ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

A Candidates' Guide to Crucial Issues Facing Allegheny County: 2015 Edition

Allegheny Institute for Public Policy

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Table of Contents

Introduction **2**

Key Data on Allegheny County **2**

2011 Recommendations **3**
Strengthen the Home Rule Charter *3*
Craft a New Reassessment Policy *5*
Fix the Port Authority *8*
Focus on Increasing Utilization of PIT *11*
Be Aggressive on Privatization and Outsourcing *13*
Focus on Market Driven Economic Development *15*

2015 and Beyond **16**
A New Pension System for New Hires *16*
Natural Gas Drilling *17*
Gaming Money *19*

Introduction

In 2011 Allegheny County voters went to the polls to choose office holders for County Chief Executive, two at-large members of County Council, and 7 of the Council's 13 district seats. This year those offices will again be up for election, with several incumbents indicating that they will seek reelection while other seats will be without an incumbent.[1]

Four years ago the Allegheny Institute prepared a report titled "A Candidates' Guide to Crucial Issues Facing Allegheny County". We divided that report into six key areas and made a key recommendation on each, focusing on where County leaders could have an impact directly or would have to rely on action by the state. The purpose of this report is to look back at those 2011 recommendations and see where progress has been made, where it has not, and to address issues that were not on the radar in 2011 but will be in the years ahead.

Key Data on Allegheny County

As is seen in the tables below, population is up (0.66%) from the 2010 Census, total private employment is up (2%), and full-time equivalent employment by the County is down (-0.5%) from 2011 to 2013.

Population, Census 2010 Forward[2]

Year	County Population
2010	1,223,348
2011	1,227,308
2012	1,229,912
2013	1,231,527

Private Employment in County, 2011-2013[3]

Year	Private Employment
2011	608,332
2012	617,408
2013	619,455

County Full-Time Equivalents, 2011-2013[4]

Year	FTEs
2011	6914.5
2012	6799.5
2013	6879.5

[1] Also on the ballot are the separately elected row offices of Controller, Treasurer, District Attorney, and Sheriff
[2] U.S. Bureau of the Census, County Population Estimates
[3] Bureau of Labor Statistics, Total Private Employment, All Establishment Sizes, Annual Basis
[4] Allegheny County Controller, 2013 Comprehensive Annual Financial Report, Statistical Section

2011 Recommendation: Strengthen the Home Rule Charter

Our 2011 action steps were as follows:

1. *Make the Charter part of the oath of office:* Urge County Council to place a referendum question on the ballot asking voters if the Charter should be amended to require the oath of office of county officials to include an affirmation or swearing to obey and defend the Home Rule Charter. Currently, the County oath of office for the Executive and Council has no such requirement. In the interim, Council could simply amend the Administrative Code to institute the oath requirement. Longer term, the provision should be in the Charter to make it very difficult to repeal.
2. *Define what happens when County officials don't follow the oath:* On a corollary matter, the Charter and/or Administrative Code must include sanctions for the Executive, Council members or the body as a whole when they clearly and with deliberate intent violate the oath of office. Such occurrences have happened on several occasions in recent years including ignoring court orders, passing an ordinance that violates state law and attempting to use money for purposes not permitted by state statute. The County has been taken to court for its actions on several occasions and has lost every time. Not a record the citizens of the county should be proud of. If oath takers can ignore their oaths with impunity, why go through the charade of having an oath taking ceremony?
3. *Urge the General Assembly to give taxpayers real power:* The Legislature should amend the state's home rule law to give voters the opportunity to approve or reject tax increases or new taxes. As of now, state law places all power over tax decisions in the hands of the governing body. With a simple amendment to the Home Rule Charter law, the General Assembly can remove the current language and replace it with a requirement that Home Rule communities must put all tax rate increases or new taxes to a voter referendum to approve or reject tax rate increases or new taxes. That could be expanded to all communities, Home Rule or not. At the very least, the law should be amended to allow voters to petition for a referendum on taxes. Limiting taxation is the single best way to curb local government growth. The right to limit the growth and size of government should rest with the voters. Elected officials have proved themselves unequal to the task.

Progress since 2011: While a referendum never materialized, an ordinance was introduced in 2014 that would have created a new chapter in the County's Administrative Code to change the oath for County Council members only. The language would have read "I,______(name)______, do solemnly swear (or affirm) that I will faithfully execute the office of Member of Council of the County of Allegheny, and will to the best of my ability, preserve, protect, defend, and obey the Constitution of the United States, and the Constitution and laws of the Commonwealth of Pennsylvania, the Allegheny County Home Rule Charter, and the

Allegheny County Code of Ordinances. (So help me God)."[5] The bill's most recent reported action is that it is "in committee" and was placed there in March of 2014.[6]

With no action on incorporating the Charter into the oath, there was likewise no action on determining what happens if an official failed to uphold the oath they took, and there was no action in Harrisburg on giving taxpayers direct control over taxes.

