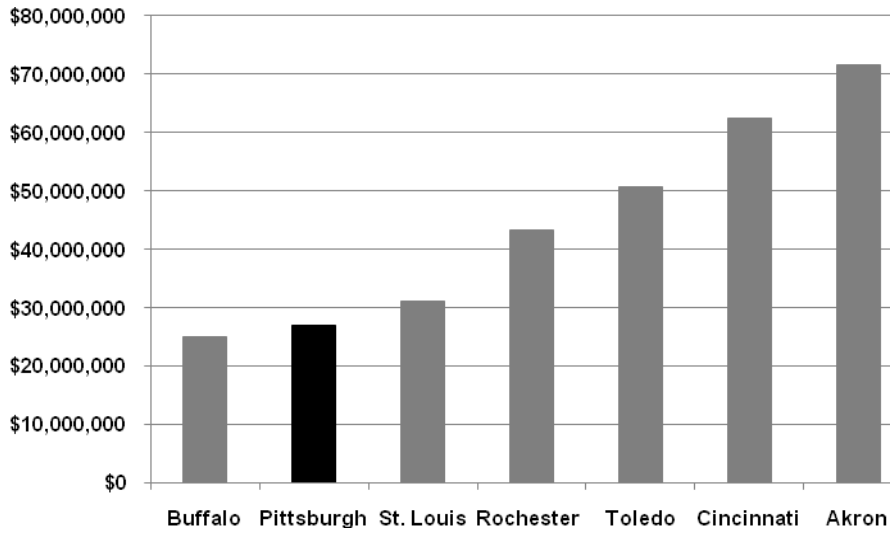
Challenges

Despite the City's progress, there are several challenges that must be resolved in order for the City to have a comprehensive capital plan that addresses the long-term capital needs. Pittsburgh is a large and mature regional hub that has a significant amount of infrastructure to maintain. As noted in the chapters covering the Bureau of Fire, Bureau of Emergency Medical Services, and other departments, the City has

[1] As reported in the City's FY2008 Comprehensive Annual Financial Report (CAFR), page 7 of the fund financial statements.

numerous facilities that are or will soon need to be modernized or replaced. Given these facts, the City's current level of funding is likely not sufficient to meet its needs. The following chart shows that Pittsburgh's FY2009 level of local capital investment is below that of most comparable jurisdictions.

FY2009 City Funding for CIP Program



Source: Act 47 Coordinator

Notes: 1) Data represents local funding sources only and excludes water/sewer and other authorities. 2) Akron's FY2009 program has TIF funding that was omitted from the above analysis due to concerns over the nature of the funding and its comparability to the other localities. 3) A similar survey of the most recent CIP plans also found Pittsburgh to be below the majority of jurisdictions.

While there are state and regional variations, and different cities include varying services in their capital budgets, the only City in the sample with lower local funding than Pittsburgh is Buffalo, also under oversight. It is clear that Pittsburgh will need increased local investment in the next decade to maintain its infrastructure, complete planned investments detailed throughout the Amended Recovery Plan, and to remain regionally competitive.

In addition to the size of the City's capital budget, a portion of the City's current capital spending is on projects or activities that are not typically funded through capital programs. While grants to community organizations are commendable, their presence in the City's capital budget overstates the funding that is annually provided for long-term capital projects across Pittsburgh. Also, some physical items that are not traditionally considered eligible for capital funding are supported by the capital budget. In the future when the City returns to a portion of debt-supported capital, these items (such as police cars) should be designated for support from pay-as-you-go capital funding sources or transferred to the operating budget.

Finally, as noted in the debt chapter, the City is working to reduce its historic accumulated debt, and must continue to do so for the next several years. However, the combination of original issuance structure and subsequent refundings has left the City with an unusually large amount of debt that will be completely paid off by 2024. As a result, in the short term current taxpayers are bearing a disproportionate share of long-term investment cost, after a decade or more when current taxpayers funded less than their appropriate share. This is particularly true since almost all debt service outstanding for FY2019 and subsequent years is attributable to pension obligation bonds, not debt issued to fund capital investment. When the City returns to borrowing, efforts to rebalance the useful life of City assets and the funding sources to pay for them will be in order.

Initiatives

CB01. Develop comprehensive multi-year Capital Improvement Plan (CIP)
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Consistent with the City's Home Rule Charter, the City shall develop a formal interdepartmental process that results in an annual capital budget and six year capital plan to be submitted to City Council with the annual Operating Budget and approved with the budget each year. Multi-year capital planning is a GFOA recommended practice and will further Pittsburgh's reputation for sound fiscal management. A fully developed multi-year capital plan will also provide stakeholders and residents with an improved understanding of the City's capital needs and priorities. Pittsburgh's capital plan shall include, but will not be limited to:

- The creation of an interdepartmental committee composed of representatives of the Departments of Finance, City Planning, Public Works, the Mayor's Office, the Controller's Office, City Council, and other appropriate agencies that oversees the development of the annual capital plan, identification and selection of capital projects, and manages implementation of the capital plan.

- A formal definition of capital expenditures that specifies which projects are eligible for funding through the City's CIP. Criteria shall at least include a minimum project cost and a minimum estimated useful life; in addition the definition shall exclude the use of debt-supported capital funds to purchase police cruisers.

- The adoption of a timeline for submission of departmental capital requests to allow thorough consideration prior to finalizing the annual capital budget and program.

- Coordination with Allegheny County, local authorities, and utility companies to best manage the life cycle costs of the City's assets.

- A transparent set of criteria by which projects are prioritized and chosen for inclusion in the annual capital plan. Criteria may include the following:

    - Availability to leverage alternative financing sources (State, Federal, etc.)
    - Health and safety
    - Departmental priority
    - Service efficiency
    - Mandates or other legal priorities
    - Compliance with Amended Recovery Plan capital investments
    - Impact on the City's operating budget
    - Input from major stakeholders or general public
    - Council district equity

- The City's submitted CIP shall include a detailed identification of the sources and uses of capital funds over the capital plan period. In addition, the capital plan shall include project descriptions which contains the following information about each project in the capital plan:

    - Location
    - Description
    - Estimated useful life
    - Annual estimated project costs by project phase
    - Annual estimated project funding sources
    - Impact on the City's operating budget (including costs and cost reductions)

- Beginning with FY2010 the City's CIP shall include funding for ICA and Act 47 initiatives, including but not limited to implementation of the results of City facility planning and comprehensive planning efforts, costs related to ERP implementation, and demolition and new station construction as recommended in the Tri-Data Reports.

CB02. Institute quarterly CIP status reports
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

In conjunction with its quarterly financial reports to the Intergovernmental Cooperation Authority (ICA), the City shall produce quarterly CIP status reports that provide an update on the progress of the current capital plan.

The City's status reports should contain both summary and detailed information pertaining to the City's capital program. Summary information should provide an overall report of the capital program, and include information such as the total amount of spending anticipated for each of the funding sources, as well as information regarding significant variances between planned and current projections regarding expenditures. Detailed reports should include information on the status of each project with specific information that describes actual and projected expenditures compared with the budget. The report should also indicate which project milestones have been met and how this compares with the planned schedule.

These reports will have multiple benefits. It will provide a forum for the City to demonstrate progress in the implementation of its capital plan. The reports will also build a monitoring and reporting mechanism that will likely be necessary in order to fulfill requirements related to funding received from the American Recovery and Reinvestment Act. In addition, over time the reports will provide the City with valuable information about its performance in delivering capital projects. Once developed the reports should have the ability to identify recurring project and implementation hurdles, which in turn, will provide the City with an opportunity to make adjustments and craft a more effective CIP program. Finally, since there is likely to be a backlog of important projects for some years, careful monitoring will allow the diversion of resources to shovel-ready projects if the pace of any of the priority-funded projects slows.

CB03. Fully adopt and implement the Capital Asset Policies and Procedures Manual
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City's management of capital assets is a high priority given the state and age of much of the City's infrastructure and capital assets. The City shall implement all aspects of the Capital Asset Policies and Procedures Manual that are not subject to improvements in the City's financial system within the next two years. For elements of the Manual that are dependent on the City's ERP system the City shall implement all components no less than one year after the City's ERP system becomes stable and operational. These steps will ensure the City is maintaining their capital assets in the most cost-effective manner.

CB04. Sustain City CIP funding
Status: New
FY2009 Impact: $0 **Five-year impact:** $33.9 million

Current estimates show the City will deplete its current pay-as-you-go capital funds in FY2011. As detailed in the table below, not counting Community Development Block Grant (CDBG) and federal/state matching funds, the City faces a shortfall of almost $52.0 million in needed capital funds even with its recent significant capital deposits.

City of Pittsburgh CIP Funding Requirement, FY2009-FY2013

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Capital Balance	78,323,210	51,435,930	26,435,930	1,435,930	(23,564,070)
City Funding (PAYGO) Needed	26,887,280	25,000,000	25,000,000	25,000,000	25,000,000
Remaining Capital Fund	**51,435,930**	**26,435,930**	**1,435,930**	**(23,564,070)**	**(48,564,070)**

In concert with developing its long-term capital financing strategy, the City shall address the projected funding shortfall beginning in FY2012 and maintain an adequate capital plan generating approximately $25.0 million per year in self-generated capital funds from FY2010 to FY2013. If permitted by the State Legislature, additional revenue generated from the parking tax freeze should be directed to the capital budget. An infusion of parking tax funds is particularly useful in 2012 and 2013, when the Capital Fund will fall short of projected needs. The parking tax freeze is detailed in the Revenue chapter of this Plan.

In addition, the City shall make transfers from the General Fund and direct money generated from the potential refunding of its Series 2002A bonds (discussed further in the Debt chapter of this Plan). General Fund transfers of $15 million and $18.9 million in FY2011 and FY2012, respectively, will substantially strengthen the City's Capital Budget and allow it to generate approximately $55.0 million for projects each year, including City, CDBG, and federal/state funds. This Plan does not propose new borrowing to fund capital needs, although borrowing for critical needs and to achieve intergenerational equity should be considered for the years after FY2013.

City of Pittsburgh CIP Funding FY2009-FY2013

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Capital Balance	78,323,210	51,435,930	30,228,600	24,108,311	23,376,950
Transfers from General Fund	0	0	15,000,000	18,900,000	0
Parking Tax Revenues	0	3,792,670	3,879,711	3,968,639	4,059,978
Debt Refunding	0	0	0	1,400,000	0
CBDG	18,002,958	16,000,000	16,000,000	16,000,000	16,000,000
Federal/State Funding	14,719,578	14,000,000	14,000,000	14,000,000	14,000,000
Annual Capital Spending	**(59,609,816)**	**(55,000,000)**	**(55,000,000)**	**(55,000,000)**	**(55,000,000)**
Remaining Capital Fund	**51,435,930**	**30,228,600**	**24,108,311**	**23,376,950**	**2,436,928**

Note: Projected CBDG and Federal/State Match funding is estimated based on recent historical information; revenues and expenditures from these sources are expected to be equal.

CB05. **<u>Develop a long-term CIP financing strategy</u>**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The City shall develop a long-term capital financing strategy that will enable it to meet critical capital needs. The FY2009 budget states the City will be hard-pressed to continue its current strategy of pay-as-you-go financing for capital projects beginning in FY2012. The City has been prudent in its use of pay-as-you-go funding in recent years, and has been able to make continued capital investments as a result. This Plan provides a strategy to carry the current pay-as-you-go approach through FY2013. However, beyond that point the City will likely need to develop an alternative approach, even if pay-as-you-go remains a significant component, in order to meet the future capital needs of the community.

In the short term, the City must exhibit a renewed focus to allocate scare capital funds to preventive maintenance of City assets. The City has allocated funds in the FY2009 capital budget to develop a facilities maintenance plan to decrease maintenance costs. Over time this approach will save money by extending the useful life of facilities and other assets and minimize more expensive repairs and rehabilitation costs in the future. Currently the City does conduct an annual inventory of City assets and uses a pavement management system for its street system, but lacks an overall condition or needs assessment across other major asset classes. Building upon the facilities maintenance plan, the City should consider similar efforts across other applicable asset classes so that it develops a system that provides updated and reliable information about assets citywide.

As the City continues to pay down its outstanding debt, the City should consider adding borrowing to its options for funding capital projects. This should be done in addition to its ongoing commitment to pay-as-you-go financing. In fact, the use of pay-as-you-go funding is ideal for many preventive maintenance activities, while more traditional debt financing is better matched to providing funds for more expensive projects that have a longer useful life. The following table summarizes the respective elements of each type of financing.

Capital Funding Mechanism Characteristics

Funding Mechanism	Types of Projects	Advantages	Disadvantages
Pay-as-you-go (PAYGO)	Assets with short useful lives, or where most of the benefit is achieved early	Saves interest and other issuance costs	Generates insufficient funding for capital needs
	Assets for which matching local funds are required	Preserves financial flexibility and protects borrowing capacity	Discourages intergenerational equity
	Assets that are not expensive to acquire relative to the total PAYGO program	Enhances perception of credit quality	Creates uneven flow of expenditures
Tax-Exempt Bonds	Projects that are expensive to acquire or that exceed the capacity of the PAYGO program	Permits governments to acquire assets as needed	Adds financial and administrative costs of procuring capital assets
	Assets with long useful lives	Promotes intergenerational equity	Limits flexibility by committing revenues for life of the bond issue
		Smoothes out capital expenditures	May require voter approval

Capital Improvement Programming: A Guide for Smaller Governments, Patricia Tigue, GFOA.

In order for the City to move forward with a viable CIP over time, the City must begin to develop a strategy to finance its capital priorities that will balance both the City's capital needs and its financial health. Once the City develops its CIP more fully and integrates performance data

through quarterly reporting, the City will have an improved grasp on its capital needs and delivery system and will be able to design the proper long-term financing strategy to meet the ongoing capital needs of the City of Pittsburgh.

Additional initiatives

The chapter addressing debt service is also pertinent to the City's capital improvement plan. Several initiatives throughout this Amended Recovery Plan may have implications for the City's CIP, depending on how those efforts are funded, including the following:

- Create and adopt a comprehensive plan (Planning)
- Maintain an Annual (Vehicle) Purchasing Plan and integrate it into annual operating and capital budget process (Procurement, Fleet and Asset Services)
- Expand proposed Facility Maintenance Plan to include space utilization study (Procurement, Fleet and Asset Services)
- Create comprehensive facilities and equipment inventory (Insurance and Risk Management)
- Improve cooperation between the Bureaus of EMS and Fire through coordinated training (Public Safety Administration)
- Enhance rescue services by building the Bureau of Fire's capacity (Public Safety Administration)
- Decentralize code inspection (Building Inspection)
- Consolidate senior centers and recreation centers to create multipurpose facilities (Parks and Recreation)

12. Revenues

Revenues

This Amended Recovery Plan is proposed during the most significant economic dislocation in the United States in decades. With millions losing their jobs nationwide – thousands in the Pittsburgh region – and with real estate values readjusting after years of growth, many of the revenue sources that supported the City's recent economic success are threatened. At the same time, preliminary indications are that Pittsburgh's most important revenue sources – the real estate, earned income, parking and payroll taxes, have shown some resilience through the time of publication of this Plan. This chapter explains the City's revenue base, how future revenues are projected, and several initiatives for additional revenue.

Background and Recent History

The 2004 Recovery Plan found that while growing revenue sources were critical to the "creation of a fiscally sustainable City government," "for years the City's primary revenue streams have been stagnant or declining." Therefore, although the 2004 Recovery Plan focused on ways to moderate expenditure growth, it also called for a thorough overhaul of the City's revenue structure, including implementing a payroll preparation tax combined with a reduction in existing business taxes; raising the Local Services Tax (then called the Occupational Privilege Tax); raising the real estate transfer tax; reducing the parking tax; setting up a Public Service Fund to accept contributions to the City from non-profits; and a variety of initiatives to generate increased revenue from emergency medical service charges and other fees. The 2004 Recovery Plan concluded that the existing earned income tax was already too high, and recommended no change in that significant revenue source; it also assumed that the County would continue with its plans to complete reassessments of real property every three years, generating triennial revenue growth for the City.

