

WILKINSBURG MUNICIPAL CONSOLIDATION STUDY

DISCUSSIONS WITH THE CITY OF PITTSBURGH

2020

HR&A
Analyze. Advise. Act.

Wilkinsburg, Pittsburgh and each municipality's school district have **successfully combined several functions** over the past 15 years.

Garbage collection

Wilkinsburg contracted with City of Pittsburgh's sanitation department

2006

Fire protection

Full integration of Wilkinsburg's fire department into Pittsburgh's department

2011

Public schools

Consolidated Wilkinsburg's middle and high school into Pittsburgh Public Schools

2015

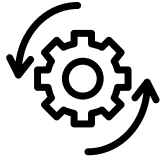
Conversations with Borough stakeholders suggest **growing interest in expanded collaboration** with the City of Pittsburgh.

WCDC has been studying the implications of remaining an independent borough relative to merging with the City of Pittsburgh. WCDC has **met with more than 130 stakeholders** through participation in focus group discussions to identify issues facing the borough and **explore greater cross-municipality collaboration.**

To share preliminary findings, the WCDC has had individual meetings with the following government officials:

- Wilkinsburg Mayor Marita Garrett
- Wilkinsburg Council President Pamela Macklin
- Wilkinsburg Council Member Michael Lefebvre
- Wilkinsburg Police Chief Ophelia Coleman
- State Sen. Jay Costa and State Rep. Edward Gainey
- Allegheny County Executive Rich Fitzgerald
- City of Pittsburgh Comptroller Michael Lamb
- Wilkinsburg SD Board President Ed Donovan
- Wilkinsburg SD Board Member Debra Raubenstrauch

Consolidating Wilkinsburg and Pittsburgh would generate benefits for residents of both jurisdictions.



Cost efficiencies and revenue rebalancing would likely generate **a modest fiscal surplus for the City of Pittsburgh as a result of the merger**



Revenue rebalancing would **reduce Wilkinsburg's regionally-high property tax** rate to Pittsburgh's level, which would:

- **Relieve inequitable property tax burden** for majority-minority residents
- Unlock neighborhood reinvestment



Wilkinsburg's **underutilized downtown could serve as expansion space** for east Pittsburgh's growing employment hub, **generating job opportunities for residents of Wilkinsburg and Pittsburgh**

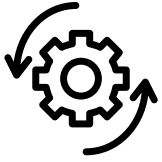
Wilkinsburg's unmet resident and worker needs can be addressed through the potential benefits of consolidation with Pittsburgh.

Wilkinsburg needs **higher-quality** and **more efficient** public services

Wilkinsburg lacks a broad **economic development planning and funding** toolkit

Wilkinsburg's economy is constrained by a **regionally high property tax rate** that is a **disincentive to redevelopment**

Wilkinsburg's **vacant downtown commercial space** could be leveraged to provide **employment and community revitalization**



Case Study: Wilkinsburg-Pittsburgh Firehouse Consolidation, 2011

- **Efficiency:** Merged fire departments able to spend **less per capita and per acre to extend fire protection** to new neighborhoods in Wilkinsburg
- **Service Quality:** Merger resulted in **expanded coverage** and **faster response times**
- **Job Retention:** **All Wilkinsburg firefighters offered positions** with the Pittsburgh Fire Department

Fire Department Merger

+5.2%

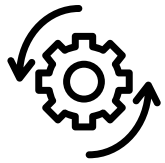
*Increase in
population
served*

+4.1%

*Increase in
land area
covered*

+2.2%

*Increase in
cost of
fire protection*



Case Study: **Analysis of Potential Wilkinsburg-Pittsburgh Police Consolidation (2011)**, which was not pursued further at the time

- **Efficiency:** Even with increased police expenditures, merged departments could spend **less per capita and per acre to extend police protection** to Wilkinsburg
- **Service Quality:** Proposal assumed **operational coverage equal to Pittsburgh** and additional services at no additional cost
- **Job Retention:** Previous analysis included **higher headcount than currently budgeted**

Proposed Police Department Merger

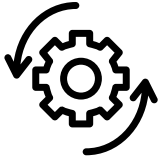
+3.2%

Projected increase in police expenditures to service Wilkinsburg

No-cost additional services included:

- SWAT
- Citywide traffic
- Detective services
- Community support
- Youth services
- Bomb squad

Source: HR&A analysis of Bureau of Police Service Costs report, prepared by City of Pittsburgh (2011)

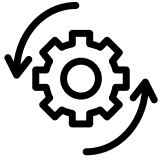


Mergers of Wilkinsburg's various departments with analogous Pittsburgh departments could **generate similar cost and service improvements.**

Projected Wilkinsburg Expenditures per Capita by Category

Category	Separate	Merged	Savings
Police	\$225	\$240	(\$15)
Planning, Zoning, and Other Public Safety	\$65	\$65	\$0
Public Works	\$100	\$65	\$35
General Government	\$125	\$95	\$30
Contracted Services	\$185	\$185	-
All Other Expenditures including Debt Service	\$70	\$70	-
Subtotal Expenditures per Capita	\$775	\$725	\$50
			<i>x15,000 residents</i>
Total Expenditures	\$12.11M	\$11.33M	\$0.79M

