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Key Findings

This paper looks at the 2011 per capita spending and revenue levels for all Allegheny County municipalities that submitted annual financial reports to the Department of Community and Economic Development (the most recent data available). This report is an update of last year’s study on 2010 data. This sample includes 126 municipalities—the report on 2010 data covered 127 municipalities that had submitted reports—and did not include the City of Pittsburgh. The study examined the per capita general fund expenditures, revenues and general obligation debt as well as the population and median household incomes of the municipalities in our sample. The key findings from the data show:

- Weighted average per capita across the County for total expenditures in 2011 was $671. Nineteen municipalities spent more than $1,000 per capita with Sewickley Heights spending more than $2,000 per capita while Leetsdale spent over $3,800.

- The largest component of municipal spending was public safety. The weighted average per capita amount for public safety among reporting municipalities was $239—higher than the 2010 average of $231. In all, twelve municipalities spent $400 or more per capita on public safety while seven spent less than $100 per capita.

- Weighted average per capita long term general obligation debt was $620, up fourteen percent from the 2010 average of $543. Eighteen municipalities in the sample had per capita general obligation debt of $1,000 or more while forty-five had less than $100 in per capita general obligation debt.

- Weighted average per capita total general fund revenue for the 126 municipalities is $681—greater than the weighted average per capita total general fund expenditures of $671—and higher than the 2010 average of $649.

- The largest component of revenue for municipalities comes through taxation, of which the property tax comprised the greatest share. The weighted average per capita level of property tax collected by the municipalities came in at $228 which was a little higher than the 2010 level of $221.

- Median household income had a small correlation with total expenses and total revenues. This small coefficient for median household income points to a degree of fixity in spending and revenue on the major categories that is somewhat independent of incomes.
Introduction

In 2010 the nation officially exited one of the largest recessions in history. In 2011 employment levels were once again rising, especially in the Pittsburgh metropolitan statistical area, as the economic climate, while very sluggish, did begin to improve. How did municipal revenues and spending change, if at all, with the improvement? In this latest installment of reports examining the financial statements submitted to the Pennsylvania Department of Community and Economic Development (DCED), we examine the 2011 statements submitted by Allegheny County municipalities. This report presents the municipal average for major spending and revenue categories. Per capita spending and revenue figures are calculated using the 2010 Census figures for each municipality. We compare the highs and lows of each measure across 126 of Allegheny County’s 130 municipalities— the report on 2010 data covered 127 municipalities that had submitted reports. Once again we will exclude the City of Pittsburgh.

Expenditures

Municipalities have many expenditure categories including public safety, recreation, public works, debt service, and sanitation. As a preliminary step to the municipal comparison analysis, a correlation matrix was conducted to see how closely major expenditures correlate to total municipal expenditures. This matrix also includes population and median household income for the municipalities. The table below shows the results.

Correlation with Total General Fund Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>Correlation</th>
<th>Category</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td>0.949</td>
<td>Sanitation</td>
<td>0.743</td>
</tr>
<tr>
<td>General Government</td>
<td>0.916</td>
<td>General Obligation</td>
<td>0.686</td>
</tr>
<tr>
<td>Census Population</td>
<td>0.909</td>
<td>Debt Service</td>
<td>0.589</td>
</tr>
<tr>
<td>Public Works</td>
<td>0.869</td>
<td>Median HH Inc.</td>
<td>0.143</td>
</tr>
<tr>
<td>Recreation</td>
<td>0.869</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

First, as expected all variables are positively correlated with total spending, i.e., an increase in all measures is associated with an increase in total spending. The variable with the highest correlation with municipal total expenditures is public safety (0.949), followed closely by general government spending (0.916). Population also has a high correlation coefficient with total expenditures (0.909) implying that as population increases so will total general fund

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1 One municipality, Munhall, did not submit an annual financial report with the Department of Community and Economic Development. We also omitted McDonald and Trafford as these municipalities each span two counties. The City of Pittsburgh was also omitted from this study since it is frequently the subject of analysis elsewhere.