Many of these suggested changes required state action. In November 2004, the Governor and the General Assembly approved a revised revenue and expenditure package for the City that included elements of the 2004 Recovery Plan, but modified them significantly. After consulting with the Intergovernmental Cooperation Authority, the Mayor, and the Coordinator, the Commonwealth approved or mandated the following revenue sources:

- A new payroll tax of 0.55 mills applicable to for-profit businesses, followed by the phased elimination of the City's business privilege tax and mercantile tax.
- An increase in the Local Services tax from $10 annually to $52 annually.
- A phase-down in the parking tax from 50 percent to 35 percent.
- A phased transfer of 0.25 percent of the earned income tax to the City from the School District.

The Commonwealth also eliminated certain expenditures in the 2004 Recovery Plan, in lieu of providing additional revenues. These changes included:

- Elimination of the City's requirement to pay the Pittsburgh School District $4.0 million annually (a payment that had been established when the schools lost the personal property tax as a revenue source in the 1990s), for a total of $16.0 million over five years.
- Elimination of $3.0 million capitalization expenditure for a Pittsburgh Productivity Bank.
- Elimination of $30.0 million in pay-as-you-go contributions to the capital budget over five years.

Finally, in the period between approval of the 2004 Recovery Plan and the Commonwealth's action, slots gaming was approved in Pennsylvania. The enabling legislation allowed two payments to the City related to gaming. First, approximately $7.65 million annually was expected from the Gaming Economic

Development and Tourism Fund (GEDTF) to pay for debt service obligations of the City related to $60.0 million in Urban Redevelopment Authority economic development bonds issued in 1995. These payments were assumed to begin in mid-2006 and to end in 2014 when the bonds matured. In addition, the enabling legislation anticipated a minimum of $10.0 million per year in local share of slots gaming revenue when a casino located in Pittsburgh was fully operational. These funds, which were placed under the control of the Intergovernmental Cooperation Authority, were assumed to begin in 2007.

There have been numerous timing and substantive adjustments to the 2004 revenue and expenditure reduction package provided by the Commonwealth. Sections on each of the individual major revenue sources, below, chronicle these changes where the history is relevant.

However, the Amended Recovery Plan focuses on the future. What revenue changes does the City need to become self-sufficient and end Act 47 oversight? There are daunting obstacles:

- Allegheny County's decision to use a 2002 base year assessment for real property, under challenge in the court system, has cost the City tens of millions of dollars from its largest revenue source, the real estate tax. In the long run, the City cannot be financially successful without increases in property tax revenue or the establishment of a substitute revenue source that is large and grows over time. While the state Supreme Court recently issued a ruling favorable to the City on this issue, the matter remains years from resolution.

- The Local Services Tax will increase only with growth in the number of people employed in the City, and recently-legislated changes in how the tax is administered have reduced original revenue projections.

- The move from the flawed business taxes in place prior to 2004 to reliance on the payroll preparation tax and an increased percentage of the earned income tax have introduced a welcome growth factor into the City's revenue base; however, the current economic climate means that several years of limited or negative growth can be anticipated.

- Annual state grants that in part offset slower-than-expected arrival of gaming revenues have been reduced, although a full year of gaming revenue appears likely in FY2010.

Nevertheless, the City does have revenue alternatives, as described below. In order to reach self-sufficiency, and in particular to fund the Pittsburgh Retiree Rescue Plan, the City will need to increase some tax and fee rates. At the same time, with many expenditure categories flat for a portion of this decade as a result of the 2004 Recovery Plan and Administration initiatives, and the total rates of major taxes stable or declining for the last four years, it is time to introduce selected adjustments to the tax base to cover expenditure growth and make contributions to pay legacy costs.

Current Conditions

The City of Pittsburgh faces a challenge similar to that of other urban core cities around the country: it requires reliable and sustainable revenue sources to be able to provide required services, but short-term economic and long-term demographic factors are affecting key revenue streams. There was modest improved performance from 2005 to 2008, as revenues grew by almost $30.0 million, about seven percent. However, most of this growth occurred in the first year, and revenues actually declined from 2007 to 2008. As a result, after some progress, the situation in 2008 and 2009 is in many respects similar to the challenge the City faced in 2004: certain key revenues are experiencing little or no growth.

At the same time, scheduled tax rate reductions have had the expected effect in reducing City collections in other areas. For the first several years of the Plan period, new revenue sources, expenditure reductions and tax cut delays included in the November 2004 Commonwealth package were roughly balanced. However, as the new revenues mature and the phased tax cuts take effect, that balance has

begun to shift. The City's current path is difficult and likely unsustainable. Additional revenue – either from existing sources, new sources, or both – is a necessary component to maintain a sustainable City government in the long term.

These factors are, in the short term at least, also impacted by recent events. The current recession has already eclipsed the 10 ½ month average for all post-World War II recessions, and many economists are predicting that it could become the longest downturn on record. There is significant evidence to support a lengthy downturn:

- Manufacturing activity fell to its lowest level in 26 years in November 2008.
- The nation's gross domestic product (which measures total market value of all final goods and services produced) declined by 0.5 percent in the third quarter, which was the weakest quarterly growth rate since the first quarter of 2001 (the beginning of the last national recession).
- Consumer spending, which accounts for 60-65 percent of U.S. gross domestic product, declined at a revised 3.8 percent annualized rate in the third quarter.
- The Consumer Price Index fell 1.0 percent in October and an additional 1.7 percent in November – the two largest single month declines since the Department of Labor began publishing seasonally adjusted changes in February 1947.
- The Conference Board Consumer Confidence Index declined to a new all-time low in December.

While less severe than national trends, Pittsburgh is matching the national trend of rising unemployment. The unemployment rate for February 2009 and March 2009 was 7.6 percent, notably higher than the 5.1 percent unemployment rate of March 2008. As of March 2009 there were approximately 92,000 unemployed residents in the region, an increase of 31,000 from March 2008. While unemployment is rising locally and nationally, the Health and Human Services sector in the Pittsburgh region added 5,400 jobs in 2008.

Nationally, these factors are adding to the pressure on city budgets due to the negative impact on local government revenues such as employment taxes, sales taxes and real estate taxes. The economic stress that has begun to affect Pittsburgh and every other local government will likely continue into at least the next fiscal year, and potentially beyond. The National League of Cities (NLC) recently reported that when final numbers are available, they will reveal that primary revenue sources for cities declined in 2008 and are not likely to recover in 2009. They report that each of the three primary tax revenue sources for cities are projected to decline in real terms in 2008:

- Local government property tax receipts nationally are projected to decline by 3.6 percent.
- Local government sales tax receipts nationally are projected to decline by 4.2 percent.
- Local government income tax receipts nationally are projected to decline by 3.3 percent.

City finance directors surveyed for the NLC report also do not believe that conditions are going to improve in the near term. Given this set of circumstances, it is important to view some of the historic revenue growth rates with caution, as past recessions have impacted revenue growth for a considerable period of time even after the economy has improved.

This chapter first extends the discussion on the economy found in the Introduction to better understand the key factors impacting the level and stability of key city revenue categories. The chapter then examines recent and current trends in City revenues, as well as future revenue absent any corrective

action or efforts to increase revenue. Finally, it identifies the Amended Recovery Plan's initiatives to provide additional revenue and projects the proposals' fiscal impact over the next five years.

Local Demographics and the Economy

As was noted in the 2004 Recovery Plan, in many ways the City of Pittsburgh in recent decades presents an archetypical case of the fiscal consequences of a long-term "hollowing out" of an urban core, in which a steady decline in population and economic activity results in a financially troubled city government. From 1960 to 2000 the U.S. Census Bureau reports that the City's population fell almost 45 percent, from 604,332 to 334,563. Pittsburgh's situation is not unusual, but is somewhat more severe than that of other large urban jurisdictions in Pennsylvania. Among the many cities of population over 35,000 in the Commonwealth that lost population from 1970 to 2000, Pittsburgh's decline of almost 36 percent is the largest.

This population trend has continued throughout the current decade. The Census Bureau reports that the City has lost population in each year from 2000 to 2007, with the 2007 population estimated to be 311,218. This represents an additional 7.0 percent reduction from the 2000 population level and a total decline of 49 percent since 1960.

Despite the resident population trend, the City is near the state's large-city average on several indicators of income and wealth, and the trend in these indicators for the City has been generally favorable. At $28,588 in 1999, median household income was between the average and median for large Pennsylvania cities, while 1999 per capita income of $18,816 was the second-highest of this peer group. The latter statistic would appear to indicate a high level of employment among Pittsburgh residents, as discussed below. The one lagging indicator is residential home value. Median home value in 1999 was $59,700, and trailed state large-city median and average. Pittsburgh's median home value was well below the Commonwealth median of $97,000.

The City continues to realize growth in income and wealth: in 2007, median income had increased to $32,344, which is 13 percent higher than in 1999. Median home values had also increased, to 84,500, which is a 41.5 percent increase since 1999.

Revenue Trends: Past, Present, and Future

The 2004 Recovery Plan noted that the City's major revenue sources had grown slowly over the prior decade, and without significant modifications to the revenue structure the slow growth would continue into the future. In fact, this continues to be the case, and the City faces some of the same issues around revenues keeping pace with normal inflation growth in municipal expenditures. This section highlights the City's recent revenue history and updates the original plan's "baseline" revenue forecast – the forecast of future revenue through 2014 under current trends and laws and absent any corrective action.

The current national financial downturn and Pittsburgh's unique demographic trends will continue to make revenue estimating even more difficult than normal during coming months. It is hard to ascertain how long the current recession will last, and how the country – and the City – will react when the economy rebounds. It is a fact of revenue estimating at all levels that the most difficult periods to forecast are those of significant change from recent events. The current timeframe is exactly that. Moreover, results for 2009 to date show different revenue sources performing quite differently, with employment-based taxes generally exceeding projections while some other revenue sources are lower than budgeted. The revenue portion of this Plan is based on the most recent data available, but given the volatile situation the City, the Act 47 Coordinator and the ICA will need to closely monitor the ongoing economic events and the anticipated ultimate recovery and make adjustments accordingly.

Municipal Revenue Overview

The City's revenues since FY 2005 are shown in the table below and organized by revenue type. Several points are worth noting. First, revenue from four taxes – current year real estate, earned income, parking, and payroll preparation – accounted for 63 percent of all General Fund receipts in FY2008. While this is a high percentage, it is notable that in FY2004, the four largest taxes (current year real estate, earned income, parking and business privilege) accounted for over 71 percent of General Fund receipts. This shift shows that the City has significantly diversified its revenues over the past five years, despite the significant increase in the City's portion of the earned income tax.

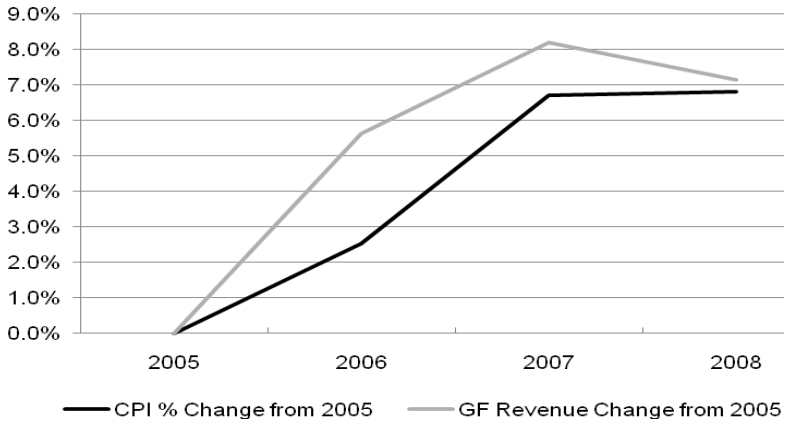
Historical Revenues by Source, 2005-2008

	2005 Actual	2006 Actual	2007 Actual	2008 Actual
Real Estate Taxes, Current Year	121,243,688	122,152,815	124,378,163	123,940,434
Real Estate Taxes, Prior Years	3,272,613	5,010,041	1,774,430	3,696,724
Mercantile Tax	487,820	121,827	24,927	13,271
Amusement Tax	9,771,250	9,236,854	8,962,408	11,180,754
Earned Income Tax	47,332,364	50,211,312	56,704,580	65,346,575
Deed Transfer Tax	18,982,929	17,284,579	17,092,656	17,603,531
Parking Tax	50,322,598	50,506,240	48,058,628	44,236,255
Occupational Privilege Tax	306,746	-2,062	115,694	9,529
Business Privilege Tax	13,816,176	14,677,563	8,860,991	9,046,814
Institution and Service Privilege Tax	353,022	430,114	434,233	67,206
EMST/LST	15,999,230	16,063,213	16,384,712	10,512,467
Payroll Preparation Tax	37,826,256	41,083,152	44,621,963	46,336,094
Tax Revenue Subtotal	**319,714,692**	**326,775,648**	**327,413,386**	**331,989,653**
Penalties and Interest	2,376,812	2,551,295	2,544,296	2,252,903
Interest on Bank Balances	1,537,621	4,454,809	6,890,531	2,636,362
Non-resident Facility Usage Fee	1,484,024	2,366,439	2,564,138	2,947,646
Fines and Forfeits	4,273,523	6,722,854	6,915,945	7,185,152
Liquor, Business & Govt. Licenses	1,280,563	1,034,119	1,034,488	1,134,003
Rentals and Charges - Depts.	3,737,297	4,101,874	4,482,662	4,475,479
Public Service Privileges	351,950	575,470	1,478,025	387,121
Provision of Services	9,728,999	7,392,024	7,561,726	7,667,505

	2005 Actual	2006 Actual	2007 Actual	2008 Actual
Breakeven Centers	21,724,153	21,217,304	20,521,304	22,901,404
Joint Operations	136,000	137,000	131,750	180,750
Federal and State Grants	25,638,037	31,227,143	28,933,655	27,062,795
Non-Profit Payment for Services	781,833	9,038,869	5,169,566	2,273,815
Reimbursement, CDBG	700,000	8,159	1,606,052	985,861
Authority Payments	6,760,055	6,585,321	11,323,080	10,587,384
State Utility Tax Distribution	467,358	522,571	483,398	437,208
Act 77 - Tax Relief	12,793,496	12,762,349	12,616,535	12,765,256
Miscellaneous	898,565	201,460	845,211	133,827
Econ. Development Slots Revenue	0	0	5,100,000	5,100,000
2% Local Share	0	0	0	0
Intergovernmental Services	0	0	722,112	908,600
Other Revenue Subtotal	**94,670,286**	**110,899,060**	**120,924,476**	**112,023,071**
Total Revenue	**414,384,978**	**437,674,708**	**448,337,862**	**444,012,724**

Second, from 2005-2008 the City's General Fund revenues outpaced the general rate of inflation in each year despite the significant mandated reductions in the Business Privilege Tax and the Parking Tax. As shown in the chart below, over this period the Consumer Price Index for U.S. cities has increased 6.8 percent, while the City's General Fund revenues increased 7.1 percent.

Changes in CPI and General Fund Revenue, 2005-2008



As noted above, the City's four largest taxes bring in nearly two-thirds of total General Fund revenues, and about 84 percent of tax revenues. While each of these key revenues – property tax, earned income tax, payroll preparation tax, and parking tax – will be considered separately below, it is important to note that the individual and cumulative level of growth in these revenue sources has been modest in the last several

years when tax rate changes and implementation periods are taken into account. They are projected to continue this modest growth for the remainder of the forecast. From 2005 through 2008, revenue from these four sources grew by 9.0 percent, slightly below the rate of inflation for the same time period.

Comparing 2009 to 2013, the Amended Recovery Plan estimates that total revenue for these categories will grow by only 3.8 percent, driven almost entirely by a return to historic growth levels in real estate taxes. These amounts continue to be below the projected long-term annual rate of inflation (although they may exceed shorter term projections, given the current economic climate). The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters report for the fourth quarter of 2008 suggests that the annual average rate of long-term change in the Consumer Price Index will be 2.5 percent, a cumulative rate of 10.4 percent. The projected annual and cumulative growth for Pittsburgh's four largest revenue sources does not exceed this figure in any of the years between 2009 and 2013.

