City of Pittsburgh, Pennsylvania

June 20, 2014

Revisions to the Second Amended Recovery Plan as filed on May 30, 2014

Capital Program

New initiatives to be added

CP06.	**Consolidation of public safety offices and training facilities**	
	Target outcome:	Reduce expenditures; increase efficiencies
	Five Year Financial Impact:	TBD
	Responsible party:	Public Safety; Public Works; Finance; City Council

As part of its development of a comprehensive infrastructure investment plan described in initiative CP01, the City shall analyze options for improving facilities and reducing facility costs for Police Headquarters, Fire Administration, the Bureau of EMS and the Bureau of Building Inspection and their associated training facilities.

The City leases the current North Side Police Headquarters facility at an annual cost of $1,385,000 with an escalator in 2017 increasing the payment to $1,525,000. There are also requests to provide a different firing range for police officers. Meanwhile the training facility for the Fire Department is in deteriorating condition, with a potential need for extensive repairs, and its present location may be a contributing factor to flooding in the Washington Boulevard corridor. Fire Administration and the Bureau of Building Inspection are located at 200 Ross Street, a building contemplated for sale by the Urban Redevelopment Authority to put back on the tax rolls. That Ross Street facility, which also houses zoning and planning personnel, is in very poor condition and does not supply ample parking for Building Inspection vehicles and Fire personnel. BBI leadership described the facility's condition and lack of parking as significant obstacles for improving the Bureau's effectiveness.

Over the past year City staff from Public Works, City Council and OMB have been evaluating other locations for all of the Public Safety functions described above. Funding from the termination of the Police Headquarters lease could supply some portion of the funding for a new or reused location. The City shall continue this process of evaluating the relative costs and benefits of alternatives in order to achieve long term cost savings and gain significant efficiencies.

The process shall include the exploration of opportunities for sharing services and costs with the County. The City shall further explore the possibility of selling naming rights, or other market-based revenue opportunities, to offset the operating and capital costs of any facility.

CP07.	**Improve process for obtaining asphalt**	
	Target outcome:	Reduced costs
	Five Year Financial Impact:	TBD
	Responsible party:	Public Works; OMB; Mayor; City Council

To address the widespread street paving needs, the City shall fully analyze alternatives for reducing asphalt costs and improving service.

In 2004, the City sold its asphalt plant as mandated by the original Act 47 plan. At the time, the old asphalt plant was inefficient, and it was cheaper to sell the plant and contract with an outside vendor for asphalt production. However, the arrangement with the private asphalt plant presents some challenges. The plant is shared by other government agencies and private contractors so City staff may wait in line as long as 25 to 50 minutes. Fluctuations in the cost of asphalt also inhibit the City's ability to consistently meet its annual paving goals on budget.

The City shall perform a market and cost-benefit analysis to identify the best way to procure asphalt at the lowest possible price while minimizing down time. Alternatives to be analyzed shall include, but not be limited to, the following:

- Re-bidding the asphalt contract. This option, in turn, should include analyses of the regional availability of asphalt from private sector sources; drivers of asphalt prices; the potential for locking in asphalt prices for some period of time; including contract provisions regarding maximum wait times; and contracting with multiple providers simultaneously in order to mitigate wait times and potentially reduce costs.

- Building a new City asphalt plant. This option should include analyses of the cost of building and operating a plant over a five and 10 year period; a comparison of projected costs of asphalt produced at the new plant versus asphalt produced by the current and other external providers; the level of production necessary to achieve a lower cost per ton than currently provided and the feasibility of achieving that level of production; staffing models that could accommodate the seasonality of asphalt demand; an estimation of pension and OPEB costs that would be incurred for new staff; the opportunity costs of the funds used to build the plant; and potential impacts on the regional private market for asphalt.

The cost/benefit analysis, with a full set of assumptions, shall be provided to the Act 47 Coordinator for its review. The Coordinator will approve the analysis and its conclusion, reject it, or request more information. The City shall not move forward with any action, budgetary or otherwise, to establish an asphalt plant in the absence of written approval from the Act 47 Coordinator. In the absence of such approval, the City shall continue to purchase asphalt from an outside provider.

This initiative does not have a financial impact associated with it. Presumably, the City would spend the same amount of money in its "street resurfacing" line item as before. Any savings would be used to pave additional miles of streets.

Administration

New initiative to be added

AD02.	**Codify best practices**	
	Target outcome:	Facilitate exit from oversight
	Five Year Financial Impact:	N/A
	Responsible party:	City Council; Mayor’s Office; Law Department

To prepare for an exit from Act 47 and Act 11 oversight several best practice initiatives from this and the previous two Recovery Plans should be codified to ensure future compliance and fiscal practices. For example, the previous plans have recommended several budgeting best practices such as quarterly financial reporting as prescribed by the Government Finance Officers Association (GFOA). The City Council, Law Department and the Mayor shall work together to identify such items and explore which should appear in the City Code or Charter. To ensure the most effective results, the City should give particular attention to best practices that have been implemented consistently by City managers and have already been proven as useful to the City’s operations and financial management processes.