Key Data: None Applicable

Status of 2011 Recommendation: Incomplete as the Charter is not part of the oath taken by elected officials.

Steps for 2015 and Beyond: According to the Home Rule Charter, the review of County government and the Charter are to take place in 2015 under the precepts of a government review commission. This is something that could be discussed by the commission, especially if the Charter should be mentioned in the oath of officials other than just County Council.[7]

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[5] Allegheny County Council, Ordinance 8125-14 https://alleghenycounty.legistar.com/LegislationDetail.aspx?ID=1704915&GUID=CD847224-A53E-4FC0-A5D1-0CE4BA4863C4&Options=ID|Text|&Search=8125-14&FullText=1

[6] https://alleghenycounty.legistar.com/LegislationDetail.aspx?ID=1704915&GUID=CD847224-A53E-4FC0-A5D1-0CE4BA4863C4&Options=ID|Text|&Search=8125-14&FullText=1

[7] Allegheny County Home Rule Charter 1.13-1305 "A County Government Review Commission shall be established five years after the effective date of this Charter and every ten years thereafter. The Commission shall study the Charter and County government, including the organization, practices and responsibilities of all County departments and agencies. The Commission shall evaluate the effectiveness, efficiency and equity of County government and this Charter. The Commission may make recommendations to the people of the County on County government and may recommend amendments to this Charter." http://ecode360.com/8453521

2011 Recommendation: Craft a New Reassessment Policy

Our 2011 action steps were as follows:

1. *The County should commit to a revenue neutral windfall*: Right now, state law and the County's Home Rule Charter allow the County to take up to 105 percent of the previous tax take after a reassessment, not counting an explicit millage rate hike voted on and passed (it takes a 2/3rd vote of County Council to raise property taxes). This might put pressure on other local taxing bodies (many of whom raised tax rates despite the base year) to follow suit.
2. *Realize that spending, not assessments, is what drives tax bills:* If the County commits to lowering overall spending or enacting a spending freeze, this will lessen the need to derive more revenue. Recall that the County partakes of three new tax sources that it did not have twenty years ago: a share of the RAD sales tax, the drink tax, and the car rental tax. The latter two are ostensibly used as the local match for the Port Authority transit system.
3. *Decide if the 2012 reassessment is the first of annual, bi-annual, or tri-annual assessment:* And to avoid the recent history of County ordinances, the language needs to be put into the administrative code. The IAAO standard on "frequency of reappraisals" states that "although assessment trending can be effective for short periods, properties should be physically reviewed and individually reappraised at least every four to six years".

Progress since 2011: The reassessment ordered in Allegheny County as a result of a 2009 Supreme Court decision went into effect in 2013, and was preceded by a 20 percent increase in the County's real estate millage at the end of 2011 for tax year 2012. Therefore the County's millage increased from 4.69 mills in 2011 to 5.69 mills in 2012 and then was lowered to 4.73 mills to comply with Act 71 of 2005, a state law that applies to the County and its municipalities on millage following a reassessment that limits windfall increases in revenue. The County's code of ordinances still contain two references to allowing a 105 percent windfall and also contains a reference to the state's second class county assessment law—which Act 71 amended—as well as to an ordinance passed by the County in 2005 stating that millage will be revenue neutral following a reassessment.[8]

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[8] Allegheny County Code of Ordinances, Administrative Code Chapter 5, Part 2, Article 209.08 which reflects the language of the Charter at Article II, 1.2-203; The Administrative Code Chapter 5, Part 2, Article 209.12 states "Unless otherwise modified by this Administrative Code, all provisions relating or governing tax assessments set forth in the Second Class County Assessment Law, 72 P .S. § 5452.1 et seq., and applicable provisions of the General County Assessment Law, 72 P.S. § 5020-101 et seq., and all other applicable law shall remain in full force and effect."; The Administrative Code Chapter 5, Part 8, Article 809.03 states "The County shall not derive windfall benefits from annual property reassessments of the valuation of real property or from changes in the predetermined ratio of assessed valuation to market value of real estate. Following any annual reassessment or change in the predetermined ratio, the total amount of real estate tax revenue that can be received by reason of the reassessment or change in the ratio by the County from existing land, buildings and structures shall not exceed the total amount of real estate tax revenue received by the County in the preceding year from that land, and those buildings and structures. If necessary, the County shall reduce the real estate tax rate to comply with this revenue limitation B. In calculating the limit, the amount to be levied on newly constructed buildings or structures, or from

The language regarding the timing of reassessments still reflects the language regarding the reassessment taking place in 2006, prior to the matter ending up in court.[9] The Commonwealth passed a piece of legislation to move the State Tax Equalization Board into the Department of Community and Economic Development and rename it the Tax Equalization Division and charge it with the following duties:

1. "Create an operation manual in consultation with the County Commissioners Association of PA and the Assessors' Association of PA for counties to utilize when completing a countywide reassessment or when valuating property".
2. "Create and maintain a centralized and standardized statewide database for counties to utilize and report all property values and data to the Board."
3. "Develop and maintain statewide basic and detailed training programs for all persons involved in the valuation of property within all counties. The programs shall be completed and passed by any person that is employed to collect, compile, compute or handle data for purposes of reassessment valuation within the State."
4. "Develop standards on contracting for assessment services in consultation with the County Commissioners Association of PA and the International Association of Assessing Officers."[10]

The legislation did not mandate a reassessment cycle for counties to follow. So at this point it does not appear Allegheny County will be initiating another revaluation anytime soon. It will require a change in state law to mandate a cycle of reassessment for counties or a court case that may challenge the assessments in place and the relation of market values to those assessments.

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increased valuations based on new improvements made to existing buildings and structures, shall not be considered .C. This section shall not be construed to prohibit receiving increased tax revenue. The County may raise the real estate tax rate pursuant to § 5-809.02, but only after an appropriate reduction of the real estate tax rate is made to comply with the limitations of this section.

[9] Allegheny County Code of Ordinances Chapter 475, Article VIII Reassessment "The next reassessment of all properties in Allegheny County shall be done and released to the public for the purpose of appeal by July, 2005, appeals shall be heard and settled in 2005, and valuations, as adjusted, shall be certified and used for the purpose of taxation in 2006.

[10] Act 2 of 2013
http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?syear=2013&sind=0&body=S&type=B&bn=0066
Allegheny Institute Policy Brief "Major Assessment Developments for Washington County"
http://www.alleghenyinstitute.org/wp-content/uploads/components/com_policy/uploads/Vol13No18%20%281%29.pdf

Key Data:

County Real Estate Millage and Certified Taxable Value, 2012-15[11]

Year	Beginning of Year Taxable Assessed Valuation	End of Year Taxable Assessed Valuation	Millage
2012	$59,154,514,413	$58,648,167,586	5.69
2013	$78,771,518,136	$73,150,422,595	4.73
2014	$75,003,468,970	n/a	4.73
2015	$75,214,999,504	n/a	4.73

County General Fund and Total Expenditures, 2012-15[12]

Year	County Spending, General Fund (000s)	County Spending, Total (000s)
2012	$622,400,000	$730,400,000
2013	$688,100,000	$799,400,000
2014	$708,900,000	$817,300,000
2015	$725,600,000	$839,100,000

County Property Tax Revenue, Audited 2011-13[13]

Year	Millage	Audited Revenue (000s)
2011	4.69	$273,919,488
2012	5.69	$322,063,944
2013	4.73	$336,159,600

Status of 2011 Recommendation: Complete, in that the County finally implemented the reassessed values and adjusted its millage rate downward. There is no interest in getting prepared for a reassessment, and the County likely won't conduct one unless the state changes its assessment laws to mandate a cycle of reassessment or advocates for the adoption of a statistical trigger to inform a county of when a reassessment should be done. Or another lawsuit is brought with strong evidence that assessments are widely different from recent sales prices. The earlier Supreme Court ruling would almost certainly result in a win for plaintiffs if the evidence is irrefutable.

Steps for 2015 and Beyond: With a frozen set of assessments from 2013 if spending rises then it will be necessary to increase the tax rate, unless non-property tax sources of revenue are realized.

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[11] Allegheny County Controller's Office, 2013 Comprehensive Annual Financial Report, 2013. Table XII Assessed Value of Taxable Property for 2012 and 2013. Allegheny County Office of Property Assessments, County Assessment Rolls for 2014 and 2015.
[12] Allegheny County Fiscal Plans, 2012-2015
[13] Allegheny County Controller's Office, 2013 Comprehensive Annual Financial Report, 2013, Changes in Fund Balances, Governmental Funds

2011 Recommendation: Fix the Port Authority

Our 2011 action steps were as follows:

1. *Push for changes in the state law that governs PAT*: In light of the legacy cost problem and the strong likelihood the union and retirees will never agree to reduce the legacy costs, the only option to continued service cuts –or major additional infusions of state dollars—is bankruptcy. Unfortunately, state law does not permit authorities to declare bankruptcy. That law would have to be changed to allow PAT to declare bankruptcy. Moreover, the state should appoint a financial overseer for PAT with the power to force them to file for bankruptcy if the board refuses to do it. PAT should have its monopoly status removed by the Legislature and the right of transit workers to strike should be repealed. Competition from public transit agencies and the private sector should be allowed to put a lid on PAT compensation costs and management hobbled by union work rules.
2. *Find new board members*: In the meantime the County Executive should be appointing board members who will take a no nonsense approach toward dealing with the unions. All nine members of the board will be up for reappointment at various times through December of 2014.
3. *Make a break with the recent past behavior toward PAT*: The Executive should draw up a plan of bus service outsourcing as recommended by the Governor's Task Force several years ago and use the power of his office and appointment power to push PAT toward that goal. Finally, the Executive must not be seen as siding with or making promises to the unions during contract negotiations. Nor should the Executive support or encourage any large projects such as the North Shore Connector. The focus should be on making existing facilities as productive as possible.