Four Largest Revenue Sources, City of Pittsburgh, 2008-2013

Fiscal Year Ending:	*2008* *Estimate*	*2009* *Budget*	*2010* *Projected*	*2011* *Projected*	*2012* *Projected*	*2013* *Projected*
Taxes						
Real Estate Taxes, Current Year	123,940,434	123,673,000	124,600,548	125,535,052	126,476,564	127,425,139
Earned Income Tax	65,346,575	64,630,000	65,599,450	66,583,442	67,582,193	68,595,926
Parking Tax	44,236,255	42,290,000	39,470,000	40,378,000	41,307,000	42,257,000
Payroll Preparation Tax	46,336,094	44,841,000	45,713,000	46,196,000	46,889,000	47,592,000
Total Major Taxes	279,859,358	275,434,000	275,382,998	278,692,493	282,254,758	285,870,065
Annual Percentage Growth	0.0%	-1.6%	0.0%	1.2%	1.3%	1.3%
Cumulative Percentage Growth	0.0%	-1.6%	-1.6%	-0.4%	0.9%	2.2%

Property Tax

The City of Pittsburgh levies a 10.80 mill property tax on the assessed value of land and buildings. An additional 13.92 mills are charged by the Pittsburgh School District and 4.69 mills by Allegheny County, for a total millage of 29.41 on properties in the City. A property assessed at the approximate recent average City residential sales price of $135,000 would therefore pay a City tax of $1,458, a school district tax of $1,879, and a County tax of $633 for a total of $3,970.

An analysis of 2008 county-wide property tax rates reported to the Commonwealth shows that Pittsburgh was among the highest local property tax rates for municipal services, ranking fourth of 127 jurisdictions. At the same time, Pittsburgh's school district property tax millage was among the lowest in the County, ranking 119th of 120 localities. The City's combined local, school and county millage of 29.41 was just below the average (30.53) and median (30.68) for Allegheny County communities. This comparison should be viewed in the context of other major tax categories, where Pittsburgh is well above neighboring jurisdictions, especially in earned income tax rates.

Property Tax Rates, FY2008

	Municipal Millage	SD Millage	County Millage	Total Millage
City of Pittsburgh	10.8	13.92	4.69	29.41
Allegheny County Average	5.49	20.35	4.69	30.53
Allegheny County Median	5.11	21.31	4.69	30.68

Source: DCED Governor's Center for Local Government Services

2008 Municipal and School District Tax Rates - Property and EIT

	Municipal Property Millage	SD Property Millage	Total Millage*	EIT Resident, Municipal	EIT Non-Resident, Municipal	EIT School District
Pittsburgh Rate	10.8	13.92	29.41	1.20%	0.00%	1.80%
Allegheny County Ave. Rate	5.49	20.35	30.53	0.55%	0.34%	0.52%
Allegheny County Median Rate	5.11	21.31	30.68	0.50%	0.00%	0.50%
County Municipalities w/ tax	127	120	n/a	133	48	133
Pittsburgh Rank on Tax Rate among County Municipalities (highest to lowest)	4	118	84	2‡	n/a	2Δ

* Includes County millage rate (4.69)
‡Tied for second with the City of McKeesport
Δ The Borough of Mount Oliver , part of the Pittsburgh School District, has a 2.0% rate
Source: DCED Governor's Center for Local Government Services

The City's property tax assessments are performed by Allegheny County, and no reassessment was put into effect from the mid-1990s through 2001. During the 1990s taxable property values were relatively flat, and as a consequence property tax revenues did not show significant change. The county-wide reassessment performed in 2001 provided sharply increased values at the same time that the ratio of assessed value to market value was increased from 25 percent to 100 percent. The period since 2001 has been marked by a subsequent reassessment in 2002, a wave of tax appeals across the County, and a freeze on reassessments in the County. In 2005, the County implemented a base-year property assessment plan, which sets assessments based on the value of property in 2002. The only changes to the 2002 assessed value have come from new construction or major renovations, as well as appeals and changes to the tax-exempt status of individual properties.

The use of the 2002 assessment as the base has largely eliminated growth in property tax revenues. To counter this trend, the City and the school district have appealed the value of hundreds of properties where the sale price exceeded the assessed value by more than 25 percent. While the City often has been successful in these appeals, the ability to use this method is limited to properties that have been recently sold – a pool which may also be reduced by the current economic downturn.

In June 2007, Allegheny County Common Pleas Judge R. Stanton Wettick ruled that taxing properties based on what they used to be worth violates the Pennsylvania Constitution's requirement of uniform taxation. Allegheny County appealed the ruling to the Pennsylvania Supreme Court which ruled in April 2009 that the County's base year assessment approach could only be applied if periodic property value reassessments were conducted. The case has been remanded to Common Pleas Court. While a reassessment seems likely, the timing and impact of that process is extremely uncertain. A return to current market valuation and regular growth in City property tax revenue is years away, if it does occur.

The effect of the reassessment and subsequent freeze are reflected in the City's assessed values, summarized below. After an increase of almost 10 percent from 2001 to 2002, assessed values dropped in 2003 through 2005, driven largely by appeals, exonerations and abatements. While there were minor increases in 2006 and 2007 (averaging less than one percent growth per year), assessed valuations were estimated to decline again in 2008.

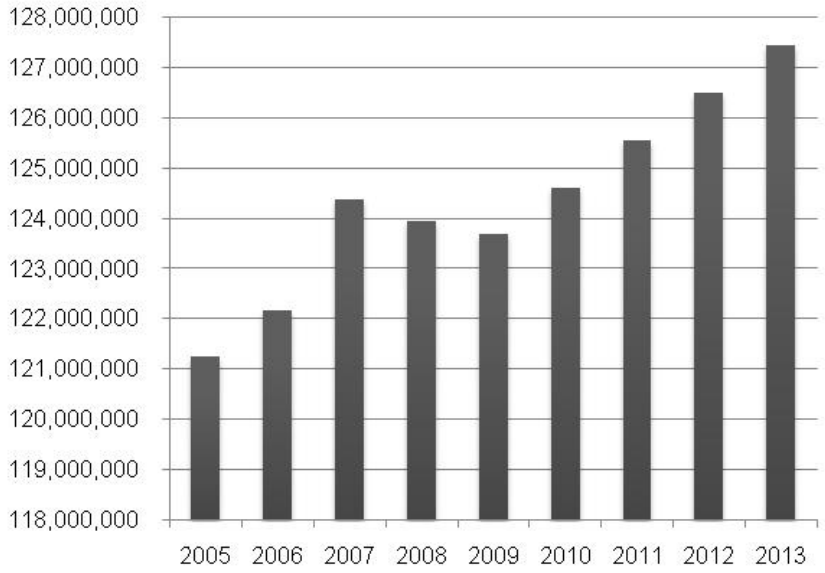
The effect on property tax revenues is compounded by the high level of tax-exempt properties in the City, approximately twice the proportion of the remainder of the County. Many Pennsylvania urban centers have a large proportion of tax-exempt properties, which often bring in jobs and related economic development to somewhat offset the loss of property tax revenues. In Pittsburgh, however, the property tax is the single largest revenue source. As a result, the effect of these tax exemptions on City revenue is significant.

Actual and Forecast Assessed Property Value,
City of Pittsburgh, 2005-2013 ($000)

	2005 Actual	2006 Actual	2007 Actual	2008 Estimate	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Original Assessed Value	13,155,250	13,295,913	13,403,819	13,196,567	13,221,641	13,246,762	13,271,931	13,297,147	13,322,412
Annual $ Change		140,663	107,906	(207,252)	25,074	25,121	25,169	25,216	25,265
Annual % Growth		1.07%	0.81%	-1.55%	0.19%	0.19%	0.19%	0.19%	0.19%
Millage	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80

Source: PEL; PFM

Current Year Real Estate Tax Revenue, 2005-2013



It is notable that even cities that have experienced regular growth in property tax revenues (largely because of regular increases in assessed valuation) are now encountering flat collections due to the soft housing market nationally. It is also possible that delinquent collections will rise in the short term as the economy continues to weaken. In general, there is little opportunity for growth in the City's largest revenue source absent a county reassessment.

Because the real property tax is such a large portion of the City's revenue base – nearly 40 percent of tax revenue and nearly 30 percent of all revenue – prolonged stagnation in property tax revenues without corrective action will drive the City into deficit. In the medium term, the City must be able to benefit from

rising property valuation or it must regularly increase property tax millage. Alternatively, it could introduce a new revenue source.

Earned Income Tax (EIT)

The earned income tax (EIT) applies to wages and salaries as well as net profits from for-profit businesses. The EIT is Pittsburgh's second largest source of revenue (although only about half the size of property tax revenue). Prior to 2007, the City charged a 1.0 percent EIT to its residents, and the school district charged an additional 2.0 percent. Act 187 of 2004 provided for a tax rate swap between the City and the Pittsburgh School District. Beginning in 2007, the School District lowered its EIT by 0.25 percent in stages, reaching 1.75 percent in 2009. Beginning in 2007, the City raised its rate by 0.25 percent in stages, with the rate reaching 1.25 percent in 2009. Non-Pennsylvania residents who work in the City of Pittsburgh are subject to the full 1.0 percent EIT. The combined City and School District EIT creates a strong disincentive to live in Pittsburgh. Pittsburgh's combined earned income tax of 3.00 percent is the highest in the County[1] and one of the highest in Pennsylvania.

Earned Income Tax Rate for Residents (Percentage)

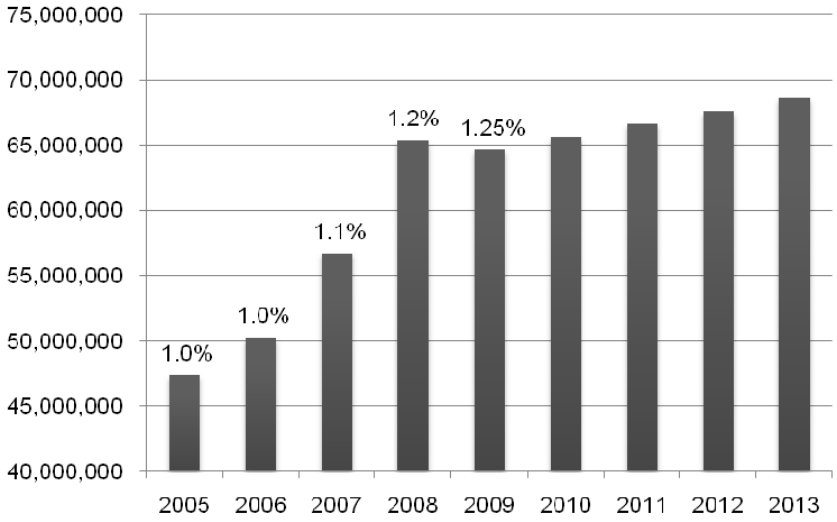
Tax	FY06	FY07	FY08	FY09
School District Rate	2.00	1.90	1.80	1.75
City Rate	1.00	1.10	1.20	1.25
Total	**3.00**	**3.00**	**3.00**	**3.00**

After EIT revenues declined beginning with the 2001 recession and continuing through 2004, the City experienced very strong EIT growth in 2005 through 2008. Although a significant part of this growth was due to the tax rate swap with the School District, the overall base is also increasing. Revenues grew more than 6.0 percent from 2005 to 2006, before the swap. From 2006 to 2008, when the rate increased by 20 percent, revenues increased by more than 30 percent.

A key predictor of EIT revenue is the City's taxable income as a percentage of Allegheny County personal income. Prior to 2001, Pittsburgh's taxable income as a percent of County personal income had been increasing, but this trend was reversed in 2001 through 2004. From 2004 to 2008, it increased slightly. However, it is likely that the current economic downturn will lead to results similar to those experienced in the last national recession, which is likely to moderate EIT growth in the near future.

[1] A distinction it shares with Mount Oliver, which has the same school district and is landlocked by the City. The next highest combined rate is Penn Hills Township at 1.750 percent.

Earned Income Tax Revenue, 2005-2013



Earned Income Tax, FY2005 - FY2013 ($000)

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected
EIT Revenue	47,332	50,211	56,705	65,347	64,630	65,599	66,583	67,582	68,596
Revenue Growth (%)	N/A	6.1%	12.9%	15.2%	-1.1%	1.5%	1.5%	1.5%	1.5%
EIT Rate	1.00%	1.00%	1.10%	1.20%	1.25%	1.25%	1.25%	1.25%	1.25%
Rate Growth (%)	N/A	0.0%	10.0%	9.1%	4.2%	0.0%	0.0%	0.0%	0.0%

Payroll Preparation Tax, Business Privilege Tax, Mercantile Tax

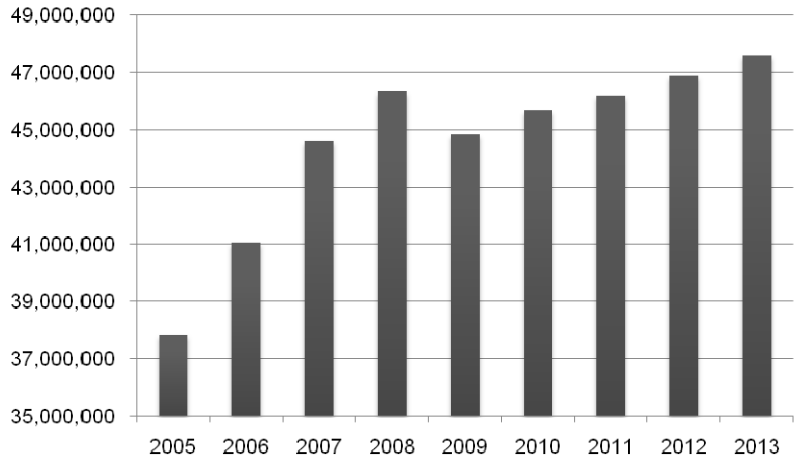
In 2004, the Commonwealth enacted a major change in the City's business taxes, phasing out the 6.000 mill tax on the gross receipts of eligible businesses (the Business Privilege Tax) and eliminating the Mercantile Tax altogether. The Business Privilege Tax was reduced from 6.0 mills to 2.0 mills in 2005, 1.0 mil in 2007 and 0.0 mills by 2010. In its place, the City adopted a tax of 0.55 percent on the gross payroll of for-profit businesses, and of certain non-profit businesses that are located in the City or have income producing activities in the City. The tax is not levied on government payroll or payroll related to activities of "purely public charity."

The switch in taxation has had several outcomes. When first enacted, the payroll tax levels of collection were less than anticipated, due in part to a very rapid shift to the new tax and its applicability to all businesses operating in the City. It did, however, provide a method for taxing economic activity associated with all workers in the City, both residents and commuters alike. From the business perspective, it replaced a gross receipts tax, which many businesses find unfair because they must pay the tax regardless of profitability. The business privilege tax was also exempted for certain industries (such as banking, manufacturing and securities), which also created strong arguments related to tax fairness among payers and non-payers of the levy.

Actual experience with the Payroll Preparation Tax collections showed solid growth in 2006 and 2007. While there was additional growth in 2008, that increase slowed later in the year. While there is no collection history in past economic downturns, it is expected that it will perform in much the same way as the

Earned Income Tax, which would suggest little or no growth in the near future. Over the longer term, changes in earnings within the City and County (since two-thirds of the workers in Pittsburgh live outside the City) can be used as a predictor. Earnings data for the City and County would suggest slow to moderate growth for this revenue source over the five years of the Plan.