Financial Management

The text below will completely replace the Cash Management subsection on pages 86-87.

Cash Management

In 2013 the ICA contracted with the Certified Public Accountant and consulting firm Gleason and Associates, PC to review the City's cash management practices, procedures and policies. The engagement was prompted in part by a federal investigation of the Bureau of Police's Special Events office. Outside entities employ off duty Pittsburgh police officers to provide security at their events and then pay for this additional coverage. The Bureau of Police manages these "secondary employment" details and the City receives an administrative fee for doing so. After it was discovered that money from secondary employment details was routed to a separate bank account outside the City's control and fund structure, the FBI began an investigation of how this money was handled.[1]

As of December 2013, Gleason had completed its review of the City Finance, Parks and Recreation, Public Works and Planning departments and the Bureau of Building Inspection. Gleason found basic internal controls in all departments and did not find any instances of fraud or misappropriation of cash. But the CPA firm did note that some controls "should be enhanced to minimize the risk of fraud." Recommendations include:

- Better physical security to limit access to cash (Parks, Planning);
- More timely deposits of cash (Parks, Planning, Public Works);
- More restrictions on how checks are endorsed (BBI, Parks, Planning, Public Works);
- Limiting the number of places where cash payments are accepted (Parks);
- Allowing credit or debit card payments (Parks, Planning, Public Works);
- Eliminating non-City bank accounts (Parks);
- Improved segregation of duties (BBI, Parks, Public Works); and
- Better written documentation of cash management policies and procedures (BBI, Finance, Parks, Planning).

In December 2013 City Council passed and Mayor Ravenstahl approved an ordinance addressing some of these same issues.[2] The ordinance requires the City Finance Director to "promulgate a Citywide Cash Management Policy" and provides the following:

- Each department of the City shall have written departmental-specific policies, procedures and internal controls over cash management that shall be filed with the Controller.
- Each department shall require that actual cash, money orders, checks and other forms of payment be deposited within 1 to 2 business days of receipt.

[1] The City has since established a separate fund for these secondary employment activities. Previously the funds were booked in the General Fund as a "negative expense."

[2] City Council Ordinance 2013-1910.

- Each departmental policy shall have a segregation of cash management duties and include a point-of-sale system (electronic or manual).

- Each department shall accept credit/debit cards, and/or other forms of electronic payment when possible.

Changes to Initiatives section starting on page 87

FM02.	**Non-personnel operating expenditure reduction**	
	Target outcome:	Reduced costs; operational efficiency
	Five Year Financial Impact:	$11.8 million
	Responsible party:	OMB; various departments

The City's 2014 budget allocates close to $50 million for operating expenses that are not directly related to its employees. This covers the cost of utilities, supplies, vehicles, equipment, court fees, and services provided by outside contractors. The City has closely managed its spending on these items and has spent less than budgeted each year since 2009.

Non-Personnel Operating Costs

Year	Budget	Actual	Savings ($)	Savings (%)
2013	48,775,114	46,245,907	2,529,207	5.5%
2012	48,812,705	44,263,945	4,548,760	10.3%
2011	45,325,052	39,680,298	5,644,754	14.2%
2010	41,414,982	36,865,394	4,549,588	12.3%
2009	44,175,957	37,253,371	6,922,586	18.6%

Source: Figures shown here come from the City's fourth quarter financial and performance reports

Given this performance and the need to keep City spending levels within the amounts supported by available revenues, the City shall reduce its spending in these areas by 5.0 percent below the baseline projection for 2015-2018. The City can comply with this initiative by reducing its total spending on non-personnel operating costs.[3] It does not need to apply a five percent across-the-board cut to every category or department so long as the total savings target is achieved.

This reduction target is close to the savings level achieved in 2013 and lower than the levels achieved before that in recognition that the City may need to spend more on certain items than it did in prior years to support other priorities in this Amended Recovery Plan. For example, the City may determine that it needs to maintain or even slightly increase spending on property maintenance to prevent the further deterioration of its infrastructure. Grouping those expenses together gives the City flexibility to achieve this savings target without doing an across-the-board reduction.

Additionally, there may be initial investments necessary to developing more efficient and effective service models in specific operating departments. For example, implementation of the Gleason

[3] Using the accounting subclasses in the 2014 budget, this applies to Professional and Technical Services, Property Services, Other Services, Supplies, Property and Miscellaneous.

