



ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

*Pittsburgh and the Benchmark City:
2010 Update*

Allegheny Institute for Public Policy

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Summary and Key Findings

In 2004 the Allegheny Institute undertook a benchmarking project in order to gauge the performance of the City of Pittsburgh on its spending and taxes. Four regional hub cities of varying population and geographic location (Salt Lake City, UT; Columbus, OH; Omaha, NE; Charlotte, NC) were selected. Their statistics were amalgamated into what is termed the Benchmark City. By expanding what we examined to not only include the city government's practices but also other financial indicators related to debt, authorities, schools, and pensions, we aimed to present a broad and deep view of local government in other places and to see just how well Pittsburgh was able to compete.

This study represents the second update of the Benchmark City concept. We have targeted the analysis to six overall areas: Demographics, Spending and Taxes, City Headcount, Legacy Costs, Authorities, and Schools. A total of 25 indicators are presented on both a cross-sectional analysis of 2010 data and a longitudinal investigation which examines how things have changed since 2004.

We find that for 2010, Pittsburgh, when compared with the Benchmark City:

- Spent 50 percent more on a per capita basis
- Collected 56 percent more in taxes
- Has higher staffing levels (on a per 1000 person basis) for overall city employment, police, fire, and employment at related authorities
- Is far out of line on the value of assets held by their authorities, on workers' compensation, net bonded debt, and pension funding
- Is spending and taxing at a higher rate to support public schools

Over the period from 2004 to 2010, we find that Pittsburgh, compared to the Benchmark City:

- Closed the gap somewhat on fire spending and fire staffing, net bonded debt, and school spending and taxes
- Improved slightly on property taxes and total taxes
- Lost ground on general spending and police spending

Introduction

In 2004 the Allegheny Institute published the report “*A Benchmark City for Pittsburgh to Emulate*”. Based on our previous work that examined cities across the nation of similar population size as Pittsburgh and then cities situated in the same geographic sphere as Pittsburgh, we selected four regional hub cities—Salt Lake City (UT), Columbus (OH), Charlotte (NC), and Omaha (NE)—and amalgamated their characteristics together to form our “Benchmark City”.

The Benchmark City has provided a point of comparison by which to gauge Pittsburgh’s population characteristics, its spending levels, government employment, and school performance.

The data collection process in 2004 occurred amid a significant period of governmental change in Pittsburgh. The City had just entered into Act 47 distressed status, another overseer in the form of the oversight board was convened, and the General Assembly granted reform of several of its taxes. We found that Pittsburgh in 2004, when compared to our Benchmark City, spent more, taxed more, and had more public sector employees relative to its population.

In 2007 we revisited the Benchmark City and Pittsburgh to see what, if anything, had changed. While finding that the gap between the two had improved on some items, there were still significant differences on indicators related to spending, staffing, and legacy costs. Even where there was improvement for Pittsburgh there was no denying the fact that it was still far out of line on what one would consider an acceptable level of performance.

Three years have passed since the last examination of the Benchmark City, so we now revisit the topic in order to give an updated perspective on Pittsburgh’s performance relative to the Benchmark. Clearly the emphasis in Pittsburgh has been on how to tackle the massive legacy cost problem, specifically the huge underfunding of the City’s pension plans.

Methodology

Like the two previous reports, we examined Census data, operating budgets, audited financial reports, and annual reports in order to compile the data needed for the twenty-four indicators that comprise the 2010 Benchmark report. We also leaned on phone and e-mail conversations with officials in Pittsburgh and the cities in the Benchmark to confirm or provide data¹.

¹ Again, much like the 2007 report that updated the original Benchmark City study of 2004, we do not go into exhaustive detail on each individual city in the Benchmark as to what type of taxes levied, the number of authorities, or other government characteristics. Readers wanting to obtain detail of these characteristics are advised to examine the 2004 report, “*A Benchmark City for Pittsburgh to Emulate*”

Many of the financial statistics are presented on a per capita basis; we use simple averages of the per capita values of each city to arrive at the Benchmark City value (it is worth noting that calculations using weighted averages produced spending and revenue values of about \$50 lower on a per capita basis—making Pittsburgh look even worse in comparison to other cities). Staffing levels are done on a per 1,000 person basis, funded ratio for pensions is a percentage, and population and school enrollment are done on a whole number basis.