Actual and Forecast Payroll Preparation Tax Revenue 2005-2013



Payroll Preparation Tax, Actual and Projected ($000s)[2]

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Taxable Pittsburgh Payroll	7,750,000	7,917,000	8,280,000	8,282,000	8,262,000	8,389,000	8,546,000	8,633,000	8,673,000
Payroll Prep Tax Revenue	37,826	41,083	44,622	46,336	44,841	45,713	46,196	46,889	47,592
Revenue Growth (%)	N/A	8.6%	8.6%	3.8%	-3.2%	1.9%	1.1%	1.5%	1.5%

Parking Tax

Pittsburgh has long had one of the highest parking taxes in the nation. In February 2004, the parking tax rate increased from 31 percent to 50 percent, which was well above regional norms:

City	Parking Tax
New York City, New York	18.375%
Philadelphia, Pennsylvania	20%
Baltimore, Maryland	16%
Wilmington, Delaware	0%

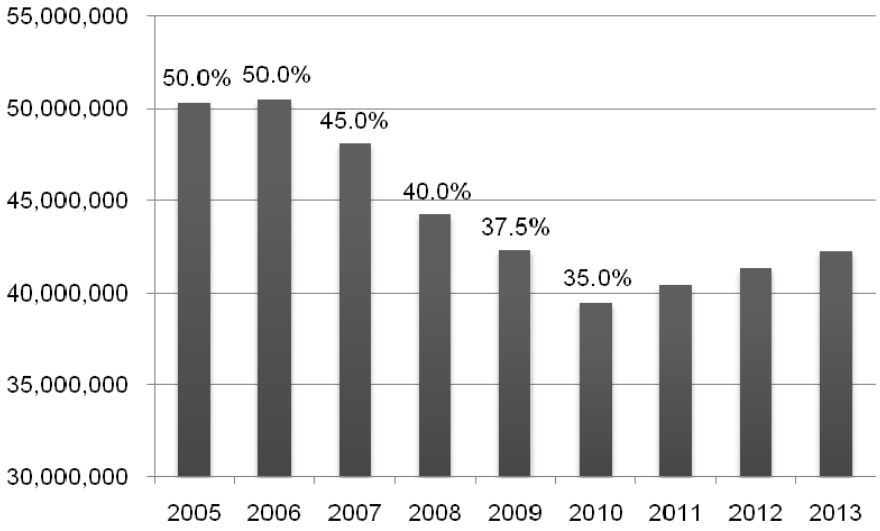
The high level of the parking tax and the scarcity of other major revenues make this one of the City's most important sources of income. Parking tax receipts have historically been affected by levels of construction, road repair and general economic conditions. Prior to the 2004 increase, the parking tax was projected to be one of the most robust taxes over the next five years, growing almost 10 percent from its 2002 base.

[2] Taxable payroll data provided by Pennsylvania Economy League (PEL).

Act 222 of 2004 required the City to reduce its parking tax rate over time to 35.0 percent in 2010. The first reduction, to 45.0 percent, occurred in 2007; it was lowered to 40.0 percent in 2008. In 2009, the rate is 37.5 percent, and in 2010 the phase down to 35.0 percent will be completed.

It appears that the rate increase in 2004 had some impact on consumer decisions, as the 63.2 percent increase in the rate yielded only a 44.1 percent increase in revenues. Revenues sharply rebounded in 2005 but were flat in 2006. There is some evidence that the rate cut in 2007 had a positive impact, as the 10.0 percent reduction in the rate reduced revenue by only 4.9 percent (although other factors, including general downtown economic activity are more likely to have been the primary factor since many garages did not lower rates commensurate with the tax cut (a survey completed by the City Controller in 2007 indicated that the reduction in the tax had not resulted in lower rates for customers). The final increment of tax rate reduction in 2010 is expected to further reduce parking tax revenue.

Parking Tax Revenue, 2005-2013



Parking Tax, Actual and Projected ($000s)[3]

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Parking Tax Revenue	50,323	50,506	48,059	44,236	42,290	39,470	40,378	41,307	42,257
Revenue Growth (%)	N/A	0.4%	-4.8%	-8.0%	-4.4%	-6.7%	2.3%	2.3%	2.3%
Parking Tax Rate	50.0%	50.0%	45.0%	40.0%	37.5%	35.0%	35.0%	35.0%	35.0%
Rate Growth (%)	N/A	0.0%	-10.0%	-11.1%	-6.3%	-6.7%	0.0%	0.0%	0.0%

Local Services Tax (LST), Emergency Municipal Services Tax (EMST), Occupational Privilege Tax (OPT)

Act 222 of 2004 replaced the long-standing Occupational Privilege Tax with the Emergency Municipal Services Tax. Levied on all employment in the City at a rate of $52 annually, it was collected by employers during an employee's first month of employment each year. The law did not require employers to take the tax out of more than one pay if employees are paid more than once a month, although employers had the

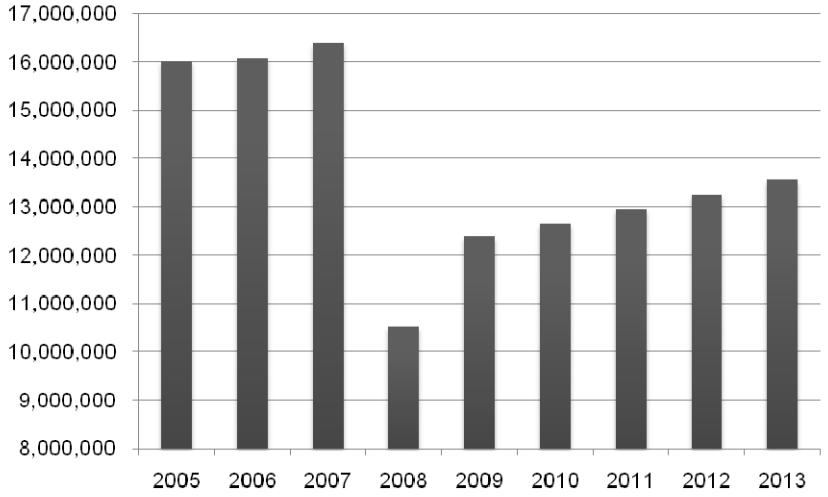
[3] Taxable payroll data provided by PEL.

ability to do so. The Act also permitted the City to refund a portion of the tax through an income exemption. In the case of Pittsburgh, the City chose to allow the maximum exemption of $12,000 per year and also chose to refund $42 to those making less than $12,000 per year.

Act 7 of 2007 changed the method for withholding and remitting tax to the City (and also its name – to the Local Services Tax). Effective in 2008, if the tax exceeds $10, it is withheld in installments based on the number of pay periods. As a result, seasonal employees may not pay the entire tax. Because of the changes in withholding, employers were also required to make quarterly payments to the City. Because employers remit based on collections for the previous quarter, the net impact was to reduce 2008 collections by 25 percent, based on receiving payments for only three quarters.

Employees who believe that they will make less than $12,000 in earned income during the year can submit an exemption certificate to their employer; in that case, the tax will not be withheld from their pay. Low income employees can also file for refunds if the tax is withheld and they earn less than $12,000 in a year.

Local Services Tax Revenue, 2005-2013



Actual collections of the tax were relatively flat (but generally exceeding budgeted expectations) in 2006 and 2007. The City believes that some of this is due to individuals who are eligible but do not file for a refund (individuals have two years to file for a refund). While all parties agreed that the revenue base would drop by at least 25 percent in FY2008 because of the timing of remittance by employers to the City, there was some disagreement about the magnitude of any additional reduction in revenue for FY2008. Actual 2008 collections finished at $10.5 million, $1.8 million more than budgeted. The City and this Amended Recovery Plan project that LST revenue will increase to $12.4 million in FY2009 as the City receives a full four quarters of revenue and then grow by 2.3 percent in subsequent years. Several City stakeholders advocated increasing the LST to the $145 rate recommended in the 2004 Recovery Plan, citing the revenue generating potential and the drawback of having a flat tax that does not grow as incomes do. Increasing the LST would require changes to Commonwealth law.

Mercantile Tax

The City's mercantile tax is based on the gross receipts of wholesale dealers of goods, wares, and merchandise, and on the gross receipts of retail vendors of goods, wares and merchandise. Revenue receipts include prior year collections. As noted above, the tax was eliminated in 2005.

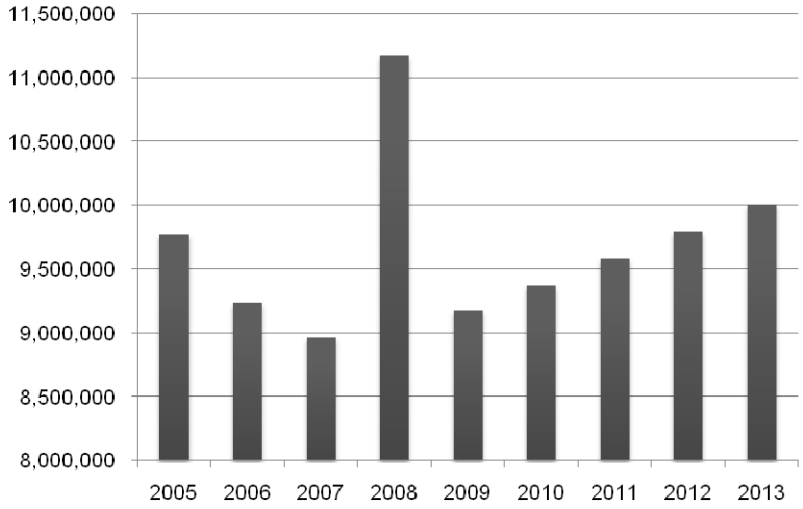
Amusement Tax

The City's Amusement Tax is levied on the admission price paid by patrons of all manner and forms of amusement. The primary payers are professional and college sports, for-profit performing arts and movie theaters. Act 186 of 2004 provided for a reduction in the tax rate for non-profit performing arts, with two-thirds of revenue from a new Facility Usage Fee used to reduce the tax and a cap for these activities of 2.5 percent. In 2007, the rate was reduced to 1.25 percent, and the tax was eliminated entirely for non-profit performing arts groups in 2008.

This tax is notoriously difficult to predict, as unusual occurrences and one-time events can have a large impact on it – both positively and negatively. For example, revenues increased in 2001 with the opening of PNC Park and Heinz Field. In 2004, revenues were reduced by the hockey lockout. The return of hockey and playoff games increased revenue in 2005. The rate decrease for non-profit performing arts decreased revenues in 2007, while hockey and football playoff games increased revenue in 2008.

Going forward, it is projected that revenue will increase modestly, a result both of activity, general increases in ticket prices, and additional seating capacity at the new Penguins arena due to open in 2010.

Amusement Tax Revenue, 2005-2013

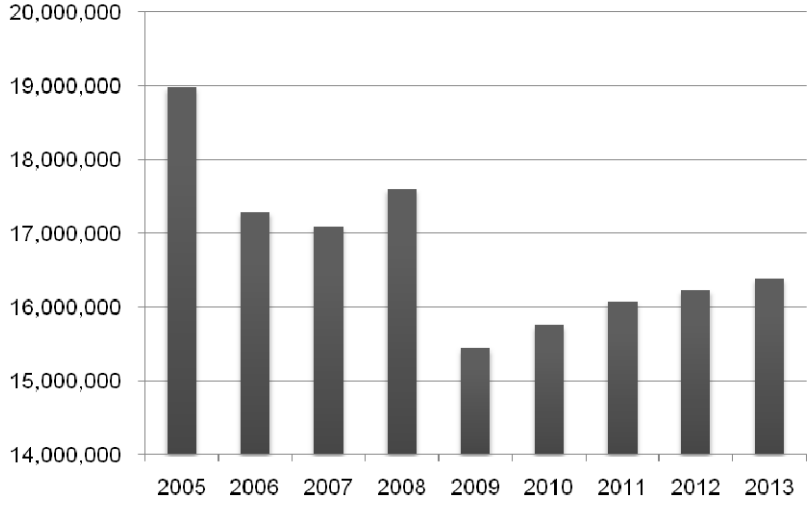


Deed Transfer Tax

The City's Deed Transfer Tax is levied on consideration paid for real property transfers. The tax is collected by the Allegheny County Treasurer. The Deed Transfer Tax rate was 1.5 percent through 2004, and was raised to 2.0 percent for 2005 and beyond as a result of a 2004 Recovery Plan initiative.

Since the rate increase, transfer tax collections have significantly outpaced projections, reaching $17.6 million in 2008, 33.7 percent over projections in the 2004 Recovery Plan and 78.3 percent or $7.7 million over the baseline. However, Deed Transfer Tax collections can be affected by trends in sales of major commercial property, which are, of course, difficult to predict. It is expected that the slowing in real estate activity around the country and the economic downturn will have a negative effect on tax collections in the short term as well. Due to the combination of these factors, projected transfer tax revenues are quite conservative in the revised Plan.

Deed Transfer Tax Revenue, 2005-2013



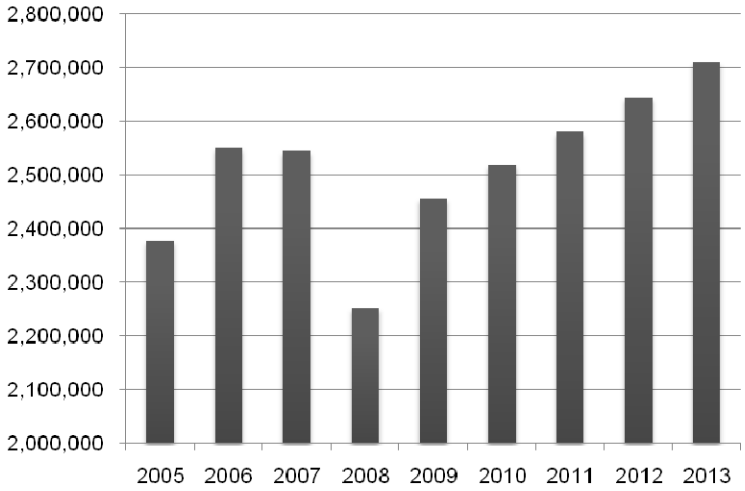
Business Privilege Tax

The City's Business Privilege tax is levied on the gross receipts from operating or conducting a service business, trade, or profession. As noted in the discussion of the Payroll Preparation Tax, the Business Privilege Tax is being phased out and will be eliminated at the end of 2009.

Penalties and Interest

Penalty and interest charges are levied on all taxes that are not paid on their appropriate due dates. The sale of delinquent property tax liens has reduced the amount of penalty and interest payments received by the City, and collections declined in both 2004 and 2005 before registering modest increases in 2006 and 2007. While the City budgeted for an additional small increase in 2008, it ended the year with $2.3 million, 11.5 percent less than collected in 2007.

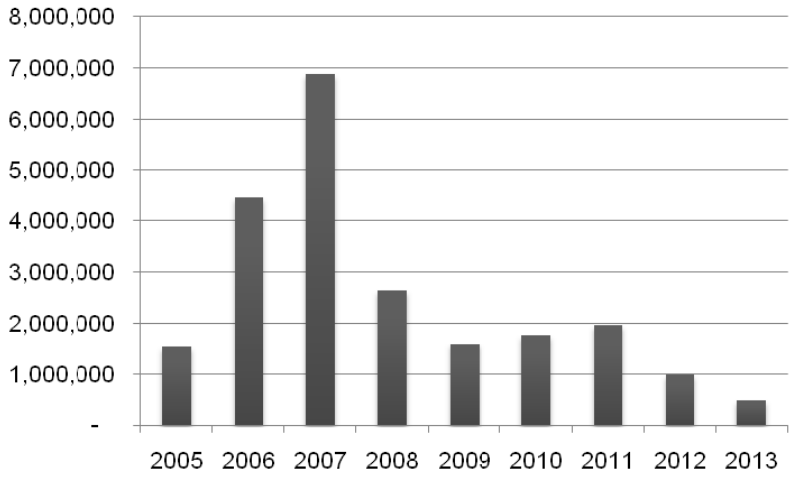
Penalties and Interest Revenue, 2005-2013



Interest Earned Revenue

The City receives interest on the cash it has available for investment. Revenues are based on the amount of cash available for investment and the interest rates on those investments. As the City's financial position improved, Interest Earned revenue increased significantly in 2006 and 2007. However, lower interest earnings, based on the general weakness of the economy, have reduced interest rates in 2008, and the City's General Fund cash balances have also declined. Therefore, it is unlikely that the City will experience the budgeted level of revenue. After 2008, the City plans to make pension payments throughout beginning of the fiscal year, rather than in the fourth quarter, and also will maintain lower cash balances; these changes will also reduce the balances available for investment and reduce revenue.

