



WILKINSBURG REDEVELOPMENT STUDY

EXECUTIVE SUMMARY

2019

Wilkinsburg is a **compact, historic community** with extensive community assets and underlying strengths.



Historic building stock



Walkable Commercial Corridors



Community anchors



Affordable historic neighborhoods

Over the last 10 years, WCDC, public leaders and community stakeholders have invested **over \$100 million to improve the borough and the quality of life for residents.**



Renovated schools



Facade renovation program



Renovated community anchors



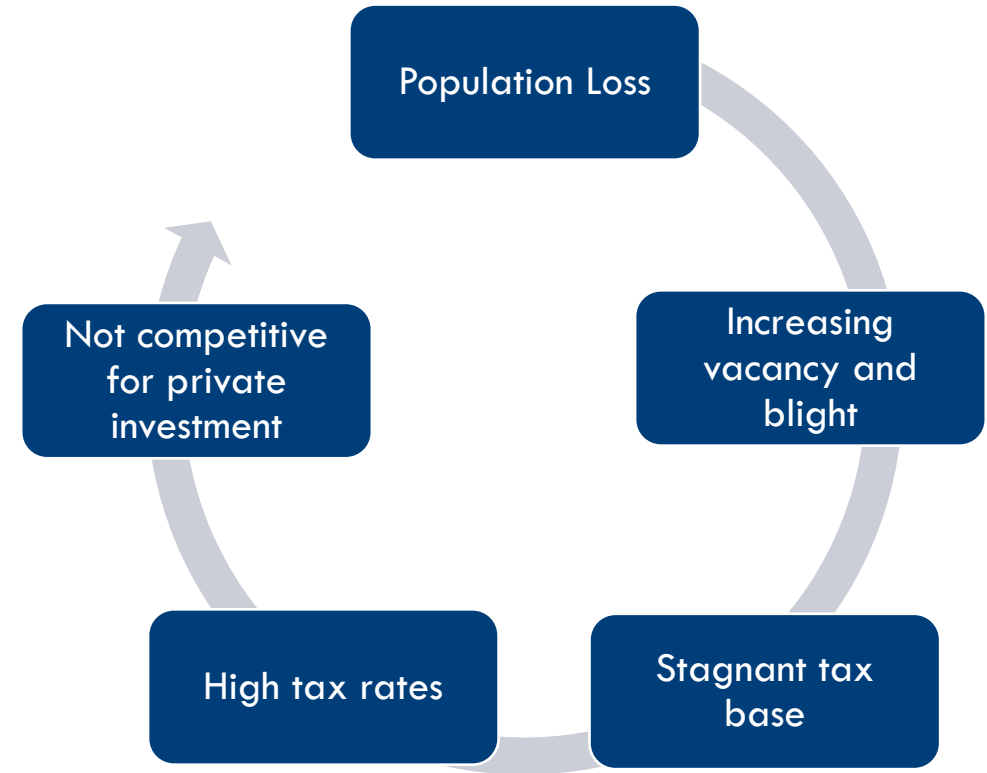
New food & beverage uses

Despite elements of progress, Wilkesburg suffers from structural and interrelated economic and fiscal challenges that are common among shrinking, postindustrial cities.

Population Loss: Like many cities in the region Wilkesburg has **lost population for 70 years. Since 2000, the borough has lost in additional 3,400 residents.** This has led to high vacancy rates, blighted properties, and a stagnant property tax base.

Impact on Tax Rates: This stagnation has resulted in the need for **higher tax rates than neighboring communities** to generate the revenue necessary to provide vital services and educate students.

Impact on Investment: High tax rates have made the Borough **not competitive for private investment,** leading to further population loss and tax base stagnation.



Although new construction and rehabilitation of existing homes in areas of Wilksburg is occurring, the **tax base has remained stagnant as demolitions and blighted property** have offset new investment.