Report described later in this chapter has potential upfront costs such as software and cash registers. These costs may increase non-personnel operating expenses, but provide for long-term cost savings and enhance revenue collections. So as to not discourage return-on-investment activities that may improve business processes or reduce operating costs, the City shall work with the Act 47 coordinators to justify such increases. The costs associated with these types of initiatives shall be grouped together as shall the reductions found within the operating budgets to allow for a more general approach to managing the overall 5.0 percent reduction that encourages innovation and long-term investment.

The estimated financial impact of this initiative is shown below. Given the City's success in controlling costs in prior years, the calculation assumes the City will achieve 50 percent of the savings target in 2014.

Projected Financial Impact

2014	2015	2016	2017	2018
1,268,000	2,573,000	2,612,000	2,664,000	2,717,000

FM04.	**Cash management improvements**	
	Target outcome:	Improved financial management
	Five Year Financial Impact:	N/A
	Responsible party:	Finance; Controller; various departments

Under the ICA's direction and using the City's 2013 Cash Management Ordinance and the recommendations from the Gleason Report, the City shall improve its cash management policies, practices and procedures to address the recommendations in Gleason's reports issued as of December 31, 2013. City officials should start by preparing a written document outlining the corrective actions they have taken or will take in response to Gleason's findings, similar to how many municipalities issue formal written responses to an external auditor's findings. That response should be jointly written by the City Department of Finance, Controller and the relevant departments to ensure the necessary communication and coordination for successfully implementing corrective actions.

While the ICA can provide further guidance on any timetables or deadlines for the City to act, the Act 47 Coordinator recommends that the City focus first on completing the written department specific policies recommended by Gleason and required by the City ordinance passed in 2013, and then move to changes that can be implemented quickly and at a low cost. Other changes that require significant investment of time or money, like potentially integrating BBI's Accela system with the City's ERP, will have to be prioritized in light of the City's other commitments and planning processes.

FM05.	**Transparent budget practices**	
	Target outcome:	Improved financial management
	Five Year Financial Impact:	N/A

	Responsible party:	Finance; Office of Management and Budget; Controller

Since the City entered Commonwealth oversight in 2004, it has made its budget and financial documents more intelligible to citizens and interested parties. As an example of that improvement, the City has implemented quarterly budget reporting, the Controller issues an accessible Popular Annual Financial Report, and City Council approved the issuance of an RFP for an Open Government Financial System to post its monthly financial information online. To guide further improvement, the City shall use best budgeting practices as prescribed by the Government Finance Officers Association (GFOA) and the ICA should give the City direction on required changes to the City's budget document by July 30 of each year. The City shall incorporate those changes in the budget document submitted to the ICA each September. Possible changes include, but are not limited to:

- Abstaining from the past practice of netting payments for service or reimbursements against related expenditures, and instead showing both revenues and expenditures in the budget and financial reports. As a positive example of the City's progress to date, the budget shows the annual state pension aid payment as revenue and the City's pension payments as an expenditure, rather than showing the net expenditure

- Showing more detail in financial and budgetary documents where that information guides management decisions and enhances oversight of the City's financial condition. As a positive example of the City's progress to date, the budget shows a breakdown of the Animal Services account in Animal Care & Control. A future example may include showing the City's debt service payments on each bond in the multi-year projections, rather than grouping all debt service together in one line.

- Allocating fringe benefits and other costs to departments as soon as the ERP is capable of making such allocations

- Clearly identifying transfers among trust funds and the General Fund or other City funds.

- Limiting to the maximum extent possible "off budget" accounts and funds, including the use of trust funds.

- Providing full budget and related information for all City trust funds in the annual budget document.

- Resuming the consensus revenue estimating process that brought together Administration, City Council, Controller, outside revenue analysts, and oversight personnel to set annual revenue levels in advance of the September budget submission to the ICA.

In addition to providing direction on the budget's structure and content, the ICA has approved prior City budgets under the conditions that the City must make progress on specific priorities, such as ERP implementation, establishing an OPEB trust fund and reaching an agreement with the tax exempt non-governmental institutions. Those conditions remain in effect subject to the ICA's modification.

New initiatives to be added

FM07.	**Credit Card Payment**	
	Target outcome:	Revenue Collection Enhancement
	Five Year Financial Impact:	N/A
	Responsible party:	Finance, Innovation & Performance, Controller, City departments with fees/billing responsibilities

The City of Pittsburgh does not accept credit card payments as a form of payment for any of its services. The City shall explore the feasibility of accepting credit card payments as a service to customers that may also increase cash flow, improve revenues and enhance recordkeeping and compliance. The City's review should evaluate the credit card or bank fees associated with providing this service, and specifically consider continuing to require that large planning and development fees be paid by electronic transfer, certified check or other non-credit card mans. In addition, the City should develop and publicly disseminate a plan to redeploy or attrit the personnel required to deliver current revenue collection services in the various departments if the credit card initiative is successful.