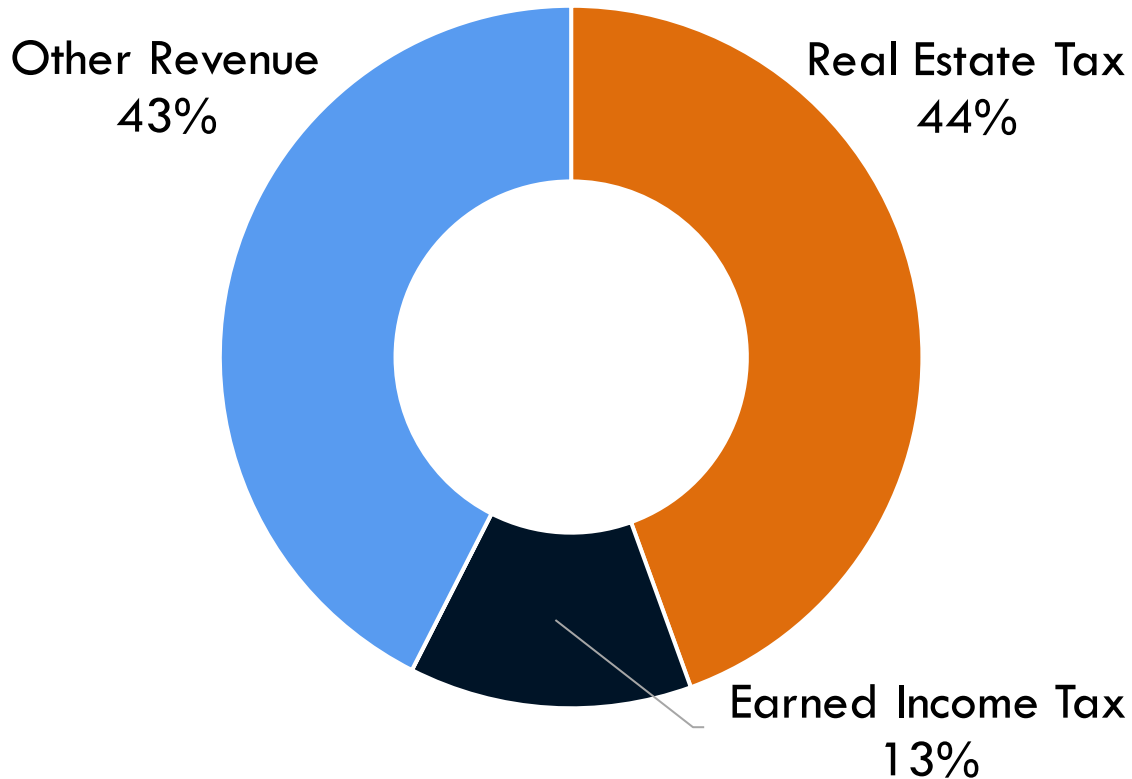
Totals may not add due to rounding; police costs based on analysis of a department merger with the City of Pittsburgh proposed in 2011 and inflated to 2020\$; assumes no change to fire and trash collection costs, currently provided by the City



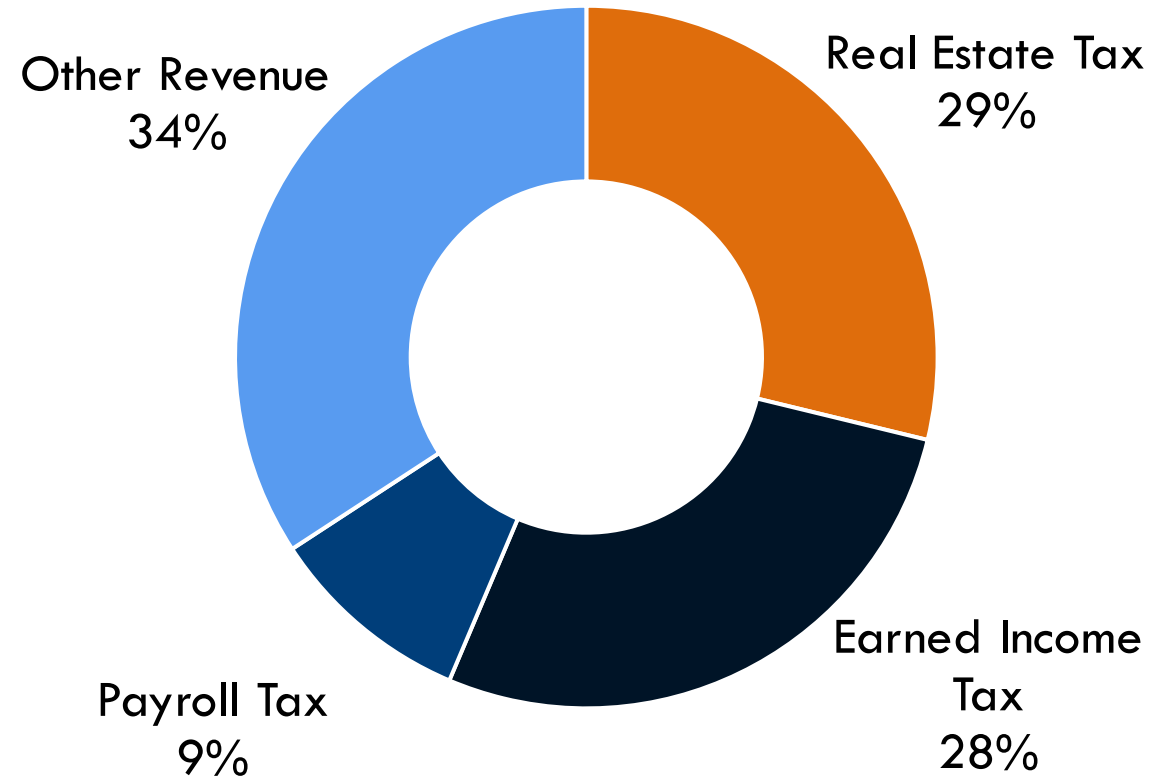
Revenue Rebalancing: Applying Pittsburgh's tax structure reduces the reliance on the property tax and only minimally lowers revenues.

