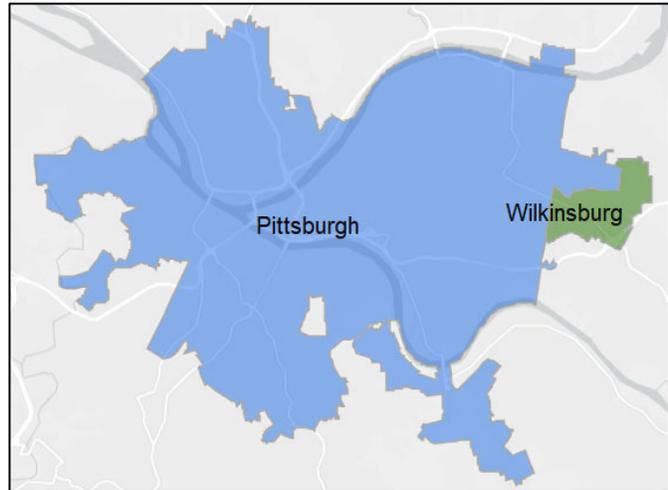


Summary of Fiscal Impact Analysis

The Wilkinsburg Community Development Corporation (“WCDC”) contracted with Public Financial Management to evaluate the fiscal impact of a potential merger between the Borough of Wilkinsburg (“Borough”) and the City of Pittsburgh (“City”) local governments.

The two communities have taken some initial steps toward full merger with Wilkinsburg’s middle and high schools joining Pittsburgh Public Schools in 2016.

The WCDC is aware of the challenges of a full merger and has been studying Wilkinsburg’s sustainability as an independent municipality. The WCDC has met with 375 stakeholders through focus groups and one-on-one meetings to discuss opportunities for greater collaboration between these two communities. As of July 1, 2021, over 800 Wilkinsburg residents have already signed a petition asking for a November 2, 2021 voter referendum to authorize Pittsburgh’s annexation of Wilkinsburg.



We have produced two longer memorandums on the merger’s potential impact, one from a tax revenue perspective and the other from an expenditure perspective. We focus on the fiscal impact of merging the Borough and City local governments only and did not review the impact of fully merging school districts or affiliated bodies (libraries, municipal authorities, utility systems). We relied on the information in both municipalities’ 2021 budgets which was supplemented by additional information where available.

The mid-point of our estimates show that a merger where Pittsburgh provides services to Borough businesses and residents and taxes them at the City’s current rates would create a very small net deficit for the City of \$206,000, or 0.04 percent of the City’s \$570 million 2021 General Fund budget. This result is net of the \$3 million in municipal service fees that the City currently receives for providing fire and refuse collection service to Wilkinsburg; in a merger Pittsburgh would no longer receive this revenue.

If economic activity in Wilkinsburg rebounds to pre-pandemic levels and tax revenues follow, that small deficit could flip to a small surplus for the City, especially if the parties are able to achieve economies of scale that we could not fully quantify in our analysis.

Most Wilkinsburg homeowners would pay less taxes overall after a merger when they exchange the Borough’s higher real estate tax rates for the City’s higher earned income tax (EIT) rates. Wilkinsburg renters would pay more in a merger because of the higher EIT rates, though the extent of their additional tax liability depends on their rental arrangement.

The two memorandums describe our full set of assumptions and provide low- and high-end estimates for the merger’s potential fiscal impact. Those memos identify fiscal issues that the parties should discuss to refine our assumptions, especially where limited public information is available. They also raise potential one-time costs related to the merger and potential funding sources to cover them and highlight important questions that the communities should discuss regarding service level expectations (on Wilkinsburg’s side) and ability to meet those expectations (on the City’s side).



Scenario 1: Wilkinsburg revenue rebounds with low-end spending estimate	
City revenues, net of municipal service fees	\$9,570,000
City expenditures, excluding transition costs	\$7,730,000
Net result	\$1,840,000 surplus for City
<u>Revenue assumptions</u>	<u>Expenditure assumptions</u>
Wilkinsburg residents pay City taxes at current rates (lower real estate tax, higher EIT)	Most front-line Borough staff shifts to City. City adds EMS staff for coverage
Wilkinsburg businesses pay City taxes at current rates (payroll preparation tax replaces business privilege tax)	Spending on non-personnel operating expenditures (supplies, service contracts) reduced by 25% through economies of scale, insourcing, etc.
Wilkinsburg tax base size fully rebounds to pre-pandemic levels	Borough's debt payments shift to City at 2021 budgeted levels (\$751,000)
Scenario 2: Wilkinsburg revenue partially rebounds with mid-point spending estimate	
City revenues, net of municipal service fees	\$8,339,000
City expenditures, excluding transition costs	\$8,545,000
Net result	\$206,000 deficit for City
<u>Revenue assumptions</u>	<u>Expenditure assumptions</u>
Wilkinsburg residents and businesses pay City taxes at Pittsburgh's current rates	Most front-line Borough staff shifts to City. City adds EMS and Public Works staff for coverage
Wilkinsburg tax base size partially rebounds to pre-pandemic levels	Modest savings in non-personnel operating expenditures through economies of scale
	Borough's debt payments shift to City at level between 2020 and 2021 budgets (\$890,000)
Scenario 3: Wilkinsburg revenue remains at pandemic levels with high-end spending estimate	
City revenues, net of municipal service fees	\$7,107,000
City expenditures, excluding transition costs	\$9,359,000
Net result	\$2,252,000 deficit for City
<u>Revenue assumptions</u>	<u>Expenditure assumptions</u>
Wilkinsburg residents and businesses pay City taxes at Pittsburgh's current rates	Most front-line Borough staff shifts to City. City adds EMS and Public Works staff for coverage
Wilkinsburg tax base size stays at pandemic-reduced level assumed in 2021 budget	Spending on non-personnel operating expenditures shift to City without any economies of scale
	Borough's debt payments shift to City at 2020 budgeted levels (\$1,028,000)