Pittsburgh and the Benchmark City, 2010 Data

Demographics

Compared to the Benchmark City, Pittsburgh has 40 percent fewer residents and is quite smaller in terms of square miles (71% lower). Its per capita income is 8 percent lower than the Benchmark City average.

Variable	Benchmark City	Pittsburgh	On this variable, Pittsburgh was...
Population	515,671	310,037	40% lower
Per Capita Income	\$26,558	\$24,390	8% lower
Square Miles	191	55.6	71% lower
Population as % of County	63%	26%	59% lower
Population as % of Metro	38%	13%	66% lower
Population per Square Mile	2,685	5,576	108% higher

It comprises a smaller share of its parent county and metropolitan area as a percentage of population than the Benchmark City. It is however a higher density city as measured by people per square mile².

² For all cities, population for the city and the parent county and metropolitan area taken from the U.S. Census Bureau Population Estimates page (www.census.gov/popest/city/tables/2008/CBSA-Est2008-01.xls). Per capita income from the American Fact Finder (http://factfinder.census.gov/home/saff/main.html?_lang=en) and reflects 2008 data. Salt Lake City square mileage obtained from 2009-10 Budget (www.slcc.gov/com/finance/2010budget/2010budget.pdf). Columbus square mileage obtained by e-mail from Jane Dunham, City of Columbus Finance Department. Charlotte square mileage obtained from Charlotte 2010 Strategic Operating Plan, Page 131 (<http://www.charmeck.org/NR/rdonlyres/ecz4pohz3v6ttwd6ik7bqddor7cet5q2trlwdkwhg3ddd3xhz447qhrmwkq5k5pq5pmkfcgeik5p4xcguorgxjeg2b/FinalFY2010SOP.pdf>). Omaha square mileage obtained from 2009-10 City Budget, page 1 (<http://www.cityofomaha.org/finance/images/stories/Budgets/budget2009adopted/secA.pdf>). Pittsburgh from Department of City Planning Fact Sheet (http://www.city.pittsburgh.pa.us/cp/html/pittsburgh_fact_sheet.html)

Spending and Taxes

The heart of the comparison between Pittsburgh and the Benchmark City lies in the spending and taxing patterns of the day-to-day operations of each. All of the data below is presented in per capita terms³.

Variable	Benchmark City	Pittsburgh	On this variable, Pittsburgh was...
Per Capita Spending	\$961	\$1,440	50% higher
Per Capita Police Spending	\$266	\$325	22% higher
Per Capita Fire Spending	\$187	\$243	30% higher
Per Capita Property Taxes	\$253	\$424	68% higher
Per Capita Total Taxes	\$715	\$1,113	56% higher
Per Capita Total Non-Tax Revenue	\$251	\$327	30% higher

On overall spending (which measures general fund spending and spending on general municipal debt service) Pittsburgh is spending 50 percent above the level of the Benchmark City. If Pittsburgh were spending at the Benchmark level its budget would be around \$300 million this year, or about \$146 million less than the anticipated spending level for 2010.

Pittsburgh is still above on the public safety expenditures of police and fire (expenditures include benefits) and is collecting more in property taxes (the only tax common to all cities in the Benchmark and Pittsburgh).

In terms of total taxes collected (this measures all taxes funding both the general fund and municipal debt service), Pittsburgh is bringing in 56 percent more on a per capita basis than the Benchmark City. This reflects the changes brought about by the reform package passed by the state (a gradual shift of wage tax from the schools to the City, the creation of the payroll tax, an increase to the Local Services tax, along with phase-outs and reductions of the business privilege and parking taxes).