Additions to tax base



New Construction

Subtractions from tax base



23% of homes are vacant



Rehabs



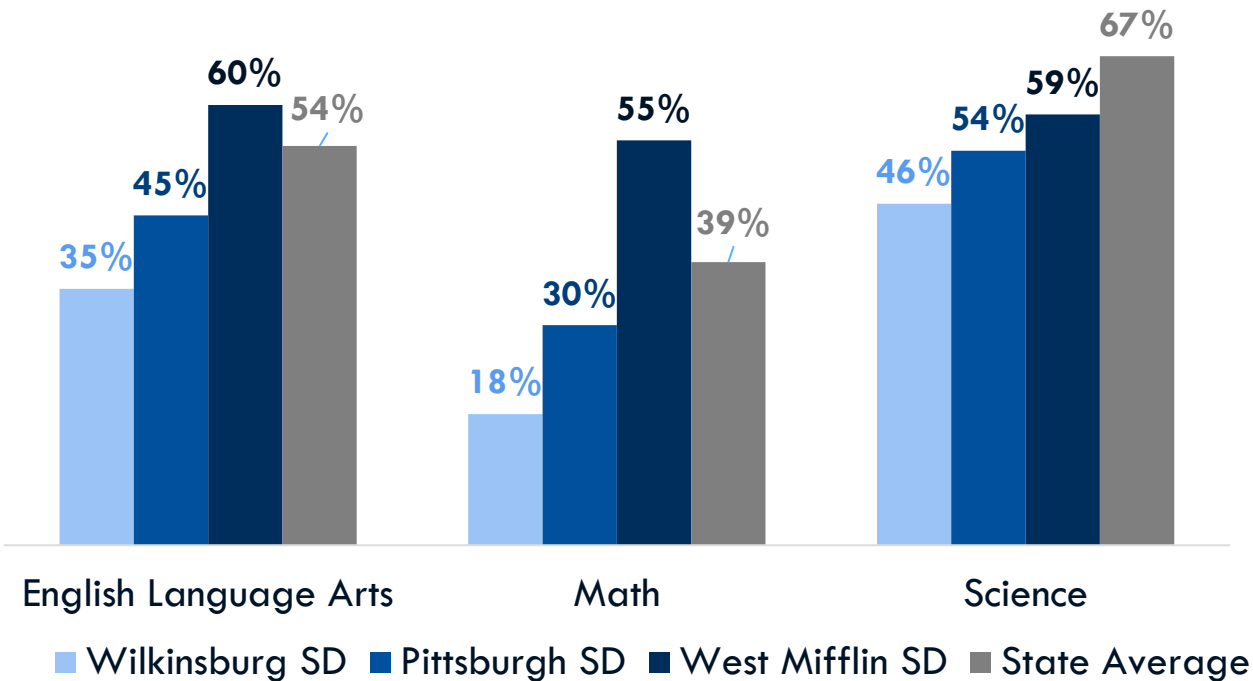
900 units demolished since 2000

=

**2% Tax Base
Decline, 2014-
2018**

Despite investments in facility renovation and additional staff resources, the **Wilkinsburg School District** still falls behind other districts in academic performance.

