COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

DEPARTMENTAL DETERMINATION/ORDER

On December 29, 2003, the City of Pittsburgh (the "City") was designated a financially distressed municipality pursuant to the Municipalities Financial Recovery Act ("Act 47"), codified at 53 P.S. 11701.101 et seq.

On November 16, 2017, the City of Pittsburgh, Act 47 Coordinator recommended in the Coordinator Rescission Report the termination of distressed status under Act 47, Section 255.1.

A public hearing was held December 20, 2017, in accordance with Section 255.1 (a).

First, the City has achieved operating surpluses in nine of the last 12 years.

Second, the City has no cash borrowings or loans which are required to be repaid in order to exit Act 47 oversight, and there is a reasonable probability of continued timely debt service payments being made going forward absent participation in Act 47.

Third, as of December 31, 2016, the City has an outstanding claim and judgment balance of $20.5m (or 3% of general fund expenditures).

Fourth, the Coordinator's five-year projections indicate a positive balance each year from 2018 to 2022.

AND NOW, this the 12 day of February, 2018, upon review of the record of the hearing held on December 20, 2017, the recommendations of departmental staff and the Recovery Plan Coordinator, along with other considerations, the above-captioned request is granted.

IT IS ORDERED that the status of the City of Pittsburgh, Allegheny County as a distressed municipality under the Municipalities Financial Recovery Act, Act 47 of 1987, as amended, is terminated.

By: Tom Wolf
Tom Wolf
Governor

By:
Dennis M. Davin
DCED Secretary

CITY OF PITTSBURGH
ALLEGHENY COUNTY

EVALUATION OF ACT 47 COORDINATOR REQUEST TO TERMINATE DETERMINATION OF DISTRESS UNDER ACT 47, THE MUNICIPALITIES FINANCIAL RECOVERY ACT

Hearing Held: December 20, 2017

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REPORT OF THE HEARING OFFICER

FINDINGS OF FACT

A public hearing was held in the City of Pittsburgh, Allegheny County on December 20, 2017 to receive testimony relative to the Act 47 Coordinator's and City's request to the Department of Community and Economic Development (DCED) to make a determination that the conditions that led to the designation of distress on December 29, 2003 are no longer present under Act 47 of 1987, as amended, the Municipalities Financial Recovery Act. The purpose of the hearing was to gather information on the City's financial condition to assist the Secretary of DCED to determine the City's financial condition and to inform the officials, employees and citizens of the City of Pittsburgh of the Act 47 rescission process.

The information that follows was presented by the Recovery Plan Coordinator; City of Pittsburgh, Director of Office of Management and Budget; City Council, Budget Director; Member of City Council; Executive Director of the Intergovernmental Cooperation Authority for Cities of the Second Class; and DCED regional staff member through their testimony.

Evidence was presented that demonstrates the eligibility of the City to have the designation of distress status rescinded under the Municipalities Financial Recovery Act, Act 47 of 1987, as amended. No testimony was received that contradicts the evidence presented at the public hearing.

In summary, the City of Pittsburgh has addressed and alleviated the conditions that led to the initial designation of distress status in 2003. In addition, the City has addressed the factors for the Secretary of DCED to consider cited in Section 255.1 of Act 47 of 1987, as amended supporting the recommendation of the Coordinator to rescind the distress designation. Section 255.1 requires that a public hearing be held prior to consideration of rescission of distress status. Notice of the public hearing was advertised in accordance with Section 255.1 of Act 47 and the Sunshine Act.

The City of Pittsburgh revenue and expenditure history, general fund cash balance history and revenue and expenditure projections indicate a documented financial recovery as indicated in the Coordinator's Rescission Report required under Section 255.

The Coordinator's Rescission Report documents the City of Pittsburgh financial condition and position. The Rescission Report demonstrates that operating deficits have been eliminated and the financial condition of the City demonstrates a reasonable probability of future balanced budgets; obligations issued to finance the City's deficit have been retired, reduced or reissued; all claims or judgments that would have placed the City in imminent jeopardy of financial default have been negotiated and resolved; and the City is projected to have positive operating balances for the first five-years after the termination of distressed status.

The City presently has a consistent series of revenue streams to provide realistic and affordable service levels going forward. It is now incumbent upon the City to remain vigilant and to proactively manage the provision of City services within the context of the fiscal and management resources available to the City.

The Coordinator Rescission Report provides five guiding principles that the City should follow for long-term sustainability without Act 47 oversight. 1) Ensure recurring revenues cover recurring expenditures; 2) Adopt a long-term financial plan in conjunction with the annual budget; 3) Make annual contributions to the employee pension plans at no less than the actuarially recommended levels; 4) Continue to make pay-as-you-go contributions to the capital improvement plan; and 5) Maintain sufficient reserves.

The Hearing Officer, Marita Kelley, Deputy Executive Director of the Governor's Center for Local Government Services made opening remarks welcoming everyone to the public hearing and stated the public hearing is being held in accordance with Act 47 of 1987, as amended. Ms. Kelley stated the purpose of the proceeding was to receive testimony on whether the City of Pittsburgh's Act 47 distress designation should be rescinded under the Municipalities Financial Recovery Act, Act 47 of 1987, as amended based upon the Act 47 Coordinator's recommendation in the Coordinator's Rescission Report, dated November 16, 2017.

Act 47 Coordinator, Gordon Mann and Vieen Leung of Public Financial Management (PFM); Sam Ashbaugh, Director of the Office of Management and Budget; Councilwoman Natalia Rudiak; Bill Urbanic, City Council Budget Director; Renny Clark, Executive Director of the Intergovernmental Cooperation Authority for Cities of the Second Class; and Michael Foreman, DCED Local Governmemt Policy Specialist with the Governoir's Center for Local Governmemnt Services, southwest regional office provided testimony in support of rescission of the distress designation.

Gordon Mann, Act 47 Coordinator with Public Financial Management (PFM) is recommending that the distress designation be rescinded. The recommendation is being made based upon four criteria in Act 47 that the Secretary of DCED is to consider in making his decision whether to rescind the distress designation. One deals with the elimination of operating deficits through balanced budgets over the last fifteen years with limited exception. A second one indicates that there is a reasonable projection that the City's finances will be balanced going forward leading to long-term sustainability. Projections show revenues exceeding expenditures over the next five years as required by Act 47 when considering a rescission.

Mr. Mann stated that the third and fourth criteria do not apply to Pittsburgh. Obligations issued to finance the City's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle and interest, and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in Act 47. The last one is that the City has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of default.

Mr. Mann noted that the City is on course to make the recommended contribution to its employee pension plans and plans to continue to set money aside on an ongoing basis for capital projects and toward retiree health insurance. The City also plans to maintain reserves that it needs to deal with cash flow issues and unanticipated contingencies.

Upon exit from Act 47 oversight Mr. Mann identified five guiding recommendations the City should follow to remain viable. The first one is to make sure the City adopts balanced budgets on an annual basis. The second is to continue to do multi-year budgeting. A third recommendation is to maintain sufficient revenues with a target year-end cash balance carryover of at least 10% of expenditures. Mr. Mann concluded by recommending that the City maintain sufficient reserves going forward.