Progress since 2011: This is probably the area that underwent the greatest degree of change since 2011. At the state level, three major pieces of legislation were passed and signed into law. First, Act 61 of 2012 placed the Public Utility Commission in charge of approving applications for transit service rather than the Port Authority having control over this process. Recall that in March of 2011, after a round of service cutbacks, a private operator expressed interest in operating some routes and had to apply to the Port Authority for permission, which was granted. Act 61 changed the process so that, going forward, interested parties would apply to the Utility Commission.[14]

Second, Act 72 of 2013 overhauled the board of directors. Up until then the County Executive appointed all nine members of the board, the law had no qualifications for board members, and there were no term limits on service. The law increased the size of the board from nine to eleven

[14] Act 61 of 2012 http://www.legis.state.pa.us/cfdocs/Legis/LI/uconsCheck.cfm?txtType=HTM&yr=2012&sessInd=0&smthLwInd=0&act=61 "Oversight of County Transit to Shift from Port Authority to Public Utility Commission" http://www.post-gazette.com/news/transportation/2012/06/11/Oversight-of-county-transit-to-shift-from-Port-Authority-to-Public-Utility-Commission/stories/201206110192

members, and reduced the County's appointments to six of those members; four appointed by the Executive "freely" and two appointed by the Executive from lists recommended by certain organizations. The remaining five appointments come from the Governor and the four leaders of the chambers of the Legislature. All members must possess qualifications in finance, transportation, or planning. And members are limited to three terms of four years (twelve years total). The law also directed the Pennsylvania Department of Transportation to conduct a study to determine the impact privatization and/or consolidation would have upon the Port Authority's operations. As of this writing that study is still incomplete.[15]

Third, Act 89 of 2013 was a comprehensive transportation funding bill that addressed roads, bridges, highways, mass transit, aviation, and other modes of transportation. The Port Authority is projected to receive millions in the coming fiscal years for operations and capital needs.[16]

State law changes stopped short of taking away the right to strike and did not add any bankruptcy language.

At the local level, the board in 2012 (prior to the overhaul) made changes to the pension plans for the non-represented workers, Authority police, and for workers represented by the IBEW to place any new hires into a defined contribution plan. As a result of a four-year collective bargaining agreement, workers represented by the ATU have to pay a higher percentage of salary towards pensions and new hires will be eligible for three years of retiree health care coverage, a marked difference from the situation a decade ago when workers could retire after 25 years of service and be entitled to lifetime coverage.[17]

The extension to the light rail system called the North Shore Connector opened for business and was made part of a "free fare zone" by way of sponsorships. That agreement might be extended in 2015, albeit with other sponsors.[18]

The Port Authority also began receiving a piece of Regional Asset District funding which accounts for about $3 million of the local operating match along with $28 million from drink and car rental taxes.[19]

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[15] Act 72 of 2013 http://www.legis.state.pa.us/cfdocs/Legis/LI/uconsCheck.cfm?txtType=HTM&yr=2013&sessInd=0&smthLwInd=0&act=72 "Senate Passes Changes to Makeup of Port Authority Board http://www.post-gazette.com/local/region/2013/06/18/Senate-passes-legislation-to-remake-Port-Authority-board/stories/201306180170 Allegheny Institute Policy Briefs "Major Changes in the Makeup of the Port Authority Board" http://www.alleghenyinstitute.org/wp-content/uploads/components/com_policy/uploads/Vol13No36.pdf "PENNDOT Has a Critical Role in PAT's Future" http://www.alleghenyinstitute.org/wp-content/uploads/2013/10/Vol13No46.pdf "Where are the Transit Studies the Legislature Asked For?" http://www.alleghenyinstitute.org/wp-content/uploads/2014/11/Vol14No54.pdf

[16] Act 89 of 2013 http://www.legis.state.pa.us/cfdocs/Legis/LI/uconsCheck.cfm?txtType=HTM&yr=2013&sessInd=0&smthLwInd=0&act=89 Allegheny Institute Policy Brief "Act 89's Impact on the Port Authority" http://www.alleghenyinstitute.org/wp-content/uploads/2014/03/Vol14No12.pdf

[17] Port Authority Single Audit http://www.portauthority.org/PAAC/Portals/Capital/SingleAudits/SingleAudit14.pdf