Interest Earned Revenue, 2008-2013



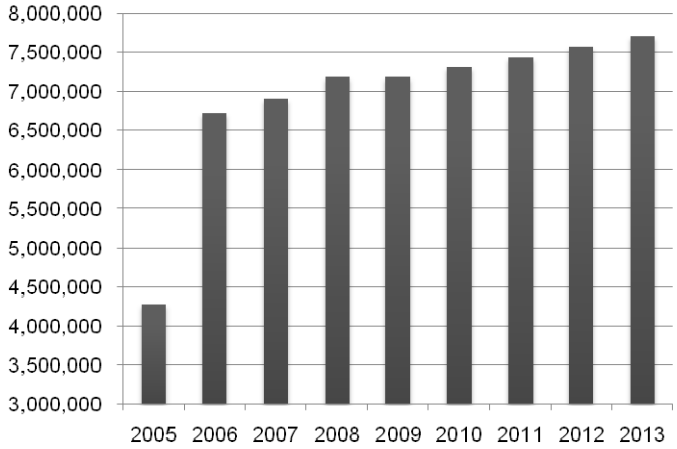
Fines and Forfeits

This revenue is the City's share of all fines levied in the City and collected in the City parking court operated by the Parking Authority, the County's district courts within the City, and from the state Police. Prior to 2005, the City operated its own court system. With the exception of the parking court, the City courts have been replaced by the County district courts. While the City collected and kept most of the fines and court costs associated with its City courts, the City gets approximately half of the County district court fines and no revenue from court costs.

As in most local governments with fines and forfeiture revenue, levels of enforcement have a major impact on overall collections. The dramatic reduction in revenue in 2005 was related to the switch to the district court system and start-up issues related to the parking court. Collections have been higher than the FY2005 level in each following year, although the amount fluctuates from year to year. 2008 is budgeted to show some decline from 2007 and was running at about the same pace as 2007 through the end of November. It can be difficult to project yearly collections based on analysis through the end of the 11th month because state police fines are remitted to the City twice a year, once in June or July and the balance in December.

In the past, fines from each court have fluctuated annual depending, in part, on enforcement policies. Fines and forfeits revenue are anticipated to increase conservatively at a rate of about 1.8 percent annually for years 2009-2013.

Fines and Forfeits Revenue, 2008-2013

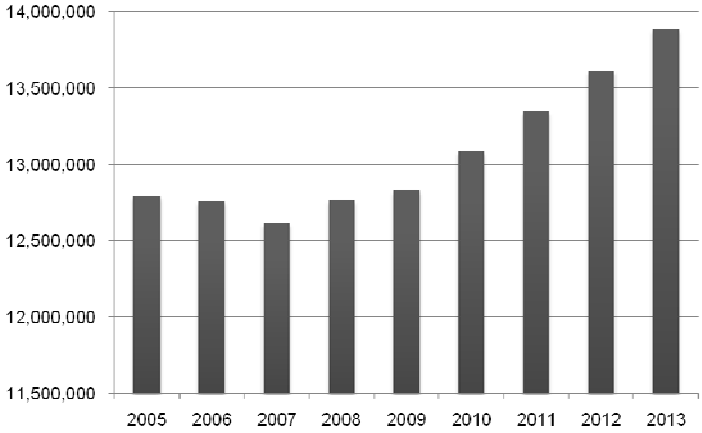


Act 77 Tax Relief

Act 77 of 1993 created the Allegheny Regional Asset District and a tax relief program for participating local governments in Allegheny County. The revenue source is a one percent local option sales tax in Allegheny County. Half of the revenue from the tax is used to fund regional assets, including the Pittsburgh Zoo, the Pittsburgh Aviary, the Phipps Conservatory and regional parks within the City. The other half goes to provide tax relief via revenues distributed to the County and to participating municipalities within the County. The distribution is based on a formula set by the Commonwealth's Department of Community and Economic Development. For 2008 and 2009, the City's allocation is 49.19 percent, which is a decrease from the 50.77 percent for 2006 and 2007. Previous allocations have varied from a low of 48.41 percent in 1995 to 54.78 percent in 1998.

In recent years, Act 77 Tax Relief has been relatively flat, and while some growth is projected in coming years, the current economic slowdown is likely to have an impact on sales tax-generating purchases in the near future, especially for automobiles (a major sales tax generator). On the other hand, the Governor's FY2009-10 Commonwealth budget released on February 4, 2009 projects stable sales tax revenues. From fiscal year 2008-09 (ending June 30, 2009) to fiscal year 2009-10, the state projects a modest uptick of almost 1.4 percent in sales and use taxes. While some of this change is related to modifications in the tax, the Commonwealth sees a positive trend beginning in the second half of Pittsburgh's current fiscal year.

Act 77 Tax Relief Revenue, 2005-2013



During the FY2009 – FY2013 period, a portion of the City's Act 77 revenue not shown in the chart above, approximately $7.6 million per year, is intercepted and used to pay debt service on economic development bonds issued by the Urban Redevelopment Authority in 1995. This mandatory intercept will continue until the final debt service payment in 2014. In the meantime, the City receives $5.1 million per year in substitute revenue from the Gaming Economic Development and Tourism Fund (GEDTF).

State Pension Aid

The City projects receiving $15.2 million in state Act 205 pension aid in 2008. However, as described in the Pension chapter of this Amended Recovery Plan, the City's state aid amount declined in 2006 and has recovered just 3.5 percent since then. This change is the result of several factors. In recent years, more and more Pennsylvania communities have enacted pension plans and applied for support from the limited state appropriation for this purpose. In addition, the state reimbursement is based on the number of current employees, with each uniformed employee double-weighted. Therefore, the general decline in City headcount in recent years could lower the state reimbursement. The combination of increased competition for state pension aid and a smaller City workforce mean that this Amended Recovery Plan projects a flat level of pension funding in 2009 with slight increases in 2011 through 2013.

Non-Profit Contributions

Pittsburgh, like other Pennsylvania urban centers, is home to a large number of tax exempt institutions. The 2004 Recovery Plan reported that those facilities constituted 33 percent of the City's total assessed value with healthcare and higher educational institutions comprising over 13 percent, and government institutions (including the City, related authorities, Commonwealth, County, School District and the federal government) comprising over 15 percent. Since then the tax exempt institutions' share of the City's total assessed value has grown to 38 percent in 2008.

The non-governmental, tax exempt institutions are a major reason for Pittsburgh's reputation for world class educational, medical, cultural, charitable and corporate institutions and a major source of the region's best paying and most challenging jobs. Nevertheless, because of their size and number of employees, these institutions also utilize a broad variety of City services such as police, fire, utilities and public works. The 2004 Recovery Plan sought to find a mechanism to encourage the continued success of these organizations, while having them provide financial support for the City services upon which they rely.

Prior to the 2004 Recovery Plan, the City received approximately $650,000 annually in contributions from selected non-profit institutions, an amount that was declining from previous levels. Further, changes in state law made it increasingly difficult for Pennsylvania municipalities to negotiate agreements with tax-exempt institutions. As part of the 2004 Recovery Plan, the Pittsburgh Financial Leadership Committee – a group of civic leaders that developed recovery recommendations for State and City elected officials in 2003 –reached a consensus that increased annual contributions from non-profits should be part of the City's fiscal reform package. The Secretary of the Commonwealth's Department of Community and Economic Development and the Act 47 Coordinator played a major role in establishing a Pittsburgh Public Service Fund to accept these contributions and distribute them to the City.

The agreement provided for contributions to the Fund by tax exempt entities for the three year period 2005 - 2007. Disbursements to the City from the Fund were made quarterly upon the Fund's receipt of certification from the Commonwealth's Secretaries of the Budget and Department for Community and Economic Development (DCED) that the City was in compliance with its obligations under Act 47 and the statute creating the Intergovernmental Cooperation Agreement (ICA). According to the Fund's leadership, over 100 tax exempt institutions contributed to the Fund over the three year period. Although the agreement did not reach the 2004 Recovery Plan's goal of $6 million in contributions per year, it provided substantial and critical revenue to the City: the Fund contributed almost $14 million to the City over the three year period.

At the expiration of the agreement in 2007, the Mayor's Office took the lead in renewing the agreement with the tax exempt community through the Foundation. No agreement was reached in 2008 and annual revenues fell from $5.5 million received from 2005 to 2007 to $2.3 million in 2008, approximately $700,000 of which represented payments under older agreements established before the 2005 – 2007 agreement with the Fund. The Administration has reached a new agreement with the Foundation that would provide $4.34 million in FY2009[4] and $1.6 million in FY2010. The Agreement is currently under consideration by City Council. While the Act 47 Coordinator agrees with Council's expressed concern that the City should receive a higher contribution than the agreement provides (see initiative RE03), the Coordinator also recommends that Council approve the non-profit agreement. It is unlikely that the City would be able to make the legislative changes and enact a different structure for receiving non-profit contributions until near the end of 2010 when the proposed agreement will expire. Signing the current agreement will allow the City to focus its efforts on strengthening the non-profit community's support for the City's recovery through increased contributions, potentially including in-kind services, in FY2011 and beyond.

Slots Revenue

As noted above, the November 2004 revised Commonwealth package for Pittsburgh included a local gaming share of 2 percent of gross terminal receipts from the casino to be located in the City, or $10.0 million annually, whichever is greater. In addition, the package presumed approximately $7.65 million per year in annual Gaming Economic Development & Tourism Fund (GEDTF) appropriations during the period through 2014 when the City is making debt service payments on the 1995 Urban Redevelopment Authority bonds.

The timing of both of these payments has subsequently been modified. The 2 percent of local gaming share was initially expected to begin in FY2007, and is now scheduled to start with a partial payment for FY2009. The GEDTF funding, originally scheduled to begin with a partial payment in FY2006, instead began in FY2007. In addition, the amount of the payment was reduced from $7.65 million to $5.1 million, although the term of the payments was extended beyond FY2014.

Under the terms of Act 71 of 2004 the 2 percent local gaming share, when it is paid, will be under the control of the ICA. The statute directs the ICA to use the funds for one of three purposes on behalf of the City:

- To reduce the City's debt;
- To increase the level of City pension funding; or
- For such purposes as the ICA determines are in the City's best interest.

State Grant Support

In recognition of the slower-than-expected arrival of gaming funds, and in light of the many unique public safety and emergency management costs borne by Pittsburgh as a regional center, the Commonwealth has in recent years provided a supplemental grant to the City. In 2006 the grant was set at $10.0 million, declining to $6.0 million in 2007 and $5.0 million in 2008. The Governor's proposed budget for FY2009-10 provides a grant of $3.0 million in this category.

Baseline Projection of Future Revenues

A critical portion of the Amended Recovery Plan's forecast is the Act 47 Coordinator's assumption about City revenues. The goal of the baseline revenue forecast is to determine the City's likely revenues if no action is taken to alter existing taxes, improve collections or undertake any other revenue enhancement

[4] The FY2009 revenue includes scheduled payments for FY2008 and FY2009. Since the agreement was not consummated in FY2008, the City would receive two years payments in FY2009.

initiatives. The establishment of such a baseline allows the valuation and comparison of the impact of various revenue initiatives in the Amended Recovery Plan.

In order to effectively project current and proposed new revenues, the Act 47 Coordinator has analyzed the most recent revenue projections prepared by the City's Finance Department and its independent consultant. The Amended Recovery Plan also takes into account the economic conditions and other factors described in this chapter, before generating a baseline financial estimate that projects the City's budget position from FY2009 through FY2013. In general, the Amended Recovery Plan projections for major revenue sources are in line with the City's figures as included in the FY2009 budget and ICA-approved five-year plan. The Act 47 Coordinator has made other adjustments to reflect developments since the FY2009 budget and five-year plan were passed by Council in January 2009.

- The Commonwealth appropriation is reduced from $5.966 million to $3.0 million starting in FY2009 to reflect the lower amount proposed in the Governor's FY2009-10 budget.
- Non-profit contributions are reduced from $4.316 million to $1.6 million starting in FY2010 to reflect the lower amount proposed for the final year of the non-profit agreement currently under City Council consideration.
- Federal and state grant revenue is reduced by $1.5 million starting in FY2011 to reflect the end of the Commonwealth's COPS grant.

Adjustments to the City's Baseline

Adjustment	2009	2010	2011	2012	2013	TOTAL
Reduced Commonwealth appropriation	(2,966,000)	(2,966,000)	(2,966,000)	(2,966,000)	(2,966,000)	(14,830,000)
Reduced non-profit contribution	24,000	(2,716,000)	(2,716,000)	(2,716,000)	(2,716,000)	(10,840,000)
COPS grant ends	0	0	(1,500,000)	(1,500,000)	(1,500,000)	(4,500,000)
Total adjustment to revenues	(2,942,000)	(5,682,000)	(7,182,000)	(7,182,000)	(7,182,000)	(30,170,000)

The impact of the current economic downturn is a major unknown in revenue projections put forth at this time. Some in the Pittsburgh region have suggested that the local economy's concentration in regional health care and higher education, combined with a smaller exposure to the mortgage products underlying the downturn will lessen the impact of the recession. Initial indicators tend to bear out this thesis, as local job loss and unemployment appear to trail national averages. However, in recent cycles the region has also trailed the nation in recovery.

A second area of uncertainty involves real estate taxes, the City's largest revenue source. As noted earlier in this chapter, In April 2009, the Pennsylvania Supreme Court found that Allegheny County's base year assessment approach could only be applied if periodic property value reassessments were conducted. The case was remanded to Common Pleas Court. While a reassessment seems likely, the timing and impact of that process is extremely uncertain. Since the potential impact of any new assessment is several years away at the earliest, no changes in the baseline forecast are included in the Amended Recovery Plan.

While total revenues declined in 2008 by $4.1 million, City revenues outperformed the budget by approximately $7.2 million. Major taxes posted particularly strong results in the first half of the year in 2008. Using caution as the economic downturn hit, for 2009 the City budgeted a $2.6 million decline in revenue from 2008 levels, with the major taxes (current year real estate, earned income, payroll preparation and parking) down $4.4 million or 1.6 percent. It is too early to know how accurate these lower figures will be; but with the shift to more employment-based taxes and general revenue diversification, the City is better positioned to recover its funding streams as the recession ends late in 2009 or in 2010.

The table below shows the Act 47 Coordinator's projection of the City's General Fund revenues through FY2013 inclusive of the adjustments described above.