FM08.	**Budgeting analytics**	
	Target outcome:	Improved financial management
	Five Year Financial Impact:	N/A
	Responsible party:	Office of Management and Budget, Finance, Office of Innovation and Performance, Controller, and various City department managers

Government budgeting professionals face constant pressure to provide analytical support for difficult decisions on how to allocate limited resources. In order to provide analysts with the tools necessary to collect and analyze budget scenarios and alternatives, the City shall review the functional capacity of the current financial system for purposes of performing these more advanced and increasingly sophisticated budget analyses, and evaluate available software alternatives. The goal is to provide a system that provides reconciled budget data from a centralized point of reference, freeing budget professionals who currently must spend time tracking down the most recent budget data from departments. By providing access to real time budget information, analysts will have the necessary time to focus on the budgetary information central to the City's decision-making process.

The Office of Innovation and Performance should assist the Office of Management and Budget and other related departments with determining the most cost-effective solution, which should include consideration of the JD Edwards budget module. Costs are projected at $50,000 to procure a module and $20,000 in annual license fees, offset by increased efficiency.

FM09.	**Real estate tax delinquent collection**	
	Target outcome:	Cost avoidance; increased revenue

	Five Year Financial Impact:	N/A
	Responsible party:	Finance, Office of Management and Budget

The Department of Finance shall conduct a cost-benefit analysis regarding the collection of delinquent real-estate tax.

In 2009 the City, in conjunction with the County, outsourced the collection of its delinquent real estate taxes to Jordan Tax Service and Goehring, Rutter & Boehm (Resolution 625 of 2009). At the time, increased collection rates and efficiencies in the Department of Finance were anticipated, including a reorganization in Finance to focus more personnel on collecting other delinquent taxes. The City should review whether or not these actions met their intended goals. Depending on the results of its investigation, the City should assess the value of re-bidding the services, moving to a performance-based contract, or returning the services in-house after evaluating the fully-loaded costs of such an approach.

FM10.	**Payroll tax collection enhancement**	
	Target outcome:	Revenue increase; collection efficiency
	Five Year Financial Impact:	N/A
	Responsible party:	Controller; Finance

In 2004, as part of the State Legislature's tax reform package for the City, Act 222 eliminated the Business Privilege and Mercantile Taxes, replacing those taxes with the 0.55% Payroll Tax on salaries of for profit businesses that perform work in the City. This not only includes businesses that are based in Pittsburgh, but also for-profit transient organizations such as delivery drivers, landscape services, consultants, etc. Pittsburgh is the only municipality in Pennsylvania to have such a tax; other cities nationally such as St. Louis and San Francisco also have similar taxing ability.

Since this is still a relatively new tax, its performance and collection methods should be analyzed to determine if collections are being optimized. Therefore, the City shall have an independent analysis performed on the Payroll Preparation Tax.

Department of Public Works

Changes to Initiatives section starting on page 110

PW01.	**Implement maintenance management plan for streets**	
	Target outcome:	Improved infrastructure maintenance
	Five Year Financial Impact:	N/A
	Responsible party:	Bureau of Operations – Management of Street Operations

The Department shall develop and implement a strategic plan that clearly outlines the street maintenance work that must be completed, resources needed to accomplish this work, and a work plan for effectively completing this work. An effective strategic plan should include a clearly stated goal, a list of initiatives to meet this goal, and an outline of the resources that will be deployed to complete the work. It should also include an estimated timeline for accomplishment, with frequent progress meetings and reports to ensure successful implementation. The Department should explore using Cartograph, the software used for the City's pavement management system, and following the model used for Park maintenance to facilitate and support the development of the street maintenance plan.

The street maintenance plan should also be transparent for the public by listing an annual or preferably a multiyear plan for street reconstruction and major paving projects as well as specific maintenance to extend life of streets such as overlays, seal coating and crack sealing programs. The street maintenance plan itemizing street reconstruction and major paving projects should be added to the annual capital budget. A separate document listing annual goals for the other street maintenance programs along with completed streets from the prior year should be added provided as a supplement to the capital budget. This initiative shall begin in 2015 for the 2016 budget cycle.

New initiatives to be added

PW02.	**Implement maintenance management plan for street sweeping**	
	Target outcome:	Improved infrastructure maintenance
	Five Year Financial Impact:	N/A
	Responsible party:	Bureau of Operations – Management of Street Operations

The Department shall develop and implement a strategic plan that clearly outlines the street sweeping work that must be completed, resources needed to accomplish this work, and a work plan for effectively completing this work on a weekly, monthly, or yearly basis.

