



ALLEGHENY INSTITUTE

FOR PUBLIC POLICY

*A Benchmark City for Pittsburgh to
Emulate*

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Summary and Key Findings

When compared to the performance of the "Benchmark City"--a composite city created by taking the finances, organization, and practices of four geographically dispersed hub cities to form a benchmark municipality--Pittsburgh does not stand up favorably. It spends more, taxes more, is more expensive with regards to workers' compensation, under-funded on pensions, has several large authorities connected to it, and is hampered by the spending and taxation of the Pittsburgh schools.

Examining the recent finances, personnel, and other factors related to Pittsburgh and the four cities used to make the Benchmark City average (Salt Lake, Columbus, Omaha, and Charlotte), Pittsburgh does not compare favorably. As such, there is a clear need to make significant changes.

Among this report's Key Findings:

- The Benchmark City has lower general fund spending (per capita) at \$803 as opposed to Pittsburgh's \$1,189.
- The Benchmark City, consequentially, takes \$347 less in tax dollars (per capita) than Pittsburgh.
- The Benchmark City is significantly lower on staffing (per 1000 people) than Pittsburgh. While there are 8 general fund employees per 1000 people in the Benchmark City, Pittsburgh has 11 per 1000.
- The Benchmark City's authorities hold significantly fewer assets than Pittsburgh. The per capita holdings in the Benchmark City amount to \$806 versus more than \$4,500 per capita in Pittsburgh.
- The Benchmark City has lower salaries for police and fire personnel.
- The Benchmark City is spending nearly less than half as much as Pittsburgh for public schools. On a per capita basis, the Benchmark City spends \$892 while Pittsburgh's total stands at \$1,601 per person.

Officials steering Pittsburgh on the road to recovery need to tackle not only the complex issues with the finances the City controls, but also must make every effort to right the performance of the high spending and taxing Pittsburgh school district and the activities of the City's authorities, find a creative solution for the debt and pension problem, and instill a sense of competition and efficiency into the City's service delivery functions.

Introduction

If Pittsburgh were performing at the level of a well-governed American city in 2004, what would its finances look like? How would it be organized with respect to authorities, pensions, and workers' compensation? How many employees would it have?

In order to construct this model American city--what we term the "Benchmark City"--we have examined four geographically dispersed cities that act as a hub for their regions. The cities selected include Charlotte (NC), Columbus (OH), Omaha (NE), and Salt Lake (UT). The average performance on each category comprises the performance of the Benchmark City.

They act as centers for employment, entertainment, recreation, education, and transportation. In this way they are quite similar to the role Pittsburgh plays in southwestern Pennsylvania. However, they vary substantially from Pittsburgh in taxes levied, number and scope of authorities, pension arrangements, and staffing levels. Most important, they provide a goal for Pittsburgh to strive toward as it tries to remedy its financial problems and establish itself as an economically competitive city.

Explanation of Variables

The variables chosen were selected to provide as complete a picture of the Benchmark City as possible. As with previous studies of other cities, the emphasis was first placed on the day-to-day operating costs of the cities by examining the general fund expenditures and the tax sources that support those services. This measure gives an indication of the cost and efficiency by which basic services are provided. Second, data on the important public safety costs of police and fire services, which are often the most costly functions in each city's budget, were collected to offer comparisons on spending, staffing, and salary levels in Pittsburgh and the Benchmark City.

We went further in this study to incorporate other important factors that are critical to solving the City of Pittsburgh's problems: authorities, schools, debt, pensions, workers' compensation, and efforts at privatization and outsourcing. As such, our data collection and analysis drew upon numerous sources of city financial information (Comprehensive Financial Reports, audits, collective bargaining agreements, etc.) in order to create a more complete picture. This is necessary for Pittsburgh because any long-term, viable solution to the City's finances will depend on finding a way to tackle these separate issues in a deliberative and creative manner.

The table on the following page provides a comprehensive look at how the Benchmark City and Pittsburgh compare. Following that is a breakout and analysis of the most critical factors of performance and comparison.