[18] Allegheny Institute blog "North Shore Free Rides" http://www.alleghenyinstitute.org/north-shore-free-rides/

Key Data:

Act 89's Impact on PAT Funding through FY 19

Fiscal Year	Operating Support absent Act 89 (000s)	PENNDOT Estimate with Act 89 (000s)	Net Operating Impact (000s)	Capital Support absent Act 89 (000s)	PennDOT Capital Estimate with Act 89 (000s)	Net Capital Impact (000s)	Total Net Impact (000s)
2014-15	$184,500	$212,900	$28,000	$37,000	$102,300	$65,300	$93,000
2015-16	$184,500	$223,200	$39,000	$37,000	$110,000	$73,000	$112,000
2016-17	$184,500	$226,200	$42,000	$37,000	$110,000	$73,000	$115,000
2017-18	$184,500	$231,000	$47,000	$37,000	$120,000	$83,000	$130,000
2018-19	$184,500	$233,700	$49,000	$37,000	N/A	N/A	N/A

Light Rail Operating Statistics Pre- and Post-Connector Opening

Measurements	FY11	FY12	FY13	Change from FY11 to FY13
Total Unlinked Trips	6,918,141	7,130,433	8,032,051	1,113,910
Total Fare Revenue	$8,670,803	$8,711,024	$9,786,533	$1,115,730
Total Operating Expense	$48,143,059	$52,043,343	$51,528,512	$3,385,453
Total Rail Employees	462	463	447	-15
Fixed Directional Route Miles	47.4	49.6	49.6	2.2
Vehicles Available for Maximum Service	79	83	83	4
Vehicles Operated in Maximum Service	48	56	56	8

Status of 2011 Recommendation: Significant progress on board overhaul, significant progress on legacy cost reform, incomplete on impact of privatization and/or consolidation without PENNDOT study.

Steps for 2015 and Beyond: The money from Act 89 will be flowing in, but it is still important for County officials, who will have partial board appointment power going forward and are providing most of the local match for operations, to thoroughly consider the findings of the study, to ask for a determination of whether the free fare zone for the Connector is justified (versus charging a $1 fare or full fare), what benefits will come from a Bus Rapid Transit project, and the provisions of the next ATU contract.

[19] Allegheny Institute Policy Brief "Will RAD Funds Be Tapped for PAT?" http://www.alleghenyinstitute.org/wp-content/uploads/components/com_policy/uploads/Vol12No44.pdf

2011 Recommendation: Focus on Increasing Utilization of Pittsburgh International Airport

Our 2011 action steps were as follows:

1. *Work on improving the local economy to spur demand for flights:* Here are three key facets of this approach (a) expansion of the local economy will lead to a rise in the number of people using air travel, (b) the ability to attract more travelers from surrounding communities in Ohio, West Virginia, etc. will help and (c) the arrival of more low cost carriers with service to more destinations that generate greater demand for air travel is an improvement.
2. *Absent a major rise in demand, the best hope for PIT to become an economic generator for the County and region may lie in its vast tracts of land:* The only hitch in using the land for either economic development or for natural gas drilling is the FAA. Permission from the FAA will be required for the use of any of the acreage surrounding airport facilities. This may require a coordinated effort by County, state, and Federal elected officials. But even if the FAA gives permission to sell off land for development or allow gas drilling, there are many questions to be resolved as to exactly how the development will be allowed to unfold and how the benefits will be divided among the stakeholders; i.e., the taxpayers, investors, the Airport Authority, and the FAA. Can County government be counted on not to grab airport related money to plug its own budget shortfalls?
3. *Consider privatizing Authority functions at the airport and use the money to reduce the debt burden*: But it may require out-of-the-box thinking to earn revenues to pay down the remaining construction debt and begin to reduce costs to the airlines operating out of the airport. Lower costs will make the facility more attractive to new and existing carriers thereby increasing the number of flights to more destinations.

Progress since 2011:

Not much has changed with the passenger counts at Pittsburgh International Airport (PIT). In 2011, more than 8.3 million origination and destination (O&D) passengers used PIT. That number declined steadily until reaching just 7.9 million in 2013. 2014 showed a slight uptick with an increase of less than two percent (1.5 percent) in the number of O&D passengers over the number from 2013. In part, this sluggish performance may be the result of the Pittsburgh area economy as it struggles to recover from the previous recession.

However a large part of the problems at PIT stem from the large debt load carried by the airport connected with terminal construction over two decades ago at the insistence of USAirways. While USAirways has declared bankruptcy twice, and now has merged with American Airlines, debt from this construction remains. This debt load has caused the airport charge higher fees to remaining airlines, for example ramp and terminal fees, which may be hindering PIT's progress. These fees have been slowly declining in large part due to money received from the state Gaming law and an upfront payment received from a plan to drill for natural gas on the airport's property. From gaming revenues PIT will receive $107.5 million (the County Executive at the time diverted the first $42.5 million, the airport has received $39.4 million and is expecting

$68.1 million over the next few years). The lease for drilling in the Marcellus Shale formation under the airport's land resulted in an up-front bonus of $46.3 million. Per FAA rules any money earned at the airport must stay at the airport and cannot be used elsewhere in the County.