2 A correlation is done to statistically measure the strength of association between two variables. It can assume any value from -1.00 to +1.00 inclusive. A correlation coefficient close to +1.00 indicates that the variables are perfectly related in a positive linear sense, while a value of zero indicates no association.
spending. Median household income (0.143) and debt service (0.589) are the least correlated with total general fund spending.

Because public safety and general government represent a large fraction of most municipal budgets, the high correlation coefficients are to be expected. Meanwhile, the small coefficient for median household income points to a degree of fixity in the spending on the major categories that is somewhat independent of incomes.

While raw data was used to calculate the correlation coefficients between variables, per capita values are used to analyze and compare municipalities.

**Total General Fund Expenditures**

In 2011 the weighted average per capita total general fund spending for the 126 municipalities for which updated information was available stood at $681. This figure is five percent higher than the one reported for 2010’s per capita total general fund spending average ($649). For 2011 data, the median per capita income at $621 is lower than the average. At the high end of spending are Leetsdale with a per capita spending amount of over $3,800 and Sewickley Heights at more than $2,300 per capita. Rounding out the top six are Blawnox, Rosslyn Farms, Edgeworth and Findlay with each spending over $1,600 per capita. Thirteen other municipalities spent between $1,000 and $1,400 per resident.

At the bottom end of the spectrum for per resident spending, the lowest occurred in South Versailles at $246. One other municipality, Fawn Township, spent less than $300 per capita. Overall, 33 municipalities (26 percent of total) spent less than $500 per capita on total general fund spending.

**Public Safety**

The largest component of total general fund spending is public safety. The category of public safety includes payment for police, fire, code enforcement, planning and zoning. It is important to note that very few municipalities have a paid fire department, as most rely on volunteers for this service. The weighted average per capita spending on public safety of the 126 municipalities in the sample is $239, which is slightly higher (3 percent) than the 2010 average of $231. Sewickley Heights spent the most per capita on public safety ($1,036) with only one other

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3 Averages are for municipalities other than the City of Pittsburgh, the one municipality who do not have an audit on file (Munhall), and the two municipalities that span more than one county (McDonald and Trafford). The averages of the 126 reporting data to DCED are weighted by taking the total amount in each category and dividing by the total population in the sample.
spending more than $500 per capita—Findlay ($556). In all, there are twelve municipalities that spent more than $400 per capita on public safety.

The median per capita spending on public safety came in at $210, meaning that half of the sample spent less than this figure. In fact 56 municipalities spent less than $200 per capita on public safety with seven spending less than $100 per capita. The lowest spending on public safety occurred with Glenfield ($64) followed by South Versailles ($66) and Wall ($85).

Public Works—Highways and Streets

Another large component of a municipality’s total general fund spending is in the category “Public Works—Highways and Streets”. This segment is comprised of winter maintenance, storm sewers and drains, maintenance and repair of bridges and roads, as well as highway construction and rebuilding projects. While much of the money for this category is paid for in the general fund, some of it does emanate from a special revenue fund paid for by the state’s liquid fuels tax. The focus in this paper is on the amount spent through the general fund, specifically the per capita amount.

The weighted average per capita amount spent on highways and streets for the sample is $112. Rosslyn Farms, with a per capita spending amount of $515, topped this category. Four other municipalities spent over $400—Sewickley Heights ($453), Thornburg ($428), Sewickley Borough ($411), and Glen Osborne Borough ($402). The median for this category is $102 per capita. A year earlier, the average per capita level of highway spending was $113—$1 higher than the current average. The median for 2011 ($102) was also lower than 2010’s figure of $106.

Overall, eight municipalities spent more than $300 per capita for public works. With a median of $102, half of the municipalities spent less than that per capita through the general fund on highways and streets. The lowest spending municipalities include Clairton ($31), Fawn and Coraopolis ($28), South Versailles ($20), and Sewickley Hills ($9).