Benchmark City Vs. Pittsburgh

<i>Category</i>	<i>Benchmark City</i>	<i>Pittsburgh</i>	<i>Difference between Pgh and BC</i>
<i>Financial Statistics (Per-Capita)</i>			
General Fund (including municipal debt service)	\$ 803	\$ 1,189	\$ 386
General Fund Taxes	\$ 551	\$ 898	\$ 347
General Fund Other	\$ 250	\$ 287	\$ 37
Police	\$ 234	\$ 275	\$ 41
Fire	\$ 154	\$ 247	\$ 93
Net Bonded Debt	\$ 814	\$ 2,716	\$ 1,902
Debt Service	\$ 96	\$ 271	\$ 175
Authority Assets	\$ 806	\$ 4,514	\$ 3,708
Workers Compensation Claims	\$ 13.50	\$ 60	\$ 47
<i>Pension, Actual Level</i>			
Funded Pension Level(%)	89	51	(38)
<i>Staffing</i>			
General Fund Employees (per 1000)	8	11	3.0
Total Police Employees (per 1000)	3	3.4	0.4
Total Fire Employees (per 1000)	2	2.8	0.8
Total Authority Employees (per 1000)	1	2.6	1.6
<i>Public Safety Pay</i>			
5th Year Police Officer	\$ 47,969	\$ 53,954	\$ 5,985
5th Year Firefighter	\$ 45,342	\$ 52,122	\$ 6,780
<i>Demographics</i>			
2002 Population	471,612	327,898	(143,714)
2000-02 Population Change (%)	2	-2	(4.0)
2000 Per Capita Income	\$ 22,445	\$ 18,266	\$ (4,179)
Square Miles	170	55	(115.0)
Metro Area Job Growth (%), 1994-2004	22	8	(14.0)
<i>Schools</i>			
<i>Financial Statistics (Per-Capita)</i>			
General Fund (including debt service)	\$ 892	\$ 1,601	\$ 709
General Fund Taxes	\$ 403	\$ 862	\$ 459
<i>School Demographics</i>			
Enrollment	62,617	35,147	(27,470)

Demographics

The Benchmark City is larger in area, has higher per capita income, and greater population growth than that of Pittsburgh. Of the cities in the Benchmark, only Salt Lake experienced negative population growth from 2000 to 2002.¹

City Demographics

City	2002 Population	2000 Per Capita Income	Population Change, 2000-02 (%)	Square Miles
Salt Lake	181,266	\$20,752	-0.3	111
Columbus	725,228	\$20,450	1.9	212
Charlotte	580,597	\$26,823	3.9	242
Omaha	399,357	\$21,756	2.4	115
Average	471,612	\$22,445	2	170
<i>Pittsburgh</i>	327,898	\$18,266	-2	55

Additionally, as a percentage of the county and metropolitan area population, Pittsburgh is quite smaller than the Benchmark City.²

City as Percentage of Larger Units

City	City Population as % of County Population	City Population as % of Metro Population
Salt Lake	20	14
Columbus	67	49
Charlotte	79	41
Omaha	85	57
Average	63	40
<i>Pittsburgh</i>	26	14

Pittsburgh--as a metro area--has also lagged behind the Benchmark City (also measured by respective metropolitan areas) in terms of job growth over the last decade.³

¹ U.S. Census Bureau "Population Estimates for Cities and Towns". (<http://eire.census.gov/popest/data/cities/tables/SUBEST2002-03.php>). Per capita income from American Fact Finder (<http://factfinder.census.gov/servlet/QTGeoSearchByListServlet>) Square miles for each city is from Bureau of Census, City and County Data Book (www.census.gov)

² U.S. Census Bureau, County Population Estimates (<http://eire.census.gov/popest/data/counties/CO-EST2003-01.php>) and Metro Areas (<http://eire.census.gov/popest/archives/metro/ma99-01.txt>)

³ Bureau of Labor Statistics, Total Non-farm Employees 1994 and 2004 for metro areas (<http://data.bls.gov/labjava/ouside.jsp?survey=sm>)

Metro Area Job Growth

City	Metro Area Job Growth (% change, 94-04)
Salt Lake	18
Columbus	26
Charlotte	24
Omaha	19
Average	22
<i>Pittsburgh</i>	8

Private, non-farm employment in the Benchmark City metro area was nearly three times of that in the Pittsburgh MSA during the period from 1994 to 2004.

General Fund Taxes and Spending

Benchmark city general fund expenditures (including debt service) were \$803 per capita: individual city levels were Charlotte (\$648), Omaha (\$712), Columbus (\$873), and Salt Lake (\$980). If Pittsburgh were spending at the Benchmark City level--(\$803 per capita instead of \$1,189 per capita)--it would have \$125 million less in outlays than it does at present. This would be more than enough to overcome any present or future budget calamity.

Per capita taxes were higher in Pittsburgh (\$898) versus the Benchmark City average of \$551. Individual levels were Charlotte (\$491), Omaha (\$502), Columbus (\$530), and Salt Lake (\$681). In other words, Pittsburgh is collecting \$113 million more in taxes than it would if it operated at the Benchmark City level. Pittsburgh collects more different types of taxes and higher business taxes than the Benchmark City.⁴ Pittsburgh levies taxes on parking, amusements, gross receipts, real estate transfers, and occupational privilege in addition to the more commonly occurring taxes on real estate and income/wages.