³ For cities in the Benchmark: *Salt Lake City*, 2009-10 Budget General Fund expenditures page B-27; Debt Service page B-30; Police, page D-119; Fire page D-107; Property Taxes page B-27; General Fund Totals pages B-27 and B-33. *Columbus* 2010 City of Columbus Budget (<http://finance.columbus.gov/content.aspx?id=20564>) General Fund expenditures page 25-7; Debt Service e-mail from Jane Dunham; Police and Fire page 25-8; Property and General Fund Totals page 25-5. *Charlotte* 2010 Strategic Operating Plan, general fund expenditures and municipal debt service page 32, police spending page 57, fire spending page 60, property and total taxes, total non-tax revenue page 128-30. *Omaha* 2009-10 Budget general fund, police and fire spending page 6. Property and total tax revenue page 8. Debt service section E, page 139. *Pittsburgh* 2010 Budget (www.city.pittsburgh.pa.us/main/assets/budget/2010/2010_budget.pdf) General fund expenditures page 17; Police and Fire page 17; Property Taxes page 18; General Fund Totals page 18

City Headcount

Local government is a labor-intensive enterprise: the majority of most budgets are allocated to personnel costs, and the issue of pensions (as touched upon in the next section) for public sector workers has brought more attention on government employees.

After all, each employee draws a wage/salary, and, if vested, accumulates benefits from day one. So that means the higher the headcount the more costs attributed to personnel.

But beyond that there lies a basic question: how many people does a city need to carry out its day to day functions?

The data below presents headcount (on a per-1000 person basis) for Pittsburgh and the Benchmark City for total employees covered under the general fund, as well as personnel in police and fire departments⁴.

Variable	Benchmark City	Pittsburgh	On this variable, Pittsburgh was...
General Fund Employees per 1000 people	7.3	10.2	40% higher
Police Employees per 1000 people	2.9	3.6	24% higher
Fire Employees per 1000 people	1.8	2.1	17% higher

Pittsburgh's overall general fund employee headcount was 40 percent higher than the Benchmark City—10.2 to 7.3 per 1000 people. Public safety personnel of police and fire were both higher, 24 percent and 17 percent, respectively.

⁴ For cities in the Benchmark: *Salt Lake City*, 2009-10 Budget General Fund total, Police, and Fire from page D-181. *Columbus* 2010 Budget, General Fund total, Police, and Fire from page 25-9. *Charlotte* general fund, fire and police employee totals from 2010 Strategic Operating Plan, page 33. *Omaha* general fund, fire, and police counts from 2009-10 Budget pages 20-21. *Pittsburgh* General Fund totals summed from 2010 budget; Police page 198; Fire page 209

Legacy Costs

The issue of pensions and health care benefits along with debt burdens have become critical issues for the Federal government as well as state and local governments around the nation. Pittsburgh is all too familiar with trying to close a massive pension funding gap and has to deal with liabilities related to retiree health care, workers' compensation, and overall debt levels. We were unable to obtain data on retiree health care for all cities in the Benchmark so there is no comparison for that measure. This section focuses on the variables of pension funded ratio, workers' compensation claim payments, and net bonded debt⁵.

Variable	Benchmark City	Pittsburgh	On this variable, Pittsburgh was...
Pensions, Average Funded Ratio	82%	43%	48% lower
Per Capita Workers' Comp Payments	\$16	\$69	331% higher
Per Capita Net Bonded Debt	\$797	\$2,176	173% higher

As we can see from the table Pittsburgh is far out of line on legacy costs: its pensions are much more underfunded (funded ratio counts the plan's assets divided by its liabilities), and is much higher on workers' compensation claim payments as well as per capita debt.

⁵ For cities in the Benchmark: *Salt Lake City* Funded Ratio of Pensions from Utah Retirement System Comprehensive Annual Financial Report (www.urs.org/general/pdf/Annual_Report_2008.pdf); Workers' Comp payments from page 71 of City CAFR; Net Bonded Debt from page S-14 of the CAFR. *Columbus* Funded Ratio of Pensions from Ohio Police and Fire Pension Fund CAFR, page 28 (www.opf.org/downloads/reports/cafr2008.pdf) and Ohio Public Employees Retirement System CAFR, page 60 (www.opers.org/pubs_archive/investments/cafr/2008_cafr_hires); Workers' compensation claim payments from an e-mail from Jane Dunham; Net Bonded Debt Table 16 in 2008 CAFR and phone conversation with Vikki Amicon, Auditor's Office. *Charlotte* Pension funded ratio data on firefighters from page 98 of 2009 CAFR (<http://www.charneck.org/NR/rdonlyres/egk3ethwjz03z7brjk7klyngbdgkeivr5gang55g4t6najlxxoqurdompo3suuaa74bnxqo4uitvxg5247wimaxxqsa/InternetCopy.pdf>). Police part of the state pension system (local government employees). Data on funded ratio found in the state's 2009 CAFR (http://www.ncosc.net/financial/09_cafr/2009CAFRRoCover.pdf) page 180. Workers' compensation data obtained via e-mail from Daniel J. Plizka, Manager of Risk Management Division. Net bonded debt data obtained from 2009 Charlotte CAFR page 184. *Omaha* Pension funded ratio from page 62 of 2008 Audited Financial Statement. Workers compensation payment data obtained from phone call with Deb Sander, payroll manager, City of Omaha. Net bonded debt data obtained from 2008 Audited Financial Statement page 13. *Pittsburgh* Funded Ratio of Pension Plans from page 62 of CAFR; Workers' Compensation Claim Payments from page 86 of CAFR; Net Bonded Debt from page 121 of CAFR