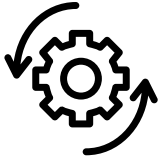
Share of Wilkinsburg-related Revenues by Source

Separate, \$11.83M

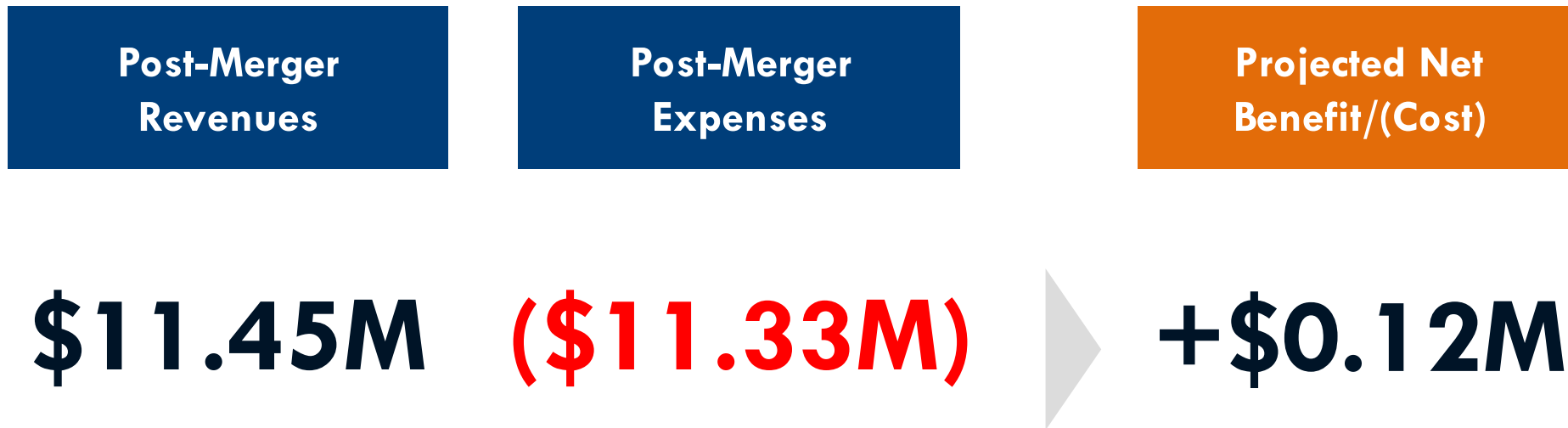


Merged, \$11.45M



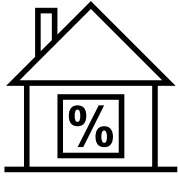


Modest Fiscal Benefit: Projected borough-related expenditure savings will exceed revenue reductions, resulting in a **modest net fiscal benefit**.



Excludes potential expenditures necessary to merge departments, align systems, integrate and/or transition staff, or other one-time costs as a result of consolidation.

**Based on FY 2021 projections, a conservative starting point given ongoing impacts of COVID-19.*



Reducing Wilkinsburg’s regionally-high tax rate would create a **fairer tax burden for Wilkinsburg residents.**

The Washington Post

Black families pay significantly higher property taxes than white families, new analysis shows

Unfair property assessments lead to widespread overtaxation of black Americans' homes

*Wilkinsburg’s **high property tax rate** is not unusual for a majority-African American jurisdiction. Academics and recent news articles have documented the **disproportionate tax burdens faced by African-American homeowners** resulting from a legacy of redlining and discrimination. Consolidation with Pittsburgh could reduce the **financial burden of homeownership** faced by Wilkinsburg’s households.*

Illustrative Property Tax in Wilkinsburg

Assessed Value	\$150,000
Municipal Tax Pre-Merger	\$1,960
Post-Merger Reduction in Municipal Tax	(\$870)
Municipal-School District Combined Tax Pre-Merger	\$6,380
Post-Merger Reduction in Combined Tax	(\$3,970)



Reducing Wilkinsburg's regionally-high tax rate would also **unlock value from existing properties.**

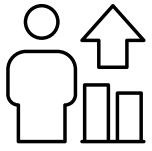
If a Wilkinsburg building's property tax rate were reduced, the building's net operating income – rental and other revenues minus building operating costs – would increase. The building's increased net operating income would in turn trigger a proportional increase in the building's value. Thus, **simply changing Wilkinsburg's tax rate could unlock increased property value currently depressed as a result of the Borough's regionally high tax rate.**

**Incremental Property
Value with Municipal
Merger**

**Incremental Property
Value with School
District Merger**

**Incremental Property
Value with Municipal &
School Merger**

$$\mathbf{\$15M + \$61M = \$76M}$$



Downtown **Wilkinsburg** could serve as **expansion space** to enable continued growth of east Pittsburgh's employment hub.