On the positive side in late 2014 two new carriers did commit to PIT. One airline will offer flights via small aircraft to regional airports within Pennsylvania along with Jamestown, NY. However this will be done with a federal subsidy over the next two years. Reports estimate that this will increase O&D traffic at PIT by 1,000 per week. The second airline will focus on leisure travel to Florida, including previously unserved Jacksonville. The latter is perhaps a better sign for PIT.

Key Data:

Pittsburgh International Airport Fees

Item	2012	2013	2014	2015
Sig. Terminal Rate ($/sq. ft.)	$ 129.06	$ 140.86	$ 138.82	$ 135.22
Non-Sg. Terminal Rate ($/sq. ft.)	$ 155.00	$ 169.03	$ 166.59	$ 162.26
Sig. Landing Rate ($/1000 lbs.)	$ 3.4148	$ 3.5041	$ 2.8100	$ 2.4740
Non-Sig. Landing Fee ($/1000/lbs)	$ 4.1000	$ 4.2100	$ 3.3800	$ 2.9688
Sig. Ramp Rate ($/lineal ft.)	$ 248.36	$ 242.48	$ 218.38	$ 198.29

Origination and Destination Traffic

	2011	2012	2013	2014
Enplaned	4,160,024	4,015,229	3,943,152	4,000,461
Deplaned	4,140,286	4,026,128	3,941,018	3,998,509
Total	8,300,310	8,041,357	7,884,170	7,998,970

Status of 2011 Recommendation: The local economy remains sluggish and local O&D traffic remains low. The County did enter into a lease to begin drilling in the Marcellus Shale formation on its property. The upfront payment was received, but drilling has not yet commenced and royalties have not yet been realized. No efforts to privatize either the airport itself or some of its functions have begun.

Steps for 2015 and Beyond: For 2015 and beyond, the Airport needs to continue to bring down its debt levels and subsequently the fees it charges airlines. While this is only half of the equation—a more robust economy is the other—it is in direct control of the airport and may lure new airlines, or even existing airlines, to offer more service. Since PIT will now primarily rely on O&D its interests will be best served by an expanding economy which should stimulate the demand for air travel.

2011 Recommendation: Be Aggressive on Privatization and Outsourcing

1. *Make it a stated objective to privatize or outsource at least 15 percent of the County's non-core functions in the next five years:* The Allegheny County government should make it a stated objective to privatize or outsource at least 15 percent of the County's non-core functions in the next five years. Of course police and court functions might have to be excluded but many functions such as the parks, public works, etc. should be put on the fast track for outsourcing. There can be little justification other than protecting jobs and political fiefdoms to block outsourcing efforts. Not only does outsourcing save money immediately, it reduces employment, the key to long term control over expenditure growth. Every employee reduction lowers future legacy costs and other benefit expenses.
2. *Scour the Sunset Review to find opportunities:* The Home Rule Charter mandates Sunset Reviews every four years. Those reviews theoretically produce evaluation of departments to determine if they should be kept or terminated. In every case to date, the reviews have recommended all departments be continued. The problem with the sunset reviews is they are focused on whether what the departments are doing should be continued. A more productive approach would look at each function or service and explore possible outsourcing or consolidation opportunities.

Progress since 2011: The 2014 sunset review was produced on time and in compliance with the Charter, and there was some mention made of what services could be provided through contracting/outsourcing but it is not clear how detailed of an analysis was undertaken to determine the benefit/downside of pursuing this course of action.

Department	Division	Action
Administrative Services	Computer Services	"could contract to outside vendors"
Administrative Services	Purchasing	"possibility would be to outsource the purchasing for the county as a whole"
Budget and Finance		"could contract out revenue/expenditure forecasting and debt/cash management"
Emergency Services	Fire Marshall	"contract with State Fire marshal"
Jail		"could contract additional functions to make the jail a private facility
Medical Examiner		"Could contract with private sector to transport bodies or perform autopsies…could contract with state forensic lab or private lab"
Parks		"privatize recreational components"
Shuman		"certain ancillary services could be contracted to private industry"

Since 2011, a new County department (Facilities Management) was created by spinning off portions of Public Works and Administrative Services, and one Department (Real Estate) was folded into another (Administrative Services).