As with PW01, the Department should explore using Cartograph, the software used for the City's pavement management system, and follow the model outlined in PW01 to facilitate and support the development of the street sweeping plan.

The City will explore various cost-effective means of delivering street-sweeping services, including collaboration with existing community and business district organizations, and internal and external service provision.

PW03.	Ensure appropriate staffing levels for capital program	
	Target outcome:	Capacity to implement capital program
	Five Year Financial Impact:	N/A
	Responsible party:	Department of Public Works

The Capital Program chapter of this Plan discusses the challenges associated with preserving capital assets and outlines several initiatives to improve the condition and extend the life cycle of the City's capital assets. For example, as outlined in initiative CP01, the City will engage in capital asset life planning. This will include a clear schedule for capital asset acquisition, maintenance, replacement and retirement for a period of no less than 40 years. Furthermore, initiatives CP01 and CP02 call for the Mayor to support efforts to catch up on backlogged life cycle projects for the City's buildings and infrastructure and for the City to increase spending on existing infrastructure.

Key steps like establishing baseline condition assessments of all the City's capital assets and overseeing increased infrastructure rehabilitation will require involvement by the Public Works Department. In response, the City shall work to ensure that there is enough capacity (internal or outsourced) to provide the necessary project engineering support to implement the comprehensive infrastructure investment plan outlined in the Capital Program chapter. The City shall explore opportunities to allocate appropriate costs to the capital budget to minimize the impact on the operating budget.

PW04.	End maintenance responsibility for the Municipal Courts building	
	Target outcome:	Operating budget savings
	Five Year Financial Impact:	N/A
	Responsible party:	Mayor; OMB; Finance

Since at least 1950, and likely earlier, the City had run its own court system for traffic and summary offenses. In 1996, the City built a brand new, $12 million Municipal Courts building underneath the Liberty Bridge, next to the County jail. Less than a decade later in 2005, the state amended their judicial code to transfer the City's local courts to the County. The City entered into an agreement with the County to continue to provide maintenance to the building for $1 a year. In a related action, the State offered under certain conditions to provide the City with $9.0 million dollars for capital expenditures, with a portion of those funds allowed to be used for capital-eligible elements of a new ERP system. However, the state withdrew its offer in 2011.

The Municipal Courts Building does not provide any City services. The City does not have any financial incentive to continue to maintain this building. The City spends over $200,000 per year maintaining this building (not including the debt service still outstanding on the 1996 bonds).

Alternative uses for the building shall be explored, including but not limited to: selling the building to the County, the state, or another party; leasing it to the County for an appropriate amount; or selling it to the URA for $1 for the purpose of redevelopment.

Intergovernmental Cooperation

Correction to introductory narrative, page 115

In April 2014, Mayor Peduto and County Executive Fitzgerald formed a City-County Coordination Task Force designed to identify areas of cooperation and coordination and create action plans to implement them. The Task Force, led by the Mayor's Chief of Staff and County Executive's Chief of Staff, includes working groups of key leadership staff focused on particular areas of interest. It will set the agenda for new City-County initiatives and serve as the driving force for implementing those initiatives. The Task Force has developed a list of initiatives to address over the next several years as described below.

- **Open Data and Performance Improvement** - According to City Council Ordinance 2014-0023, the Mayor's office, City Council, the City's Department of Innovation and Performance, and the County Executive's Chief of Staff and County Manager have partnered on an initiative to release City and County government data to the public and better utilize data internally to make informed decisions about service delivery, staffing, and departmental structure. This initiative includes the launch of a federated (multi-institutional) open data portal that will feature a public-facing site with aggregate data published by the City, Allegheny County, and regional partners including nonprofit institutions, universities, and other municipalities. This service should allow regional data to be shared widely and interpreted by analysts within government, civic technologists outside of government, and average citizens. Data sets that could be released under this program range from 311 requests to building permits, Bureau of Building Inspection citations and budget data. The City has a goal to begin publishing data to the public by the third quarter of 2014 and to begin using this data internally by the second quarter of 2014.

Economic and Community Development

Correction to narrative, page 127

URA's Economic Development Department

The URA has an Economic Development Department which facilitates large developments in the City. Staff of the Economic Development Department help fundraise federal, state, and local resources for large-scale developments. One mechanism that the Economic Development Department uses to enhance People and Places is to create Tax Increment Financing (TIF) Districts.

