ALLEGHENY INSTITUTE FOR PUBLIC POLICY

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Recommended action steps for the new mayor

Summary: Over the past two decades, when City of Pittsburgh voters elected a mayor, the Allegheny Institute made recommendations to consider adopting to improve the city's financial, economic and business climate situation to promote private-sector growth and healthy finances. As the new mayor takes office, we offer our best wishes for a successful tenure and a brighter future for the city.

Along with the inauguration comes a property tax increase that raises the city's millage from 8.06 to 9.67 mills (20 percent). As a result of City Council amendments, the 2026 operating and capital budgets are larger than what was proposed in November (operating expenses increased from $678 million to $693.2 million and capital spending from $100.9 million to $112.3 million). The tax increase and the operating and capital budgets were enacted by the council but not signed by the outgoing mayor.

The most recent property tax increase passed by city officials was in 2015 (an increase of 0.5 mill, or 7 percent). In 2017, city officials approved an increase to the deed transfer tax (an increase of 1 percentage point by 2020). Voters approved a 2019 ballot question creating the parks trust fund, which included a 0.5 mill property tax levy.

In budget hearings and deliberations, here are ways the Allegheny Institute's recommendations (most recently covered in *Policy Brief Vol. 25, No. 14*) were considered.

1. **Institute a hiring freeze**— Realizing that excessively high numbers of employees per resident lead to very high comparative expenditures per resident (as noted in *Policy Briefs* comparing Pittsburgh to the Benchmark City) and higher tax burdens for residents and businesses, we recommended a hiring freeze to allow retirements and normal attrition to begin the process of dramatically slowing the rise in employee costs.

   A hiring freeze was part of a resolution sponsored (but not introduced) by a member of City Council. The hiring freeze would have applied to "all currently vacant and any newly vacated positions" as of Oct. 23, 2025.

There would have been limitations: vacancies for department directors, bureau chiefs and "essential positions directly serving" within the mayor's office and "essential positions directly serving" the council or the Departments of Public Safety and Public Works would have been excluded.

A presentation from City Council's budget office on Dec. 20 identified 35 vacant, non-union full-time equivalent positions that could have been eliminated. Salaries and benefits for those positions totaled $2.9 million in 2026.

The Office of Management and Budget's third quarter report shows that on Sept. 19 there were 3,039 full-time general fund employees, 238 short of the 3,277 budgeted for 2025. Five departments were either overstaffed (actual exceeded budget) or staffed at their budgeted amount. Four departments had 80 percent or less than their budgeted headcount.

The approved 2026 operating budget authorizes 3,248 full-time equivalent general fund positions.

2. **Examine all departments and offices for increased efficiencies—**We recommended a major independent study of how more efficient (and less costly) cities operate across all departments with the goal of finding ways to improve workflow and productivity.

   But given efforts to recoup some of the spending for a comprehensive plan, the second half of this recommendation—a bonus program for employees who suggest implementable cost savings and/or productivity enhancements—ought to take the lead.

   From the council's budget presentation, a 5 percent cut to non-personnel expenses across city government would have totaled $3.6 million.

3. **Outsource non-core functions—**We recommended the city explore outsourcing non-core functions to the private sector or perhaps the county or an authority. This recommendation did not garner much attention during the budget deliberations. Given the problems with snow and waste removal services and condition of the fleet, that should have received consideration.

4. **Push for the inclusion of a Taxpayer Bill of Rights in the Home Rule Charter—**A good addition to the charter that we recommended would be an article requiring that general fund expenditures shall increase no more than the rate of inflation, that any surplus tax collection above and beyond the amount necessary to meet general fund expenditures shall be returned to the taxpayers of the City of Pittsburgh and that each city department, agency, authority and function is subject to periodic sunset review to determine the necessity of continuing said department, agency, authority or function.

There should be no tax rate increases without a three-fourths vote of City Council or by referendum, preferably the latter. Having that in the charter could have made the millage hike more difficult to achieve and encouraged spending cuts.

Recent charter amendments include the parks trust fund and a prohibition on privatizing the water supply system, even though that asset is now the property of a municipal authority, Pittsburgh Water (the Pittsburgh Water and Sewer Authority). The mayor should lead the way on charter amendments that will be beneficial to taxpayers.

5. **Don't support anti-business measures or subsidies for specific businesses—** We recommended the mayor oppose any measure that seeks to impose a stricter regulatory environment on businesses, oppose using city-based incentives for favored businesses and to look closely at zoning, planning and permitting processes to see if those are streamlined and friendly to business and, if not, initiate changes to make the processes friendlier and less costly. Executive order 2026-01, signed on Jan. 6, aims to address that by calling for "a comprehensive review of [Pittsburgh's] permitting, licensing, design and project review, and application processes and propose and adopt improvements to improve the customer service experience of applicants, simplify application and approval processes, streamline review requirements, and institutionalize more transparent, predictable, responsive, and efficient permitting operations."

   As the mayor takes office, there will be an expanded paid sick days provision that reduces the number of hours needed to work to earn paid sick time and increases the maximum number of allowable annual hours. And while the order speaks to speeding up permitting and making things easier for businesses and building activity, if that is accompanied by tax incentives and abatements, that will minimize the benefits that would have arisen from additional businesses locating in the city.

In the operating budget resolution passed by City Council, the areas of concern (specifically "the conditions as evidence that changes larger than two (2) percent are appropriate," which refers to language in the city's ordinances on changes from proposed to approved budgets) included that the budget presented by the mayor was not realistic, the original proposed millage increase of 30 percent, the impact of the Supreme Court's decision on the "jock tax" and the possibility of going into Act 47 distressed status.

In order to address those concerns, much of 2026 should be spent on cost-saving measures that were placed in front of City Council. In his inauguration speech, the mayor noted financial challenges and said tough decisions need to be made. As such, the mayor must review these proposals and work to make them a reality. The budget can be amended per the Home Rule Charter.

Conclusion

The recommendations offered in this *Brief* provide practical steps to move Pittsburgh from a path of stagnation to sustainable economic growth. An expansive public sector, burdensome regulatory climate and oppressive tax environment are all antithetical to a successful future for Pittsburgh.

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