Key Data:

Status of 2011 Recommendation: Incomplete in terms of expressing a stated percentage of non-core functions. The 2014 sunset review set up a process to stagger department and agency review over the next four years, which may allow for a rigorous examination of whether outsourcing or privatization would be successful. However, if the County is skeptical from the outset on what could be possibly saved in terms of tax dollars then it is not clear what push there would be to use the review as a method for finding this out.

Steps for 2015 and Beyond: Unclear. County Council does have a role in the sunset review in that they can act on the recommendations of the Manager but there is nothing written in the code of ordinances saying they must or shall act.

2011 Recommendation: Focus on Market Driven Economic Development

1. *Remove obstacles to economic growth such as mandated wages and cut the onerous regulatory climate facing firms in the County:* Mandates and regulations send signals to the business community that the government is not afraid to dictate the terms of operation. They can be seen as interfering into the marketplace by placing restrictions on one set of firms and creating an uneven playing field. The unintended consequences of mandates and regulations are a decrease in employment and economic activity as firms look elsewhere to do business.
2. *The County needs to work with both state and municipal and school district officials to reduce the tax burden faced by firms so that subsidies are no longer required:* One principal reason firms ask for subsidies is to counter high tax burdens. Government spending must be fed by tax revenues and it is commonly believed that higher rates increase tax revenues. If controls can be placed on spending, then tax rates can be brought down to competitive levels. The County Executive needs to work with the state to reduce business taxes to make the state attractive to new firms. On the local level, the County Executive needs to work with school districts to lower property tax millages to make the County more competitive with surrounding counties who have lower school spending and taxation rates.
3. *The County needs to abandon its heavily one sided pro-labor stance in favor of promoting a climate that welcomes and encourages new and existing businesses:* Government should be working to encourage economic growth through the principles of free-market economics. They should not be picking sides. By consistently siding with big labor on such measures as wage mandates and project-labor agreements they once again are sending a message to firms that if a dispute breaks out, they will take the side of the unions. This has created an anti-business climate that undoubtedly keeps new firms from setting up in the County and pushes existing ones away.

Progress since 2011: None

Key Data: None Applicable

Status of 2011 Recommendation: The County has not made any progress in the areas listed above. Mandated (prevailing) wages remain in effect for anyone doing business with the County or receiving subsidies from the County and the regulatory environment remains onerous to the business community. There has been no visible cooperation between the County and either the state, municipalities, or school districts to reduce the tax burden faced by firms so that they no longer need to seek subsidies in development projects. The County steadfastly holds onto its pro-labor stance.

Steps for 2015 and Beyond: We too will steadfastly hold onto our recommendations for improving the business climate so that economic development can occur within Allegheny County without developers dipping into the public till. Making the business climate friendly for all will aid development and help grow opportunities within the County.

2015 and Beyond

Though we wrote of the six key areas above there are plenty of other issues that have come to the foreground since that time affecting County government. Two of these key issues that will require attention going forward are the reform of the pension system for new hires and natural gas drilling.

New Pensions for New Hires

In 2013 the Governor signed into law Act 125 which changed the pension benefits for County employees hired on or after February 21, 2014. This law altered the period of vesting, the number of years of service required, the amount of overtime that can be counted toward the pension, and the period to determine final average salary. In addition to the state level changes to the pension system there have been three increases in the contribution rate to the pension fund (for 2012, 2014, and 2015) which require both employees and the County to contribute an equal percentage toward pensions.[20]

Schedule of Funding Progress for County Retirement System, 2005-2013[21]

Year	AA	AAL	AA-AAL	AA/AAL
2005	$ 705,892	$ 831,067	$ (125,175)	84.9
2006	$ 707,475	$ 863,695	$ (156,220)	81.9
2007	$ 757,476	$ 915,208	$ (157,732)	82.8
2008	$ 798,203	$ 979,599	$ (181,396)	81.5
2009	$ 582,099	$ 1,067,015	$ (484,916)	54.6
2010	$ 652,643	$ 1,119,326	$ (466,683)	58.3
2011	$ 699,302	$ 1,191,102	$ (491,800)	58.7
2012	$ 685,100	$ 1,235,830	$ (550,730)	55.4
2013	$ 758,446	$ 1,273,872	$ (515,426)	59.5

[20] Allegheny County Retirement Office, "Retirement Board Increases 2012 Contribution Rate to 8%" http://www.alleghenycounty.us/retirement/2012ContributionRate.pdf "Retirement Board Increases 2014 Contribution Rate to 8.5%" http://www.alleghenycounty.us/retirement/2014ContributionIncrease.pdf "2015 Contribution Rate Notice" http://www.alleghenycounty.us/Retirement/2015ContributionRate.pdf

[21] Allegheny County Controller's Office, Comprehensive Annual Financial Report Schedule of Funding Progress and Allegheny County Retirement Office, Audits of Retirement System Statements of Funding Progress

Employer and Employee Contributions to Retirement System, 2005-2015[22]

