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Pittsburgh, by the financial numbers

By Colin McNickle

While Pittsburgh’s financial situation has made significant and positive strides, there remain substantial concerns about the city’s economic and financial structure, concludes an analysis by the Allegheny Institute for Public Policy.

“Debt outstanding is down but retirement benefit problems remain,” says Jake Haulk, president-emeritus of the Pittsburgh think tank (in Policy Brief Vol. 20, No. 1).

“Revenue gains and spending increases have outpaced employment gains,” he also notes. “However, spending and revenues per resident are far higher than comparable cities and getting worse.”

Pittsburgh’s outstanding debt fell sharply, from $575 million in 2013 to $406 million by the end of 2018. That $169 million drop represents a 29 percent decline.

“Unfortunately, net pension liabilities rose by $128 million and other post-employment benefits liabilities rose significantly as well to stand at $408 million, up by over $300 million” from 2013, Haulk says.

That means that by the end of 2018 (the latest available year), the pension funds were only funded at 31.8 percent, down from 2014’s 32.6 percent.

Do note, however, that the city’s pledge of parking tax ($26 million) and gambling tax ($10 million) receipts through 2041 raises the funding level to above the state-required 50 percent to avoid a state management takeover.

“The pension problem is not over and with no defined-contribution plan in the offing, the city could eventually face another pension crisis and be forced to find additional funds for the pension plans,” Haulk says.

Now, to those city revenues and expenditures.
Expenditures (on an accrual basis) climbed nearly $45 million (8.3 percent) from 2013 to 2018, from $535.7 million to $580.5 million. But that was a considerably smaller increase than revenues, which rose by a five-year cumulative total of $239 million in the same period.

However, even with expenditure growth rising more slowly than revenues over the five years, an estimated drop of 6,000 residents combined with the expenditure pickup lifted the spending per resident to $1,925, up 10 percent from 2013’s per resident outlay of $1,751.

Making those numbers even more eye-opening is that the City of Pittsburgh’s per-resident 2018 tax revenues were a striking 70 percent higher than a comparable “benchmark” city, up from 57 percent higher five years prior.

The benchmark city was arrived at using a composite of Charlotte, Columbus, Omaha and Salt Lake City. Then there’s Pittsburgh’s balance sheet. As of December 2018, the city had a net negative position of $1.458 billion. The numbers were a negative $423 million and $421 million in 2013 and 2014, respectively.

However, factoring in federally mandated accounting changes, the actual net position from 2014 to 2018 worsened by $134 million and from 2015 to 2018, it worsened by $167 million.

Among other tidbits from the Ph.D. economist’s findings, the city’s average monthly labor force has remained virtually unchanged in the 18 years ending in 2018. The number was 156,650 in 2000 and 156,476 in 2018 (based on Bureau of Labor Statistics data).

The peak labor force number for the period came with 2012’s 160,000.

“The non-existent growth in (the) labor force is consistent with a flat, to slightly lower, population,” Haulk says, noting how, nationally, the labor force has climbed 4.3 percent over the 2013-18 period.

But that said, the City of Pittsburgh’s unemployment rate fell to 4.2 percent in 2018 -- its lowest level since 1990 – and, through October 2019, had dropped to 4 percent.

Still, household employment nationally rose 8.2 percent between 2013 and 2018, more than six times faster than Pittsburgh.

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