⁴ Salt Lake City: 2003-04 Budget (www.ci.slc.ut.us/finance/2004budget/pdfs)

Charlotte: 2004 Budget

(<http://www.ci.charlotte.nc.us/Departments/Budget++City/Operating+Budget/Home.htm>)

Columbus: 2004 Budget (<http://mayor.ci.columbus.oh.us>)

Omaha: 2003 Budget (<http://www.ci.omaha.ne.us/departments/finance/budget2003final/default.htm>)

Pittsburgh: 2004 Budget (www.city.pittsburgh.pa.us/main/html/budget.html#2004)

General Fund Spending and Taxes

City	Per Capita General Fund Expenditures Including Municipal Debt Service	Per Capita General Fund Taxes--Property	Per Capita General Fund Taxes--Income/Wages	Per Capita General Fund Taxes--Sales	Per Capita General Fund Total Taxes	Per Capita General Fund Total Non-Taxes
Salt Lake	\$ 980	\$ 334		\$ 222	\$ 681	\$ 297
Columbus	\$ 873	\$ 62	\$ 464		\$ 530	\$ 344
Charlotte	\$ 648	\$ 367		\$ 77	\$ 491	\$ 159
Omaha	\$ 712	\$ 120		\$ 302	\$ 502	\$ 201
Average	\$ 803	\$ 221	\$ 464	\$ 200	\$ 551	\$ 250
<i>Pittsburgh</i>	<i>\$ 1,189</i>	<i>\$ 390</i>	<i>\$ 143</i>		<i>\$ 898</i>	<i>\$ 287</i>

The Benchmark City has 8 employees per 1000 people. This ranges from 7 in Columbus and Omaha, 8 in Charlotte, and 9 in Salt Lake. By contrast, Pittsburgh had 11 employees per 1000 people. If Pittsburgh were staffed at the Benchmark City per 1000 level, it would have 984 fewer employees.⁵

General Fund Employees

City	General Fund Employees per 1000
Salt Lake	9
Columbus	7
Charlotte	8
Omaha	7
Average	8
<i>Pittsburgh</i>	<i>11</i>

Property Tax Rates

All of the cities in the Benchmark--as well as Pittsburgh--levy taxes on property. While Pittsburgh's falls only on real estate, the other cities cover personal property as well. It should be noted that Pittsburgh did have a personal property tax, but it was eliminated by the creation of the additional 1 percent sales tax under the Regional Asset District.

The common occurrence of a property tax allows for some comparison of rates and taxes on \$1,000 of market value in the Benchmark City and in Pittsburgh. The table below outlines this data.

⁵ Salt Lake City: 2003-04 Budget (www.ci.slc.ut.us/finance/2004budget/pdfs)

Charlotte: 2004 Budget

(<http://www.ci.charlotte.nc.us/Departments/Budget++City/Operating+Budget/Home.htm>)

Columbus: 2004 Budget (<http://mayor.ci.columbus.oh.us>)

Omaha: 2003 Budget (<http://www.ci.omaha.ne.us/departments/finance/budget2003final/default.htm>)

Pittsburgh: 2004 Budget (www.city.pittsburgh.pa.us/main/html/budget.html#2004)

Property Taxes

City	Property Tax Millage (Combined City, County, School)	Property Taxes on \$1,000 of Market Value (adjusted to 100% assessed)
Salt Lake	12.9	\$ 9.02
Columbus	79.96	\$ 26.65
Charlotte	13.067	\$ 13.07
Omaha	7.46	\$ 7.46
Average	28.3	\$ 14.05
<i>Pittsburgh</i>	29.41	\$ 29.41

The column describing property tax millage is simply the combined rates of the city, county, and school district. In some of the cities in the Benchmark, there are additional mills added by special districts, libraries, and other entities that are able to access the property tax base for specific purposes. Since that is not able to occur in Pennsylvania, the comparison here is limited to the three traditional taxing bodies. In addition, adjustments were made to the rates of Salt Lake and Columbus to equalize assessment on a ratio of 100 percent assessed value. Since Salt Lake's taxable rate is 70 percent of assessed value and Columbus' is 33 percent, the millage rates were adjusted downward to keep the taxes on \$1,000 of market value consistent.⁶

As can be seen from the table, the combined general government property tax on \$1,000 of market value in Pittsburgh is more than double that of the Benchmark City average. This is a deterrent to property ownership in the city limits by residents and businesses alike.

Police and Fire

The Benchmark City expenditure on police (including benefits) was \$234 per capita. This consisted of the following totals: Omaha (\$186), Charlotte (\$235), Salt Lake (\$239), and Columbus (\$276). Pittsburgh exceeded the average by roughly \$40 per capita (\$275).

The Benchmark City expenditure on fire (including benefits) was \$154 per capita. This consisted of the following totals: Charlotte (\$116), Omaha (\$141), Salt Lake (\$149), and

⁶ Salt Lake City: Property Tax Rates, Direct and Overlapping Governments (www.ci.slc.ut.us/accounting/CAFRread.pdf).

Columbus: Property Tax Rates, Direct and Overlapping Governments (www.auditor.ci.columbus.oh.us)

Pittsburgh: Allegheny County Office of the Treasurer (www.county.allegheny.pa.us)

Charlotte: Property Tax Rates, (<http://www.ci.charlotte.nc.us/Departments/Finance+-+City/Publications/2003+CAFR.htm>)

Omaha: Property Tax Rates, (<http://www.ci.omaha.ne.us/departments/finance/budget2003final/default.htm>)

Columbus (\$209). If Pittsburgh (\$247 per capita fire) spent at the Benchmark City level, savings in the order of \$30 million could be achieved.

When measuring police and fire personnel, the Benchmark City has 3 police employees per 1000 people and 2 fire employees per 1000 people.

