



PATRICK DOWD

MEMBER OF COUNCIL, CITY OF PITTSBURGH



April 20, 2009

Dear Mr. Roberts and Mr. Kaplan,

As you craft your revisions to the Act 47 Recovery Plan, I respectfully request that you be guided by the following principles.

First, the revised plan must give a clearer picture of the real revenues and expenditures associated with the operation of city government. In that vein, the plan must ensure that city government is honestly accounting for the transfer of funds between the various government entities inside of the City of Pittsburgh. In years 2004 to 2009, the city has budgeted payments of:

- \$40 million from the Pittsburgh Water & Sewer Authority
- \$3 million from the Urban Redevelopment Authority
- \$7 million from the Pittsburgh Parking Authority
- \$2 million from the Housing Authority
- \$22 million from the Pittsburgh Public Schools (this does not include the Earned Income Tax from PPS to the City of Pittsburgh which generated an additional \$25 million in the revenue for the City of Pittsburgh)

Most of the payments cannot be legitimately claimed as expenditures for market rate services. For example, there is no documented, market rate service provided by the City of Pittsburgh to the URA that explains the payment by the latter of \$1.5 million annually to the former. These payments are simply pass-through payments designed to keep the budget of the City of Pittsburgh balanced. Additionally, for years the City of Pittsburgh has maintained red tape in its Act 77 tax relief processes so as to deny what this administration estimates to be 4,000 seniors the tax relief they deserve. The revised Act 47 plan must demand more rigorous accounting. Authority payments should only be accepted if they are tied directly to a documented and market rate service provided by the City of Pittsburgh.

In addition to honesty in revenues, the revised Act 47 plan must include honesty in expenditures. There are several examples of revenues that need to be acknowledged. The water rate equalization burden, which is ultimately a City of Pittsburgh liability, is paid by the Pittsburgh Water and Sewer Authority. There is also no facilities maintenance plan. The City of Pittsburgh operates 2.1 million square feet of space but we have no long-term plan for ongoing maintenance or capital improvements. So long as the five-year plan fails to account for these costs, we are pushing those problems off to future generations. Additionally, the City of Pittsburgh must craft a plan to address pay inequity in city government.

Third, oversight of city finances will never be successful if we continue to publish a budget

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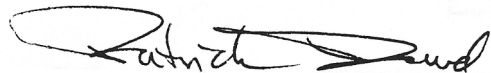
that lacks critical details. As you well know, in 2009 “Non-Departmental Operating Expenditures” constituted 34% of the budget and offered no specificity relative to the costs for employee benefits by department. The single largest line item in the budget provides managers with no tools for understanding much less containing costs. The revised plan must include an immediate resolution of this problem or we must all acknowledge that any other oversight efforts will fail.

Fourth, the revised plan must provide a detailed analysis of how past shifts in taxation and possible future tax changes have or will affect residents, businesses (large and small), non-profit entities, and non-residents. Our plan should be dedicated to reversing population decline and should, therefore, provide clear analysis regarding the ways in which changes in the distribution of the tax burden have in the past or will in the future lead to increases in population and jobs.

Finally, the revised plan must address the issue of new or increased revenues. Because the Mayor and Council have failed to lock away our current surplus funds to strategically pay down debt or pensions, we must lock away future revenue increases to attack these important legacy issues. The revised plan must lock away any increased revenue from property reassessment or from gaming for the specific purpose of addressing the pension and debt crisis.

I look forward to working with you in the coming weeks and months to address these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Dowd". The signature is fluid and cursive, with a large loop at the beginning and a long tail extending to the right.

Patrick Dowd
Member of Council