Vieen Leung, Act 47 Coordinator with Public Financial Management (PFM) presented information on two of the guiding recommendations. They deal with pension liabilities and capital financing contributions on an annual basis. The funding level of the City's pension plans improved by contributing more than is required through the minimum municipal obligation payment while under Act 47 oversight. The Act 47 Coordinator is recommending that the City continue to fund at a minimum the actuarially recommended level going forward.

Ms. Leung continued by stating that the City needs to keep funding capital investments on a pay-as-you-go basis rather than through incurring new, additional indebtedness.

Michael Foreman, Local Government Policy Specialist with DCED serves as a liaison with the City of Pittsburgh, Act 47 Coordinator and DCED relative to the Act 47 process. Mr. Foreman stated that the City entered Act 47 in 2004 with an initial adopted recovery plan along with a series of amendments adopted by the City since then.

The current amended recovery plan of 2014 set five objectives in order to exit Act 47 oversight. They are: 1) eliminating operating deficits while preserving basic service; 2) reducing the City's debt burden to provide more resources to support daily operations; 3) increase the City's pension contributions recommended by its actuary; 4) maintain a fund balance at an appropriate level as described by the Act 47 Coordinator to avoid borrowing for operations and provide the ability to address revenue shortfalls or expenditure increases; and 5) direct more funding to the City's capital budget with a priority on roads, bridges, police and fire stations and other critical infrastructure.

Mr. Foreman continued by stating that as a result of the City meeting the five objectives the City experienced recurring positive annual operating results. The City is adopting balanced budgets annually with revenue outpacing expenditures therefore stabilizing its finances. Legacy costs for retiree healthcare, pensions, workers' compensation and debt are being addressed to warrant rescission of the distress designation.

In addition, the City is contributing to employee pension plans above the minimum municipal obligation amount and improving their funding status. The City has reduced workers' compensation liability through settlement of existing claims. Retiree healthcare for new employees is eliminated. The City established an other post-employment benefits (OPEB) trust fund to hold funds to cover the long-term liability of retirees for healthcare insurance with an annual allocation from the operating budget. OPEB contributions are increasing on an annual basis.

Moreover, Mr. Foreman indicated that the City is implementing a debt policy guiding capital borrowing and debt management decisions. The City is implementing a multi-year capital improvement program with projects identified based on priority. A capital projects coordinator monitors the process with a focus on timely implementation of projects and to handle financial reporting. The City's progress is duly noted with State oversight.

Mr. Foreman went on to note that Act 47 provides four factors the DCED Secretary shall consider in determining whether the conditions that led to a determination of municipal distress are no longer present. The factors focus on: 1) eliminating operational deficits and adopting future balanced budgets; 2) obligations issued to finance the City's debt have been retired, reduced or reissued; 3) all claims or judgments that would have placed the City in imminent jeopardy of financial default have been negotiated and resolved; and 4) the City is projected to have positive operating balances for the first five years after termination of distressed status.

As a result, the City achieved operating surpluses in ten of the last fourteen years of which the City is showing an increase in its unallocated fund balance over the last two years. The City has no borrowings or loans which are required to be repaid in order to exit Act 47.

The Act 47 Coordinator Rescission Report indicates that regarding claims and judgments, the amount of current and anticipated estimates will not place the City in any imminent jeopardy of financial default. The five-year operating balances indicate a positive amount and will allow for annual transfers to the capital budget. Projections indicate positive trends. In addition, the Act 47 Coordinator Rescission Report provides 5 principles to achieve long-term sustainability. They are: 1) ensure revenues cover expenditures; 2) adopt a long-term financial plan in conjunction with the annual budget process; 3) make annual contributions to employee pension plans at no less the level recommended by the actuary; 4) continue to make "pay-as-you-go" contributions to the capital improvement plan budget; and 5) maintain sufficient reserves.

In closing, Mr. Foreman endorsed the recommendation being made to rescind the distress designation by the Act 47 Coordinator as a result of Pittsburgh meeting the five objectives outlined in the current amended recovery plan as documented in the Coordinator Rescission Report dated November 16, 2017 filed with the City Clerk for public comment. Rescission is appropriate because the City meets the four factors in Act 47 that demonstrate the conditions that led to a determination of financial distress are no longer present that are addressed above in my testimony.

Sam Ashbaugh, Director of the Office of Management and Budget with the City of Pittsburgh stated that the City has experienced balanced budgets every year, received positive operating results, continues to place more money into pension funds as recommended by the recovery plan, maintained a healthy fund balance, increased the City's investment in critical infrastructure and limited other initiatives to improve City government operations. Mr. Ashbaugh went on to say that the current Administration established a much better and effective working relationship with City Council and City Controller's Office.

Mr. Ashbaugh, on behalf of Mayor Peduto and the leadership team, highlighted some of the progress made over the last four years and why the City believes it is ready to exit Act 47 oversight. Under the current amended recovery plan, the City has been able to achieve positive operating results that have helped to meet fund balance targets that are necessary to maintain the City's financial viability. In terms of the pension funding status, in the first quarter of 2014 the pension fund was only 59% funded. As of the last evaluation in the Fall of 2017 the fund was 61% funded. Most importantly, Mr. Ashbaugh noted the City is projected to invest $232m more into the pension fund above the minimum municipal obligation (MMO) over the next five years. That continues a similar trend of what the City accomplished over the last four years.

In terms of debt service, Mr. Ashbaugh stated that when the current Administration began in 2014 almost 20% of the City's general fund was going toward the repayment of debt. The City has reversed course. In 2019 debt service is projected to be only 13.4% of the City's general fund. Most importantly that number will drop over the next few years to an even lower amount therefore placing less of a burden on the City's general fund. The City is able to accomplish this while maintaining or implementing a new round of capital investments and responsible borrowing over the next four years in line with the City's debt policy. By 2022 annual debt service expenditures will be almost 30% less than what they were in 2013 which is a significant improvement.

Healthcare and workers'compensation were a key factor noted in the Act 47 current recovery plan of where the City needs to critically manage its expenditures. Because of a number of initiatives the City has been able to slow down the rate of growth by moving to a self-insured arrangement for healthcare as well as increasing the City's investment in employee wellness programs which produce a lot of positive outcomes. Through the City's commitment to workplace safety and employee safety programs there is a reduction in the number of injuries.

In terms of capital investment, Mr. Ashbaugh explained that after years of disinvestment the City has been able to make strategic investments in critical assets and infrastructure, including roads, bridges and facilities. The City has been developing long-term investment and maintenance plans for all of the City's assets to provide guidance in the future. Relative to financial management practices, Mr. Ashbaugh highlighted that the City reformed both the operating and capital budgeting processes to align with recommended practices. The City has improved its revenue forecasting process including use of better economic data for more accurate and objective forecasts in cooperation with City Council, the City Controller and Act 47 oversight bodies.

Mr. Ashbaugh went on to say that the City has centralized and professionalized management functions which has allowed the City to deliver better customer service to city department operations. The City also professionalized the finance function with documented and developed financial policies to guide the City. Financial policies and procedures and internal controls have been improved to allow the City to operate more efficiently and effectively.