Recreation

The category “Culture and Recreation” consists of, among other things, all spending on parks, participant recreation, libraries, shade trees, and senior citizen centers. For 2011 the weighted average level of per capita spending on recreation is $39—just above the 2010 level of $38. The municipality with the highest per capita expenditure on recreation is Rosslyn Farms at $293, followed by Green Tree ($170) and Mount Lebanon ($142). In fact seven of the top ten spenders on recreation spent more than $100 per capita. However this is a category that has a wide range with eight municipalities choosing not to use general fund expenditures to pay for these
functions. More than half (75 of 126) of the municipalities in the sample spent less than $20 per capita in general fund expenditures on culture and recreation.

**General Obligation Debt**

To look at the long term general debt for each municipality, we were interested in the item “general obligation bonds and notes” from the financial reports. The total balance gives the amount still owed at the end of 2011. The weighted average per capita long term debt in the sample is $620, up considerably (14 percent) from the 2010 average of $543. The highest debt per capita belongs to Aleppo ($4,238) followed by Sewickley ($3,079) and Upper Saint Clair ($2,926). In fact eighteen of the municipalities in the sample had more than $1,000 per capita in long term debt.

This is another category with a wide range as twenty municipalities did not have any per capita general obligation debt. In fact with a median per capita general obligation debt level of $240, half of the municipalities (63) were lower than this figure with forty four municipalities having less than $100 in per capita long term debt.

**Population**

Population is strongly correlated to both total general fund revenues and expenses (0.918, 0.909 respectively). As a community’s population increases, so will their level of revenues and expenses. The population count we use is from the 2010 Census as it is the official decennial census figures compiled by the Bureau of the Census. The annual counts represent an estimate and we did not expect much change in population from 2010 to 2011. The average population for this sample of 126 municipalities is 7,189. Penn Hills represents the largest municipality in the County (other than the City of Pittsburgh which has been excluded from this sample) with 42,329 people. The top ten municipalities in Allegheny County all have more than 20,000 residents. There are thirteen communities with less than 1,000 residents, the smallest being Haysville (70).

This is very important when discussing the per capita values across time periods because the population count comprises the denominator. If the population count rises faster than the increase to the financial variable of interest, such as total revenue or total expenditures, then the per capita amount will show a decrease and vice versa.
Revenues

The other side of the coin for municipalities is revenue. Their ability to raise revenue will of course help, to some degree, determine the level of expenditures. But it also can go a long way in attracting residents and businesses or driving them away. Municipalities in Allegheny County rely heavily on taxation, specifically on property and earned income taxes, for the bulk of their revenue streams. Some also collect business taxes and the local services tax on workers employed within their boundaries. Some also enjoy a substantial level of non-tax revenues through things such as host fees. The following table shows the correlation coefficients to total general fund revenues for these variables and more.

Correlation with Total General Fund Revenues

<table>
<thead>
<tr>
<th>Category</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Tax Revenue</td>
<td>0.963</td>
</tr>
<tr>
<td>Earned Income Tax</td>
<td>0.918</td>
</tr>
<tr>
<td>Population</td>
<td>0.914</td>
</tr>
<tr>
<td>Property Tax</td>
<td>0.893</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>0.835</td>
</tr>
<tr>
<td>Local Services Tax</td>
<td>0.710</td>
</tr>
<tr>
<td>Business Tax</td>
<td>0.412</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>0.148</td>
</tr>
</tbody>
</table>

As noted above, even though the correlations were done with the raw data, the analysis that follows will be on a per capita basis.

Total General Fund Revenue

The weighted average per capita total general fund revenue for this sample of 126 municipalities is $681—more than the weighted average per capita total general fund expenditures of $671, and five percent greater than the 2010 average of $649. This is most likely due to the recovery from the recession in 2011. The municipality with the greatest amount of per capita general fund revenues is Leetsdale ($3,895) followed by Sewickley Heights ($2,395). In fact, twenty one municipalities had per capita values greater than $1,000 while in 2010 that number was nineteen. The median value was $623.

On the other end of the spectrum, the municipality that collected the least total revenue on a per capita basis is South Versailles ($241). The bottom five all collected less than $315 per capita in total general fund revenues.