On police, the totals ranged from 2.4 in Omaha, 3.1 in both Columbus and Salt Lake, and 3.4 in Charlotte. Pittsburgh was slightly higher at 3.4 per 1000.

Pittsburgh is staffed higher on fire personnel (2.8 per 1000) than the Benchmark City average of 2 per 1000. The totals in the Benchmark range from 1.6 in Omaha, 1.7 in Charlotte, 2 in Salt Lake, and 2.2 in Columbus.

It is also important to note that the Benchmark City is quite large in terms of square miles (170 square mile average) in comparison to the 55 square miles in Pittsburgh. That means that public safety personnel in the Benchmark City service many more square miles than in Pittsburgh.

Police and Fire Spending and Staffing

City	Per Capita Police Expenditure	Per Capita Fire Expenditure	Police Employees per 1000	Fire Employees per 1000
Salt Lake	\$ 239	\$ 149	3.1	2
Columbus	\$ 276	\$ 209	3.1	2.2
Charlotte	\$ 235	\$ 116	3.4	1.7
Omaha	\$ 186	\$ 141	2.4	1.6
Average	\$ 234	\$ 154	3	2
<i>Pittsburgh</i>	\$ 275	\$ 247	3.4	2.8

An examination of salaries for police and fire personnel also cast light on the situation in Pittsburgh. The common measuring point for police and fire utilized here is the salary for an officer/firefighter with four years experience in the department.⁷

⁷ Salt Lake City: Labor Documents (<http://slcilp.slcgov.com/LaborDocuments/lpext.dl/23b?fn=document-frame.htm&f=template>)

Columbus: Contract between City of Columbus and Fraternal Order of Police and Contract between City of Columbus and Columbus Firefighters

Charlotte: Charlotte Fire Department personnel office. Charlotte-Mecklenburg Police Department personnel office—Public Safety Pay Plan.

Omaha: City of Omaha Department of Payroll--Police Bargaining Pay Plan and Fire Bargaining Pay Plan.

Pittsburgh: Salary Tables for Police and Fire (www.city.pittsburgh.pa.us)

Police and Fire Salary Comparison

City	Average Salary for Police Officer with 5 Years Experience	Average Salary for Firefighter with 5 Years Experience
Salt Lake	\$ 42,972	\$ 40,740
Columbus	\$ 55,681	\$ 50,752
Charlotte	\$ 42,151	\$ 39,318
Omaha	\$ 51,072	\$ 50,556
Average	\$ 47,969	\$ 45,342
<i>Pittsburgh</i>	\$ 53,954	\$ 52,122

Authorities

Although they are separate entities governed by an appointed board of directors, authorities are important to the service delivery capacity, financial standing, and quality of life in a city. In Pittsburgh, authorities perform such functions as delivering water and maintaining sewers, providing low-income housing, operating parking facilities, and redeveloping property. To be sure, many of these services can be--and, in fact, often are--performed by the private sector. Given the considerable financial holdings and the level of services provided by these entities, they are important components in any long-term financial recovery in Pittsburgh. They might provide a source of non-tax revenue, and they should not be left unexamined.

The two measures we considered in regards to authorities were their most recent asset holdings (on a per capita basis) and authority employment (on a per 1000 person basis). In Pittsburgh, we examined the following authorities: Water and Sewer, Housing, Redevelopment, Parking, and Stadium. These authorities have boards of directors exclusively appointed by city officials. The City also makes appointments to the Sports and Exhibition Authority, Allegheny County Sanitary Authority, and the Regional Asset District. Those latter three are not considered in this analysis, though they would clearly have an upward effect on the City's level of assets and employment.

The Benchmark City likewise has authorities, but not of the exact nature as Pittsburgh. State laws governing the creation and composition of authorities no doubt play a role here--as do the views of elected officials in each city as to the proper location of control and administration of the service in question (whether it is a departmental function or something to be spun off into a separate entity).

Salt Lake has three authorities. Their Housing Authority is comprised of a board of directors appointed by city council. Authorities on Redevelopment and Municipal Building are actually the council reorganized as a board of directors. They hold separate meetings at times other than when they meet as council.

Columbus has the most authorities in the Benchmark at five--Transit, Airport, Recreation, Housing, and Solid Waste. All of the boards of these authorities are mixed appointments, with the city's mayor making appointments along with county commissioners or other governing bodies.

Omaha has a newly created Metro Entertainment and Convention Authority, which manages an arena and a convention center. It does not have the ability to issue bonds. The city also has a Housing Authority to perform similar functions to that of Housing agencies in the other cities.

Charlotte has a Housing Authority and a Convention Authority.⁸

Authority Assets

City	Per Capita Authority Assets
Salt Lake	\$ 1,581
Columbus	\$ 1,269
Charlotte	\$ 218
Omaha	\$ 155
Average	\$ 806
<i>Pittsburgh</i>	\$ 4,514

As we see here, the asset holdings of authorities in Pittsburgh far exceed those in the Benchmark City--five times more, in fact, on a per-capita basis. Both the Pittsburgh Water and Sewer Authority and the Urban Redevelopment Authority had asset totals in excess of \$500 million dollars at the end of 2002, according to the City's Comprehensive Financial Report.