Mr. Ashbaugh concluded his testimony by indicating the City needs to focus on long-term financial stability upon exiting Act 47 oversight by carefully managing employee compensation costs, operating more efficiently and effectively and not significantly expanding the city workforce without the ability to pay. The City needs to evaluate the five-year financial impact of any new program initiatives as to affordability and to strategically prioritize where to invest scarce capital resources. Mr. Ashbaugh thanked the Act 47 Coordinator for their work over the years as well as the Intergovernmental Cooperation Authority (ICA) leadership that has worked diligently over the last several years. Mr. Ashbaugh also thanked the Office of City Controller and City Council Budget Office, Councilwoman Rudiak and the rest of City Council for their work and collaboration throughout the last few years.

Councilwoman Natalia Rudiak of the City of Pittsburgh provided testimony. Ms. Rudiak indicated that she is the Chair of the Finance Committee over the last four years. Ms. Rudiak stated that she is very proud that the recently adopted city operating budget of $554m and $104m capital budget puts the City on solid financial footing as the end of Act 47 oversight draws near.The five-year plan projects $356m in operating and bond funds and $100m more in matching private and federal sources of funding.

Councilwoman Rudiak continued by stating that the five-year plan also makes an unprecedented commitment to Pittsburgh's pension funding by moving to "pay-as-you-go," by putting more money into the pension plans than benefits being paid out without considering return on investment. This will allow the principal investment return to grow. If this is continued for the next ten years the City's pensions will be more than 80% funded and be out of distressed status by 2028.

Ms. Rudiak reflected on her tenure as a member of Council over the past eight years. In 2010 Council enacted the City's first Neighborhood First Capital Budget Reform Act which began as a recommendation of the Act 47 recovery plan. The capital budget process transitioned from a list of unfunded promises to projects emanating from the community and a list of priorities. As Finance Chairperson, the Committee amended the legislation in 2015 to address the unfunded projects and created a positive balance in the capital fund while maintaining the integrity of the legislative process. In 2014 Council started to have a positive working relationship with the Mayor to work to improve not only the finances of the City but also to bring about systemic change.

In 2016, Ms. Rudiak indicated that the City developed a gift acceptance policy to institute proper accounting and ethical standards for the City. Together the Administration and City Council amended the rules on purchasing by allowing for the expansion of cost-effective options for the City while maintaining accountability. Councilwoman Rudiak stated that she is proud of working with the Council Budget Office and Administration in which City Council has codified some of the best practices recommended by the Act 47 Coordinator including the five-year plan and requiring the commitment on pension funding that exceeds State funding requirements. Ms. Rudiak is proud to have worked with the Council Budget Office to further amend Ordinance 19 to include a budgeting process as well as a "pay-as-you-go" pension funding.

Councilwoman Rudiak thanked the Administration for all its accomplishments, especially the modernization of departments. When coming into office as a member of Council in 2010 coming from the private sector, Ms. Rudiak indicated that she was shocked to find some of the City's finance operations still used Excel to develop multi-million dollar budgets. The City has modernized the budget process and implemented new software and tracking systems.

As the Finanace Committee Chairperson, together the Administration and City Council have worked to improve the last four budgets and five-year plan with the City that has resulted in changing its financial position from one of fiscal uncertainty to one that not only gives the City a stronger outlet but one that also addresses the future for our children and low and moderate income families. Ms. Rudiak stated that this is one of her proudest accomplishments that the City was able to balance its budget but also do right by our taxpayers and our families.

Ms. Rudiak went on to say that there have been times when she was pressured to support exiting Act 47. The City was not yet ready to leave the program before it was fiscally healthy. Pittsburgh is now healthy to exit Act 47 oversight.

In conclusion, Councilwoman Rudiak thanked Council's Budget Office, Mr. Urbanic and Mr. Strelic as well as her fellow councilmembers, the Peduto Administration and the unsung heroes of the financial management team from Act 47. Ms. Rudiak, finishing her term of office on Council, expressed her trust in the integrity and grace of City Council to pass continued balanced budgets in the future with the support of the Mayor's Administration as well.

Bill Urbanic, Budget Director of City Council of the City of Pittsburgh testified that one of the things he is most proud of from City Council, as well as the Administration, is the codification of best practices for the City to follow going forward. The Act 47 oversight process has brought about a cultural change in the way employees think and act and their perspective on the ability of the City to afford essential and necessary public services. It has lead to the conclusion that Pittsburgh is ready to exit Act 47 oversight.

Mr. Urbanic thanked former Mayor Murphy for introducing Act 47 to the City, former Governor Rendell for his support, the General Assembly, the Intergovernmental Cooperation Authority for Cities of the Second Class, current and former members of City Council, Peduto Administration, former DCED staff member, Fred Reddig who worked with the City as a liaison, City unions for their cooperation and the Act 47 oversight team.

Renny Clark, Private Citizen and Executive Director of the Intergovernmental Cooperation Authority for Cities of the Second Class offered testimony as a resident and Executive Director of the Intergovernmental Cooperation Authority for Cities of the Second Class (ICA). On behalf of the citizens of Pittsburgh, Mr. Clark thanked the Act 47 oversight team for taking on an ominous task under very difficult circumstances and doing outstanding work. Through perseverance working with four administrations, the Act 47 oversight team stayed the course leading to this request to exit Act 47 oversight and a positive outcome.

Marita Kelley, Deputy Executive Director for the Governor's Center for Local Government Services thanked those in attendance and who testified and commended the Mayor and City Council for their commitment and due diligence to get the City to where it is currently being proud of their efforts. Ms. Kelley recognized the commitment and hard work of the Act 47 Coordinator and collaboration with management, Mayor and City Council, and acknowledged the Coordinator's diligence and perseverance working with the City through its time in the Act 47 program.

Ms. Kelley advised that the Department will respond to the request for a rescission of the distress designation and will proceed accordingly and provide these findings and a recommendation to DCED Sectetary Dennis Davin.

Ms. Kelley concluded the public hearing by thanking everyone for their attendance and commended City elected officials and management for their efforts and progress on behalf of DCED. Ms. Kelley indicated the DCED Secretary will make his decision on the City's request to terminate the distress designation as required under Act 47.

CONCLUSION

The City of Pittsburgh's financial condition and position has significantly improved during the fourteen year recovery period. The commitment of the Mayor, City Council, City Administration and staff over the fourteen years in the Act 47 program working with the Act 47 Coordinator and DCED is admirable. The Coordinator's Rescission Report reflects the improved financial condition and position that have occurred and form the basis for the recommendation of the Act 47 Coordinator that the City of Pittsburgh should have the distress designation rescinded at this time.

NOTICE OF PUBLIC HEARING

NOTICE

NOTICE IS HEREBY GIVEN that the Commonwealth of Pennsylvania, Department of Community and Economic Development has scheduled a Special Meeting to hear testimony presented on behalf of the City of Pittsburgh, Allegheny County, PA with respect to the recommendation from the Act 47 Coordinator to consider a rescission of the City's Act 47 determination pursuant to the Municipalities Financial Recovery Act, Act 47 of 1987 as amended.