Year	Contribution Rate (%)	Employer	Employee
2005	6	$ 16,549	$ 16,485
2006	6	$ 17,610	$ 17,988
2007	6	$ 18,415	$ 18,803
2008	6	$ 18,577	$ 18,671
2009	6	$ 19,256	$ 19,501
2010	6	$ 20,115	$ 20,194
2011	7	$ 23,201	$ 23,546
2012	8	$ 27,493	$ 27,671
2013	8	$ 27,587	$ 27,888
2014	8.5	n/a	n/a
2015	9	n/a	n/a

Natural Gas Drilling

Act 13 of 2012, sets an impact fee on drillers for each unconventional well that is started (spud) into the Marcellus Shale formation within the Commonwealth's borders. The fee is determined by the average selling price of natural gas on the market and the age of the well itself. A summary of the rates can be found in *Policy Brief Volume 12, Number 11*. The fees collected are then to be returned to state agencies, counties, and municipalities across the state.

Counties are the beneficiaries of two sections of Act 13. The first section, 2314(d), distributes money to counties based on the number of unconventional wells in the county as a proportion of the number of wells in the Commonwealth. Funds distributed through this section have thirteen possible areas on which they can be spent. The categories range from public infrastructure to tax reductions to social and judicial services. The following table details the amount received by Allegheny County and where it was spent.

Marcellus Shale Impact Fee Annual Distribution to Allegheny County—Part I

Year	Amount	Category
2011	$ 79,430	Emergency Preparedness/Public Safety
2012	$ 145,016	Emergency Preparedness/Public Safety
2013	$ 201,308	Not yet Reported

The next table indicates that the proportion of wells in Allegheny County compared to statewide, have increased over these three years and thus has been responsible for the greater distribution under this section of Act 13.

[22] Ibid, contribution rates from Retirement Board, and employer and employee contributions from Allegheny County Comprehensive Annual Financial Report, Exhibit F-2 Statement of Changes in Net Position

Marcellus Shale/Unconventional Well Count

Year	Allegheny County Wells	Statewide Wells	County Proportion of Wells (%)
2011	9	4333	0.21
2012	22	5608	0.39
2013	31	6550	0.47

Act 13 also sets up the Marcellus Legacy Fund to deal with environmental issues (section 2315). Specifically, section 2315(a.1)(5), distributes money to counties from this fund. All counties, regardless of whether or not they host an unconventional well, receive revenues from this section. This money is allocated based on population of the county as a proportion of the statewide population. There is a minimum of $25,000 allotted for the smallest of counties and of course the allocation depends on available funds. The following table summarizes Allegheny County's share of the Marcellus Legacy Fund over the last three years.

Marcellus Shale Impact Fee Annual Distribution to Allegheny County—Part II

Year	Amount
2011	$ 1,037,889
2012	$ 1,027,541
2013	$ 1,178,031

As mentioned above these funds are also restricted to environmental purposes, but they do not have to be reported to the state. The areas for which this money can be spent include the development, rehabilitation, and repair of greenways, recreational trails, water resource management, and, community and beautification projects. It can also be used for land damaged or prone to drainage by storms or flooding.

Thus Allegheny County has been direct beneficiary of the Marcellus Shale natural gas boom. Over the first three years of impact fee distributions, the County has received a total of $1.12 million, $1.17 million, and $1.38 million respectively. Of course while these funds have been restricted in their usage from the specific sections of Act 13, it does free up money from the County's general fund budget for use elsewhere. How much money the County will receive going forward remains to be seen. The impact fee, and thus the amount received by the County, is affected by variables such as the price of natural gas, age of wells, and number of wells.

Gaming Money

By virtue of legalized slot machine legislation that stated a stand alone casino would be located in Pittsburgh and that counties hosting such a facility would be entitled to receive a host fee (a local share assessment) of 2 percent of gross terminal revenue annually. This money goes directly into the County's general fund. Based on audited data, the County received $23 million total from the host fee from 2009-2013. The County budgeted $5.6 million in 2014 and 2015 from the fee, but audited results are not yet available.

Besides the host fee, the County is the recipient of gaming money through the state's economic development and tourism fund. While plenty of money is coming into the County and going to various entities (the Airport Authority, the Sports and Exhibition Authority, the City of Pittsburgh, etc.) there are three streams of money that are going directly to the County government:

- Community Infrastructure Fund—Act 53 of 2007, $80 million authorized. It is administered through the County's Redevelopment Authority.
- Gaming Economic Development Fund—Act 1 of 2010, $44 million authorized. Originally this money was authorized as a subsidy for a convention center hotel, but was shifted to the County for the creation of a second economic development fund. It is administered through the County's Redevelopment Authority.
- Retirement of Economic Development Fund—Act 53 of 2007, $30 million authorized. This is for the retirement of debt from an older economic development fund.