FY2008 – FY2013
Baseline Revenue Projections

	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Real Estate Taxes, Current Year	123,940,434	123,673,000	124,600,548	125,535,052	126,476,564	127,425,139	3.0%
Real Estate Taxes, Prior Years	3,696,724	3,201,000	3,277,824	3,356,492	3,437,048	3,519,537	10.0%
Mercantile Tax	13,271	0	0	0	0	0	N/A
Amusement Tax	11,180,754	9,174,000	9,375,828	9,582,096	9,792,902	10,008,346	9.1%
Earned Income Tax	65,346,575	64,630,000	65,599,450	66,583,442	67,582,193	68,595,926	6.1%
Deed Transfer Tax	17,603,531	15,448,000	15,756,960	16,072,099	16,232,820	16,395,148	6.1%
Parking Tax	44,236,255	42,290,000	39,470,000	40,378,000	41,307,000	42,257,000	-0.1%
Occupational Privilege Tax	9,529	0	0	0	0	0	N/A
Business Privilege Tax	9,046,814	8,746,000	437,300	21,865	0	0	-100.0%
Institution and Service Privilege Tax	67,206	412,000	408,000	400,000	388,000	373,000	-9.5%
EMST/LST	10,512,467	12,375,000	12,659,000	12,950,000	13,248,000	13,553,000	9.5%
Payroll Preparation Tax	46,336,094	44,841,000	45,713,000	46,196,000	46,889,000	47,592,000	6.1%
Tax Revenue Subtotal	**331,989,653**	**324,790,000**	**317,297,910**	**321,075,046**	**325,353,528**	**329,719,096**	**1.5%**
Penalties and Interest	2,252,903	2,457,000	2,518,425	2,581,386	2,645,920	2,712,068	10.4%
Interest on Bank Balances	2,636,362	1,597,000	1,776,982	1,964,987	983,004	491,011	-69.3%
Non-resident Facility Usage Fee	2,947,646	2,602,000	2,667,050	2,733,726	2,802,069	2,872,121	10.4%
Fines and Forfeits	7,185,152	7,183,000	7,310,000	7,441,000	7,576,000	7,714,000	7.4%
Liquor, Business & Govt. Licenses	1,134,003	1,156,100	1,200,451	1,248,061	1,297,936	1,349,083	16.7%
Rentals and Charges - Depts.	4,475,479	4,219,000	4,728,000	4,834,000	4,943,000	5,057,000	19.9%
Public Service Privileges	387,121	1,061,000	1,087,525	1,114,713	1,142,581	1,171,145	10.4%
Provision of Services	7,667,505	8,093,000	7,714,000	7,337,000	7,464,000	7,595,000	-6.2%
Breakeven Centers	22,901,404	21,752,000	22,470,000	23,246,000	24,092,000	25,019,000	15.0%
Joint Operations	180,750	152,000	155,040	158,141	161,304	164,530	8.2%
Federal and State Grants	27,062,795	26,888,000	25,794,000	25,758,000	26,232,000	26,717,000	-0.6%

	2008 Actual	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2009-13 Growth
Non-Profit Payment for Services	2,273,815	4,340,000	1,600,000	1,600,000	1,600,000	1,600,000	-63.1%
Reimbursement, CDBG	985,861	750,000	766,500	783,363	800,597	818,210	9.1%
Authority Payments	10,587,384	9,600,000	9,600,000	9,100,003	9,100,003	8,108,285	-15.5%
State Utility Tax Distribution	437,208	491,000	498,365	505,840	513,428	521,130	6.1%
Act 77 - Tax Relief	12,765,256	12,834,000	13,090,680	13,352,494	13,619,543	13,891,934	8.2%
Miscellaneous	133,827	236,000	238,360	240,744	243,151	245,583	4.1%
Econ. Development Slots Revenue	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	0.0%
2% Local Share	0	2,400,000	9,000,000	11,600,000	10,000,000	10,000,000	316.7%
Intergovernmental Services	908,600	773,000	796,000	0	0	0	-100.0%
Other Revenue Subtotal	**112,023,071**	**113,684,100**	**118,111,378**	**120,699,457**	**120,316,537**	**121,147,099**	**6.6%**
Total Revenue	**444,012,724**	**438,474,100**	**435,409,288**	**441,774,502**	**445,670,065**	**450,866,195**	**2.8%**

Initiatives

As described at the outset of this Amended Recovery Plan, the City of Pittsburgh has a tenuously-balanced operating budget, with significant revenue and expenditure threats in the coming years. At the same time, the City faces a legacy funding crisis, with over $1.1 billion in unfunded obligations for employee pensions, health care and workers' compensation. While previous chapters of this Amended Recovery Plan outline a variety of ways in which the City shall control costs and save money in future years, the City continues to require growing revenue sources that are not volatile. A portion of these revenues are required to address initiative PN01, which dedicates an additional $10.0 million to $14.0 million per year to the City's distressed pension funds, and PN03, which initiates contributions to an OPEB trust fund. At the same time, like every other local government, the City of Pittsburgh requires revenue growth to match future increases in its baseline expenditures. These are largely a result of normal salary and benefit growth over time. Baseline salary costs alone, for example, are expected to increase annually and be $14.1 million (9.2 percent) higher in FY2013 than they were in FY2009. The following initiatives are intended to generate revenue above the City's baseline projection to meet these needs.

RE01. **Generate at least $10.0 Million per year in local revenue or expenditure reduction, or enact tax increase**
Status: New
FY2009 Impact: N/A **Five-year impact:** $40.0 million

Even with the expenditure controls, efficiencies and revenue measures described throughout this Plan, the City will not be able to balance its budget annually, maintain an adequate fund balance and make the Plan's required contributions to reducing legacy costs without additional annual budget enhancement of approximately $10 million. This gap is generally associated with the Plan's requirement to contribute an additional $10.0 million to $14.0 million per year to its pension plans,[5] since this critical legacy cost contribution would have to be funded by expenditure savings

[5] Please see initiative PN01 in the Pension and Other Post-Employment Benefit chapter.

or new revenues beyond those identified and included in the other parts of this Amended Recovery Plan.

One goal of this Plan, however, is to empower the City to identify and adopt its own solutions to financial challenges. Therefore, this initiative provides a preferred option and a "failsafe plan" for generating the funds needed to balance each year's budget, maintain at least a five percent fund balance, and make the required contributions to paying down legacy obligations.

Preferred Option

The City shall pursue options at its discretion to generate an additional $10.0 million per year by one, all, or some combination of the following approaches:

- Making additional spending efficiencies beyond the 1.0 percent general savings target in initiative FI01 and other savings identified elsewhere throughout this Amended Recovery Plan;

- Generating additional revenues beyond those initiatives required in this chapter and elsewhere in this Amended Recovery Plan. Stakeholders have identified various sources of revenue, some of which may require state action to implement, including additional non-profit contributions beyond what is required in RE03, initiation of legally enforceable fees and charges applicable to non-profit institutions such as bed/outpatient/emergency fees and student head fees, parking surcharges for all Pittsburgh Parking Authority managed garages, and, with the support of the Act 47 Coordinator, increasing the local services tax to $145 per person annually as recommended in the 2004 Recovery Plan and the application of the payroll preparation tax currently at 0.55 percent to non-profit institutions.

- Adopting alternative pension financing arrangements that would directly fund the $10.0 million to $14.0 million in additional annual pension contributions required in initiative PN01, and therefore reducing the General Fund budget gap by a similar amount. For example, the Mayor has proposed leasing the City's parking garages and perhaps the right to collect certain other Parking Authority revenue to generate a large one-time contribution to the pension funds. A detailed feasibility study of this approach is underway, and this is an option worthy of serious and thorough consideration.[6]

The City shall implement one of these approaches, evidenced by its approval in the annual budget process each year, by adoption of any other required legal actions, and by making the enhanced pension contribution each year. If the City has not taken steps that will guarantee its ability to make the enhanced pension contribution required by initiative PN01 by the annual November date of when its budget for the following year is introduced, that budget shall include the failsafe option.

[6] Some have also suggested that revenue from the 2.0 percent local share of gaming revenue, a minimum of $10.0 million annually, be directed to fund the City's pensions. This is an option that would provide pension funding, but would also create a hole of equal size in the City's General Fund, so it would not obviate the need to pursue one of the options in initiative RE01. Since the gaming revenue is under the control of the Intergovernmental Cooperation Authority, that body's approval would be needed for any such measure.

Failsafe Option

If the City has not taken necessary legal steps to generate revenue, control spending, or implement efficiencies or alternative funding structures to make the necessary additional pension contribution required by initiative PN01, it shall pass as part of its annual budget sufficient tax increases to fund the required additional pension contribution for the budget year.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	10,000,000	10,000,000	10,000,000	10,000,000

RE02. **Freeze parking tax reductions; direct funds to capital**
Status: New
FY2009 Impact: N/A **Five-year impact:** $15.7 million

The City shall work with the Governor, the General Assembly, the ICA, and the Act 47 Coordinator to eliminate the final phase of the parking tax reduction. The tax is scheduled to decline from 37.5 percent to 35.0 percent in FY2010; instead, the additional funds generated by maintaining the 37.5 percent rate shall be collected and transferred to the City's capital account to fund capital projects that benefit residents and commuters.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	3,792,670	3,879,711	3,968,639	4,059,978

RE03. **Secure non-profit contributions of at least $6.0 million per year**
Status: New
FY2009 Impact: N/A **Five-year impact:** $13.2 million

The Coordinator continues to believe that $6 million per year represents a minimum, reasonable contribution by non-profit tax exempt institutions to the City's general fund budget. Effective for FY2011 the City shall consider all available alternatives to accomplish this revenue sum including, but not limited to, the following:

- Increased voluntary contributions through a revised agreement with the Public Service Fund through the Pittsburgh Foundation.
- Changes in state law to apply the City's payroll preparation tax to non-profit institutions.
- Establishing new, legally enforceable fees applicable to services rendered to tax exempt institutions.

The impact shown below is the difference between the reduced baseline in FY2011 ($1.6 million) and the $6.0 million target.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	0	4,400,000	4,400,000	4,400,000

RE04. **Update City fees to generate 30% more revenue**
Status: New
FY2009 Impact: N/A **Five-year impact:** $4.1 million

The 2004 Recovery Plan directed the City to undertake a global increase of its fees to generate revenue. Although a variety of fees were raised at that time, since then few if any fees have been adjusted to account for inflation of over 10 percent, prevailing rates in adjacent communities, or the actual cost of providing services. By FY2011, the City shall use these methods – inflationary adjustments, comparable analyses, and/or cost of service studies – to raise selected fees to generate an overall fee revenue increase of 30 percent.

Fiscal Impact

FY2009	FY2010	FY2011	FY2012	FY2013
0	0	1,312,400	1,357,060	1,400,562

RE05. **Implement Market Based Revenue Opportunity (MBRO) program**
Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

The 2004 Recovery Plan recommended that the City implement a more active and structured Market-Based Revenue Opportunities (MBRO) program to maximize the revenue-generating capacity of its municipal assets. This broad term encompasses various entrepreneurial concepts, including advertising, exclusivity arrangements, rental agreements and corporate sponsorships.

The City made some progress toward this objective by contracting with a private vendor to support the establishment of an MBRO program and completing an audit to identify all available assets for generating revenue. There is also a committee of executive and City Council personnel managing this process. However, the City has not established an MBRO policy, released a Request for Proposals to qualified vendors or achieved any revenue as targeted in the 2004 Recovery Plan. This delay has cost the City significant revenue; many of the more lucrative opportunities are no longer available in current economic conditions.

However, more modest opportunities do remain, and the market will eventually rebound. Given the need to diversify the City's revenue base and the value of generating revenue from sources other than taxes and fees, the City shall implement the MBRO program by October 1, 2009. While there has been much controversy surrounding the use of large outdoor billboards, the City shall move forward on other elements of the MBRO package.

The City's FY2009 operating budget projects $125,000 in MBRO revenues within the rentals and charges subcategory in FY2009. The ICA-approved five-year plan projects rental revenues (of which MBROs are one element) to increase by $509,000 in FY2010 and then grow at an inflationary rate thereafter. While these projections are conservative in view of the MBRO revenue targets set in the 2004 Recovery Plan, the Amended Recovery Plan does not adjust the City's projection in support of the conservative approach discussed earlier this chapter.

RE06. **Petition the General Assembly for Reimbursement of River Rescue Calls**

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Although the shores are City controlled property, the Ohio, Allegheny and Monongahela rivers are state and federally controlled waterways. Many of the recreational users of these rivers are non-City residents. Based on 2007 data from the US Army Corps of Engineers, Pittsburgh is the second busiest inland port in the nation and the 19th busiest port of any kind in the nation.

The City should not bear the total burden of the services it provides and should therefore petition the General Assembly for reimbursement of river rescue calls.

RE07. **Explore the feasibility of charging private boaters for services rendered**

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

In the absence of state assistance to help cover costs of river rescue calls, the City shall explore the option of charging private boaters for services rendered. As noted in the above initiative, the Ohio, Allegheny and Monongahela Rivers are not within the jurisdiction of the City; yet the City provides services on those rivers. Many of the users of those services are not City residents. The City shall conduct a study to examine the feasibility of charging private boaters for reimbursement of services rendered.

RE08. **Explore mooring/launching fee**

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Private marinas and boat launches charge mooring and/or launching fees for the use of their services. Especially during special events, the City's marinas/boat launches are heavily utilized. The City shall explore the option of recouping expenses for providing this currently free service.

RE09. **Pursue full compliance with City tax regulations**

Status: New
FY2009 Impact: N/A **Five-year impact:** N/A

Within six months of the adoption of this Amended Recovery Plan, the City shall hire an independent company to pursue tax fraud and evasion cases and actively investigate all companies and individuals that are not paying their required taxes. The hired independent company shall report directly to the Department of Finance and City Controller.

Appendices

Appendix A
Baseline Revenue and Expenditure Projections

Fiscal Year Ending:	2008	2009	2010	2011	2012	2013
	Actual	*Budget*	*Projected*	*Projected*	*Projected*	*Projected*
REVENUES						
Taxes						
Real Estate Taxes, Current Year	123,940,434	123,673,000	124,600,548	125,535,052	126,476,564	127,425,139
Real Estate Taxes, Prior Years	3,696,724	3,201,000	3,277,824	3,356,492	3,437,048	3,519,537
Mercantile Tax	13,271	-	-	-	-	-
Amusement Tax	11,180,754	9,174,000	9,375,828	9,582,096	9,792,902	10,008,346
Earned Income Tax	65,346,575	64,630,000	65,599,450	66,583,442	67,582,193	68,595,926
Deed Transfer Tax	17,603,531	15,448,000	15,756,960	16,072,099	16,232,820	16,395,148
Parking Tax	44,236,255	42,290,000	39,470,000	40,378,000	41,307,000	42,257,000
Occupation Privilege Tax	9,529	-	-	-	-	-
Business Privilege Tax	9,046,814	8,746,000	437,300	21,865	-	-
Institution and Service Privilege Tax	67,206	412,000	408,000	400,000	388,000	373,000
Emergency Services Tax	10,512,467	12,375,000	12,659,000	12,950,000	13,248,000	13,553,000
Payroll Preparation Tax	46,336,094	44,841,000	45,713,000	46,196,000	46,889,000	47,592,000
Total Taxes	**331,989,653**	**324,790,000**	**317,297,910**	**321,075,046**	**325,353,528**	**329,719,096**
Other Revenues						
Penalties and Interest	2,252,903	2,457,000	2,518,425	2,581,386	2,645,920	2,712,068
Interest on Bank Balances	2,636,362	1,597,000	1,776,982	1,964,987	983,004	491,011
Non-resident Sports Facility Usage Fee	2,947,646	2,602,000	2,667,050	2,733,726	2,802,069	2,872,121
Fines and Forfeits	7,185,152	7,183,000	7,310,000	7,441,000	7,576,000	7,714,000
Liquor and Malt Beverage Licenses	416,925	414,000	424,350	434,959	445,833	456,979
Business Licenses	20	100	101	102	103	104
General Government Licenses	717,058	742,000	776,000	813,000	852,000	892,000
Rentals and Charges - Depts.	4,475,479	4,219,000	4,728,000	4,834,000	4,943,000	5,057,000
Public Service Privileges	387,121	1,061,000	1,087,525	1,114,713	1,142,581	1,171,145
Provision of Services	7,667,505	8,093,000	7,714,000	7,337,000	7,464,000	7,595,000
Breakeven Centers	22,901,404	21,752,000	22,470,000	23,246,000	24,092,000	25,019,000
BBI Breakeven	*6,347,520*	*5,668,000*	*5,855,092*	*6,057,297*	*6,277,743*	*6,519,294*
Medical Services Breakeven	*9,980,570*	*10,387,000*	*10,729,859*	*11,100,414*	*11,504,395*	*11,947,056*
All Other Breakeven	*6,573,314*	*5,697,000*	*5,885,049*	*6,088,289*	*6,309,862*	*6,552,650*
Joint Operations	180,750	152,000	155,040	158,141	161,304	164,530

Appendix A
Baseline Revenue and Expenditure Projections

Fiscal Year Ending:	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
	Actual	*Budget*	*Projected*	*Projected*	*Projected*	*Projected*
Federal and State Grants	27,062,795	26,888,000	25,794,000	25,758,000	26,232,000	26,717,000
State Pension Aid	*15,147,812*	*15,200,000*	*14,503,885*	*15,435,432*	*15,737,040*	*16,045,646*
Commonwealth Appropriation	*5,000,000*	*3,000,000*	*3,000,000*	*3,000,000*	*3,000,000*	*3,000,000*
Liquid Fuels Tax	*4,036,500*	*4,630,000*	*4,417,960*	*4,701,714*	*4,793,585*	*4,887,588*
All Other Federal and State Grants	*2,878,483*	*4,058,000*	*3,872,156*	*2,620,854*	*2,701,375*	*2,783,765*
Non-Profit Payment for Services	2,273,815	4,340,000	1,600,000	1,600,000	1,600,000	1,600,000
Reimbursement, CDBG	985,861	750,000	766,500	783,363	800,597	818,210
Authority Payments	10,587,384	9,600,000	9,600,000	9,100,003	9,100,003	8,108,285
State Utility Tax Distribution	437,208	491,000	498,365	505,840	513,428	521,130
Act 77 - Tax Relief	12,765,256	12,834,000	13,090,680	13,352,494	13,619,543	13,891,934
Miscellaneous Not Otherwise Classified	133,827	236,000	238,360	240,744	243,151	245,583
Economic Development Slots Revenue	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
2% Local Share	-	2,400,000	9,000,000	11,600,000	10,000,000	10,000,000
Intergovernmental Services	908,600	773,000	796,000	-	-	-
Total Other Revenue	**112,023,072**	**113,684,100**	**118,111,378**	**120,699,457**	**120,316,537**	**121,147,099**
TOTAL REVENUE	**444,012,725**	**438,474,100**	**435,409,288**	**441,774,502**	**445,670,065**	**450,866,195**