Wilkinsburg's **historic, walkable downtown** has substantial underused space ready for repurposing

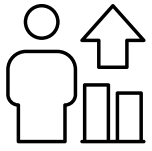


Penn Avenue, Downtown Wilkinsburg

Developers have **converted older buildings to employment uses** in adjacent neighborhoods



3M's regional headquarters on Thomas Boulevard



While a merger is likely to spur growth in Wilkinsburg, policies to promote **inclusive growth can prevent displacement.**

Articulating a clear inclusive growth strategy in Wilkinsburg is compatible with the City of Pittsburgh's own goals for equitable economic development.

Under a merger, future investments in Wilkinsburg should:

- **Support existing companies** and not only work to attract new development.
- **Protect residents and workers** most at risk of displacement and job loss by building and preserving affordable housing and supporting small businesses.
- **Provide lasting benefits to existing residents** through targeted support for infrastructure, institutions, and services.

The City of **Pittsburgh** and its residents stand to benefit substantially from a merger with the Borough of Wilkinsburg.

1

Added Population: Increasing the City's population by 5% will allow for:

- More State and federal aid
- Increased political clout
- Higher regional and national profile

2

Increased Economic Development Opportunity: A connected district can:

- Serve as expansion space for Pittsburgh's growing east side employment hub
- Create job opportunities for residents across the city

3

Improved Regional Coordination: Streamlining administration of the region's core enhances Pittsburgh's regional leadership and could foster greater consolidation.

Technical Supplement

Technical Supplement

1. **Introduction and overview** | Assumed conditions of a merger and data sources, including a brief description of the projected Wilkinsburg General Fund budget
2. **Revenues** | Alignment of Wilkinsburg revenues with Pittsburgh tax and fee regime
3. **Expenditures** | Projected cost to extend Pittsburgh public services to Wilkinsburg
4. **Property Values** | Increased valuation for income-producing properties in Wilkinsburg as a result of a merger and resulting lower property tax rates and new growth.

Technical Supplement: Introduction and overview

A Borough-City merger would require political action and long-term planning. This analysis is not intended to be a comprehensive evaluation of how every department might undertake consolidation, but rather is a conceptual evaluation of the potential high-level implications of overall consolidation.

- Our analysis reflects the simplified scenario of an immediate, one-time merger rather than a multi-year phased transition.
- It acknowledges – but does not quantify – potential one-time merger costs, recognizing that the exact logistics of transitioning each department and associated upfront costs would need to be negotiated one by one.
- We have assumed alignment with the tax and fee regime and level of public services currently provided by the City of Pittsburgh.
- Our analysis does not predict or attempt to quantify changes in resident, employer, or customer behavior.

Revenues and expenditures are presented in 2020 dollars and assume a post-COVID-19 environment.

Technical Supplement: Introduction and overview

Table 1 | Borough of Wilkensburg General Fund 2020 Adopted Budget and 2021 Projected Budget

	2020 Adopted	2021 Projected	Projected Change
Revenues:			
Real Estate Tax	\$4,967,917	\$5,261,842	5.9%
Earned Income Tax	\$1,628,500	\$1,541,000	-5.4%
RAD Revenue	\$1,020,000	\$1,022,346	0.2%
All Other Taxes	\$505,000	\$526,115	4.2%
Subtotal all taxes	\$8,121,417	\$8,351,303	2.8%
License and Permit	\$251,800	\$301,009	19.5%
Charges for Services	\$1,694,150	\$1,752,479	3.4%
Fines and Forfeitures	\$176,800	\$188,694	6.7%
Intergovernmental	\$450,700	\$554,777	23.1%
Interest and Rent	\$52,400	\$39,400	-24.8%
Miscellaneous	\$144,500	\$105,490	-27.0%
Interfund transfers	\$459,914	\$540,043	
Total other revenues	\$3,230,264	\$3,481,892	7.8%
Total revenues	\$11,351,681	\$11,833,195	4.2%
Expenditures:			
General government	\$1,560,268	\$1,594,485	2.2%
Public safety - police	\$3,729,670	\$3,554,000	-4.7%
Public safety - fire	\$1,875,827	\$1,913,344	2.0%
Public safety - planning and zoning	\$987,485	\$1,009,333	2.2%
Public works	\$2,555,372	\$2,610,886	2.2%
Parks and recreation	\$107,750	\$86,821	-19.4%
Insurance	\$324,093	\$342,183	5.6%
Debt Service	\$1,031,018	\$1,008,233	21.6%
Interfund transfers	\$829,126	-	-100.0%
Total expenditures	\$13,000,609	\$12,119,285	-6.8%

Table 2 | City of Pittsburgh Adopted 2020 Operating Budget and 2021 Projected Operating Budget