Authorities

Authorities represent an extension of city government: they are set up to carry out a specific service (in other states they are also referred to as special districts) and have many of the common powers of general purpose governments other than the ability to levy direct taxes. In Pittsburgh water and sewerage service, public parking, redevelopment, economic development on the North Shore, and low-income housing are carried out by authorities.

Variable	Benchmark City	Pittsburgh	On this variable, Pittsburgh was...
Per Capita Authority Assets	\$989	\$4,929	398% higher
Authority Employees per 1000 people	1.2	3.2	167% higher

We use two measures to gauge the size of special purpose government in Pittsburgh and the Benchmark City: the audited value of their asset holdings (on a per capita basis) and their employee headcount (on a per 1000 person basis)⁶. As can be seen in the table Pittsburgh is much higher than the Benchmark City on both indicators.

⁶ For cities in the Benchmark: *Salt Lake City* Redevelopment Authority assets, page 31 of the City Comprehensive Annual Financial Report (www.slcgov.com/accounting/pdf/CAFR2009.pdf) Housing Authority opted not to participate in this year's study, so their asset count from 2007 was used for 2010; Redevelopment Authority headcount from phone conversation with Valda Tarbet of the Authority; Housing Authority declined to participate in the study this time, so their headcount from 2007 was used for 2010. *Columbus* Central Ohio Transit Authority Assets from 2008 Transit CAFR, page 4 (www.auditor.state.oh.us/auditsearch/Reports/2009/Central_Ohio_Transit_Authority_08_Franklin.pdf); Solid Waste Authority of Central Ohio, page 2-6 of CAFR (www.auditor.state.oh.us/auditsearch/Reports/2008/Solid_Waste_Authority_of_Central_Ohio_07_Franklin.pdf) Columbus Regional Airport Authority page 18 (www.auditor.state.oh.us/auditsearch/Reports/2009/Columbus_Regional_Airport_Authority_08_Franklin.pdf); Franklin Park Conservatory and Joint Recreation District, page 6 of CAFR (www.auditor.state.oh.us/auditsearch/Reports/2009/Franklin_Park_Conservatory_Joint_Rec_District_08_Franklin.pdf) Columbus Metro Housing Authority, page 6 of CAFR (www.auditor.state.oh.us/auditsearch/Reports/2009/Columbus_MHA_08_Franklin.pdf); Central Ohio Transit Authority, page 71 of 2008 CAFR; Solid Waste Authority of Central Ohio, page 3-18 of 2008 CAFR; Columbus Regional Airport Authority, page 65 of 2008 CAFR; Franklin Park Conservatory and Joint Recreation District, phone conversation with Bruce Harkey, Executive Director; Columbus Metro Housing Authority, phone conversation with Daryl Cousins, Human Resources. *Charlotte* Convention and Visitor Authority assets derived from e-mail with Larry Williams; Charlotte Housing Authority assets derived from 2009 CAFR page 1; Convention and Visitor Authority headcount derived from e-mail with Larry Williams; Charlotte Housing Authority headcount derived from 2009 CAFR (<http://www.charlotte.org/documents/CHA%20CAFR%20FY2009.pdf>) page 200. *Omaha* Metro Entertainment and Convention Authority data obtained 2008 Audited Financial Statement (<http://www.cityofomaha.org/finance/images/stories/pdfs/final.pdf>) page 80. Housing Authority did not respond to repeated requests, so their 2007 asset value was used. Metro Entertainment and Convention Authority data obtained from e-mail conversation with Rebecca Kleeman, public relations manager. Housing Authority did not respond to repeated requests, so their headcount total from 2007 was used. *Pittsburgh* Urban Redevelopment, Parking, Stadium, and Water and Sewer Authority Assets from page 21 of the 2009 Comprehensive Annual Financial Report (www.city.pittsburgh.pa.us/co/assets/08_CityofPgh_CAFR.pdf); Housing Authority Assets from Housing Authority Annual Report (www.hacp.org/nu-upload/HACP_Annual_Report_2008_Final.pdf); Housing Authority headcount from Authority website (www.hacp.org); Water and Sewer Authority headcount from

