



# CITY OF PITTSBURGH

## Department of Finance

*Luke Ravenstahl, Mayor*

*Scott Kunka, Director*

December 2, 2009

Intergovernmental Cooperation Authority  
555 Grant Street  
Suite 330  
Pittsburgh, PA 15219

Dear Chairwoman and Members of the Intergovernmental Cooperation Authority:

Please accept this letter and detail as the resubmitted 2010 budget. We are aware that you will not accept the inclusion of the post-secondary education privilege tax as a means to balance the budget. Although Mayor Ravenstahl intends to pursue this important fair share tax as a means toward long standing structural change, we herewith present a budget balanced with different revenues and expenditures.

It has been the financial policy of the Ravenstahl administration to conservatively estimate achievable tax revenue. This is particularly important in uncertain financial times as even one or two major revenue shortfalls can cause serious budgetary harm. The City has reviewed the following proposed increases with our third party revenue expert and in the context of 2009 projections presented in the third quarter report and are comfortable increasing the estimated revenue derived from the following taxes:

<b><u>Tax</u></b>	<b><u>Increased Amount</u></b>
Deed Transfer	\$200,000
Earned Income Tax	\$500,000
Payroll Preparation	\$250,000

Another revenue that can be increased as part of the 2010 budget resubmission is Real Estate Taxes, Prior Years. This amount was already increased from last year's budgeted amount by \$1.1 million in anticipation of aggressive collection from a new agent. After careful internal consultation and based on stated goals of the third party agent, that line item will be increased by another \$2 million dollars.

<b><u>Tax</u></b>	<b><u>Increased Amount</u></b>
Real Estate, Prior Years	\$2,000,000

Fines and forfeits and general government licenses can be increased by \$500,000 by broader and stricter enforcement of violations and via the implementation of a new false alarm monitoring system. The facility usage fee can be increased by \$100,000 due to anticipated increase in player wages. The breakeven center line item can be increased by \$150,000 as there is increased Cable Bureau revenue due to changes and a new agreement. In summary these fees are as follows:

<u>Fee</u>	<u>Increased Amount</u>
Fines and Forfeits and General Government Licenses	\$500,000
Non-Resident Sports Facility Usage	\$100,000
Breakeven Centers	\$150,000

In addition to selectively and strategically increasing estimated revenues from certain taxes and fees, there is also a stop-gap funding source via trust fund balances. Every several years a sweep of long-standing balances can achieve a stop gap source of funds. The City is able to achieve \$1,200,000 via this mechanism and without negatively impacting the stability or integrity of the trust funds. Another item that can increase revenues is the sale of buildings which can achieve \$500,000 in 2010.

<u>Item</u>	<u>Increased Amount</u>
Trust Fund Transfers	\$1,200,000
Sale of Buildings	\$500,000

In the construction of the final 2009 budget, ICA, City Council, and the Ravenstahl administration put forth a usage of debt escrow funds over the life of the five year plan. The originally submitted 2010 budget was consistent with that usage. This resubmission proposes an additional use of \$4,100,000 in 2010.

<u>Item</u>	<u>Amount</u>
Use of Debt Escrow	(\$4,100,000)

The following expenditures can be reduced: due to improved efforts, the Worker's Compensation Indemnity line item can be reduced by \$800,000. An additional \$400,000 can be saved by implementing a plan for strategically filling vacancies. This plan would evaluate all vacancies that occur in 2010, immediately filling those that are crucial and, evaluating and right-sizing positions that may have more flexibility. This would impact only vacant positions and would be completed in concert with the user department.

<u>Expenditure</u>	<u>Savings</u>
Workers Compensation Indemnity	(\$800,000)
Strategic Vacancies	(\$400,000)

The City is poised to acquire and implement a new financial management system and to share a platform with Allegheny County. This financial management system will provide operational and financial efficiencies in 2010 and in the years to come. Those efficiencies are challenging to quantify but with aggressive implementation, savings and revenue opportunities could range up to \$3,000,000 in the first year. These savings include agency transfers for use of the system. Additionally, the budgeted amount of the current City payroll system will be significantly reduced, depending on when the system goes live. Other savings include supplies and professional services contracts that would become redundant and additional personnel efficiencies derived from the system and in concert with the above mentioned strategic vacancy plan.

<u>Financial Management System</u>	<u>Transfers/ (Savings)</u>
Agency Transfers	\$1,000,000
Payroll System and Other Savings	(\$2,000,000)

The acceptance of the above items will maintain the integrity of the proposed 2010 budget. The additional revenues total \$6,400,000 and the identified savings total \$7,300,000 for an aggregate gap closing amount of \$13,700,000. Total proposed revenues with these inclusions and excluding the post-secondary education privilege tax are \$446,700,000. Total proposed expenditures with these inclusions are \$446,530,485.

Sincerely,



Scott Kunka  
Director of Finance

cc: Luke Ravenstahl, Mayor  
Yarone Zober, Chief of Staff