Student Proficiency on Statewide Assessment Tests (2018)¹

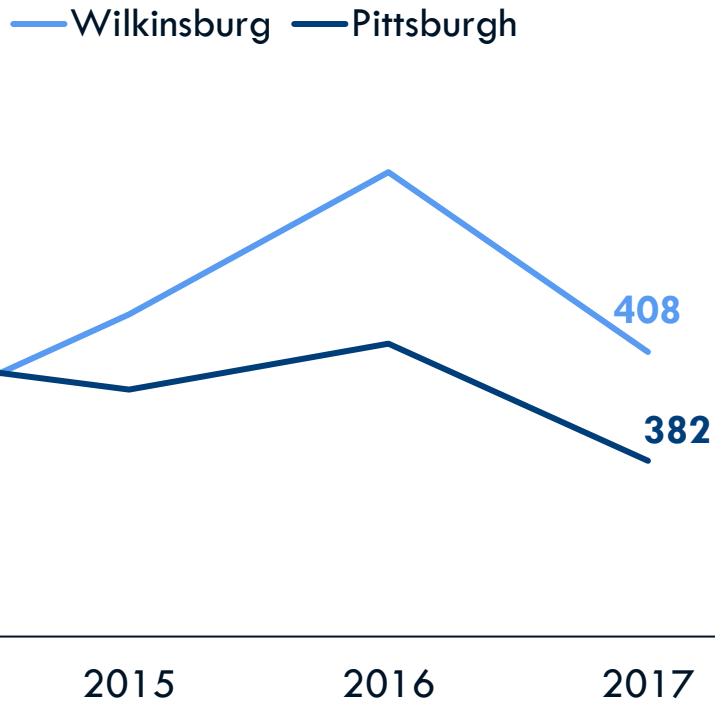


Turner Elementary School - Renovated 2018

¹Pennsylvania tests student proficiency on standardized exams in grades 3-8. For consistency with Wilkinsburg, this only compares student proficiency in grades 3 through 6.

Wilkinsburg residents suffer from a **higher rate of crime** and **fewer officers per capita** than in surrounding communities.

Total Crime Rate¹ per 10,000 Residents



WILKINSBURG

1.6 police officers per
1,000 residents
\$71,000 average salary

PITTSBURGH

2.9 police officers per
1,000 residents
\$78,000 average salary

¹ Part 1 Offenses only.

Source: Pennsylvania Uniform Crime Reporting System. Information contained in the report reflects data submitted as of the date of compilation.

Over the last five years, several major employment and community anchors within the community have left Wilksburg.



While Wilkinsburg has taken steps to improve its finances, it continues to face challenges that will **limit its ability to invest in improved services and infrastructure.**

Significant Challenges Remain

Economic

- **2% tax base decline, 2014-2018**
- **4.8% property tax rate**, compared with 2.3% for Pittsburgh
- **Population loss of 3,400 residents** since 2000
- **Lack of private investment**

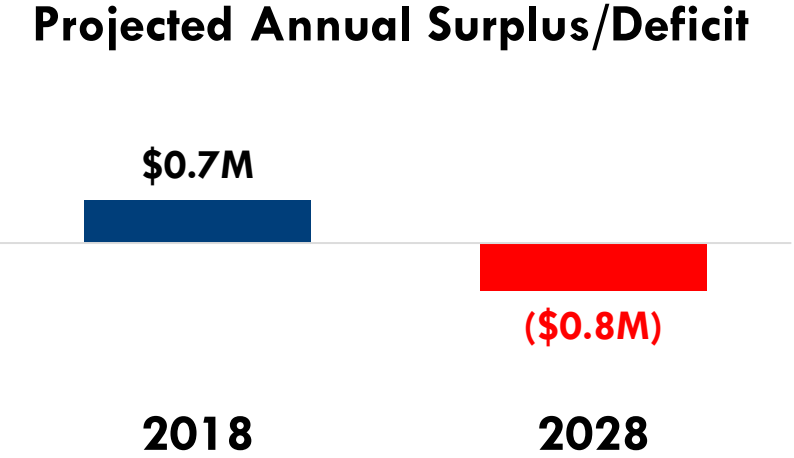
Revenue

- Underlying **property tax revenue will remain stagnant** without tax base growth or increased tax rates
- **Earned income tax revenue susceptible to economic cycles**

Expenditures

- **Rising police costs**, including **high overtime costs** due to **lack of manpower**
- **Aging infrastructure**

Without significant changes, Wilkinsburg will experience a growing deficit as police and personnel costs outpace revenue but the Borough's property tax base remains stagnant.



9%

Growth in
Total Revenue
(2018-2028)

Modest overall growth, largely **driven by growth in earned income tax** and other revenue sources. Property tax revenue is projected to remain **virtually flat.**

24%

Growth in
Total Expenditures
(2018-2028)

Largely **driven by police expenditures**, the Borough's leading cost driver.

