ALLEGHENY INSTITUTE FOR PUBLIC POLICY

August 15, 2016 **Policy Brief: Volume 16, Number 36**

Pittsburgh and Benchmark City Comparisons: 2016

Beginning in 2004 and in three year intervals since, the Allegheny Institute has produced reports examining the principal financial statistics for the City of Pittsburgh and a composite Benchmark City. After a series of comparison studies that looked at cities of similar population size and geographic proximity, we moved to a different focus in which we selected four geographically dispersed regional hub cities of various sizes (Salt Lake, Columbus, Charlotte, and Omaha), that when averaged together, provided the yardstick to measure Pittsburgh's performance.

Audited financial data from each city's Comprehensive Annual Financial Reports for 2015 was used for data collection

By using per capita basis statistics or, on a 1000 person basis, valid comparisons can be made for total revenues, taxes, spending, total employees as well as police and fire employees, and debt. This year shows that Pittsburgh is well above the Benchmark City on revenue collected, expenditures, and workforce.

A complete set of the latest findings are contained in our full length report on the Institute website. Here are some of the highlights.

On a per capita basis, Pittsburgh collected 41 percent more revenue than the Benchmark City ($1,883 to $1,332). Revenues in all of the cities include various combinations of taxes, licenses, fines, intergovernmental revenue, investment income, etc. Meanwhile, for tax revenue, a component of total revenue, the difference on a per capita basis between Pittsburgh and the Benchmark City is a 61 percent difference ($1,430 in Pittsburgh to $890 in the Benchmark City).

On the spending side, we calculated per capita total expenditures as well as per capita debt service and capital outlays and finally expenditures excluding capital and debt service. Pittsburgh spent 31 percent more in total per capita, but its debt service was only 25 percent higher and it has not incurred a capital outlay cost for several years. For per capita expenditures excluding debt service and capital outlays, Pittsburgh was a stunning 57 percent higher than the Benchmark.

On workforce, whether measured by total employees or on police and fire, Pittsburgh has more employees per 1000 people than the Benchmark City. Total workforce headcount in Pittsburgh was 10.7 to the Benchmark City's 7.5, a 43 percent difference.

Since we began the Benchmark City concept in 2004, we also include measurements on a five year interval basis in the report (2005, 2010, and 2015) so that we can see where there have been significant changes or not much change at all. The big positive for Pittsburgh is on debt per capita: in 2015 this was a 47 percent difference with Pittsburgh higher ($1,619 to $1,105). However, in 2005 this gap was at 169 percent. In the years since, Pittsburgh's per capita debt has fallen $730 per person (even with a population decline) while the Benchmark City has risen $230 per person. With the anticipated debt cliff coming in less than two years for Pittsburgh, with accumulated debt expected to decrease significantly, it could be an even better picture on this indicator on the next update.

On the other hand, in terms of population, school enrollment, spending excluding debt service and capital outlays and total employment Pittsburgh has actually worsened compared to the Benchmark City and remained about the same in taxes and total spending. Thus, while the improvement in paying down debt is laudable, there seems to be no real push to make strides in reducing the other costs and size of government.

One other indicator that we did not include in the Benchmark comparisons is the pension funding situation. Straightforward, meaningful comparisons are not possible due to the significant differences in how pensions are administered among the cities. We have written in other *Policy Briefs* about the improvement in the funding ratio of Pittsburgh's pensions, though there is still a long way to go to reach a level considered to be financially acceptable. When the debt payments drop sharply after 2018, the deal made by the City to avoid having its pensions taken over by the state will require Pittsburgh to double pension contributions from parking tax revenue.

With amendments to the statutes for both of Pittsburgh's overseers coming in the past two years and the possibility that there is an end date in sight for both, the need to get Pittsburgh's finances on a solid footing is imperative to say the least. And it would be even better if the City could move toward Benchmark City per capita spending, employment and taxes.

Eric Montarti, Senior Policy Analyst

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079 * Fax (412) 440-0085
E-mail: aipp@alleghenyinstitute.org