⁸ Salt Lake City: Balance Sheet of Redevelopment and Municipal Building Authority Assets as of June 30, 2003 (www.ci.slc.ut.us/accounting/CAFRread.pdf). Housing Authority Assets from Balance Sheet of Assets as of June 30, 2003

Columbus: Balance Sheet of Authority Assets as of December 31, 2002

Solid Waste Authority of Central Ohio, Central Ohio Transit Authority, and Metro Housing Authority (www.auditor.state.oh.us) and Balance Sheet of Authority Assets as of December 31, 2003

Joint Recreation District and Regional Airport Authority (www.auditor.ci.columbus.oh.us)

Pittsburgh: Balance Sheet of Authority Assets as of December 31, 2002

Water and Sewer, Redevelopment, Parking, and Stadium

(www.city.pittsburgh.pa.us/co/assets/City_of_Pgh_CAFR_Final_2002.pdf)

Housing Authority, Statement of Assets for 2002 (www.hacp.org)

Charlotte: Auditorium-Coliseum-Convention Center Authority. Phone conversation with Larry Williams, Director of Finance and Administration.

(<http://www.charlottecoliseum.com/default.asp?main=aboutus.asp>).

Omaha: MECA: <http://www.qwestcenteromaha.com/meca/default.htm>

Authority employment--on a 1000 person basis--came from websites or from conversations with authority officials.⁹

Authority Employees

City	Authority Employment per 1000 People
Salt Lake	0.6
Columbus	2.2
Charlotte	0.7
Omaha	0.6
Average	1
<i>Pittsburgh</i>	2.6

That Pittsburgh's authority employment far exceeds that of the Benchmark City is not surprising. Authorities of the City are conveniently viewed as additional employment opportunities by workers, and there is some history that the City views those authorities as a "way out" of paring the City's own workforce totals. For instance, once the Water and Sewer Authority took over operating the City's water system, the 260 employees of the Water Department became authority employees.¹⁰ More recently, the authorities were suggested as soft landing spots for City workers who might be displaced under spending reform plans.¹¹

Authorities are problematic because they offer chances for unbridled patronage--jobs are filled, developers related to projects funded by an authority may end up on the board of directors, and the cycle continues. Authority governance and operations should be above board and open and accountable to the public. And in the current situation for Pittsburgh, they need to be part of the overall solution.

⁹ Salt Lake: E-mail conversation with Laurie Donnell, Department of Finance and E-mail conversation with Rosemary Kappes, Director of Housing Authority of Salt Lake City

Columbus: Phone Conversations with Brittany Hyatt of Solid Waste Authority; Daryl Cousins of Housing Authority; Sharon Csee of Airport Authority; Paul Redman of Recreation District. Transit Authority website (www.cota.com)

Omaha: Phone Conversations with Omaha Housing Authority, and with Metropolitan Entertainment and Convention Authority.

Charlotte: Phone conversations with Charlotte Housing Authority and with Larry Williams of the Charlotte Coliseum Authority.

Pittsburgh: Pittsburgh Water and Sewer Authority Website (www.pgh2o.com); Housing Authority (www.hacp.org/career/careerhu.jsp); Redevelopment Authority (www.pittsburghlive.com/x/search/s_196161.html); No response from Pittsburgh Parking Authority; Stadium Authority shares minimal staff with Sports and Exhibition Authority, so number of employees for Stadium Authority was considered zero.

¹⁰ Comprehensive Financial Report for the City of Pittsburgh, Note on Cooperation Agreement and System Lease of water system.

¹¹ Dave Copeland "City Tries to Help Workers" *Pittsburgh Tribune-Review*, June 25, 2004 (www.pittsburghlive.com/x/search/s_200480.html)

Pensions

Pittsburgh currently has three pension programs for its employees--one for police employees, one for fire employees, and one for all other (municipal) employees, including employees of the Water and Sewer Authority.

In contrast to Pittsburgh, some cities in the Benchmark (Salt Lake and Columbus) are part of statewide pension programs (police and fire are commonly separated from all other pension programs) rather than on a city basis. Thus, the statewide funding level serves as a proxy measure for the Benchmark City funding level. Charlotte has two pension plans--for police and fire--while other municipal employees are part of the state plan. In Omaha, there are two plans--a combined plan for police and fire and another for city personnel.

The comparison measure taken here is the percentage of pension plans that are funded (actuarial value of assets as a percentage of actuarial accrued liability). Pittsburgh is 51% funded; the Benchmark City (counting Omaha at 77%, Charlotte at 97%, Salt Lake at 94% and Columbus at 89%) average would be 89% funded.