Schools

The last area in this analysis is public education, specifically the level of spending and taxes collected by the school district that serve the cities in the study⁷. While normally not under the direct control of cities, the service of public education is critically important to the success and attractiveness of each city.

Variable	Benchmark City	Pittsburgh	On this variable, Pittsburgh was...
Per Capita School Spending	\$1,198	\$1,689	41% higher
Per Capita School Taxes	\$477	\$878	84% higher
Per Pupil School Spending	\$10,457	\$20,045	92% higher
Enrollment	64,614	26,123	60% lower
Students per 1000 people	126	84	33% lower

As of this year Pittsburgh Public Schools is spending 40 percent more on a per capita basis than schools in the Benchmark City (this number includes school debt service). It collects more taxes (84%) than the Benchmark City. It is higher on per pupil spending, much lower on enrollment and, on a per 1,000 person basis, had fewer students than the Benchmark.

page 4 of PWSA annual report (www.pgh2o.com/docs/annual2008.pdf); Stadium Authority shares minimal staff with the City-County Sports and Exhibition Authority, so its headcount was assumed to be 0; Urban Redevelopment Authority headcount e-mail from Jason Tagano; Parking Authority headcount from phone conversation with Elaine Konesky. It should be noted that this was the first time that the Parking Authority responded to inquiries about headcount—in the two previous reports the headcount for the Authority was estimated at 0 due to the fact that the Authority would not respond to requests for information. With the 2010 response that headcount was 150, and assuming that earlier years would have been similar (if not higher), it would be fair to say that Pittsburgh’s authority employment would far exceed that of the Benchmark City (if the 150 count was present in 2004 the percentage difference would be 220%).

⁷ For cities in the Benchmark *Salt Lake City 2008-09 Salt Lake City School Budget* (www.slk.k12.ut.us/depts/budget/0809budget.pdf) Spending, page 12; Taxes, page 43; Enrollment, page A-10 *Columbus City of Columbus School Budget* (www.columbusk12.oh.us/websitensf/CCCS_Pages/About_CCS_Facts_Stats?opendocument) Spending, page 16, Taxes page 18, Enrollment page 16. *Charlotte Charlotte-Mecklenburg Schools 2009 budget* (<http://www.cms.k12.nc.us/cmsdepartments/Finance/Documents/2008-09%20Adopted%20Budget.pdf>) spending and taxes page 11, enrollment data on page 98. *Omaha Douglas County School District July 2009 monthly treasurer’s report* (<http://www.ops.org/district/CENTRALOFFICES/GeneralAdministrativeServices/AccountingandFinance/MonthlyTreasurersReports/tabid/252/Default.aspx>) general fund spending and taxes on page 5. Enrollment data from 2008-09 Annual Report (<http://www.ops.org/district/CENTRALOFFICES/OfficeofPublicInformation/OPSAnnualReport/tabid/1592/Default.aspx>) on page 9. *Pittsburgh 2010 School Budget* (<http://www.pps.k12.pa.us/14311019103352810/lib/14311019103352810/2010-Budget/2010-PRELIMINARY-BUDGET.pdf>) Spending, page 11; Taxes, page 11, Enrollment from District’s website (<http://www.pps.k12.pa.us/14311012513041797/blank/browse.asp?a=383&BMDRN=2000&BCOB=0&c=63291&14311012513041797Nav=&NodeID=5038>). Pittsburgh Public School District includes the Borough of Mt. Oliver (population of 3,600) which would slightly lower per capita spending total.