	2020 Adopted	2021 Projected	Projected Change
Revenues:			
Real Estate Tax	\$150,079,825	\$152,697,957	1.7%
Earned Income Tax	\$106,637,276	\$110,743,065	3.9%
Local Services Tax	\$14,877,170	\$14,872,294	0.0%
Payroll Preparation Tax	\$71,084,420	\$73,718,006	3.7%
Deed Transfer Tax	\$43,792,752	\$45,369,291	3.6%
RAD Revenue	\$23,496,827	\$24,190,891	3.0%
All Other Taxes	\$85,495,376	\$88,058,014	
Subtotal all taxes	\$495,463,646	\$509,649,518	2.9%
License and Permit	\$14,244,399	\$14,632,955	2.7%
Charges for Services	\$41,758,804	\$42,242,579	1.2%
Fines and Forfeitures	\$10,532,754	\$10,749,513	2.1%
Intergovernmental	\$43,593,693	\$44,105,601	1.2%
Interest and Rent	\$2,586,575	\$2,640,893	2.1%
Miscellaneous	\$56,015	\$56,746	1.3%
Total other revenues	\$112,772,240	\$114,428,287	1.5%
Total revenues	\$608,235,886	\$624,077,805	2.6%
Expenditures:			
General government	\$220,380,255	\$221,110,065	0.3%
Public safety - police	\$114,786,999	\$116,225,761	1.3%
Public safety - fire	\$90,844,936	\$91,489,850	0.7%
Public safety - all other	\$48,545,946	\$48,303,133	-0.5%
Public works	\$72,685,639	\$73,273,677	0.8%
Parks and recreation	\$4,776,531	\$4,823,711	1.0%
Debt Service	\$56,079,739	\$60,094,071	7.2%
Total expenditures	\$608,100,045	\$615,320,268	1.2%

Technical Supplement: Introduction and overview

Borough of Wilkesburg | Based on General Fund results from audited financial statements and 2020 adopted budget

- Does not include libraries revenue or expenditures
- Does not include capital outlays

City of Pittsburgh | Based on adopted 2021 projected operating budget published as part the 2020 adopted operating budget's five-year financial plan

- Does not include transfers to PAYGO capital funds

Technical Supplement: Revenues

Following a merger, Wilkinsburg's tax generation is assumed to align with the City of Pittsburgh's current tax and fee regime:

- **Real estate tax** | Applies City of Pittsburgh Homestead Exemption and Senior Tax Relief for selected properties and levies a lower municipal property tax – 8.06 mills versus 13.06 mills
- **Earned income tax** | Adjusts earned income tax base for higher projected unemployment rate in 2021 and levies a higher income tax rate – 1.0% versus 0.5%
- **Payroll preparation tax** | Estimates Wilkinsburg-based payroll with Census data on workers and average payroll amounts equal to the City of Pittsburgh and levies a 0.55% payroll tax
- **Real estate transfer tax** | Applies higher transfer tax rate – 4% versus 1% – to projected Wilkinsburg tax base
- **RAD allocation** | Applies State formula presuming a combined municipality and projected countywide allocation
- **Business privilege tax** | Eliminates tax, as City of Pittsburgh does not assess a business privilege tax
- **Charges for services** | Eliminates garbage collection fee, as City of Pittsburgh does not assess a corresponding fee

Technical Supplement: Revenues

Selected City of Pittsburgh taxes were assumed to have no significant base in Wilkinsburg and are not included:

- Parking tax
- Amusement tax
- Facility usage fee
- Institution service privilege tax
- Telecommunications license tax
- Non-profit payments to municipality

Technical Supplement: Revenues

Table 3 | Borough of Wilkinsburg Projected Revenues, Separate and Merged

	Separate	Merged	Change
Revenues:			
Taxes:			
Real estate tax	\$5,261,842	\$3,298,066	(\$1,963,777)
Earned income tax	\$1,541,000	\$3,159,780	\$1,618,780
Payroll preparation tax	-	\$1,079,258	\$1,079,258
Real estate transfer tax	\$124,692	\$498,767	\$374,075
RAD allocation	\$1,022,346	\$657,480	(\$364,866)
Business privilege tax	\$242,262	-	(\$242,262)
Local service tax	\$159,160	\$159,160	-
Subtotal all taxes	\$8,351,303	\$8,852,511	\$501,207
Other revenues:			
Charges for Services	\$1,752,479	\$872,479	(\$880,000)
Interfund transfers	\$540,043	\$540,043	-
All other revenues	\$1,189,370	\$1,189,370	-
Total other revenues	\$3,481,892	\$2,601,892	(\$880,000)
Total revenues	\$11,833,195	\$11,454,403	(\$378,793)

Technical Supplement: Expenditures

The analysis assumes that extending City of Pittsburgh services to Wilkinsburg neighborhoods requires a similar increase in effort as previous the consolidation of fire services.

- Increase of population served of 5%; increase in land area covered of 4%
- Increase in City fire expenditures of 2.2%

Additional analysis of police expenditures results in range between no savings (i.e. no change) and an increase of \$0.2 million in spending.

- Reflects analysis supplied by City of Pittsburgh in proposal for departmental merger in 2011.