The hearing on the request will be held on December 20, 2017 at 3:00 p.m., at the Council Chambers, 5th Floor City-County Building, 414 Grant Street, Pittsburgh, PA 15219 before a hearing officer duly appointed by the Department. The public is invited to attend. Those individuals requiring special accommodations to attend the hearing should contact the Department at least three (3) days prior to the hearing. For further information contact: Marita Kelley, (888) 223-6837, 4th Floor Commonwealth Keystone Building, Harrisburg, Pennsylvania 17120.

STENOGRAPHIC RECORD

BEFORE THE PENNSYLVANIA DEPARTMENT OF
COMMUNITY AND ECONOMIC DEVELOPMENT,
GOVERNOR'S CENTER FOR LOCAL GOVERNMENT
SERVICES

* * * * * * * * *

IN RE: ACT 47 RECSISSION
CITY OF PITTSBURGH

PUBLIC HEARING

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COPY

BEFORE: MARITA KELLEY,
Hearing Officer

HEARING: Wednesday, December 20, 2017
3:00 p.m.

LOCATION: Council Chambers, 5th Floor
Pittsburgh City County
Building
414 Grant Street
Pittsburgh, PA 15219

Reporter: Juliette J. Hoffman

A P P E A R A N C E S

GORDON MANN, Act 47 Coordinator, PFM Group Consulting
VIEEN LEUNG, Public Finance Consultant, PFM Group Consulting
MICHAEL FOREMAN, Policy Specialist, Department of Community and Economic Development
SAM ASHBAUGH, Chief Financial Officer, City of Pittsburgh
NATALIA RUDIAK, Councilmember, City of Pittsburgh
DEB GROSS, Councilmember, City of Pittsburgh
BILL URBANIC, Budget Director, City of Pittsburgh

I N D E X

E X H I B I T S

Number	Description	Page Offered
	NONE OFFERED	

P R O C E E D I N G S

HEARING OFFICER:

Since this is an administrative hearing, we can only accept testimony. We cannot respond to questions and challenges at this hearing.

Before I begin, I want to mention that as the Hearing Officer, my name is Marita Kelley. And I've been assigned by the Secretary to conduct this administrative hearing. But also, I'm a native Pittsburgher. I grew up in the City of Pittsburgh in Greenfield, and spent my life here. And I went to high school in Oakland. And my brother's a city fireman. He's an arson investigator. So I'm very proud to be here today. And you might notice, my favorite football team is the Pittsburgh Steelers.

So I would like to commence the hearing to receive testimony on the request of the Act 47 and the City of Pittsburgh for a rescission of the financially distressed designation under the provisions of Act 47, the Municipalities Financial Recovery Act.

We will now stand and pledge allegiance.

(WHEREUPON, PLEDGE OF ALLEGIANCE RECITED.)

HEARING OFFICER:

I would like the stenographer at the end of the hearing to view the sign-in sheet at the conclusion so that she can know the correct spelling of all those providing testimony and for those in attendance.

As I said, I have officially called the hearing to order. My name is Marita Kelley, Deputy Executive Director of the Governor's Center for Local Government Services. And I'm with the Department of Community and Economic Development.

And I have been assigned as Hearing Officer by Secretary Dennis Davin.

I have asked the Act 47 coordinator, Eckert Seamans Public Financial Management, namely Gordon Mann, and Michael Foreman, the local government policy specialist from my department, to provide testimony today.

Any other interested party is invited to provide testimony after we provide our full testimony as to the purpose for the rescission. Today's hearing is to be held to receive testimony related to whether the distressed designation of the City of Pittsburgh under Act 47, the Municipalities Financial Recovery Act, should be rescinded.

The public hearing is held in accordance with Act 47 as amended. The hearing today will be to present testimony relating to the request for the rescission of the financially distressed designation under the provisions of Act 47, the

Municipalities Financial Recovery Act. The notice of today's hearing has been published in accordance with the Sunshine Law. And written notice has been provided to Mayor Peduto and the City Council of Pittsburgh. It has also been provided to the city solicitor, the city controller, and the Department of Finance, the Office of Management and Budget, and the City Council budget director prior to the meeting.

Now, we would like the testimony to be presented. I would ask the stenographer to please swear in those who wish to present testimony. If you change your mind in the audience and you want to present testimony, that's fine. But you will have to be sworn in. So just keep that in mind.

So those who are sure they're providing testimony, if you could please rise and raise your right hand.

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WITNESSES SWORN EN MASSE

HEARING OFFICER:

The Act 47 coordinator, Gordon Mann, from Eckert Seaman Public Financial Management will be the first to present the testimony.

Thank you, Mr. Mann.

MR. MANN:

Thank you, Madame Hearing Officer.

We're here to speak about the City of Pittsburgh and our recommendation that the Act --- that the City's status of a distressed municipality under Act 47 be rescinded. As is usually the case with our two firms, we've done a lot of work and have a very detailed report, which we're not going to present here today.

We're just going to give a summary of what we believe are the findings in support of our recommendation that the city exit oversight. And a few final thoughts on how this can ultimately be the last hearing ever under Act 47 for Pittsburgh, not just for now but into the future in terms of providing some guidance to prevent any future return to oversight here.

As Marita mentioned, I represent Public Financial Management. We're an independent financial advisory group in Philadelphia. We're also the Act 47 coordinators for the City of Reading and the City of New Castle. In New Castle, we serve as Act 47 coordinator with my colleague here to my right, Joel Lennon. Eckert Seamans has also been the Act 47 coordinator in Chester and Johnstown and the Boroughs of Rankin and Ambridge.

And off camera at the moment, my colleague, Vieen Leung, and our subject matter expert on capital and on pension, she'll talk in a little bit.

And two other people who I just wanted to get in the record, because they've been such an important part of this process all the way through, who I think are here with us in spirit, Jim Roberts and Dean Kaplan, who started this process 15 years ago. Jim retired a handful of years ago. Dean is still at Public Financial Management, but unable to join us today. And there have been a lot of people who share in the work that's gone into getting to today, in what we hope will a successful exit. But those two, in particular, deserve to be recognized one final time.

The law provides --- under Act 47 provides four criteria for the Secretary to consider in making a decision whether the city should exit Act 47. The four criteria --- the second and third criteria don't really apply to Pittsburgh. But they're the obligations related to financing the city's debt from a cash flow borrowing perspective be retired. That's never been an issue here. And that all claims and judgements that would threaten the solvency of Pittsburgh be retired. And again, that's never been an issue here.

The two claims that are --- the two criteria that are more important are the first and the fourth in the Act. The first one is --- kind of looks backwards in terms of saying that operational deficits in the past have been eliminated. And that that's likely to continue. And the fourth is that there's a reasonable projection that the City's finances will be balanced going forward. So that the City is in a position to not just exit Act 47, but again, stay out of Act 47 and stay on the path for long-term fiscal sustainability.

We found that all four criteria are present. The City of Pittsburgh meets all four criteria for exiting Act 47 and wanted to talk to you briefly about the first and the fourth, since again, those are the most significant and relevant here for Pittsburgh.

So the first criteria requires that the City, I'll read directly here, has eliminated all operating deficits and that the financial condition of the City demonstrates a reasonable probability of future balance budgets.