Appendix A
Baseline Revenue and Expenditure Projections

Fiscal Year Ending:	2008	2009	2010	2011	2012	2013
	Actual	*Budget*	*Projected*	*Projected*	*Projected*	*Projected*
EXPENDITURES						
Salaries	144,099,038	153,150,894	156,707,463	159,460,048	163,196,549	167,282,713
Premium Pay	21,128,635	22,333,783	22,867,128	23,251,787	22,583,081	22,678,909
Education and Training	291,279	536,120	521,440	526,817	532,253	537,746
Fringe Benefits	72,821,632	80,477,449	84,545,921	88,830,028	95,062,836	102,570,986
Uniforms	1,711,762	1,846,914	1,865,353	1,883,977	1,902,786	1,921,784
Supplies	5,532,792	6,216,686	6,524,140	6,848,402	7,190,440	7,551,279
Materials	1,196,987	1,790,168	1,282,843	1,314,914	1,347,787	1,381,481
Equipment	722,844	1,111,842	862,888	884,460	821,718	842,260
Repairs	1,693,722	2,022,720	2,073,288	1,975,120	1,924,498	1,972,610
Rentals	2,469,932	3,002,164	3,077,218	3,154,149	3,233,002	3,313,827
Miscellaneous Services	15,560,495	19,273,397	18,776,504	19,110,917	19,356,980	19,840,905
Utilities	8,157,760	8,317,860	8,799,452	9,309,242	9,848,893	10,420,168
Judgments	1,545,758	1,750,000	1,793,750	1,838,594	1,884,559	1,931,673
Pension	41,465,075	49,745,580	50,250,290	50,780,867	51,338,692	51,903,669
Debt Service	84,653,758	81,993,262	80,749,070	79,181,370	72,238,885	65,889,469
Debt Service Subsidy	257,838	257,175	254,143	255,693	259,050	269,060
GF Grants	40,000	40,000	40,000	40,000	40,000	40,000
Transfers	10,000	4,110,000	10,250	10,506	10,769	11,038
TOTAL EXPENDITURES	**403,359,307**	**437,976,014**	**441,001,141**	**448,656,889**	**452,772,776**	**460,359,577**
TOTAL REVENUE	**444,012,725**	**438,474,100**	**435,409,288**	**441,774,502**	**445,670,065**	**450,866,195**
NET OPERATING BALANCE	**40,653,418**	**498,086**	**(5,591,853)**	**(6,882,387)**	**(7,102,712)**	**(9,493,382)**
FUND BALANCE	**41,935,480**	**42,433,566**	**36,841,712**	**29,959,326**	**22,856,614**	**13,363,231**
% of Revenues	9.4%	9.7%	8.5%	6.8%	5.1%	3.0%

Appendix B
Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
Pension/OPEB	PN01	Contribute an additional $10.0 to $14.0 million per year toward pensions; direct revenue windfalls to pay down legacy costs	0	(10,000,000)	(12,000,000)	(12,000,000)	(14,000,000)	(48,000,000)
Pension/OPEB	PN02	Evaluate pension obligation bond funding	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN03	Establish and begin to fund OPEB trust fund	0	0	(2,000,000)	(2,000,000)	(2,000,000)	(6,000,000)
Pension/OPEB	PN04	No pension or OPEB benefit enhancements, including retroactive enhancements	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN05	Eliminate overtime from firefighter pension benefit calculation for new hires	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN06	Explore the creation of new, less expensive defined benefit plan for new employees	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN07	Explore a defined contribution plan for retiree medical costs for police and firefighters hired since 2005	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN08	Eliminate City contribution to retiree life insurance for new hires	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN09	Continue to evaluate investment performance regularly	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN10	Make a portion of the annual City pension contribution earlier in the year	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN11	Complete actuarial valuations in a timely manner	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN12	Explore State pension funding partnerships and reform legislation	N/A	N/A	N/A	N/A	N/A	N/A
Pension/OPEB	PN13	Petition the General Assembly to credit EMS employees with two units for pension reimbursement	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	WC01	Require employees to treat with City panel physicians for duration of disability	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	WC02	Expand job offer program	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	WC03	Implement post-incident drug testing	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	WC04	Create an Employee Disability Review Committee	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	WC05	Continue the settlement program	0	0	0	0	(500,000)	(500,000)
Workers' Compensation	WC06	Ensure full use of workers' compensation pension credit	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	WC07	Improve internal communication on labor and employment cases	N/A	N/A	N/A	N/A	N/A	N/A

Appendix B
Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
Workers' Compensation	WC08	Maintain increased claims adjuster staffing	N/A	N/A	N/A	N/A	N/A	N/A
Workers' Compensation	N/A	Savings target for Workers' Compensation	616,200	1,219,944	1,220,418	1,221,336	1,210,213	5,488,111
Debt	DS01	Debt service payments or debt defeasance from 2008-2009 debt reserve contributions	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS02	March 2012 refunding	0	0	0	1,400,000	0	1,400,000
Debt	DS03	Establish debt service policies	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS04	Refunding Opportunities	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS05	Direct gaming windfall revenue to legacy obligations	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS06	Other debt refunding opportunities	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF01	Limit new contract enhancement	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF02	Compensation flexibility and costing analysis	0	(1,934,094)	2,176,984	3,128,360	3,961,068	7,332,318
Workforce	WF03	Health insurance contribution	0	648,659	0	766,108	2,201,793	3,616,560
Personnel & Civil Service	PC01	Conduct compensation comparability study	N/A	N/A	N/A	N/A	N/A	N/A
Personnel & Civil Service	PC02	Petition the General Assembly to change State law restricting City's ability to reduce workforce	N/A	N/A	N/A	N/A	N/A	N/A
Personnel & Civil Service	PC03	Confer with department managers on other concerns and establish alternatives for collective bargaining negotiation	N/A	N/A	N/A	N/A	N/A	N/A
Personnel & Civil Service	PC04	Increase Citywide focus on training	N/A	N/A	N/A	N/A	N/A	N/A
City Information Systems	IT01	Explore alternative staffing structures for cable television operations	N/A	N/A	N/A	N/A	N/A	N/A
City Information Systems	IT02	Increase cable television associated revenue	25,000	25,000	50,000	50,000	50,000	200,000
Planning	PL01	Create and adopt a comprehensive plan	N/A	N/A	N/A	N/A	N/A	N/A
Planning	PL02	Expand online access to GIS datasets and products	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW01	Reduce current staffing levels by one Assistant Solicitor	52,687	54,004	55,354	56,738	58,157	276,940

Appendix B
Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
Law	LW02	Continue to modify and revise City ordinances as necessary to implement the Recovery Plan	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI01	Reduce general fund expenditures by 1.0 percent each year	0	4,543,400	4,626,133	4,650,185	4,726,490	18,546,208
Finance	FI02	Participate in implementation of EIT collection changes	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI03	Maintain fund balance	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI04	Increase utilization of online payments and tax collection	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI05	Increase automation of manual processes	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI06	Continue improvements in budget preparation, presentation and monitoring	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI07	Formalize process for follow-up on internal and independent audit recommendations	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI08	Create a departmental chargeback process for centralized costs and services	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI09	Improve tax audit and collection process	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI10	Identify and pursue opportunities to lease City-owned property	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI11	Budget Amendments	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI12	Act 47 Status Reports	N/A	N/A	N/A	N/A	N/A	N/A
Procure/Fleet	PF01	Procure vehicles designated for BBI use	10,325	30,333	39,452	38,314	37,021	155,445
Procure/Fleet	PF02	Continue efforts to reduce vehicle fleet size	N/A	N/A	N/A	N/A	N/A	N/A
Procure/Fleet	PF03	Maintain an APP and integrate it into the annual operating and capital budget process	N/A	N/A	N/A	N/A	N/A	N/A
Procure/Fleet	PF04	Expand proposed Facility Maintenance Plan to include space utilization study	0	0	0	100,000	200,000	300,000
Controller	CN01	Address conditions noted by independent auditor	N/A	N/A	N/A	N/A	N/A	N/A
Controller	CN02	Formalize process for follow-up on performance audit recommendations	N/A	N/A	N/A	N/A	N/A	N/A
Controller	CN03	Work with the Department of Finance to integrate performance audits into budget process	N/A	N/A	N/A	N/A	N/A	N/A
Controller	CN04	Reduce manual processes	N/A	N/A	N/A	N/A	N/A	N/A

Appendix B
Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
Controller	CN05	Develop and maintain workload and performance measures	N/A	N/A	N/A	N/A	N/A	N/A
Controller	CN06	Document office procedures	N/A	N/A	N/A	N/A	N/A	N/A
Controller	CN07	Realign staff titles	N/A	N/A	N/A	N/A	N/A	N/A
ERP/Finance IT	EP01	Merge the City's ERP functions into the County's platform	N/A	N/A	N/A	N/A	N/A	N/A
ERP/Finance IT	EP02	Establish a project management team	N/A	N/A	N/A	N/A	N/A	N/A
ERP/Finance IT	EP03	Ensure ERP improvements address critical financial management needs	N/A	N/A	N/A	N/A	N/A	N/A
ERP/Finance IT	EP04	Provide adequate project staffing	N/A	N/A	N/A	N/A	N/A	N/A
ERP/Finance IT	EP05	Minimize customization of any new ERP system to allow future integration with other government entities	N/A	N/A	N/A	N/A	N/A	N/A
ERP/Finance IT	EP06	Provide an effective training program	N/A	N/A	N/A	N/A	N/A	N/A
Insurance/Risk	IR01	Establish Citywide risk manager position	N/A	25,000	75,000	150,000	150,000	400,000
Insurance/Risk	IR02	Establish a risk management team	N/A	N/A	N/A	N/A	N/A	N/A
Insurance/Risk	IR03	Establish a risk management implementation program	N/A	N/A	N/A	N/A	N/A	N/A
Insurance/Risk	IR04	Create comprehensive facilities and equipment inventory	N/A	N/A	N/A	N/A	N/A	N/A
Insurance/Risk	IR05	Conduct interdepartmental liability risk audits	N/A	N/A	N/A	N/A	N/A	N/A
Public Safety Admin.	PS01	Improve cooperation between the Bureaus of EMS and Fire through coordinated training	N/A	N/A	N/A	N/A	N/A	N/A
Public Safety Admin.	PS02	Enhance rescue services by building the Bureau of Fire's capacity	N/A	N/A	N/A	N/A	N/A	N/A
Public Safety Admin.	PS03	Work with the Department of Finance to maintain an Annual Purchasing Plan	N/A	N/A	N/A	N/A	N/A	N/A
Public Safety Admin.	PS04	Adopt a recruitment plan	N/A	N/A	N/A	N/A	N/A	N/A
Animal Control	AC01	Create a contingency plan for animal shelter services	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI01	Restructure training requirements	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI02	Perform asbestos inspections in-house	200,000	200,000	200,000	200,000	200,000	1,000,000

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Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
BBI	BI03	Decentralize code inspections	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI04	Maintain fire plan review, system testing and inspection responsibilities within BBI	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI05	Seek best practices for managing vacant structures and absentee landlords	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI06	Streamline permitting process	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI07	Improve online services and telephone response	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI08	Digitize historic data	N/A	N/A	N/A	N/A	N/A	N/A
BBI	BI09	Consider expanding coverage to include evenings and weekends	N/A	N/A	N/A	N/A	N/A	N/A
EMS	EM01	Northside EMS Review	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FB01	Decrease the total number of Deputy Chief positions	0	0	0	0	286,453	286,453
Fire	FB02	Petition the General Assembly to change State law requiring fire trial board approval for disciplinary action	N/A	N/A	N/A	N/A	N/A	N/A
Police	PB01	Civilianization	N/A	N/A	N/A	N/A	N/A	N/A
Police	PB02	Develop an overtime reduction strategy	N/A	N/A	N/A	N/A	N/A	N/A
Police	PB03	Pursue privatization of tow pound	0	(190,987)	(208,153)	(228,674)	(253,169)	(880,983)
Police	PB04	Study reuse of Zone 3 police station	N/A	N/A	N/A	N/A	N/A	N/A
Police	PB05	Police retention and recruitment	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW01	Conduct an independent operational review of refuse, bulk waste and recycling collection and disposal	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW02	Achieve a target Act 101 recycling rate of 15 percent by 2013	166,719	416,797	833,593	1,250,390	1,677,186	4,344,685
Public Works	PW03	Fully analyze the costs and benefits associated with a new asphalt plant	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW04	Identify and plan to meet technology and professional needs	N/A	N/A	N/A	N/A	N/A	N/A

Appendix B
Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
Public Works	PW05	Management system	N/A	N/A	N/A	N/A	N/A	N/A
Parks	PR01	Close underutilized pools	0	210,000	215,000	221,000	226,000	872,000
Parks	PR02	Consolidate senior centers and recreation centers to create multipurpose facilities	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Develop.	ED01	Continue to collaborate on priority community development projects	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Develop.	ED02	Continue active participation in the Community Development Collaborative	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Develop.	ED03	Develop a plan for decommissioning vacant land to be used for redevelopment or green space	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Develop.	ED04	Continue to develop the Riverfront and other City biking trails	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG01	Pursue joint collection of delinquent taxes and fees	0	3,000,000	2,000,000	2,000,000	2,000,000	9,000,000
Intergovernmental Coop.	IG02	Continue joint energy procurement	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG03	Establish a shared services organization (SSO) for IT and other services	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG04	Explore police regionalization initiatives	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG05	Resolve differences with County procurement regulations	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG06	Explore City-County partnerships for regional parks	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG07	Pursue shared security costs at City-County building	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG08	Explore the transfer of pet licensing to the County	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG09	Negotiate an Agility Agreement with the County for public works and other services	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG10	Pursue City-County consolidation of departments	N/A	N/A	N/A	N/A	N/A	N/A
Intergovernmental Coop.	IG11	Pursue intergovernmental service arrangements with neighboring municipalities	N/A	N/A	N/A	N/A	N/A	N/A
Capital Budget	CB01	Develop comprehensive multi-year Capital Improvement Plan	N/A	N/A	N/A	N/A	N/A	N/A
Capital Budget	CB02	Institute quarterly CIP status reports	N/A	N/A	N/A	N/A	N/A	N/A
Capital Budget	CB03	Fully adopt and implement Capital Asset Policies and Procedures Manual	N/A	N/A	N/A	N/A	N/A	N/A

Appendix B
Amended Recovery Plan Initiatives

Chapter	No.	Initiative	2009	2010	2011	2012	2013	Total
Capital Budget	CB04	Sustain City CIP funding	0	0	(15,000,000)	(18,900,000)	0	(33,900,000)
Capital Budget	CB05	Develop a long-term capital financing strategy	N/A	N/A	N/A	N/A	N/A	N/A
Revenues	RE01	Generate at least $10.0 Million per year in local revenue or expenditure reduction, or enact tax increase	N/A	10,000,000	10,000,000	10,000,000	10,000,000	40,000,000
Revenues	RE02	Freeze parking tax (direct funds to capital)	0	3,792,670	3,879,711	3,968,639	4,059,978	15,700,999
Revenues	RE03	Secure non-profit contributions of at least $6.0 million per year	0	0	4,400,000	4,400,000	4,400,000	13,200,000
Revenues	RE04	Update City fees to generate 30% more revenue	0	0	1,312,400	1,357,060	1,400,562	4,070,022
Revenues	RE05	Implement Market Based Revenue Opportunity (MBRO) program	N/A	N/A	N/A	N/A	N/A	N/A
Revenues	RE06	Petition the General Assembly for Reimbursement of River Rescue Calls	N/A	N/A	N/A	N/A	N/A	N/A
Revenues	RE07	Explore the feasibility of charging private boaters for services rendered	N/A	N/A	N/A	N/A	N/A	N/A
Revenues	RE08	Explore mooring/launching fee	N/A	N/A	N/A	N/A	N/A	N/A
Revenues	RE09	Pursue full compliance with City tax regulations	N/A	N/A	N/A	N/A	N/A	N/A