City of Pittsburgh Police Expenditures

\$116M

Projected Post-Merger Wilkinsburg Police Expenditures

\$3.5M - \$3.7M

Technical Supplement: Expenditures

Selected expenditures have not been included in a merged entity:

- **Salaries, wages, and benefits for elected officials** | Presumes elimination of mayor and council positions, but not supporting staff or other non-personnel expenditures
- **Insurance** | City of Pittsburgh includes insurance costs by relevant departments and adjustment and inclusion of Wilksburg's citywide value would result in double counting this governmental cost

Other expenditures are unchanged in the merged entity

- **Debt service** | Conservatively assumes no changes to principal and interest payments through refinancing
- **Contracted services** | Maintains level of expenditures and revenues for fire protection and garbage collection; merged entity should see no difference in bottom line

Technical Supplement: Expenditures

Table 4 | Borough of Wilkinsburg Projected Expenditures, Separate and Merged

	Separate	Merged	Change
Expenditures			
Government			
General government	\$1,594,485	\$1,514,631	(\$79,854)
Public safety - police	\$3,554,000	\$3,736,293	\$182,293
Public safety - fire	\$1,913,344	\$1,913,344	-
Public safety - all other	\$1,009,333	\$1,046,629	\$37,296
Public works	\$2,610,886	\$2,008,407	(\$602,479)
Parks and recreation	\$86,821	\$104,520	\$17,699
Insurance	\$342,183	-	(\$342,183)
Subtotal government expenditures	\$11,111,052	\$10,323,824	(\$787,228)
Debt service	\$1,008,233	\$1,008,233	-
Total expenditures	\$12,119,285	\$11,332,057	(\$787,228)

Technical Supplement: Property values

Analysis considers potential increase in property values as a result of lower real estate taxes; **however**, this increase is not used to calculate fiscal impacts on real estate tax revenues

Calculation assumes full decrease in property tax results in an equal increase in property income

- To be conservative, included income-producing properties only, even though some owner-occupied buildings would likely see value increases as well.
- Observed, market-appropriate cap rates applied to increased net operating income to determine increased value
- Analysis considers a municipal merger alone as well as a merger of both municipalities and school districts.

Table 5 | Borough of Wilkinsburg, Taxable Value and Observed Cap Rates of Income Producing Properties

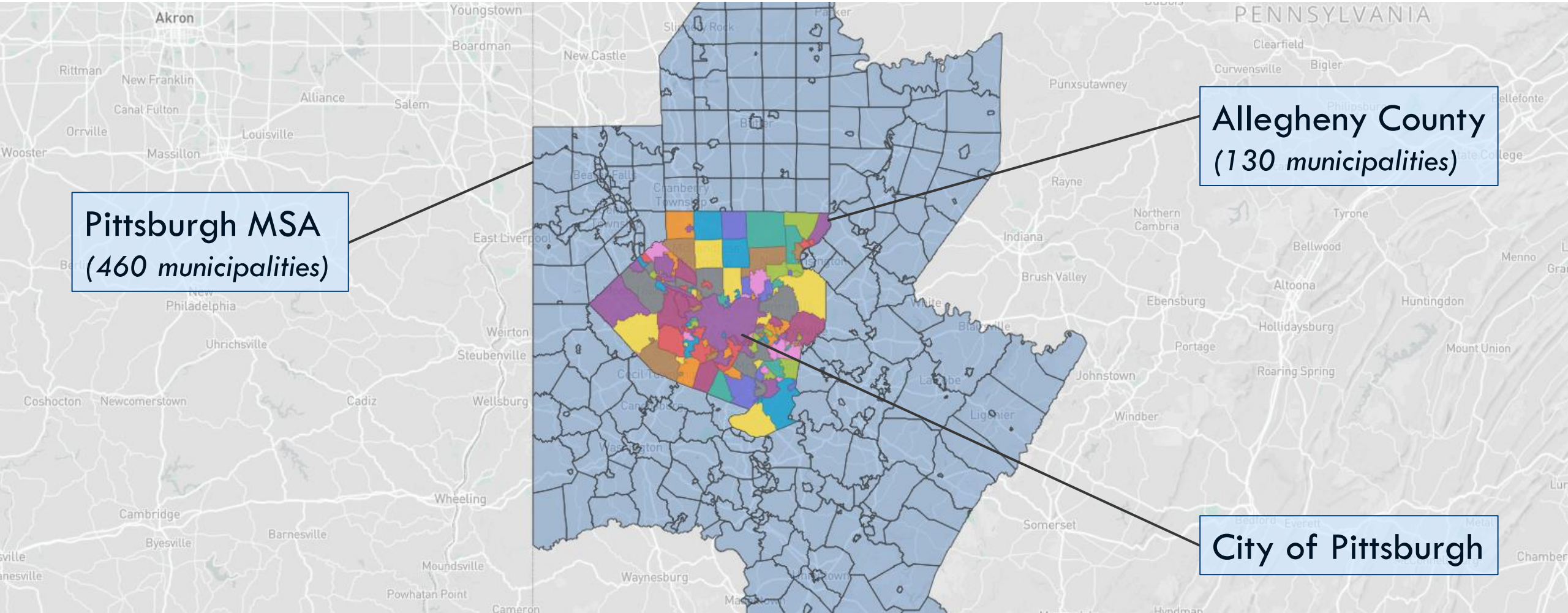
	Taxable Value	Share	Cap Rate
Residential	\$170,913,308	70.5%	7.6%
Commercial	\$68,051,478	28.1%	8.7%
Industrial	\$3,597,680	1.5%	7.2%
Total	\$242,562,466	100.0%	7.9%

Table 6 | Borough of Wilkinsburg, Change in Property Value from Lower Real Estate Tax

	Merged (City only)	Merged (School District)	Merged (Combined)
Value of selected properties	\$242,562,466	\$242,562,466	\$242,562,466
Base property tax millage	13.06	29.50	42.56
Merged property tax millage	8.06	9.84	17.90
Reduction in property tax	\$1,212,812	\$4,768,778	5,981,590.41
Blended cap rate	7.86%	7.86%	7.86%
Increase in market value	\$15,429,565	\$60,669,051	\$76,098,617

Additional Slides

The Pittsburgh region is divided into hundreds of independent municipalities.