Since 2005, seven new TIF Districts have been established: Fifth & Market (3 PNC Plaza), Pittsburgh Technology Center (#2), Bakery Square, East Liberty Gateway (Target), the Garden at Market Square, Summerset at Frick Park, and Hazelwood-ALMONO. From January 1, 2006 to December 31, 2013, TIF Districts realized an increase of over $400 million in assessed property value and now generate $4.5 million in new real estate taxes annually for the City and School District. They have also created a total of 23,000 jobs. In 2013, legislative efforts were taken to retire a TIF district four years early and additional parcels were removed from another TIF district because, in both cases, the associated debt instruments were paid off early.

The City believes that this work will help guide the City and the URA into the future. Continued investment by the City and URA in these initiatives is critical to the City's efforts to rebuild and revitalize its neighborhoods. For the next six to eight years, the projects listed in the table below (and described in more detail above) are some of the most important areas of focus.

Development	Neighborhood(s)	Housing Units	Jobs Created	Tax Impact	Anticipated Cost
East Liberty Transit Oriented Development	East Liberty/Shadyside	360	114	$9.4 M	$131.0 M
Larimer Choice Neighborhood Initiative	Larimer and East Liberty	300	15	$7.0 M	$400.0 M
ALMONO Site	Hazelwood	1,563	4,774	$40.8 M	$1.0 B
Former Mellon Arena Site	Lower Hill District/CBD	1,188	2,948	$25.1 M	$450.0 M
Allegheny Riverfront	Strip District/ Lawrenceville	1,015	3,445	$172.9 M	$571.0 M
Summerset at Frick Park	Squirrel Hill/ Swisshelm Park	700	30	$6.0 M	$400.0 M
Central Business District Development	Central Business District/Uptown/Bluff	1,100	5,612	$74.6 M	$859.3 M
Southside Works	Southside Flats	662	3,845	$100.2 M	$265.0 M

Development	Neighborhood(s)	Housing Units	Jobs Created	Tax Impact	Anticipated Cost
Bakery Square 2.0	Shadyside/Larimer	407	1,277	$7.1 M	$147.0 M
Route 51 Corridor	Carrick/Overbrook/ Brookline	1,350	1,075	$19.1 M	$200.0 M
Neighborhood Business District Revitalization	Various	Various	Various	Various	Various

Revenues

Correction to invalid cross reference on page 141

The table below shows the Amended Recovery Plan's baseline revenue projection through 2018, inclusive of the changes noted above. Please note that this projection describes a status quo situation in which there are no changes in tax rates, collection processes or external factors, such as relevant federal and Commonwealth laws. ~~**Appendix** XX presents these projections using the categories in the City's quarterly financial reports.~~

Changes to Initiatives section starting on page 142

RV01.	**Restore real estate tax revenue lost in 2013**	
	Target outcome:	Maintain financial stability
	Five Year Financial Impact:	$26.8 million
	Responsible party:	Finance

As described earlier in this chapter, revenues from current year real estate taxes dropped by $7.2 million (or 5.7 percent) compared to 2012 as a result of the recent County-wide reassessment, reduced City real estate tax rate, and increased homestead exemption. The City reduced its tax rate from 10.80 to 7.56 mills to avoid a windfall related to reassessment. While the intention was to adjust the tax rate so reassessment would not generate additional tax revenue, the result of the millage reduction, in combination with the expanded homestead exemption and valuation appeals, is that the 2013 real estate tax receipts were the City's lowest since 2004.

The chart below shows City Finance's projections for current year real estate tax revenue in the 2013 budget, before the tax rate reduction, versus Finance's projections earlier this year.

Current Year Real Estate Tax Projections – Before and After Rate Reduction ($ Million)

	2013	2014	2015	2016	2017
Before: 2013 Budget	$126.2	$127.1	$128.1	$129.0	$130.0
After: April 16, 2014	$119.3	$120.5	$121.4	$122.3	$123.3
Difference	***($6.8)***	***($6.6)***	***($6.6)***	***($6.7)***	***($6.7)***

Beginning in 2015 the City shall increase its millage rate to regain the revenue lost from reducing the rate in 2013 and other factors related to reassessment. That is, the City shall increase its millage rate so that current year real estate taxes generate $128.1 million in 2015 (the amount projected before the rate cut). The City shall include the calculation of the millage rate necessary to generate $128.1 million in 2015 in its budget submission to the ICA.

The exact amount of the millage increase is unknown at this time, though City Finance's projections shown above indicate a 5.5 percent increase would be necessary to boost revenues from the $121.4 million projected for 2015 to the $128.1 million target. Using the $88,500 median home value for owner-occupied units in Pittsburgh,[1] the 5.5 percent millage increase is equal to $37 per year. If 2014 revenue performance is stronger than projected, then the tax increase would be less. If 2014 revenue performance is weaker than projected, then the tax increase would be more.