Pittsburgh and the Benchmark City, 2004-2010

Having presented the snapshot data for 2010, it is important to revisit our initial study data from 2004 for key variables to see if Pittsburgh has improved its standing relative to the Benchmark City. With six years of Act 47 and oversight board presence in Pittsburgh there has been an effort to curtail costs and reform taxes; it is safe to say that no city in the Benchmark has lived under a similar situation in recent years.

By examining the relative standing or the “gap” between Pittsburgh with the Benchmark City we can determine if there has been any improvement, little change, or worsening on the indicators. Keep in mind that Pittsburgh is still well above the Benchmark City on nearly all indicators related to spending and staffing: the point here is to determine any movement relative to the Benchmark in the past six years.

	In 2004, Pittsburgh was	In 2010, Pittsburgh was
Demographics		
Population	30% lower	40% lower
Per Capita Income	19% lower	8% lower
Square Miles	67% lower	71% lower
Pop as % of County	59% lower	59% lower
Pop as % of Metro	65% lower	66% lower
Pop per Sq Mile	112% higher	108% higher
Spending and Taxes		
Spending	48% higher	50% higher
Police	18% higher	22% higher
Fire	60% higher	30% higher
Property Taxes	76% higher	68% higher
Total Taxes	62% higher	56% higher
Total Non Tax Revenue	15% higher	30% higher
Headcount		
GF Employees	42% higher	40% higher
Police	13% higher	24% higher
Fire	47% higher	17% higher
Legacy Costs		
Pensions, Funded Ratio	43% lower	48% lower
Workers' Comp Claim Payments	344% higher	331% higher
Net Bonded Debt	233% higher	173% higher
Authorities		
Authority Assets	460% higher	398% higher
Authority Headcount (see footnote 6)	160% higher	167% higher
Schools		
School Spending	79% higher	41% higher
School Taxes	114% higher	84% higher
Per Pupil Spending	107% higher	92% higher
Enrollment	44% lower	60% lower
Students per 1000 Pop	20% lower	33% lower

- *Much Better* (a movement of 11 or more percentage points in the right direction):
The efforts to right size the City’s fire department goes back many years, but the

“modern era” of calling attention to needed reforms likely began with the Competitive Pittsburgh report in 1996. In 2004, Pittsburgh’s per capita fire spending was 60 percent higher than the Benchmark City and its staffing per 1000 was 47 percent higher; today those gaps have shrunk to 30 percent and 15 percent, respectively. In addition the City’s commitment to not take on new debt (though one of the solutions for pensions that has been mentioned is issuing pension bonds like Pittsburgh did in the late 1990s) has lowered net bonded debt from where it was in 2004, and there was a decline in the relative standing for workers’ compensation, though both are still far out of line with the Benchmark. School spending and taxes also improved.

- *Slightly Better (a movement of 1-10 percentage points in the right direction):* Pittsburgh improved its standing on per capita property taxes and per capita total taxes.
- *Slightly Worse (a movement of 1-10 percentage points in the wrong direction):* The pension issue is front and center in Pittsburgh and the topic of legacy costs is going to have an effect in every corner of the country. Pittsburgh’s funded ratio (assets/liabilities) has fallen from where it was in 2004 and right now the solution is riding on whether or not the City can lease its parking garages. Overall spending and police spending also met this threshold.
- *Much Worse (a movement of 11 or more percentage points in the wrong direction):* Enrollment in Pittsburgh Public Schools fell relative to enrollment in the Benchmark City. This has occurred in a system where per-pupil expenditures are far out of line and the City, the schools, and the foundation and corporate community have hitched their fortunes to a college scholarship program as a way to turn enrollment around.

Conclusion

Reflecting the title of our original 2004 report we ask “is Pittsburgh emulating the Benchmark City”? Aside from a few indicators, on the whole we would have to say no. Spending is still far higher than the Benchmark, the City just embarked on trying to enact a new tax on college tuition, and shows no immediate signs of emerging from its position as a distressed municipality. While there are positive signs that the City is trying to do something for its underfunded pensions and is committed to not taking on new debt, it still has huge looming liabilities with workers’ compensation and post-retiree health care (an obligation which in the last few years had a price tag placed upon it). Much more progress will be needed before Pittsburgh can move close to where other U.S. cities are financially.