Source: HR&A analysis

Wilkinsburg is already exploring a series of partnerships with Pittsburgh that have led to **improved services and opportunities for students** and **lower tax rates**.

Fire

Wilkinsburg merged its fire department with Pittsburgh's



- **Lowered costs**
- **Improved service in both communities**
- **Preserved Fire Department jobs**

Sanitation

Wilkinsburg began contracting services from Pittsburgh



- **Lowered costs without decreasing the level of service**

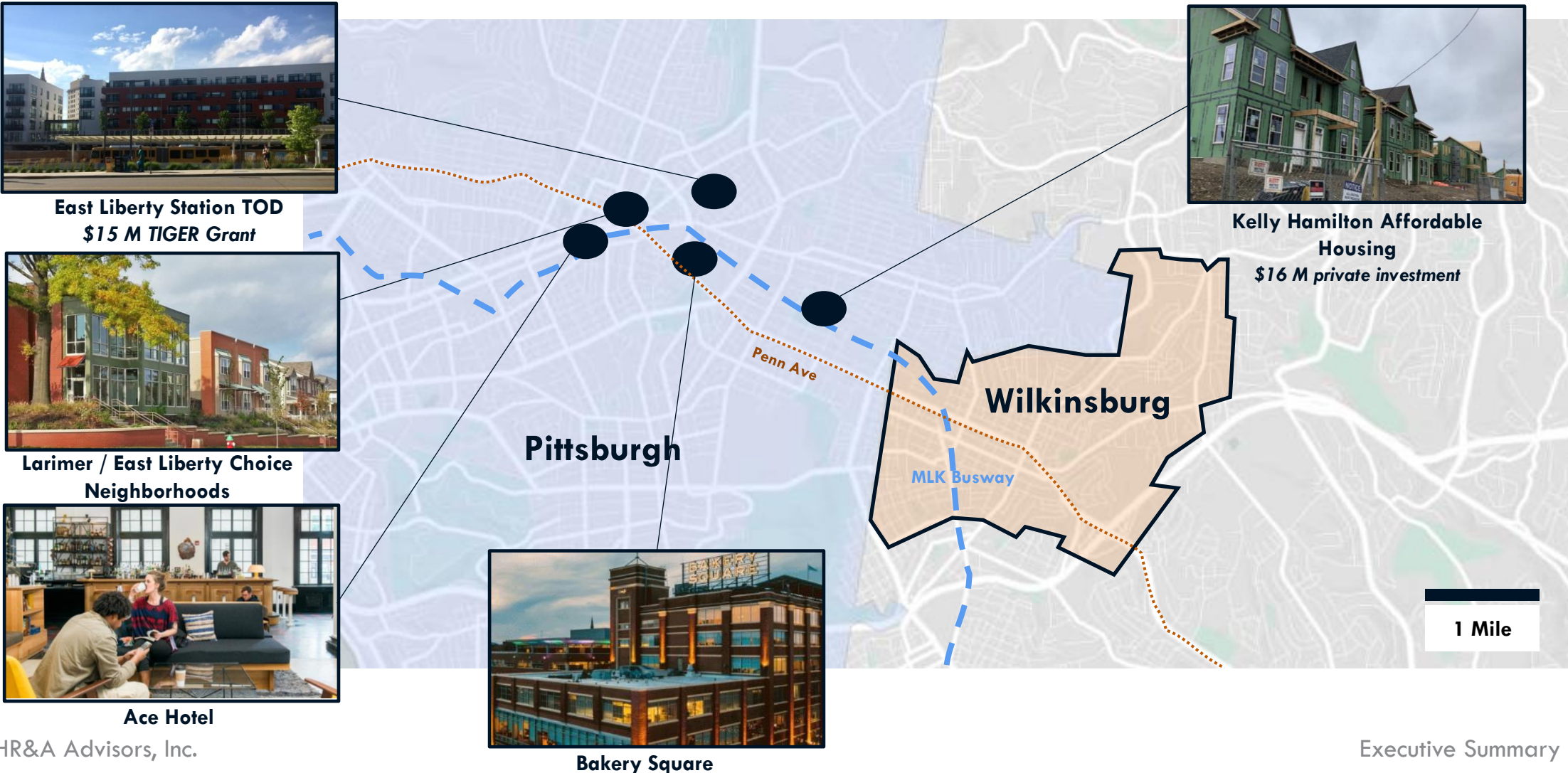
Schools

Wilkinsburg transferred students in grades 7-12 to Pittsburgh



- **Increased student opportunities**
- **Decreased costs**
- **Lowered taxes**
- **Enabled reinvestment in remaining schools**

Neighborhoods immediately to the west of Wilkinsburg along Penn Avenue and the MLK Busway have seen substantially more investment in recent years.



This investment outside of Wilkinsburg is particularly pronounced in the neighborhoods adjacent to the borough, which have seen significant commercial and multifamily development in the last ten years.

East Liberty

914

Multifamily Units
(2009-2019)

348K

Square feet of new retail
(2009-2019)

Wilkinsburg

0

Multifamily Units
(2009-2019)

0

Square feet of new retail
(2009-2019)

Consolidation with the City of Pittsburgh would provide additional tools that WCDC and Wilkinsburg can use to **build on nearby growth to enhance opportunities and quality of life** for residents.