General Fund Department-by-Department Projections

As described earlier, we calculated a low-end and high-end estimate for the range of revenues and expenditures that would shift to the City in a merger. The table below shows the mid-point estimate in comparison to the Borough's 2021 budget with key assumptions noted.

Budget Code	Budget line	Wilkinsburg 2021 Budget	Mid-Point Estimate	Difference (\$)	Major assumptions
400	Council	\$78,140	\$500	\$77,640	Most costs eliminated
401	Executive	\$321,626	\$21,654	\$299,972	Three positions plus intern eliminated/absorbed into City
402	Finance	\$324,818	\$5,720	\$319,098	Three positions eliminated/absorbed into City
403	Tax collection	\$158,675	\$138,313	\$20,363	No staff in this unit; most contracted service costs shift to City
404	Legal	\$278,950	\$240,332	\$38,619	No staff in this unit; most contracted service costs shift to City
407	Data processing	\$101,255	\$62,348	\$38,907	No staff in this unit; most contracted service costs shift to City
408	Engineering	\$75,100	\$37,550	\$37,550	No staff in this unit; most contracted service costs shift to City
409	Building & Plants	\$222,718	\$192,843	\$29,875	All Borough buildings remain open
410	Police	\$3,602,318	\$3,303,552	\$298,766	22 officers move to City; other positions eliminated/absorbed
411	Fire	\$2,063,410	\$0	\$2,063,410	City already provides this service
XXX	EMS (net of revenue)	\$0	\$305,616	(\$305,616)	City replaces EAPS as provider
414	Planning/Codes	\$784,215	\$696,490	\$87,725	Four of five positions move to City
427	Solid Waste Collection	\$962,785	\$10,500	\$952,285	City already provides this service
430	Public Works	\$1,151,065	\$1,227,915	(\$76,850)	All positions move to City, plus one additional FTE
432	Winter maintenance	\$7,000	\$6,125	\$875	Most costs shift to City
433	Traffic signals	\$64,300	\$56,263	\$8,038	Most costs shift to City
434	Street lighting	\$268,000	\$234,500	\$33,500	Most costs shift to City



Budget Code	Budget line	Wilkinsburg 2021 Budget	Mid-Point Estimate	Difference (\$)	Major assumptions
436	Storm sewers/drains	\$59,500	\$0	\$59,500	This function is handled by PWSA
438	Street maintenance	\$22,500	\$19,688	\$2,813	Most costs shift to City
451	Recreation	\$37,020	\$32,393	\$4,628	Most costs shift to City
455	Culture	\$69,500	\$60,813	\$8,688	Most costs shift to City
471/472	Debt service - principal & interest	\$751,445	\$889,723	(\$138,278)	Debt costs may be higher after 2021 depending on 2020 restructuring
486	Insurance (Liability)	\$424,971	\$371,850	\$53,121	Lower costs as risk is distributed across larger pool
491	Miscellaneous Expense	\$20,000	\$0	\$20,000	Not applicable after merger (related to municipal service fee)
492	Judgment/Damages/Refunds	\$0	\$0	\$0	No allocation in 2021 budget
493	Intergovernmental	\$45,125	\$0	\$45,125	Not applicable after merger
405-030	Transfer to Capital Fund	\$0	\$150,000	(\$150,000)	Estimate falls between \$300,000 budgeted in 2020 and \$0 budgeted in 2021
495-104	Transfer to Pension Fund	\$512,094	\$479,820	\$32,274	Estimate falls between \$448,000 budgeted in 2019 and \$512,000 budgeted in 2021
495-105	Transfer to Library (Real estate tax pass-through)	\$210,000	\$0	\$210,000	Wilkinsburg library remains separate and receives tax directly; associated revenues also removed from projection
Total expenditures		\$12,616,530	\$8,544,504	\$4,072,026	
Total revenues		\$12,616,510	\$8,338,500	\$4,278,010	Borough figure includes \$1.8 million in prior year reserves; please see first memo for revenue estimate detail
Operating result		(\$20)	(\$206,004)		