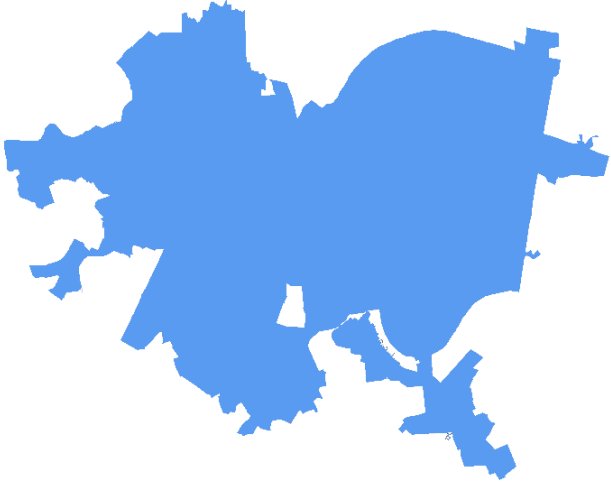


The share of regional **population residing in suburbs rather than the central city is unusually high** in the Pittsburgh metro area.



27th

*Largest Metropolitan Area
by population*



66th

*Largest City
by population*

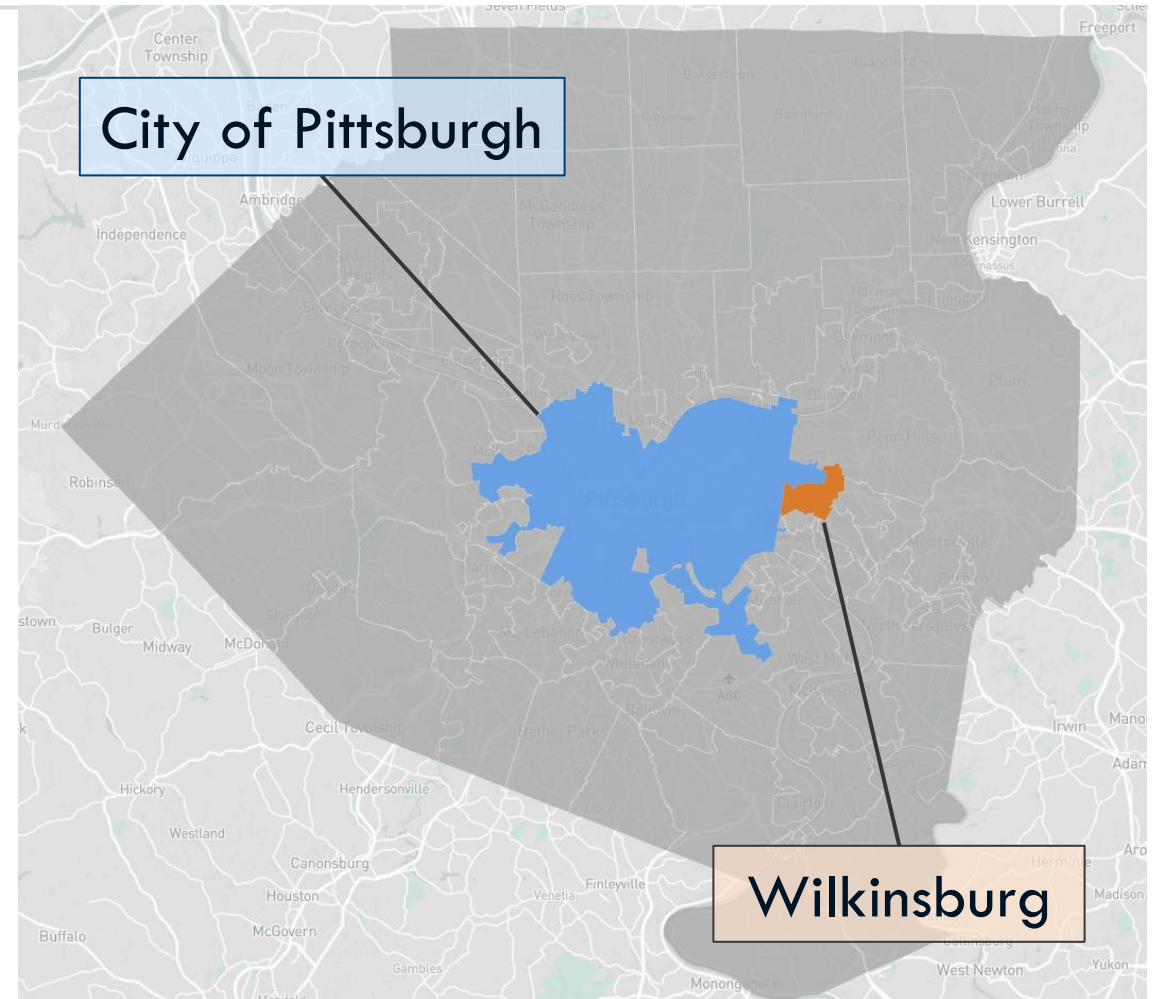
Regional divisions create challenges for both Pittsburgh and its suburbs.