Benefits of Consolidation with Pittsburgh



Lower resident & business taxes

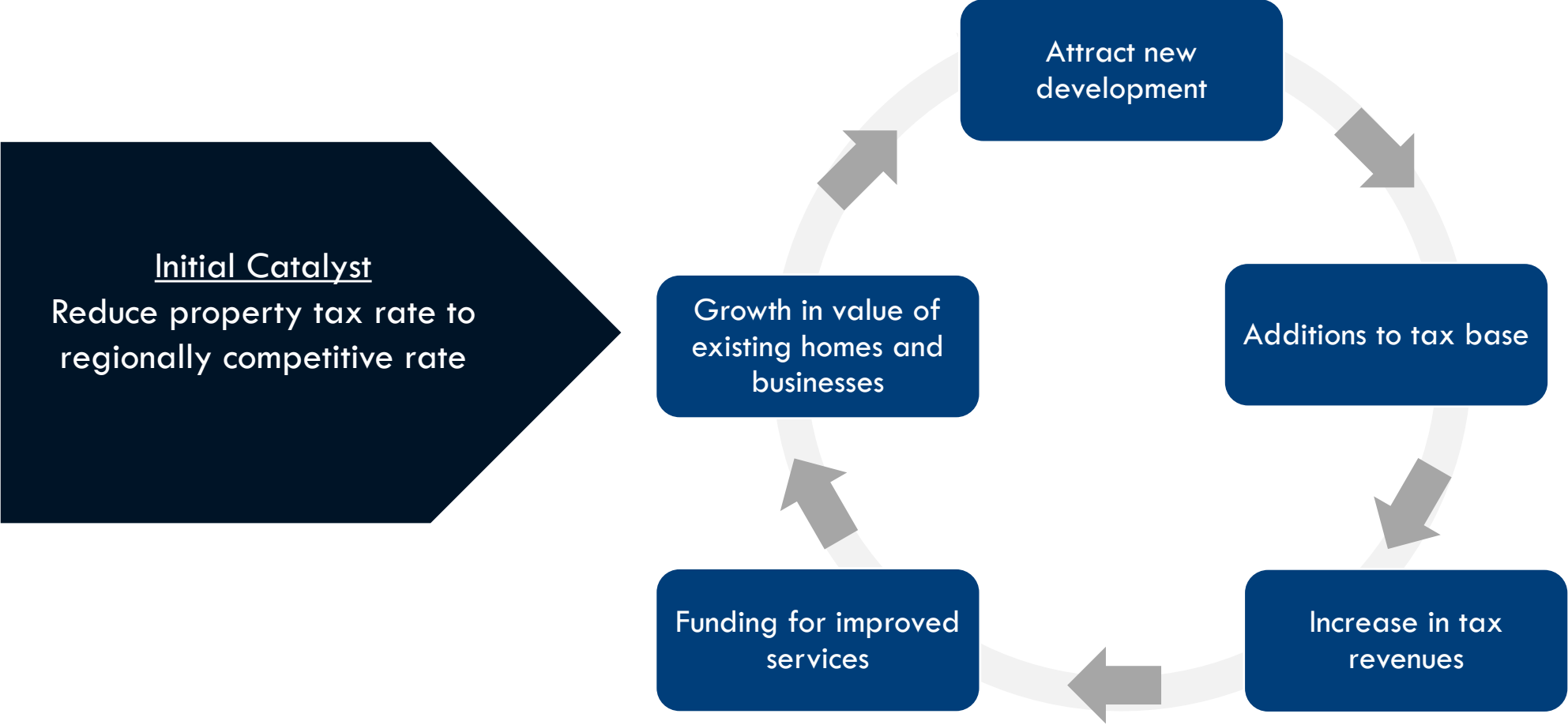


Better municipal services and student opportunities



Greater capacity to catalyze economic development

In order to start the recovery process, Wilkinsburg will need to support programs and policies that will **create strong, mixed-income neighborhoods to generate sustained economic growth.**



If Wilkinsburg were to move to Pittsburgh and Pittsburgh School District's property tax rates, **homeowners and small businesses would immediately experience additional savings.**



1510 Graham
Assessed Value: \$76,900
Sold: \$88,000

\$1,970

Annual Property Tax Savings



401 Penn Ave.
Assessed Value: \$535,000
For sale: \$2.2 million

53%

Annual Property Tax Savings



616 Penn Ave.
Assessed Value: \$86,900
For sale: \$400,000

53%

Annual Property Tax Savings

Source: Zillow, HR&A analysis

A **median income homeowner** in Wilkinsburg currently **pays more than double the amount of property taxes** than they would pay if Pittsburgh's tax rate were in effect.

$$\begin{array}{ccccc} \$47K & & 4.8\% & & \$2,265 \\ \text{Wilkinsburg Median} & \times & \text{Wilkinsburg Property} & = & \text{Property Tax Bill} \\ \text{Assessed Value} & & \text{Tax Rate} & & \end{array}$$