The Administration, City Council and City Controller have expressed their preference that the City replace this real estate tax increase with alternative sources of increased revenue or expenditure reductions. Those parties are working to identify alternatives leading up to the 2015 budget process.

The City may identify alternative sources of recurring, sustainable revenue or expenditure reductions to reduce the real estate tax increase provided in this initiative. Any alternative must result in recurring, sustainable revenue or expenditure reductions that are within the authority of City government to enact. One-time or short term responses are not an adequate response to City's ongoing needs to balance its budget, increase its pension contribution and fund capital projects. The alternative revenues and expenditure reductions also must have quantifiable impact above the levels projected in the Amended Recovery Plan.

The City shall include the alternatives in its budget submission to the ICA for the review of the Act 47 Coordinator and ICA. Both oversight bodies must approve the alternative for its inclusion in the budget as an acceptable replacement to the real estate tax increase prior to final budget approval.

Projected Financial Impact

2014	2015	2016	2017	2018
0	6,621,000	6,671,000	6,721,000	6,771,000

New initiatives to be added

RV04.	**Investigate expanding the City's dynamic meter pricing program**	
	Target outcome:	Maintain cost recovery
	Five Year Financial Impact:	TBD
	Responsible party:	Mayor's Office; Council; Finance

In November of 2012, the City entered into agreement with Carnegie Mellon University and Phipps Conservatory for a one-year pilot dynamic meter pricing project. The project targeted on-street metered parking on Tech Street, Frew Street, Margaret Morrison Street, and portions of Schenley Drive, Panther Hollow Road, and Frank Curto Drive. The project was extended for another year in November 2013.[2]

[1] U.S. Census Bureau QuickFacts for 2008 – 2012.

[2] Resolution 709 of 2012, extended one year by resolution 651 of 2013

If the pilot dynamic pricing project has effectively increased revenue in the target area, the City shall consider making the pilot program permanent and expanding it to additional metered areas in order to help the City maintain cost recovery.

RV05.	**Investigate instituting a deposit policy on City facility rentals**	
	Target outcome:	Increase revenue
	Five Year Financial Impact:	TBD
	Responsible party:	Finance; Public Works; Parks; Mayor's Office; Council

The City collects fees for the rental of city buildings, ball fields, park shelters, and other facilities. Currently, the City does not require the renting organization pay a deposit when reserving the facility. Doing so may discourage the renting parties from damaging facilities, and would provide a way to recoup costs if damage occurs. Analysis shall be performed to determine whether instituting a deposit policy on City facility rentals would increase City revenues and reduce expenditures to repair damage.

Amended Recovery Plan
Adjustments to Fund Balance
June 2014

Overview

The Act 47 Coordinators filed the second Amended Recovery Plan for the City of Pittsburgh with the City Clerk on May 30, 2014. Since the filing, new information has become available that affects the 2013 year-end fund balance, and therefore changes the projected fund balance in subsequent years. This revision will make technical changes to the fund balance as listed in the Amended Recovery Plan to bring it in line with the new information. This will not affect annual operating results.

Description

The Plan filed by the Act 47 Coordinator on May 30, 2014 shows the following operating results and ending fund balances.

Amended Recovery Plan Projection with Initiatives ($ Millions) – As of May 30, 2014

	2013	2014	2015	2016	2017	2018
Operating Result	NA	$2.4	$5.5	$4.3	$0.7	$1.2
Ending Fund Balance	$86.1	$62.0	$60.5	$59.4	$60.0	$61.3

2013 Ending Fund Balance

The 2013 ending fund balance in the Plan submission was $86.1 million, as shown above. This was an estimate based on the fiscal year 2012 ending fund balance as stated in the 2012 Comprehensive Annual Financial Report (CAFR), the City's preliminary 2013 results, and the transfer to pay-go capital funding at the end of 2013. The $86.1 million in 2013 ending fund balance was the best estimate available when the Plan figures were calculated in April 2014.

Subsequently, the City's 2013 CAFR was released, with a 2013 ending fund balance of $82.0 million, $4.1 million lower than the original estimate. The $82.0 million in 2013 ending fund balance is based on the unassigned fund balance in the 2013 CAFR.[1]

Severance Incentive Program (SIP)

In 2014 the City instituted a Severance Incentive Program (SIP) to encourage early retirements. The SIP cost estimate in the original Amended Recovery Plan was based on a report the administration submitted to City Council on April 15, 2014. The cost estimate in the report included payouts to program participants and related social security taxes but did not include a $718,000 in severance payments for unused sick, vacation and personal leave.

After the Plan was filed, it was clarified that the $718,000 in severance payment will be made, increasing SIP costs from $1.6 million to $2.3 million in 2014.