And if you had to summarize our work over 15 years or so in two slides, you would probably have these two slides that are here. This one takes a look at what the general fund revenues and expenditures have been for the City of Pittsburgh since just before Pittsburgh went into Act 47 in 2003, where there was about a $27 million deficit. Blue bar bigger than light bar. And then the results since then where, for the most part, on a year-to-year basis, they are reversed and not intended as an eye test. The simple conclusion here is the City has been balancing its budget pretty much on an annual basis for the last 15 years, since being in oversight under both Act 47 and the ICA.

There are a couple years in there. If you have a really discerning eye, you'll notice that the spending is higher than the revenues. But those read largely because of targeted investments. And the two real needs that drove the City's second stay in the Act 47 pension and capital projects. And we'll talk about those.

But aside from that, the City has balanced its budget on an annual basis. And we believe that that will continue into the future. So we believe that that's --- that the City checks that box.

And, you know, while most of our presentation here is fairly technical, I'll pause to say that this is the culmination of a lot of people's work. People who have sat here in this chamber, current mayor, former mayors, current council members, former council members, people who don't get to come up here and speak on the microphone as often, department leaders. The unions and the employees share in this. Eight of the nine unions negotiated Collective Bargaining Agreements that complied with the recovery plan the last time around. They deserve credit for that. The taxpayers, whether they know it or not, are paying a different tax structure now than they were 15 years ago. They deserve credit for that. And this has really been a collaborative and a team effort. And the ICA, who's been good partners on the oversight side over the years, including the current year.

So this is a rather dry, staid presentation of a team effort to do something that was not simple, and was not given when the City started 15 years ago, when they were questioned whether the City of Pittsburgh would even continue to be solvent.

The fourth criteria, look

forward, talks about whether there's --- whether the City has the chance to balance its budget going forward. And here, as part of the ICA's oversight, the City's required to do a five-year projection in its annual budget. So this part of the process is simplified to us in some ways. We worked with the city finance department, and always have over the 15 years, to review and test the accuracy and the reasonableness of the assumptions in the projection.

So what you have here is basically the projections that underlie the mayor's budget, which then Council passed in final form yesterday. And it shows a five-year projection of revenues and expenses. And it shows --- again, the key thing here is that revenues are anticipated to be in excess of expenditures. It's expected to be a balance budget over the next five years.

And plus, and this is

equally as important to us, the City is on course to make the recommended contribution to its employee pension plan. The City's going to continue to set aside money on an ongoing basis for capital projects. The City's going to continue to put money towards retiree health insurance. And it's going to maintain the reserves that it needs to deal with cash flow issues and unanticipated contingencies.

And none of those things are particularly exciting. But they're all hallmarks and the legs of the stool, if you will, for being financially sustainable. And those are all present in the City's budget. Again, we believe the City meets this criteria for exit of the oversight.

The last thing we wanted to talk about briefly is to move away from the technical criteria a little bit and provide some thoughts on what we heard when we started this process in February of this year. So February of this year, we met with the Mayor, Controller Lamb, all of the individual councilmembers and a handful of other people to say that we thought it was time to review the City's finances again and take a look at this question of rescission.

And what we heard uniformly from people who don't always agree on things understandably was both an agreement that the City was ready to get out, but concern that the City could return to the past practices that led to oversight 15 years ago. It's now been 15 years under oversight.

Council President Krause made this point to me, and it was something I had never thought about until he said it to me. He said, you know, I don't have any councilmembers here. We have a budget director. But I don't have any councilmembers here who have been through a budget process, other than through oversight. So what does that look like when oversight ends?

And we apply things that, you know, if these were --- you could think of this as the last thing your parents told you before you moved out on your own, or before you went off to college. These are the five things that we would say are the keys to making sure we don't come back, to making sure the City stays out of oversight going forward.

And the first one is very simple. The first one is make sure that you balance your budget on an ongoing basis. Not just whether you can pay for the things you have today, but whether you can pay for them on an ongoing basis tomorrow. This is the structural deficit or the structural balance phrase that you hear tossed around this time of year in annual budgets.

And what this means is every key decision, every budget decision, every collective bargaining proposal, every new program or hiring initiative, or tax policy change should be honestly and thoroughly reviewed from the prospective of will our recurring revenues pay for our recurring expenses. Not on a one-time basis, but sustainably over the years.

And this is, culturally, perhaps the biggest change that's happened in Pittsburgh since oversight happened. And it's happened again for councilmembers. It's happened for mayors and finance directors. Even as those persons and personalities have changed over the years, this has continued.

It's happened at the union level. For the most part in the last round of negotiations, the unions were cooperative participants in saying this is what we'd like to do, and this is what we think it costs. Let's talk about what's affordable over the long-term.

That's going to be key

going forward. When Act 47 is over, not too long after that, a lot of the Collective Bargaining Agreements expire. There will be annual budgets every year. There will be new programs and new initiatives every year. And the answer to those proposals and questions doesn't have to be no. That's not the point here. The answers just have to be can we afford them on an ongoing basis.

City Finance is fortunate in that it has a number of very capable, very strong people at the top of the organization. We've worked with them closely. And I personally have been impressed by their honesty and their thoughtfulness and their integrity in evaluating these questions. They should continue to be a part of that process going forward.

The second item is more technical in terms of when we began here, the City would pass the budget on a one-year basis. Under the ICA oversight, which is separate from what we're discussing here today, the City is required to do it on a five-year plan. I believe they're structural forms, which maybe just passed hours ago. I'm getting a thumbs-up there. But that's something that the City should continue. It should continue to do a multi-year budget. We believe it should continue to start in roughly September or so to give people the opportunity to review it in time.

This is not just things that accountants care about. This is something that banks and credit institutions care about. And why that matters is the higher your credit rating is the easier and cheaper it is to borrow money, which means the less it costs taxpayers. And that's one of the real tangible ways you can look at the City of Pittsburgh's progress from simplified above junk-bond status when the City started, which is basically nobody should touch you with a ten-foot pole from an investment prospective, to a mid to high level credit rating for a city of its size.

We're going to do a little tag team action. I'm going to step out and let Vieen talk about the next two points. And then I'll be back to wrap it up.

MS. LEUNG:

I'm going to talk a little bit about the pension and capital contributions. As Act 47 coordinators, we have always been emphasizing the importance of adequately funding the pension liabilities. In 2014, under the recovery plan specifically, we asked that the City, not immediately but gradually fund the pension liabilities at the entry --- recommended levels. You can sort of see the progress here, the bar chart on the screen there.

In 2009, immediately after recession, the funding status was at 34 percent. Six years later, the funding status is at 57 percent. A lot has happened in those six years. The City has gradually ramped up its funding level to above the minimum municipal obligation that the State required. The City has flushed the parking tax through liabilities. The City has also transferred about $45 million in 2011 just in pension funds. All these efforts led to an increase in the funding status as shown on the graph.

Moving forward, we're recommending that the City keep on funding at the minimum, the actuarially recommended level. You can see to the right of the graph there, we're at 57 percent of improvement since 2009. That's still lower than the national median, which is about 75 percent. And is still considered as moderately distressed according to the Act.