All Tax Revenue

Tax revenue provides the bulk of funding for any municipality, and thus is comes as no surprise that the category all tax revenue has such a high correlation with total general fund revenues (0.963). For this sample of 126 municipalities the weighted average per capita amount of all tax revenues is $468 for 2011. This is up slightly (3.8 percent) from the 2010 average of $451. The
municipality with the highest per capita level is Sewickley Heights ($2,107) followed by Edgeworth ($1,535) and Rosslyn Farms ($1,409). In all, seven municipalities collected more than $1,000 per capita in total tax revenues. In 2010 there were six municipalities at this per capita level. All six made the list in 2011 and were joined by Fox Chapel. With a median value of $415, half of the municipalities fell below this level with a dozen below $250 per capita and only one below $200—a slight improvement over 2010 when the list included thirteen below $250 and two below $200.

**Earned Income Tax**

The category with the next highest correlation with total general fund revenue is the earned income tax. The earned income tax is dependent upon the total amount of wages citizens of the municipality earn and the rate of the tax imposed. The rate is capped by state law at 0.5 percent. However there is an exception for municipalities under home rule\(^4\).

The weighted average per capita level of earned income tax collected by the municipalities in this sample is $154 which is six percent higher than the 2010 level of $145. The 2010 community with the highest per capita level is Sewickley Heights ($938) followed by Fox Chapel ($514) and Edgeworth ($495)—they also represented three of the top four in 2010 and were the only three to top $400 per capita. With a median value of $96, more than half of the communities in the sample (66) collected less than $100 per capita, which is an improvement over 2010 when 69 municipalities fell into that classification.

**Property Tax**

The real estate tax may not have the highest correlation to total general fund revenues, but it provides most municipalities with their largest revenue stream\(^5\). The per capita weighted average property tax collection for this sample is $228. This 2011 value was three percent higher than the 2010 amount of $221. The community with the highest per capita property tax collection is Sewickley Heights ($1,049) followed by Rosslyn Farms ($1,009). They are the only two municipalities with more than $1,000 per capita in property tax revenues (in 2010 only one—Sewickley Heights—achieved that level). The Boroughs of Edgeworth ($909), Leetsdale ($785), and Glen Osborne ($630) comprise the top five, as was the case in 2010. As can be seen from this list there is a wide range among the leaders. In fact only eleven municipalities collected more than $500 per capita in real estate tax revenue.

\(^4\) There are seventeen home rule municipalities in Allegheny County: Bellevue, Bethel Park, Bradford Woods, Green Tree, Hampton, McCandless, McKeesport, Monroeville, Mt. Lebanon, O’Hara, Penn Hills, Pine, Pittsburgh, Richland, Upper St. Clair, West Deer, and Whitehall. Only Pittsburgh is not in this sample.

\(^5\) Fifteen of the 126 municipalities (12 percent) collect more earned income tax revenue than they do property tax revenue.
With a median value of $236, half of the sample has per capita values less than $240. In 2010 the median was $228, only slightly less (3.5 percent) than the 2011 level. In 2011 only two municipalities collected less than $100 per capita while in 2010 that number was four. Considering that Allegheny County assessments, used by municipalities, were frozen to 2002 levels for both years, two possible reasons for the uptick in the collections are an increase to millages or a decrease in delinquencies.

Non-Tax Revenue

The category of non-tax revenue includes revenues derived from fines and forfeits, licenses and permits, interest, rents, and royalties, charges for service, intergovernmental transfers (to the general fund) and other miscellaneous items. In this sample the weighted average per capita amount of non-tax revenue is $213, about 7.5 percent higher than the 2010 level of $198. The highest amount is $2,637 (Leetsdale) and in a distant second place is Blawnox at $1,480. The third highest amount belongs to Hampton ($852) which is well below the top two finishers. Pitcairn ($726) and Etna ($708) complete the top five. Leetsdale’s rank atop this category is aided by a large amount added to the 2011 general fund from a category “Other Financing Sources—Proceeds from General Long-Term Debt” in the amount of $2.35 million. In 2010 their per capita amount of non-tax revenue was only $532. Likewise in 2011 Blawnox had a large amount listed in “Other Financing Sources—Interfund Operating Transfers” for $1.95 million. In 2010 their non-tax per capita amount was only $440. These two examples show just how volatile this non-tax revenue category can be.