Charlotte's pension provides 1.78% of final income per year of service compared to Pittsburgh at 2.2% up to 30 years and 2.5% for years over 30.¹²

Pension Plans

City	% of Funding for Pension Plans
Salt Lake	94
Columbus	89
Charlotte	97
Omaha	77
Average	89
<i>Pittsburgh</i>	51

¹² Salt Lake City: Pension Schedule of Funding Progress as of December 31, 2002 (www.urs.org)

Columbus: Pension Schedule of Funding Progress as of December 31, 2002

Ohio Public Employee Retirement System, 2003 CAFR (www.opers.org)

Ohio Police and Fire Pension Fund, 2003 CAFR (www.op-f.org)

Pittsburgh: Pension Schedule of Funding Progress as of January 1, 2002

(www.city.pittsburgh.pa.us/co/assets/City_of_Pgh_CAFR_Final_2002.pdf)

Charlotte: Notes to the Financial Statements—Pension Plans and Other Benefits

<http://www.ci.charlotte.nc.us/Departments/Finance+-+City/Publications/2003+CAFR.htm>

Omaha: *Reports to Members of the Police, Fire, and Civilian Employee's Retirement Systems*. Fax and Phone conversations Deb Sander with City of Omaha Budget Office.

Workers' Compensation

Workers' compensation is a big issue for the City of Pittsburgh. It is self insured for paying out compensation awards, and many employees view an on the job injury as a benefit.¹³

The comparison used for workers' compensation is claim payments made in the most recent year.

Based on a report by the IMC Corporation on the state of workers' compensation in Pittsburgh (2003)--\$19.7 million; per capita amount of \$60¹⁴.

Workers' Compensation Claim Payments

City	Workers' Compensation Payments, Per Capita
Salt Lake	\$ 6
Columbus	\$ 42
Charlotte	\$ 3
Omaha	\$ 3
Average	\$ 13.50
<i>Pittsburgh</i>	<i>\$ 60</i>

¹³ Industrial Medical Consultants, Inc. The executive summary notes that the "high indemnity costs are a result of several factors...[including] a work culture that appears to view work-related disability as a benefit rather than a liability".

¹⁴ Salt Lake City: 2002-03 Claim Payments (www.ci.slc.ut.us/accounting/CAFRread.pdf)
Columbus: 2003 Claim Payments (e-mail response from Jane Dunham, City of Columbus Finance Office)
Pittsburgh: 2002 Claim Payments (www.city.pittsburgh.pa.us/co/assets/City_of_Pgh_CAFR_Final_2002.pdf)
Charlotte: 2003 Claim Payments (fax from Scott Denham, Charlotte-Mecklenburg Risk Management Office)
Omaha: 2003 Claim Payments (phone response from Debra Sander, City of Omaha Budget Office).

Debt and Debt Service

Pittsburgh has triple the per capita debt and per capita debt service of the Benchmark City.

Debt and Debt Service Levels¹⁵

City	Per Capita Net Bonded Debt	Per Capita Debt Service	Municipal Debt Service as % of General Fund Expenditure (Debt Service Included)
Salt Lake	\$ 501	\$ 66	7
Columbus	\$ 824	\$ 139	16
Charlotte	\$ 755	\$ 67	10
Omaha	\$ 1,174	\$ 113	16
Average	814	\$ 96	12
<i>Pittsburgh</i>	\$ 2,716	\$ 271	23

Much of the long-term debt problem of the City of Pittsburgh has been exacerbated by the City's decision to issue non-callable pension bonds to bring the funding levels of its pension systems up to par. This has caused long-term problems with the City's ability to borrow for vital infrastructure needs and has driven up the burden of annual debt service.

Reducing the level of debt will be a key element in solving Pittsburgh's long-term financial crisis. Creative means will be necessary to reduce the debt overhang, but one must be found.

¹⁵ Salt Lake City: Net Bonded Debt Per Capita (www.ci.slc.ut.us/accounting/CAFRread.pdf) and Debt Service from budget (www.ci.slc.ut.us/finance/2004budget/pdfs)
 Columbus: Net Bonded Debt Per capita (www.auditor.ci.columbus.oh.us) and Debt Service from budget (<http://www.mayor.ci.columbus.oh.us/2004budget>)
 Pittsburgh: Net Bonded Debt Per Capita (www.city.pittsburgh.pa.us/co/assets/City_of_Pgh_CAFR_Final_2002.pdf) and Debt Service from budget (www.city.pittsburgh.pa.us/main/html/budget.html#2004)
 Charlotte: Net Bonded Debt Per Capita <http://www.ci.charlotte.nc.us/Departments/Finance+-+City/Publications/2003+CAFR.htm> .
 Omaha: Per Capita Net Direct Obligation Bonded Debt. http://www.ci.omaha.ne.us/departments/finance/budget2003final/_Sec%20A.pdf

Privatization and Outsourcing

Privatization and outsourcing have seen mixed results in the last five years in the Benchmark City. Salt Lake County operates animal control for the city. The County replies to an RFP from the City for field services and shelter services. A decision to privatize the city's impound lot was nixed when it was found that it would have been cheaper to operate in house.

Columbus has not undertaken any initiatives in the last five years.

The City with the most extensive privatization strategy is Charlotte. Charlotte privatizes or competitively contracts out services in utilities, finance, transportation, business support services, and solid waste. Of the 12 functions that are privatized or competitively contracted out, 8 have garnered the city substantial savings.