The fourth recommendation that we have is to keep on making pay-as-you-go contributions to the capital fund. When the City first entered oversight, the distress level was very, very high. In 2004, I believe debt service percentage expenditure was about 23 percent. Just to give you a context of how high that is, the City in 2011 adopted a policy that capped that amount at 12 percent. What that does is let the City, over the next couple of years since they entered oversight, spend a lot of pay-as-you-go contributions on capital investments. We made the City go on a debt diet. What that means is the City didn't get any additional general contribution box until 2012.

Then immediately after that, there's a bar chart there where there's a drop. You see that significant drop in 2019. Essentially, the amount in 2019 is about 50 percent less than what the City is currently paying these different expenditures.

We recommend that the City keep on managing this debt burden carefully, just as it has always been. You'll see that in the City's budget that it's capped at 12 percent. We also recommend that the City keep on paying its capital investments through pay-as-you-go contributions. We see that, again, in the City's budget that was just passed. Each year the City is assigning a portion of this fund balance to the capital investments and that way every year can contribute some pay-as-you-go contribution to capital plan. I recommend that the City continue to do so.

MR. MANN:

The last item is to maintain sufficient reserves. The government is not in the business of making money. That's not why the government exists. But it needs money to do the things that it does exist to do. And it needs reserves.

It can't balance its checkbook to the penny every month. That's not responsible. That's not stable. That's not sustainable. Governments need some level of reserves. And the target that we set initially in the first recovery plan was roughly five percent of your spending budget. We bumped it up to ten percent.

The national average, as the Hearing Officer is certainly very well aware from her work with GFOA, is actually 17 percent. We felt that ten percent was a reasonable target, given all of the other things that the City has to do with employee pensions, with retiree health insurance, with capital, and with all the other day-to-day operations of the City.

Maintaining those reserves is key. I think most of the people in the room understand this. But for those who may be hearing this testimony or reading a report later, that's not a slush fund and that's not extra money. That's not waste. That's necessary.

Maintaining some level of reserves at this level or frankly even a little bit higher is healthy and necessary. So we encourage the City and its officials to continue to do that.

Those are the five principles that we believe the City has within its power to enact to stay on the road to fiscal recovery. We believe the City meets the criteria now for exiting. We believe in the officials and the folks who are here, that they have the capacity to stay on that path.

And so after 15 years and a number of long nights, I think we're very happy to, again, submit our final recommendation --- hopefully our final recommendation that the City exit oversight.

HEARING OFFICER:

Thank you, Mr. Mann. I appreciate that.

Mr. Foreman?

MR. FOREMAN:

Thank you very much. For the record, my name is Michael Foreman, F-O-R-E-M-A-N. I work with the Department of Community and Economic Development in the Governor's Center for Local Government Services in the Southwest Regional Office.

And as of August 1st, I served as a liaison between the Department, the Act 47 coordinator team, and the City of Pittsburgh, succeeding Fred Reddig who fulfilled that role in the past for several years working with the City of Pittsburgh.

The City has entered the Act 47 oversight program in 2004. There have been recovery plan amendments since then that have continued to foster recovery that has led us to today. The current amended recovery plan of 2014 set five objectives in order to exit Act 47 oversight. They are eliminating operating deficits while preserving basic service, reducing the City's debt burden to provide more resources to support daily operations, increase the City's pension contributions recommended by its actuary, maintain a fund balance at an appropriate level as has been described by the coordinator, to avoid barring operations, and to provide the ability to adjust revenue shortfalls and/or expenditure increases.

The fifth is to direct more funding to the City's capital budget with a priority on roads and bridges, police, fire stations and other critical infrastructure.

As a result of meeting the five objectives, the City experienced recurring positive annual operating results. The City is adopting balanced annual budgets with revenues outpacing expenditures. Therefore, stabilizing its finances. Legacy costs for retiree healthcare, pensions, Workers' Compensation, and debt are being addressed to warrant rescission of the distressed designation.

The City is contributing to employee pension plans at above the minimum municipal obligation amount and improving their funding status. The City has reduced Workers' Compensation liability through settlement of existing claims. Retiree healthcare for new employees is eliminated.

The City established other post-employment benefits trust fund to hold monies to cover the long-term liability of retirees for health insurance with an annual allocation from the operating budget. The other post-employment benefit contribution is increasing on an annual basis. The City is implementing a debt policy guiding capital borrowing and debt management decisions.

The City is implementing a multi-year capital improvement program with projects based on priority. A capital improvement projects coordinator monitors the process, with a focus on timely implementation of projects and to handle financial reporting.

The City's progress is duly noted with state oversight. Act 47 provides four factors that the Department of Community and Economic Development Secretary shall consider in determining whether the conditions that led to the determination of the stress are no longer present.

The factors focus on, one, eliminating operating deficits and adopting future balanced budgets; two, obligations issued to finance the City's debt have been retired, reduced or reissued; three, all claims or judgements that would have placed the City in imminent jeopardy of financial default have been negotiated and resolved. And the fourth is the City has projected to have positive operating balances for the first five years after termination of the distress status.

As a result, the City achieved operating surpluses in 10 of the last 14 years, of which the City is showing an increase in its unallocated fund balance over the last two years. The City has no borrowings or loans, which are required to be repaid in order to exit Act 47.

The Act 47 coordinator rescission report indicates that regarding claims and judgements, the amount of current and anticipated estimates will not place the City in any imminent jeopardy of financial default. The five-year operating balances indicate a positive amount and will allow for annual transfers to the capital budget. Projections indicate positive trends.

In addition, the Act 47 coordinator rescission report provides five principles to long-term sustainability that have been presented by the coordinator. They are insure revenues cover expenditures. Adopt long-term financial plan --- adopt a long-term financial plan in conjunction with the annual budget process. Make annual contributions to employee pension plans at no less than the level recommended by the actuary. Continue to pay-as-you-go. Continue to make pay-as-you-go contributes to the capital improvement plan budget. Lastly, maintain sufficient reserves.

In closing, I endorse and support the recommendation being made to rescind a distressed designation by the Act 47 coordinator, as a result of Pittsburgh meeting the five objectives outline in the current amended recovery plan, as documented in the rescission report dated November 16, 2017 filed with the city clerk for public comment.

Rescission is appropriate because the City meets the four factors in Act 47 that indicate the conditions that led to a determination of financial distress are no longer present, that I've addressed above. Thank you.

HEARING OFFICER:

Thank you, Mr. Foreman.

Representing Mayor Bill Peduto and the administration is Sam Ashbaugh, the chief financial officer.

Mr. Ashbaugh?

MR. ASHBAUGH:

Great. Thank you very much.

HEARING OFFICER:

You're welcome.

MR. ASHBAUGH:

With the framework of the 2014 recovery plan that got us --- the City has produced balance budgets every year, received positive operating results, continued to put more money into the pension funds as recommended by the plan, maintained a healthy fund balance, increased our investment in critical infrastructure and limited other initiatives to improve city government operations.

We've also established much better and effective working relationships with City Council and city controller's office, because we all need to be partners in these efforts.

