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Mayor Luke Ravenstahl
City of Pittsburgh
City-County Building – 5th Floor
414 Grant Street
Pittsburgh, PA 15219

Dear Mayor Ravenstahl:

We appreciated the opportunity to meet with you on November 19 to discuss the City's 2010 Budget and Five Year Plan.

Before commenting on the revised revenue and expenditure items which you proposed, we want to reiterate that, although the 2010 Budget and Five Year Plan must be reviewed and approved by the ICA and be consistent with the Act 47 Amended Recovery Plan, the 2010 Budget and Five Year Plan are the City's own financial roadmap which must represent a consensus of your Administration and Council. With that basic principle in mind, here are our questions and comments on the ideas we discussed on November 19.

- **New fees (boot and tow, boating, wharf):** We have no objection to the imposition of such fees. The Amended Recovery Plan supports the implementation of mooring/launching fees (initiative RE08) and other mechanisms to recover costs from private boaters (initiative RE07). To confirm the viability of the projected revenues, we would need to know when the Administration (and if necessary, Council) intends to enact any legislation necessary to levy the fees, the applicable rates and your calculations as to projected revenue.
- **Sale of surplus property:** We do not object to this initiative. Again, this aligns with Amended Recovery Plan initiatives to generate new revenue by leasing City properties (initiative F110) or by selling surplus property (initiative PF04). In the long term, we encourage you to consider expanding the scope of the Facilities Maintenance Plan described in FY2009 budget so there is a comprehensive look at opportunities for consolidation, property sales, etc. Councilman Peduto has repeatedly raised this idea with us. We would appreciate receiving your list of particular buildings to be sold, whether they are currently occupied (and if so, your relocation plan), a reasonable, supported estimate of market value and the schedule for marketing.
- **Trust fund transfers:** We are open to your suggestion of transferring certain trust fund proceeds to the general fund, but need to know more about those funds. Please provide a list of the funds from which you'd make these transfers, the proposed transfer amount and reasonable assurances that there are no restrictions on the use of the transferred funds.

- **Delinquent property tax collection:** The Amended Recovery Plan includes a projection that the City could increase its delinquent property tax revenues by \$3.0 million in FY2010 by jointly pursuing collection along with the County, School District and PWSA based on implementation beginning in 2010 (see initiative IG01). It appears that the FY2010 draft budget projected approximately \$1.0 million in increased revenue from this effort. Can you explain why this initial projection differed from ours, why you now agree with our higher projection and whether implementation is still on track to begin in January 2010?
- **Increased revenue projections:** At our meeting, we briefly touched on whether the City should increase revenue projections for several lines (e.g., fines and forfeits, deed transfer tax, facility usage fee, breakeven centers, earned income tax and payroll preparation tax). Some projections in your FY2010 budget are already higher than the baseline in the Amended Recovery Plan, but the Plan's baseline represents a "snap shot" projection at a moment in time. If you feel that the projections presented in the FY2010 budget and five-year plan can be increased, we're willing to consider your reasons for doing so.
- **Strategic vacancies:** We are willing to consider the savings associated with "strategic vacancies." Please provide the list of specific vacancies and projected savings for each.
- **Debt escrow:** Given the projection in the Q3 FY2009 financial report that the City will have a \$3.2 million operating balance at the end of this year, we suggest using a portion of that operating balance to pay FY2010 budget debt service obligations. Alternatively, if the City prefers to use the funds already set aside in the debt escrow, we recommend using any FY2009 operating balance to replace the amount to be withdrawn from that escrow.
- **Worker's compensation:** This is one of the critical legacy cost issues that the City must address to exit Act 47 oversight. The Amended Recovery Plan offers ideas for reducing these costs, some of which the City would have to pursue now through collective bargaining negotiations. We also understand the Commonwealth has reduced the City's monthly VEBA payment from \$1.3 million to \$1.2 million, but aren't sure if the FY2010 budget and five-year plan already incorporated that savings. Given the complexity of this issue, we propose discussing it separately in a call focused on this subject.
- **ERP cost savings:** We assume these savings are based in large part on the City and related municipal authorities joining the County's ERP platform and sharing the resulting licensing fees. We support this concept, which was discussed in a different context in the shared services study conducted by SMART and funded by Act 47. Do you have a schedule for finalizing the necessary agreements with the County and authorities and Oracle? Have the County and authorities agreed in principle to a cost-sharing arrangement? You informed us that your proposed "Payroll System Savings" is based upon the City's ability to perform its own payroll processing on the new ERP system and therefore discontinue your contract with Ceridian. When are you assuming the City will be prepared to perform those functions? Does the City have the flexibility to cancel the Ceridian contract at that time?
- **Web-based permitting system:** We are supportive of the City's efforts to establish a web-based permitting system, but need to see more information to assess the likelihood of saving \$400,000 through this effort in 2010. What permitting processes would be moved to the web and how soon? Would this move result in more revenue, less expenditures or both to achieve the \$400,000 projected impact?

- **Nonprofit contributions/agreement.** As you know, the Amended Recovery Plan urged Council to approve the proposed agreement you negotiated with the Pittsburgh Public Service Fund that would provide \$4.3 million in FY2009 and \$1.6 million in FY2010. While we share your view that City should receive more, we are also concerned that inaction on the agreement will jeopardize the receipt of even this amount for the last two years and next year. According to the City's third quarter FY2009 budget report, delayed collection of the \$4.3 million for FY2009 would swing the City from a projected operating balance of \$3.2 million to a projected *deficit* of \$1.2 million this year. If the City does not secure the \$1.6 million for FY2010, the projected gap between revenues and expenditures is even larger next year. In the event the agreement is not executed by the City, do you have alternative revenues or expenditure reductions to fill this gap?

Regarding the ideas suggested by Councilman Peduto and Controller Lamb, we have always supported initiation of a City MBRO program, but the City would have to take aggressive action during the first quarter of 2010 to identify a staff member responsible for implementation, re-engage the City's MBRO consultant, adopt a Council approved MBRO Policy and issue an RFP for an initial list of opportunities consistent with the policy. Some of the other ideas suggested by the Councilman and Controller correspond to other Amended Recovery Plan initiatives. Although not all of these initiatives have an impact specifically projected in the Plan, we continue to believe they are useful strategies for generating revenue or reducing costs. If there are particular ideas you'd like to discuss and how to project their impact, we are open to doing so. We are also open to considering any ideas recommended in TriData's public safety bureau assessments that you want to pursue.

Sincerely,



James H. Roberts



Dean Kaplan

Cc: Secretary George Cornelius, Department of Community & Economic Development
Secretary Mary Soderberg, Office of the Budget
Yarone Zober, Chief of Staff, City of Pittsburgh
Scott Kunka, Director, Office of Management & Budget, City of Pittsburgh
Michael Lamb, Controller, City of Pittsburgh
Councilman Doug Shields, City Council President, City of Pittsburgh
Councilman William Peduto, City of Pittsburgh
Fred Reddig, Executive Director, Governor's Center for Local Government Services
Barbara McNees, Board Chair, Pittsburgh ICA
Henry Sciortino, Executive Director, Pittsburgh ICA
Ed Poole, Office of the Budget, Commonwealth of Pennsylvania