Omaha, Nebraska and its home county Douglas County have agreed to begin to consolidate duplicate functions. The first functions to be consolidated will be the purchasing, parks, and personnel departments. The County will take over the City's purchasing and personnel departments, while the City plans to take over the County's park system.¹⁶

Numerous privatization and outsourcing options were presented to Pittsburgh through the Competitive Pittsburgh Task Force report in 1996. Few were implemented. Other options--fleet privatization, competition for refuse collection, and the like--have been mentioned in the ongoing deliberations on the current fiscal crisis.

Employee Unions and Collective Bargaining

Employee unions are prevalent in each component city in the Benchmark. Much like Pittsburgh, these unions organize employees by each functional unit (police, fire, blue-collar, etc.).

Salt Lake has unions for police and fire, and AFSCME represents clerical and technical positions.

Columbus' officials negotiate with AFSCME, FOP, IAFF, and CWA.

Omaha, located in a Right to Work State, has union representation for police, fire and other municipal workers (AFSCME).

¹⁶ Salt Lake City: E-mail conversation with Laurie Donnell, Salt Lake City Budget Office.
Columbus: E-mail conversation with Jane Dunham, City of Columbus Finance Office.
Charlotte: *Competitive/Privatization FY02 Year End City Contract Monitoring Report*.
Omaha: Omaha World-Herald. April-May 2004. www.omaha.com.

Charlotte, also in another Right to Work state, state law prohibits collective bargaining by city workers.

The most recent Act 47 Recovery Plan for the City of Pittsburgh identifies nine unions covering employees performing various functions: FOP (police), IAFF (firefighters), AFSCME (two units: white-collar employees and first level blue-collar supervisors), Joint Collective Bargaining Council (blue-collar employees), Teamsters (refuse), SEIU (two units: crossing guards and recreation employees), and IAPP (paramedics).¹⁷

¹⁷ Salt Lake City: E-mail conversation with Laurie Donnell, Salt Lake City Budget Office.
Columbus: E-mail conversation with Jane Dunham, City of Columbus Finance Office.
Omaha: <http://www.ci.omaha.ne.us/links/unions.htm>
Charlotte: E-mail conversation with Ann White, City of Charlotte Budget Office
Pittsburgh: Act 47 Recovery Plan (www.city.pittsburgh.pa.us)

Business Taxes

Each of the components in the Benchmark City levies some type of specific business tax (not counting property or sales which fall on businesses as well).

Salt Lake City has a franchise tax. This tax appears to be related to telecommunications activities.

Columbus' income tax falls on "all wages, salaries, commissions, and other compensation paid to employees and on the net proceeds of business operations in the city". The tax was last increased by a voter referendum in 1982.

Charlotte has a utilities franchise tax.

Omaha has a general business tax.¹⁸

¹⁸ Salt Lake City: 2003-04 Budget (www.ci.slc.ut.us/finance/2004budget/pdfs) and e-mail conversations with Laurie Donnell, Theresa Beckstrand, and Mary Beth Thompson
Columbus: 2004 Budget (<http://mayor.ci.columbus.oh.us>)
Pittsburgh: 2004 Budget (www.city.pittsburgh.pa.us/main/html/budget.html#2004)
Omaha: 2003 Adopted/ 2004 Planned Budget (<http://www.ci.omaha.ne.us/departments/finance/budget2003final/default.htm>)
Charlotte: FY 2004 Operating Budget (<http://www.ci.charlotte.nc.us/Departments/Budget+-+City/Operating+Budget/Home.htm>)

School Finances

The Benchmark City spends an average of \$892 per capita (not per student) to provide for general operations and to retire debt

This is much lower than the Pittsburgh Public Schools, which spends over \$1600 per capita on its school system--requiring it to raise taxes that are more than double that of the Benchmark City average

To be sure, a reduction in spending on the part of the Pittsburgh school district would not only go to relieve some of the burden of taxpayers, but it could also give the city room to increase its local taxes and still possibly result in an overall reduction in taxes for all city taxpayers. For instance, a reduction to the school's \$525 million budget (\$15,000 per student) to \$420 million (\$12,000 per student) would provide over \$100 million in room for the city to resolve revenue issues by raising its share of property and/or wage taxes while most likely allowing for a net tax reduction for City taxpayers.