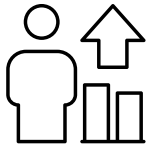
- 1** **Governmental efficiency is constrained, and public services are more limited** for smaller school districts, police, fire departments, etc., resulting in a combination of **more expensive and/or lower-quality public services**
- 2** **Regional growth is slower** when economic development departments are only focused on slivers of the overall metro area and jurisdictions compete
- 3** Federal and state **funding allocations are lower** when central cities have less population and less political clout

Wilksburg is one of the poorest municipalities in the region with a median household income that is less than Pittsburgh and only 60% of the countywide level.

Wilksburg

- **Founded in 1812**, 41 years after Pittsburgh
- **Briefly merged with Pittsburgh, 1873-1876**
- **Current population: 15,600**
(vs. 304,000 in City of Pittsburgh)
- **Median household income: \$35,400**
(vs. \$45,800 in City of Pittsburgh)
- **Non-white population: 65%**
(vs. 33% in City of Pittsburgh)





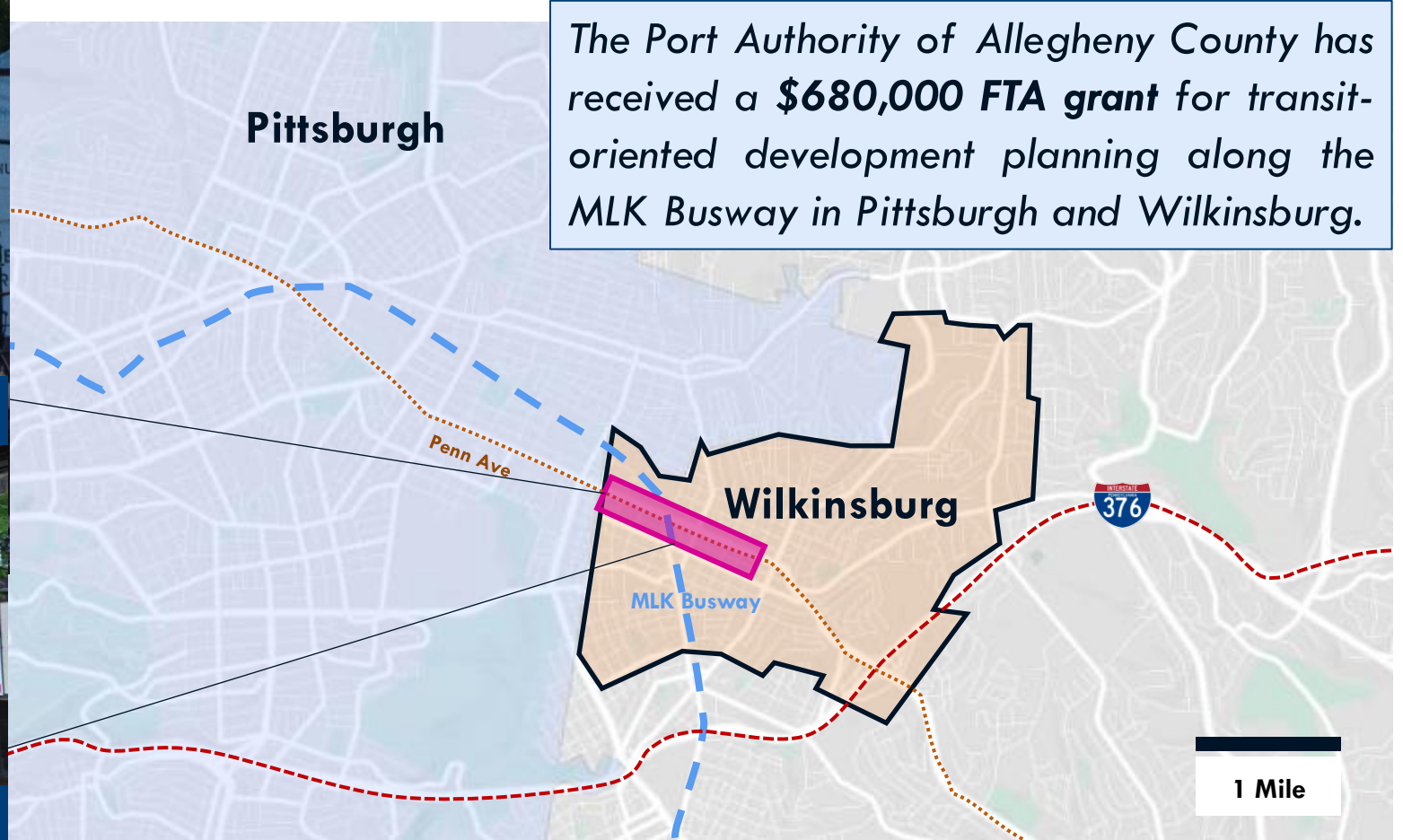
Downtown Wilkinsburg benefits from **adjacent transit and highway connections**, making it **highly accessible to the rest of Pittsburgh**.



Penn Avenue, downtown Wilkinsburg



Commercial corridor, Wood Street



The Port Authority of Allegheny County has received a **\$680,000 FTA grant** for transit-oriented development planning along the MLK Busway in Pittsburgh and Wilkinsburg.