Appendix C
Revenues and Expenditures with Initiatives

Fiscal Year Ending:	2008	2009	2010	2011	2012	2013
	Actual	*Budget*	*Projected*	*Projected*	*Projected*	*Projected*
REVENUES						
Taxes						
Real Estate Taxes, Current Year	123,940,434	123,673,000	124,600,548	125,535,052	126,476,564	127,425,139
Real Estate Taxes, Prior Years	3,696,724	3,201,000	6,277,824	5,356,492	5,437,048	5,519,537
Mercantile Tax	13,271	-	-	-	-	-
Amusement Tax	11,180,754	9,174,000	9,375,828	9,582,096	9,792,902	10,008,346
Earned Income Tax	65,346,575	64,630,000	65,599,450	66,583,442	67,582,193	68,595,926
Deed Transfer Tax	17,603,531	15,448,000	15,756,960	16,072,099	16,232,820	16,395,148
Parking Tax	44,236,255	42,290,000	43,262,670	44,257,711	45,275,639	46,316,978
Occupation Privilege Tax	9,529	-	-	-	-	-
Business Privilege Tax	9,046,814	8,746,000	437,300	21,865	-	-
Institution and Service Privilege Tax	67,206	412,000	408,000	400,000	388,000	373,000
Emergency Services Tax	10,512,467	12,375,000	12,659,000	12,950,000	13,248,000	13,553,000
Payroll Preparation Tax	46,336,094	44,841,000	45,713,000	46,196,000	46,889,000	47,592,000
Total Taxes	**331,989,653**	**324,790,000**	**324,090,580**	**326,954,757**	**331,322,167**	**335,779,075**
Other Revenues						
Penalties and Interest	2,252,903	2,457,000	2,518,425	2,581,386	2,645,920	2,712,068
Interest on Bank Balances	2,636,362	1,597,000	1,776,982	1,964,987	983,004	491,011
Non-resident Sports Facility Usage Fee	2,947,646	2,602,000	2,667,050	2,733,726	2,802,069	2,872,121
Fines and Forfeits	7,185,152	7,183,000	7,310,000	7,441,000	7,576,000	7,714,000
Liquor and Malt Beverage Licenses	416,925	414,000	424,350	434,959	445,833	456,979
Business Licenses	20	100	101	102	103	104
General Government Licenses	717,058	742,000	776,000	813,000	852,000	892,000
Rentals and Charges - Depts.	4,475,479	4,244,000	4,753,000	6,196,400	6,450,060	6,707,562
Public Service Privileges	387,121	1,061,000	1,087,525	1,114,713	1,142,581	1,171,145
Provision of Services	7,667,505	8,093,000	7,714,000	7,337,000	7,464,000	7,595,000
Breakeven Centers	22,901,404	21,752,000	22,279,013	23,037,847	23,863,326	24,765,831
BBI Breakeven	*6,347,520*	*5,668,000*	*5,664,105*	*5,849,144*	*6,049,069*	*6,266,125*
Medical Services Breakeven	*9,980,570*	*10,387,000*	*10,729,859*	*11,100,414*	*11,504,395*	*11,947,056*
All Other Breakeven	*6,573,314*	*5,697,000*	*5,885,049*	*6,088,289*	*6,309,862*	*6,552,650*
Joint Operations	180,750	152,000	155,040	158,141	161,304	164,530

Appendix C
Revenues and Expenditures with Initiatives

Fiscal Year Ending:	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
	Actual	*Budget*	*Projected*	*Projected*	*Projected*	*Projected*
Federal and State Grants	27,062,795	27,054,719	26,210,797	26,591,593	27,482,390	28,394,186
State Pension Aid	*15,147,812*	*15,200,000*	*14,503,885*	*15,435,432*	*15,737,040*	*16,045,646*
Commonwealth Appropriation	*5,000,000*	*3,000,000*	*3,000,000*	*3,000,000*	*3,000,000*	*3,000,000*
Liquid Fuels Tax	*4,036,500*	*4,630,000*	*4,417,960*	*4,701,714*	*4,793,585*	*4,887,588*
All Other Federal and State Grants	*2,878,483*	*4,224,719*	*4,288,953*	*3,454,447*	*3,951,765*	*4,460,951*
Non-Profit Payment for Services	2,273,815	4,340,000	1,600,000	6,000,000	6,000,000	6,000,000
Reimbursement, CDBG	985,861	750,000	766,500	783,363	800,597	818,210
Authority Payments	10,587,384	9,600,000	9,600,000	9,100,003	9,100,003	8,108,285
State Utility Tax Distribution	437,208	491,000	498,365	505,840	513,428	521,130
Act 77 - Tax Relief	12,765,256	12,834,000	13,090,680	13,352,494	13,619,543	13,891,934
Miscellaneous Not Otherwise Classified	133,827	236,000	238,360	240,744	243,151	245,583
Economic Development Slots Revenue	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
2% Local Share	-	2,400,000	9,000,000	11,600,000	10,000,000	10,000,000
Intergovernmental Services	908,600	773,000	796,000	-	-	-
Total Other Revenue	**112,023,072**	**113,875,819**	**118,362,188**	**127,087,297**	**127,245,313**	**128,621,677**
TOTAL REVENUE	**444,012,725**	**438,665,819**	**442,452,768**	**454,042,054**	**458,567,479**	**464,400,752**
Additional Revenue Generation			5,000,000	5,000,000	5,000,000	5,000,000
TOTAL REVENUE	**444,012,725**	**438,665,819**	**447,452,768**	**459,042,054**	**463,567,479**	**469,400,752**

Appendix C
Revenues and Expenditures with Initiatives

Fiscal Year Ending:	2008	2009	2010	2011	2012	2013
	Actual	*Budget*	*Projected*	*Projected*	*Projected*	*Projected*
EXPENDITURES						
Salaries	144,099,038	153,098,207	158,587,554	157,286,665	160,070,406	163,037,168
Premium Pay	21,128,635	22,333,783	22,867,128	23,251,787	22,583,081	22,678,909
Education and Training	291,279	536,120	521,440	526,817	532,253	537,746
Fringe Benefits	72,821,632	79,861,249	82,677,318	87,609,610	93,075,392	99,658,980
Uniforms	1,711,762	1,846,914	1,865,353	1,883,977	1,902,786	1,921,784
Supplies	5,532,792	6,216,686	6,524,140	6,848,402	7,190,440	7,551,279
Materials	1,196,987	1,790,168	1,282,843	1,314,914	1,347,787	1,381,481
Equipment	722,844	1,111,842	862,888	884,460	821,718	842,260
Repairs	1,693,722	2,022,720	2,073,288	1,975,120	1,924,498	1,972,610
Rentals	2,469,932	3,002,164	3,077,218	3,154,149	3,233,002	3,313,827
Miscellaneous Services	15,560,495	19,063,072	18,336,171	18,656,465	18,897,666	19,377,884
Utilities	8,157,760	8,317,860	8,799,452	9,309,242	9,848,893	10,420,168
Judgments	1,545,758	1,750,000	1,768,750	1,763,594	1,734,559	1,781,673
Pension	41,465,075	49,745,580	60,250,290	64,780,867	65,338,692	67,903,669
Debt Service	84,653,758	81,993,262	80,749,070	79,181,370	72,238,885	65,889,469
Debt Service Subsidy	257,838	257,175	254,143	255,693	259,050	269,060
GF Grants	40,000	40,000	40,000	40,000	40,000	40,000
Transfers	10,000	4,110,000	3,802,920	3,890,218	3,979,408	4,071,017
TOTAL EXPENDITURES	**403,359,307**	**437,096,802**	**454,339,965**	**462,613,347**	**465,018,515**	**472,648,984**
Expenditure Savings	0	0	5,000,000	5,000,000	5,000,000	5,000,000
1% Expense Reduction	0	0	4,543,400	4,626,133	4,650,185	4,726,490
Additional Expenditure Savings	0	0	0	0	0	0
TOTAL EXPENDITURES	**403,359,307**	**437,096,802**	**444,796,566**	**452,987,214**	**455,368,329**	**462,922,495**
TOTAL REVENUE	**444,012,725**	**438,665,819**	**447,452,768**	**459,042,054**	**463,567,479**	**469,400,752**
NET OPERATING BALANCE	**40,653,418**	**1,569,017**	**2,656,202**	**6,054,840**	**8,199,150**	**6,478,257**
TRANSFER TO CAPITAL	0	0	0	15,000,000	18,900,000	0
FUND BALANCE	**41,935,480**	**43,504,497**	**46,160,699**	**37,215,539**	**26,514,689**	**32,992,946**
FUND BALANCE (% of Revenues)	**9.4%**	**9.9%**	**10.3%**	**8.1%**	**5.7%**	**7.0%**

Appendix D
Sample Compensation Component Calculation

Initiative WF02 provides a process through which the City and each collective bargaining unit can negotiate changes to certain components of compensation ("Compensation Components") starting in the second year of the new contract up to the maximum amount allocated to that bargaining unit. This is designed to give the City and unions more flexibility in the collective bargaining process than the 2004 Recovery Plan did while keeping compensation costs at a level that is fair to employees and affordable for the City so it can complete its fiscal recovery.

The following example illustrates the kind of costing analysis that the City shall provide to the Act 47 Coordinator to ensure that any negotiated changes do not exceed the annual maximum allocations provided in WF02. This example shows the costs associated with adding another paid holiday to the IAFF collective bargaining agreement. This calculation is for illustration purposes only and shall not be interpreted as a recommendation that a holiday be added, nor shall the calculation be interpreted as endorsement of the assumptions used in making it (e.g. minimum staffing levels).

There are a number of key pieces needed to calculate the cost of a compensation component, including the number of employees receiving the benefit, staffing levels and relevant employee salaries. This sample calculation uses those pieces in a three-step process to calculate the cost of the new holiday. If this amount falls within the union's maximum annual allocation, the proposal is acceptable.

Step 1: Hours Paid

- For the IAFF, all employees receive at least 12 hours of pay for holidays, regardless of whether they work on that holiday. Therefore, the full complement of 648 firefighters is paid for 12 hours for a subtotal of 7,776 hours (648 x 12).

- Employees who work on the holiday receive 1.5 times their regular rate of pay for the shifts worked, in addition to the regular pay the full complement receives. Those employees who work one shift on the holiday will be paid the equivalent of 18 hours, in addition to the 12 hours of pay received regardless of working status. With the assumption that the City currently uses 159 firefighters to staff one shift[1], there are 318 firefighters (159 x two shifts) who receive the 18 hours of premium pay, or 5,724 total additional hours (318 x 18).

Step 2: Weighted Average Salary and Hourly Pay

- To account for the difference in salaries across the bargaining unit, the weighted average salary is calculated next. It is important to note that this is a *weighted* average salary rather than the average salary, to account for the differences in tenure across the bargaining unit.

- The FY2009 budget includes the following positions and their associated base salary. Multiplying the annual salary by the number of budgeted positions gives the base salary cost by position. The costs for all positions are summed for a total of $36.4 million. Dividing that by the number of budgeted positions gives a weight average of $56,015 or $25.70 per hour (assuming 2,184 hours per year for suppression staff).[2] This calculation includes base salary only, not longevity.

[1] TriData. Comprehensive Management Study – Pittsburgh, PA Bureau of Fire. Page 55.

[2] This calculation assumes the holiday pay is calculated using base salary only and does not include longevity. The City may be able to refine these calculations using available data.

2009 Salaries			
Position	Annual	Budgeted 2009	Aggregate
Firefighter 1st Year	$35,249.76	8	$281,998.08
Firefighter 2nd Year	$41,464.36	28	$1,161,002.08
Firefighter 3rd Year	$47,671.97	23	$1,096,455.31
Firefighter 4th Year	$53,712.23	292	$15,683,971.16
Master Firefighter	$56,129.29	114	$6,398,739.06
Fire Lieutenant	$59,083.46	99	$5,849,262.54
Fire Captain	$64,991.81	59	$3,834,516.79
Instructor	$71,490.99	4	$285,963.96
Battalion Chief	$78,640.10	18	$1,415,521.80
Deputy Chief	$86,504.09	4	$346,016.36
Total		649	$36,353,447.14
Weighted Average, Annual Pay	$56,014.56		
Weighted Average, Hourly Pay	$25.70		

- The calculation is repeated to get the weighted average salary and hourly pay for the 318 firefighters who work a shift on the holiday. As shown below, minimum staffing allocations are used in place of the budgeted position column above to get a weighted average salary of $51,342 and hourly rate of $23.51. The staffing distribution is based on the Tri-Data study, and assumes equal distribution among the Firefighter 1 through Master positions.[3] The City and the union may be able to refine this calculation with available data.

2009 Salaries	Annual	Daily	Hourly (Suppression)	Minimum Staffing	Per Hour, all positions	Salary, All Positions
Firefighter 1st Year	$35,249.76	$387.36	$16.14	23	$371.22	$810,744.48
Firefighter 2nd Year	$41,464.36	$455.65	$18.99	23	$436.67	$953,680.28
Firefighter 3rd Year	$47,671.97	$523.87	$21.83	23	$502.04	$1,096,455.31
Firefighter 4th Year	$53,712.23	$590.24	$24.59	23	$565.65	$1,235,381.29
Master Firefighter	$56,129.29	$616.81	$25.70	23	$591.11	$1,290,973.67
Fire Lieutenant	$59,083.46	$649.27	$27.05	27	$730.43	$1,595,253.42
Fire Captain	$64,991.81	$714.20	$29.76	12	$357.10	$779,901.72
Instructor	$71,490.99	$785.62	$32.73	0	$0.00	$0.00
Battalion Chief	$78,640.10	$864.18	$36.01	4	$144.03	$314,560.40
Deputy Chief	$86,504.09	$950.59	$39.61	1	$39.61	$86,504.09
			Total Weighted Average	**159**	**$3,738**	**$8,163,455**
					$23.51	**$51,342**

Step 3: Cost

The figures calculated in steps one and two are used to find the net cost to the City of an additional holiday.

- The weighted average hourly rate for all firefighters in the unit is $25.70. Multiply this rate by the number of hours paid to all firefighters regardless of whether they work on the holiday (7,776) to get the subtotal cost of $199,843.

- The weighted average hourly rate for firefighters working on the holiday is $23.51. Multiply this rate by the number of premium pay hours paid to firefighters working the shift (5,724) to get the subtotal cost of $134,571.

- The total gross cost of the holiday is $334,414.

- On a normal day, the City would be required to meet the minimum staffing requirements and associated costs. In a normal 24-hour period, the fire department pays the average salary to 318 employees (two tours of 159 firefighters each).

[3] Tri-Data Study, p. 86

- Therefore, using the numbers described above, a normal day costs the City $98,071 (318 x 12 x $25.70).

- The net cost of the holiday is $236,343, rounded up to $236,400 ($334,414 - $98,071 = $236,343).

Because this is less than the maximum annual allocation to the IAFF in any year, this proposal would be acceptable. The $236,400 would be subtracted from each year of these allocations starting in FY2011 as shown below. The employees are not eligible to receive the holiday until FY2011 under the terms of WF02.

IAFF	2009	2010	2011	2012	2013	2014
Allocation	CBA	649,000[4]	744,000	1,503,000	2,470,700	3,660,900
Extra Holiday	-	-	-236,400	-236,400	-236,400	-236,400
Negotiable Balance	-	-	507,600	1,266,600	2,234,300	3,424,500

Please note that the $236,400 annual cost assumes that there are no increases to base wages over FY2009 levels. It also does not account for non-base salary costs associated with compensation, such as the nominal employer Medicare contribution and overtime. If the employees take a base wage increase, it will change the cost of the extra holiday and reduce the amount of money available for funding compensation component changes such as this one. That is the essence of this process – the City and union shall negotiate whether to give employees a base salary increase, change other elements of compensation or provide a mix. In no case shall the total cost exceed the maximum annual allocations in WF02.

[4] This is the lump sum payment to IAFF members for FY2010. The negotiated compensation component changes shall not take effect for the IAFF until FY2011, the second year of the new collective bargaining agreement.

Act 47 Team

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