School Spending, Taxes, and Enrollment

City	Per Capita School General Fund Expenditures with Debt service	Per Capita School Local Taxes	School Enrollment
Salt Lake	\$ 845	\$ 296	24,000
Columbus	\$ 873	\$ 400	63,628
Charlotte	\$ 973	\$ 482	116,853
Omaha	\$ 877	\$ 432	45,986
Average	\$ 892	\$ 403	62,617
<i>Pittsburgh</i>	<i>\$ 1,601</i>	<i>\$ 862</i>	<i>35,147</i>

Charlotte's school district is actually a combined district that serves all of Mecklenburg County (includes Charlotte), which has a larger population than the City of Charlotte alone.¹⁹

¹⁹ Salt Lake City: 2003-04 School Budget (www.slc.k12.ut.us/board/budget/04)

Columbus: 2004 School Budget
(www.columbus.k12.oh.us/website.msf/webpage/district_info?opendocument)

Pittsburgh: 2004 School Budget (www.cms.pps.k12.pa.us)

Charlotte: Fax from Charlotte-Mecklenburg Board of Education Office of Accounting. "Budget Resolution FY 2003-04"

Omaha: Omaha Public Schools Budget 2003-2004. www.ops.org/budget/adopted0304.pdf

Conclusion

As we have shown, Pittsburgh is not at all in line with the performance of a mid-sized, well-run American city, here represented as the Benchmark City. Pittsburgh spends more and takes in more taxes; it is overstaffed on public safety functions, especially that of firefighting; it has authorities that serve as repositories for assets and jobs, many of them patronage related; it is not competitive on funding pensions, workers' compensation, and has eschewed privatization options; and its schools are overly-expensive, forcing total taxes to climb and have a negative effect on the city's ability to attract and retain residents and businesses, no matter what its efforts.

Recent actions taken by the City's Act 47 financial recovery team are a step in the right direction, but not nearly enough for a city that desperately needs to downsize and minimize the weight of governing on its ability to grow. Only by tackling the problems with all of the factors addressed in this report in a comprehensive and holistic way will that ability come to light.

That's where the broader ability of the Intergovernmental Cooperation Authority (oversight board) is an advantageous approach beyond the Act 47 team. The former has the mandate to examine authorities and schools and has mentioned the massive debt burden, which can only be solved with some creative thinking. On revenues, the Act 47 team is largely restricted to advocating for changes to existing earned income and property taxes, both of which would hit City residents along with commuters if enacted.

Pittsburgh can ill afford to take shortsighted solutions that rely on tax increases. If spending is brought under control, the City could be talking about tax reductions as part of a larger plan of tax reform, instead of increasing taxes and bringing about the detrimental effects from tax increases.

Taxes Levied by Cities and Schools

Pittsburgh	<u>City</u>	<u>Schools</u>
	Property (RE)	Property (RE)
	Wage	Wage
	Realty Transfer	Realty Transfer
	Parking	Mercantile
	Amusement	
	Business Privilege	
	Mercantile	
	Occupation Privilege	
Salt Lake	<u>City</u>	<u>Schools</u>
	Property (RE/Pers)	Property (RE/Pers)
	Sales	
	Franchise	
Columbus	<u>City</u>	<u>Schools</u>
	Property (RE/Pers)	Property (RE/Pers)
	Income	
	Hotel/Motel	
Charlotte	<u>City</u>	<u>Schools</u>
	Property (RE/Pers)	Property (levied by County and remitted to school district)
	Sales	
	Utility Franchise	
	Rental Car	
Omaha	<u>City</u>	<u>Schools</u>
	Property (RE/Pers)	Property (RE/Pers)
	Sales	Motor Vehicle
	Business Tax	
	Motor Vehicle	

Salary Progression for Police Officers and Firefighters

Pittsburgh	<u>Police</u>	<u>Annual % Increase</u>	<u>Fire</u>	<u>Annual % Increase</u>
1 st Year	\$36,142		\$32,733	
2 nd Year	\$41,306	14	\$38,504	18
3 rd Year	\$46,468	12	\$44,268	15
4 th Year	\$51,631	11	\$49,877	13
5 th Year	\$53,954	5	\$52,122	5

Salt Lake	<u>Police</u>	<u>Annual % Increase</u>	<u>Fire</u>	<u>Annual % Increase</u>
1 st Year	\$33,780		\$33,192	
2 nd Year	\$36,000	7	\$34,932	5
3 rd Year	\$38,280	6	\$36,768	5
4 th Year	\$40,608	6	\$38,712	5
5 th Year	\$42,972	6	\$40,740	5

Columbus	<u>Police</u>	<u>Annual % Increase</u>	<u>Fire</u>	<u>Annual % Increase</u>
1 st Year	\$36,388		\$33,155	
2 nd Year	\$38,168	5	\$34,798	5
3 rd Year	\$40,081	5	\$36,566	5
4 th Year	\$47,881	19	\$43,638	19
5 th Year	\$55,681	16	\$50,752	16

Charlotte	<u>Police</u>	<u>Annual % Increase</u>	<u>Fire</u>	<u>Annual % Increase</u>
1 st Year	\$33,026		\$31,455	
2 nd Year	\$34,677	5	\$33,027	5
3 rd Year	\$36,410	5	\$34,678	5
4 th Year	\$38,230	5	\$36,411	5
5 th Year	\$42,151	10	\$39,318	5

Omaha	<u>Police</u>	<u>Annual % Increase</u>	<u>Fire</u>	<u>Annual % Increase</u>
1 st Year	\$33,479		\$27,657	
2 nd Year	\$39,043	17	\$36,213	31
3 rd Year	\$41,934	7	\$38,658	6
4 th Year	\$47,188	13	\$40,979	6
5 th Year	\$51,072	8	\$50,556	23