On behalf of Mayor Peduto and the rest of the leadership team, I would like to highlight some of the progress we've made over the last four years and why we believe we are ready to exit Act 47. Before the latest amendment to the plan was adopted, the original 2014 forecast demonstrated there would be minimal positive operating results over the next five years. After the plan was implemented and we had a number of initiatives to guide us, and due to the way we've managed the City's finances, we've been able to achieve positive operating results that have helped us to achieve the fund balance targets that are necessary to maintain the City's financial standing.

In terms of the pension funding status, in the first quarter of 2014, the pension fund was only 59 percent funded. As of the last evaluation this fall, the fund was 61 percent funded. And most importantly, we are projected to invest $232 million additional into the pension fund over the MMO over the next five years. That continues a similar trend of what we accomplished over the last four years.

In terms of debt service, when this administration began in 2014, almost 20 percent of the City's general fund was going to debt. It wasn't going to pay current employee's salaries. It wasn't going to, you know, buy vehicles for public safety or public works to deliver board services or do other good things for the residents of the City. It was going to pay for debt.

We've turned that ship around. And in 2019, debt service is projected to be only 13.4 percent of the City's general fund. But most importantly, that number will drop over the next few years to an even lower amount. So it's placing less of a burden on the City's general fund.

And we're able to accomplish this all while we're maintaining or implementing a new round of capital investments and responsible borrowing over the next four years in line with the City's debt policy. And by 2022, annual debt service expenditures will be almost 30 percent less than what they were in 2013, which is a significant improvement.

Healthcare and Workers' Compensation were a key factor noted in the Act 47 plan of where we needed to critically manage our expenditures. Early in the Peduto administration, we were facing significant increases in our employee healthcare costs unless something was done. Otherwise, we would have to find other places to cut expenditures to balance the budget.

Due to a number of initiatives, we have slowed the rate of growth by moving to a self-insured arrangement for healthcare as well as increasing our investment in employee wellness programs, which produce a lot of positive outcomes.

And through our commitment to workplace safety and employee safety, we have reduced the numbers of injuries, both those requiring medical attention, as well as those that require lost time. So our employees are healthier. They're at work. There are available to deliver services to the residents in the neighborhoods of the City, and it's costing us less money overall.

In terms of capital investment, after years of disinvestment, we've been able to make strategic investments in critical assets and infrastructure, including our roads, bridges, facilities. And we have been developing long-term investment and maintenance plans for all the City's assets to guide us in the future.

In terms of financial management practices, as highlighted by the coordinator, we reformed both the operating capital budget processes to align with the way of recommended practices and continue to implement those forms.

We've also improved our revenue forecasting process. So we --- including better economic data so we have more accurate and professional forecasts, in cooperation with the City Council, the controller and the oversight bodies.

We've also centralized and professionalized management functions, which has allowed us to deliver better customer service to city departments, who are our customers. We've also to professionalize the finance function have documented and developed financial policies to guide us. So as employees come and go, everyone knows what the policies and procedures are to guide our financial processes and improve internal controls, which also allows us to operate more efficiently and effectively.

Though, we've made a lot of these excellent changes and initiatives that were part of the Act 47 plan, we also need to --- as Mr. Mann highlighted, need to focus on our long-term financial stability if we exit Act 47. We've made a lot of progress. But as he mentioned, we've not returned to the practice in the past that put us in Act 47 back in the first place.

So if Secretary Davin rescinds the City's distress status, all of these stakeholders, whether elected officials, employees, unions, represent --- community members and residents need to have realistic expectations. We need to be able to afford what we plan to do and make sure we look at things from both the short-term, as well as the long-term process.

This means we need to carefully manage our employee compensation costs. We need to continue to operate more efficiently and effectively and not significantly expand the workforce unless we can afford it. We need to evaluate the five-year financial impact of any new program initiatives, so we know whether we can afford it now, as well as into the future. And finally, we need to strategically prioritize where we invest our scarce capital resources. Because we have a lot of needs, but we don't have enough funds to pay for everything.

Finally, I'd just like to thank the Act 47 coordinators for their work over the years as well as the new ICA leadership that has been in place and working with us very diligently over the last few years. I would also like to thank the city controller and the Council's budget office, and Councilwoman Rudiak, and the rest of the councilmembers for their work and collaboration throughout the last few years. We couldn't have done all this if we didn't work together.

So I just want to thank everyone for allowing us the opportunity to be here today and share our thoughts on why the city is ready to exit Act 47.

HEARING OFFICER:

Thank you, Mr. Ashbaugh. I appreciate that.

Councilwoman Rudiak, would you like to provide comment, please?

MS. RUDIAK:

Thank you. So my name is Natalia Rudiak. I am the financing chair of City Council. I have been for the past four years. I have some remarks about the budget that we just passed, as well as the five-year plan. So excuse me if I repeat myself in today's testimony. And I will also be delivering a budget address next Thursday at 10:00 a.m. in our final meeting of City Council, addressing the accomplishments that we've made over the years.

So I'm very proud that this year the operating budget that we passed, the $554 million operating budget that we passed and the $104 million capital budget puts the City on solid footing at the end of the Act 47 distress status. This five-year plan as was stated has projected $356 million in city operating and bond funds and $100 million more in matching private and federal sources.

The five-year plan also makes an unprecedented commitment to our city's pension by moving to pay-as-you-go, by putting more into the pension than benefits paid out without considering investment return. And I believe that this will allow the principal investment return to grow. And if this is continued for the next ten years, our pension will be more than 80 percent funded, and be out of distressed status by 2028.

But none of this happened overnight. Of course, I was not here in 2004. I'm one of the young'ns. And I know that there are some very tough folks before me and have counseled me. I thank for their past votes.

But I just want to talk a little bit about what happened during my tenure here as a councilmember for the past eight years. In 2010, Council created the City's Neighborhood First Capital Budget Reform Act, which began as a recommendation of Act 47. But we instituted a much more transparent capital budget process transitioning it from a wish list of unfunded promises to projects emanating from the community and a list of priorities.

And as finance chair, we

came back and amended the legislation in 2015 to clean up most of the unfunded projects and created a positive balance in the capital fund, while maintaining the integrity of the legislative process. In 2014, we started to form a positive effort with the Mayor, as Mr. Ashbaugh stated, to work to improve not only the finances of the City, but also to bring about systemic change.

In 2016, we developed a gift acceptance policy to perform proper accounting and ethical accountability for the City. And together, we amended the rules on purchasing by allowing the expansion of cost-effective options for the City, while maintaining accountability.

I'm also extremely proud that working with our council budget office and administration, we've codified some of the best practices from Act 47 through Ordinance 19 by having this council officially vote on the five-year plan every year and requiring the commitment on pension funding that exceeds state requirements.

I'm proud to have worked with our council budget office again to further amend Ordinance 19 in the past month to include a budgeting process of that earlier budget, as well as pay-as-you-go pension.

I also want to thank the administration for all the accomplishments that, again, Mr. Ashbaugh stated, but particularly the modernization of departments. I remember that when I started in 2010, having come from the private sector, I was shocked to find that some of our finance operations still use Excel to develop multi-million dollar budgets. But we have really worked on modernizing our budgets and implementing new software and tracking systems.

