

## Issue Summary

### Benchmarking Pittsburgh's Performance

#### *The Issue:*

Compared to the cities of Salt Lake (UT), Omaha (NE), Columbus (OH), and Charlotte (NC), Pittsburgh is far out of line on taxes, spending, and long-term obligations like debt, pensions, and workers' compensation. In order to be a better performing city, Pittsburgh simply must be more aggressive in addressing this disparity.

#### *What We Know:*

In 2004 we selected the four comparison cities based on the role they perform as the center of civic, recreational, educational, and cultural activity as well as employment for their region, much in the way Pittsburgh does. We collected data on a variety of indicators, ranging from city expenditures and taxes to debt and pension funding. We examined demographics and also included data on schools and authorities. Averaged together, the data constituted what became the Benchmark City. It would be used to gauge Pittsburgh's performance.

Our findings confirmed the following: Pittsburgh was far out of line on many of these indicators and, as a result, needed to make significant changes. While Pittsburgh was spending \$1,189 per capita, the Benchmark City average was \$803. If Pittsburgh moved aggressively to bring spending down to the Benchmark level, significant savings could have been achieved. This included making cuts in employment, looking to the private sector or the county to provide services, and generally downsize itself.

Fast forward to 2007: in the intervening years Pittsburgh had been officially declared distressed under Act 47 and it was also granted a tax reform package as well as an oversight board to watch its finances. We decided to revisit the Benchmark study to see what changes these reforms made. Our findings revealed improvement in some areas, including fire spending and fire staffing, but the gaps between Pittsburgh and the Benchmark City still persisted. For instance, while the City of Pittsburgh was spending 48 percent more in 2004, it is spending 35 percent higher than the Benchmark City in 2007. While that is an improvement, it is not significant enough to make a big splash.

Where these gaps were most pronounced was in the area of debt, pension funding, authority assets, and workers' compensation. Not surprisingly, these are the areas that have not attracted a lot of attention from either of the state's overseers.

#### *Recommendations:*

It is fair to say that through the end of the decade the City is in "stasis" as the reforms put into place in 2003 and 2004 play out. The oversight board is set to expire in 2011 unless it is extended; the Act 47 team is in place indefinitely; the tax reforms that raise some

taxes while offsetting those increases with reductions plays out until 2010. As such, the prevailing attitude is one of “wait and see”. At the same time, if spending projections continue at a pace of a 3 percent increase every year through 2011 and population continues to fall to 300,000 by that year, per capita spending will stand at just under \$1,600.

Taking small, cautious steps is not the approach Pittsburgh needs, but that appears that is what we will get. Pittsburgh’s governing officials must act decisively to reduce payroll and spending if it is to have any hope of recovery.

*Allegheny Institute References:*

*Pittsburgh's Finances: An Updated Comparison with the Benchmark City.* Report # 07-05. [www.alleghenyinstitute.org/reports/07\\_05.pdf](http://www.alleghenyinstitute.org/reports/07_05.pdf)

*A Benchmark City for Pittsburgh to Emulate.* Report # 04-05. [www.alleghenyinstitute.org/reports/04\\_05.pdf](http://www.alleghenyinstitute.org/reports/04_05.pdf)

*Pittsburgh Finances: A Long Way to Go. Policy Brief: Volume 7, No. 34.* [www.alleghenyinstitute.org/vol7no34.pdf](http://www.alleghenyinstitute.org/vol7no34.pdf)

*A Benchmark City for Pittsburgh to Emulate. Policy Brief: Volume 4, No. 27.* [www.alleghenyinstitute.org/vol4no27.pdf](http://www.alleghenyinstitute.org/vol4no27.pdf)