[1] There is another $3.6 million in fund balance assigned to encumbrances from 2013. Encumbrances are expenses the City incurred in 2013, but payment will not be processed until 2014.

Revision

The final adopted version of the Plan will take the two changes above into account, which will have the effect of revising the 2013 ending fund balance and the 2014 projected fund balance. These changes in turn will affect the projected fund balances for subsequent years of the Plan. Changes will be made at any place in the Plan where these numbers appear, including narrative text, tables, charts and graphs.

The table below shows major revenue and expenditure categories of the amended Recovery Plan projections with the fund balance changes.

Amended Recovery Plan Projection with Initiatives – Amended June 2014

	2014 *Budgeted*	2015 *Projected*	2016 *Projected*	2017 *Projected*	2018 *Projected*
REVENUES					
Real Estate Taxes	128,770,493	132,153,000	133,130,000	135,301,000	137,508,000
Other Taxes	49,701	45,594	44,567	44,035	49,425
Amusement Tax	12,960,680	13,155,069	13,452,374	13,852,638	14,055,906
Earned Income Tax	83,404,036	85,069,405	87,278,317	89,896,202	92,593,507
Deed Transfer Tax	17,831,723	18,099,199	18,370,687	18,830,247	19,300,941
Parking Tax	50,939,624	53,313,115	55,018,442	56,456,404	58,427,814
Institution and Service Privilege Tax	500,074	507,546	515,130	522,828	530,641
Facility Usage Fee	3,748,846	3,823,716	3,900,084	3,977,979	4,056,432
Payroll Preparation Tax	55,759,350	57,989,724	60,309,313	62,721,685	65,230,553
Local Service Tax	14,054,835	14,129,752	14,200,044	14,371,483	14,436,141
Public Service Privilege	1,221,664	1,227,772	1,233,911	1,240,081	1,246,281
Act 77 - Tax Relief	12,637,156	20,539,899	20,950,697	21,369,711	21,797,105
License and Permit	9,056,204	9,429,283	9,643,762	9,818,629	9,988,327
Charges for Services	28,331,214	28,638,050	29,314,528	30,293,664	31,082,094
Fines and Forfeits	9,384,701	9,440,737	9,545,728	9,652,403	9,760,818
Intergovernmental	50,091,801	52,690,511	54,002,698	53,826,495	54,135,148
Interest Earnings	109,598	111,790	115,144	119,749	125,737
Non-Profit Payment for Services	2,093,801	807,770	821,808	835,917	850,097
Miscellaneous	16,821	16,905	17,271	19,877	23,190
Beginning Fund Balance	2,288,000	1,902,000	475,000	0	0
Total Revenues	**483,250,322**	**503,090,837**	**512,339,505**	**523,151,029**	**535,198,157**
EXPENDITURES					
Salaries and Wages	194,115,471	193,834,833	195,994,487	199,768,156	203,115,587
Total Benefits	150,009,919	166,486,629	172,831,030	181,436,061	202,876,170
City Pension Contribution	*49,814,297*	*61,110,022*	*64,051,428*	*67,715,335*	*83,406,412*
Other Employee Benefits	*100,195,622*	*105,376,607*	*108,779,602*	*113,720,726*	*119,469,758*
Professional and Technical Services	10,597,408	10,554,356	10,515,443	10,725,753	10,940,267
Property Services	21,746,540	22,181,471	22,625,100	23,077,602	23,539,154
Other Services	1,966,197	2,005,061	2,044,702	2,085,136	2,126,379
Supplies	12,730,117	12,984,719	13,244,414	13,509,302	13,779,488
Property	2,004,135	2,042,998	2,082,638	2,123,070	2,164,312
Miscellaneous	1,657,348	1,690,495	1,724,305	1,758,791	1,793,967
Debt Service	87,269,068	88,425,673	89,593,616	90,640,829	76,348,434

	2014 *Budgeted*	2015 *Projected*	2016 *Projected*	2017 *Projected*	2018 *Projected*
Non-Personnel Savings Target	(1,268,000)	(2,573,000)	(2,612,000)	(2,664,000)	(2,717,000)
Total Expenditures	**480,828,202**	**497,633,235**	**508,043,736**	**522,460,700**	**533,966,757**
OPERATING RESULT	**2,422,119**	**5,457,603**	**4,295,769**	**690,329**	**1,231,401**
Transfer to PAYGO	**(25,000,000)**	**(5,000,000)**	**(5,000,000)**	**0**	**0**
Fund Balance Reserve Transfer	**(2,288,000)**	**(1,902,000)**	**(475,000)**	**0**	**0**
ENDING FUND BALANCE	**57,164,205**	**55,719,808**	**54,540,577**	**55,230,906**	**56,462,306**