

# ***POLICY BRIEF***

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## **Pittsburgh Should Learn from Act 47 Graduates**

With City Council thumbing its nose at the City's financial overseers as it approved a \$150,000 transfer of funds, one has to wonder if Pittsburgh will ever emerge from financially distressed status. Despite the protests of the Act 47 recovery team, appointed by the governor, and the Oversight Board, created by the Legislature, Council transferred funds from a chamber improvement account to salaries to effectively increase their 2005 budget. If they are unwilling to follow the advice and plans set forth by the Act 47 recovery team, can we believe they will ever be serious about escaping distressed status?

To see what it takes to leave distressed status, Pittsburgh need look no further than local municipalities that have already exited Act 47. Across the Commonwealth, twenty-one municipalities have been declared distressed while only five have exited. Of the five, three—Wilkesburg, East Pittsburgh, and North Braddock—are in Allegheny County. These boroughs offer guidance as to steps Pittsburgh needs to take as it tries to achieve non-distressed status.

These boroughs began by selling off assets and used the proceeds to shore up finances. Wilkesburg sold one property and East Pittsburgh transferred ownership of several parcels to the RIDC development park on the former Westinghouse site. At the very least, putting the ownership of these properties back in the hands of the private sector has relieved the boroughs of simple maintenance costs. In some cases, the property was developed and returned to the tax rolls increasing the stream of tax revenues—both property and earned income.

The boroughs also received help from their authorities. Granted, none of the boroughs have the plethora of authorities that Pittsburgh does, but both Wilkesburg and East Pittsburgh had a parking authority that provided assistance in climbing out of distressed status—something that none of the City's authorities have offered to do. The Wilkesburg Parking Authority sold a parking lot for development and leased lots to aid in the Borough's recovery process. The East Pittsburgh Parking Authority also sold a parking lot and used the proceeds to pay off Borough debt. Pittsburgh has authorities (Urban Redevelopment, Stadium, Water and Sewer, and Parking) that have assets that could be sold to help the City, but this idea has been met with strong resistance.

Contracting out services to the private sector has been advocated by not only the Allegheny Institute, but also by a number of task forces that have been convened to advise the City. The City has ignored this call until recently, agreeing to bid out a small percentage of refuse collection (up to 25 percent) and a small portion of the maintenance garage. Both East Pittsburgh and North Braddock contract out for refuse collection. Wilkesburg contracts out most road projects and East Pittsburgh contracts out its police dispatch and prisoner holding. Privatization in Pittsburgh has been met with unyielding resistance from public sector unions.

Finally, these other boroughs were able to control public safety costs. North Braddock went to an all part-time police force and East Pittsburgh did not replace the retiring police chief, but had distributed the administrative duties to the mayor and other officers. Wilkinsburg was successful in instituting measures to control public safety costs such as employee contributions to health plan premiums as well as controlling abuse of sick leave, overtime, and other paid time off benefits. They also reduced vacation time and increased the wait for longevity pay.

Other personnel changes made by the boroughs that could be used by Pittsburgh include a reduction in the number of council members, as East Pittsburgh reduced its council from nine members to four. Wilkinsburg also used temporary summer employees to supplement its public works department and used grants to pay for these youth workers.

One major difference between Pittsburgh and other communities in Act 47—both recovered and still participating—is the size of the municipalities. The Department of Community and Economic Development was able to issue grants and loans to give these communities a fresh start. They did not have the resources to offer significant financial help to Pittsburgh. The size of City and the influence of the Mayor and Council have probably prevented the Act 47 team from acting as forcefully as they might have otherwise.

The Act 47 teams in charge of the recovery process for the successful municipalities took a hard-nosed approach to recovery. The boroughs followed the teams' plans and were as a result, able to leave distressed status. Until Pittsburgh's Act 47 team Pittsburgh gets serious about making necessary changes in spending, selling assets, privatization and generally holding Pittsburgh's feet to the fire, the City will join the ranks of Pennsylvania municipalities that seem destined to be distressed forever.

The actions instituted by the Act 47 teams in boroughs that successfully graduated from distressed status are common sense ideas the Allegheny Institute has been advocating for years, and well before Pittsburgh asked to be declared distressed.

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