The 2011 median for this category is $189 with nineteen municipalities receiving less than $100 from non-tax revenues. For 2010 the median was $178 with 22 municipalities collecting less than $100 in non-tax revenue.

Local Services Tax

The final revenue stream that we will examine is the local services tax, commonly known as the LST. This tax only applies to those working within a municipality’s boarders and is capped at $52 per year. In our sample of 126 municipalities for 2011, eight municipalities did not report a collection of the LST on their annual report. The 2011 per capita weighted average LST revenue is $16 remaining consistent with the 2010 average. The top five municipalities in 2011 were Findlay ($107), Leetsdale ($101), Frazer ($98), Neville ($97), and Harmar ($86). At the lower end of the spectrum there were 12 municipalities that, on a per capita basis, came in at $0.
Appendix

<table>
<thead>
<tr>
<th>Per Capita Weighted Average</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$ 681</td>
<td>$ 649</td>
<td>$ 628</td>
<td>$ 621</td>
</tr>
<tr>
<td>Total Taxes</td>
<td>$ 468</td>
<td>$ 451</td>
<td>$ 438</td>
<td>$ 439</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>$ 228</td>
<td>$ 221</td>
<td>$ 214</td>
<td>$ 207</td>
</tr>
<tr>
<td>Earned Income Taxes</td>
<td>$ 154</td>
<td>$ 145</td>
<td>$ 143</td>
<td>$ 146</td>
</tr>
<tr>
<td>Local Services Tax</td>
<td>$ 16</td>
<td>$ 16</td>
<td>$ 16</td>
<td>$ 14</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>$ 213</td>
<td>$ 198</td>
<td>$ 189</td>
<td>$ 128</td>
</tr>
<tr>
<td><strong>General Fund Expenditures</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 671</td>
<td>$ 651</td>
<td>$ 638</td>
<td>$ 629</td>
</tr>
<tr>
<td>General Government</td>
<td>$ 77</td>
<td>$ 73</td>
<td>$ 75</td>
<td>$ 78</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$ 239</td>
<td>$ 231</td>
<td>$ 220</td>
<td>$ 216</td>
</tr>
<tr>
<td>Highways and Streets</td>
<td>$ 112</td>
<td>$ 113</td>
<td>$ 105</td>
<td>$ 116</td>
</tr>
<tr>
<td>Recreation</td>
<td>$ 39</td>
<td>$ 38</td>
<td>$ 40</td>
<td>$ 42</td>
</tr>
<tr>
<td>General Obligation Debt</td>
<td>$ 620</td>
<td>$ 543</td>
<td>$ 514</td>
<td>$ 522</td>
</tr>
<tr>
<td><strong>Sample Size</strong></td>
<td>126</td>
<td>127</td>
<td>123</td>
<td>119</td>
</tr>
</tbody>
</table>

This is the fourth installment of our Municipal Statistics Report. The table above shows the weighted average for each category from 2008-2011. For General Fund Revenues every category is higher in 2011 than it was in 2008 and was marked by rather constant increases. The only exception was in Earned Income Taxes where there was a dip in 2009 before rising in 2010, but still below 2008’s level. This is most likely due to the recession which negatively impacted earned income.

The same cannot be said for General Fund Expenditures as three spending categories registered lower weighted averages in 2011 than they had in 2008 (General Government, Highways and Streets, and Recreation). The weighted average for total General Fund Expenditures increased rather steadily rising from $629 per capita to $671 (6.7 percent), as did Public Safety (10.6 percent). The weighted average for General Obligation Debt dropped initially from 2008 to 2009 before being elevated to $543 in 2010 and then to $620 in 2011—an increase of nearly 19 percent over the four year span.

For the complete list of municipalities in our sample, please visit our website: www.alleghenyinstitute.org.