As the finance chair,

together we have worked on and improved the last four budgets and five-year plan with the City that has resulted in changing the City's financial position from one of fiscal uncertainty to one that not only gives us a stronger outlet, but one that also addresses the future for our children and low and moderate-income families. And this is perhaps one of my proudest accomplishments, that we were able to, again, balance the budget, but also do right by our taxpayers and our families.

There have been times on this council when I have been pressured to support exiting Act 47. But it hasn't been easy over the past few years. And like a sick patient, I didn't think that we were necessarily ready to leave the hospital before we were healthy. But I do think that we are healthy now.

And I want to thank, particularly our council's budget office, Mr. Urbanic and Mr. Strelic, as well as my fellow councilmembers. And I think I saw two come in the room, Councilwoman Gross and I think I saw Councilman Gilman. They've been here before. And again, I want to thank the Mayor's administration, and the unsung heroes of our financial management team from Act 47.

So I've held the finance chair over the past four years. And unfortunately, I won't be here next year to be a part of the Council that passes our first budget, but I have trust in the integrity and grace of our council to pass continued budgets in the future that have integrity and that the Mayor administration to support that process as well. So thank you very much.

HEARING OFFICER:

Thank you, Councilwoman.

Councilwoman Gross, would you like to speak?

MS. GROSS:

No, thank you.

HEARING OFFICER:

Okay.

I understand Councilman Gilman left? Okay. I didn't want to miss anyone.

Okay. Mr. Urbanic, would you like to speak?

MR. URBANIC:

However, I'd like to just make a couple comments. Pretty much everything's been said regarding the financial end. And I could repeat some of it. But I think, you know, one of the things I'm most proud of from my council, and as well as for the administration, would be the codification of your plan.

What Act 47 brought to us --- and I think it's just not the law, but truly the men and women that have worked with us all the way back from Jim Roberts and Dean Kaplan. Jim is enjoying being retired. And Jim, I'd like to hear from every once in a while. We became --- at one point started as an adversary, became a good friend along the way. And same with Dean and Gordon.

It's been an interesting road. I was one of the few people sitting at this table and in the audience I see --- Margaret, you were here? No, you weren't. There's only a few people left. Ralph, you weren't in your capacity then.

But there were a lot of huge changes that happened and came to the City all at once. I really want to thank Mayor Murphy for helping to identify Act 47 to start in this process.

And what I think really has changed has been a cultural change. And the most difficult thing I've found since my 27 years tenure here is what's most difficult to change is not the money amount, but the different union contract and such, it's really changing culture and how people think, and are able to behave later on. And that's happened here in the City. And that's why I truly think we're ready to get out of Act 47.

We started --- I'd just --- I really just really want to thank people. Especially Governor Rendell. Michael Masters that came up with a tax package reform for us. I would suggest payroll taxes utilized by all municipalities in the state, I'd like to see it applied to non-profits as well, but that's another state legislature ---.

HEARING OFFICER:

That's not for here.

MR. URBANIC:

Right. The state legislature, I'd like to thank them as well, too, for hearing us, for assembling the law surrounding this, as well as supplying us with the ICA. I think the burdens of opinions, including those coming from our firefighter's union, and particularly

Joe King, who was an adversary, but helped to form this. It's bringing together those opposite opinions and forging ahead. That helped us change that culture and ease us on.

So really, I'd just like to thank all those folks involved. Fred, I think to thank as well, too, your predecessor on this. He's always available. As well as the folks at PFM. If there was ever a question, they were always available. And I think that made a lot of difference in how the City was able to adapt and behave. And I particularly want to thank my council and past councils as well, too. It's a difficult change, specifically for them, too.

From a budgetary aspect, they were cut into a third financially. They watched recreation centers close in their council districts. They watched employees, long-time employees go. 200 police officers prior to Act 47 coming in and over 1,000 employees be shed through the process. So it was a very difficult time.

And my members, at first, had difficult votes. They made them. They made it through, including our current Mayor Peduto, who was a councilman, made one of those difficult votes. And I want to thank him.

More recently, I want to thank Sam Ashbaugh as well, too, for working closely with Council and bringing some of those best practices while a GFOA employee himself and making it easy to make some of those changes here where maybe in the past it was quite difficult to do.

But yeah, mine's more we're ready to go. We're ready to get out. The change is here. I think all the employees can accept it. Sam's word of caution is true. And this is for my council, and future councils, and administrations, we have to be cautious. But I think everybody has the good goal in mind. I believe our unions want to see the City succeed as well, too. And I think we're all on the same page at this point.

We're going to have differences of opinions. Still a little bit more framework needs to be helped out possibly on the state. But I think we're ready. So thank you.

HEARING OFFICER:

Thank you, Mr. Urbanic. Appreciate it.

Anyone else from the administration or Council that would like to speak? Is there anyone from an elected office who would like to speak?

Are there any other interested parties in the audience that would like to speak? Yes, please. Oh, you're not sworn in, though.

MR. CLARK:

Yes, I am.

HEARING OFFICER:

Oh, you were. Okay. Sorry. I just wasn't sure.

MR. CLARK:

My name is Reynolds Clark. I'm here as a common citizen. I'm a resident. My wife and I are residents of Squirrel Hill in the City of Pittsburgh. But also for full disclosure, I currently serve as the Interim Executive Director of the Intergovernmental Cooperation Authority for Cities of the Second Class, better known as the ICA of Pittsburgh.

But I'm here today to say thank you to the Act 47 team, as a private citizen for what you've done. When you first put the task on, and we talked about Mr. Roberts already and Mr. Reddig who sadly couldn't be here today, but you took on what was an ominous task under very difficult circumstances. But you persevered. You've worked with four administrations; Mayor Murphy, Mayor O'Connell, Mayor Ravenstahl, and Mayor Peduto.

And you stayed the course. And I truly believe as a citizen of the City of Pittsburgh, we owe you a sincere thank you for the work that you've done. And working in cooperation with the city staff and through my role in the ICA, I've had to work with city staff very closely and admire the professionalism that they now bring to the table also. So I'm here as a private citizen, but also in my role that I serve as a ICA.

I believe that the road that has been taken is a very difficult one. The outcome is, I think, extremely positive. The City has a five-year financial template that they can use as they move forward.

And too often, I think, those of us who do work in a public sector never really get to the finish line. There really isn't a celebration that's deserved. So I want this today to be a celebratory event. But again, from a personal standpoint, thank you very much for your outstanding work.

HEARING OFFICER:

Thank you, sir.

Anyone else that would like to provide testimony?

Okay. Hearing none, I would like to thank those in attendance at today's hearing. Thank you and congratulations to the City of Pittsburgh, the fine City of Pittsburgh, Mayor Peduto, members of the City Council, and the recovery team.

The Department of Community and Economic Development will respond to your request for a rescission, and we will proceed with the Act 47 exit process. The CED will present these findings to Secretary Dennis Davin for his consideration and official determination of rescission.

Thank you, again. And now, I will close the hearing.

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HEARING CONCLUDED AT 3:51 P.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, a hearing held before Chairwoman Kelley, was reported by me on 12/20/2017, and that I Juliette Hoffman read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

Juliette Hoffman

Court Reporter

Juliette Hoffman

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