$$\begin{array}{ccccc} \$47K & & 2.3\% & & \$1,060 \\ \text{Wilkinsburg Median} & \times & \text{Pittsburgh Property Tax} & = & \text{Property Tax Bill} \\ \text{Assessed Value} & & \text{Rate} & & \end{array}$$

Even if Wilkinsburg property values rise substantially following a merger, the lower Pittsburgh property tax rate would still result in **widespread reductions in property tax liability.**

\$47K

Current Wilkinsburg
Median Assessed Value



4.8%

Wilkinsburg Property
Tax Rate



\$2,265

Property Tax Bill

\$95K

Increase to Pittsburgh's
Median Assessed Value



2.3%

Pittsburgh Property Tax
Rate



\$2,150

Property Tax Bill

Residents would also gain access to a range of Pittsburgh-sponsored programs, amenities and benefits, including **public magnet schools**.



Public Magnet Schools



Dollar Bank Cinema in the Park



Summer Concert in Mellon Park

Wilkinsburg would also benefit from **increased capacity to purse and manage targeted funding** from federal and state agencies and foundations in order to **catalyze private sector investment**.

CATALYZING PUBLIC-PRIVATE INVESTMENT

FEDERAL

*HUD Choice
Neighborhoods
Program*

STATE

*Redevelopment
Assistance Capital
Program*

CITY

*Housing
Opportunity Fund*

FOUNDATIONS

*Pittsburgh
Foundation*

Full consolidation with Pittsburgh would lead to **better, more affordable public services** and **greater opportunities** for Wilkinsburg residents while **advancing regional economic development**.





WILKINSBURG REDEVELOPMENT STUDY

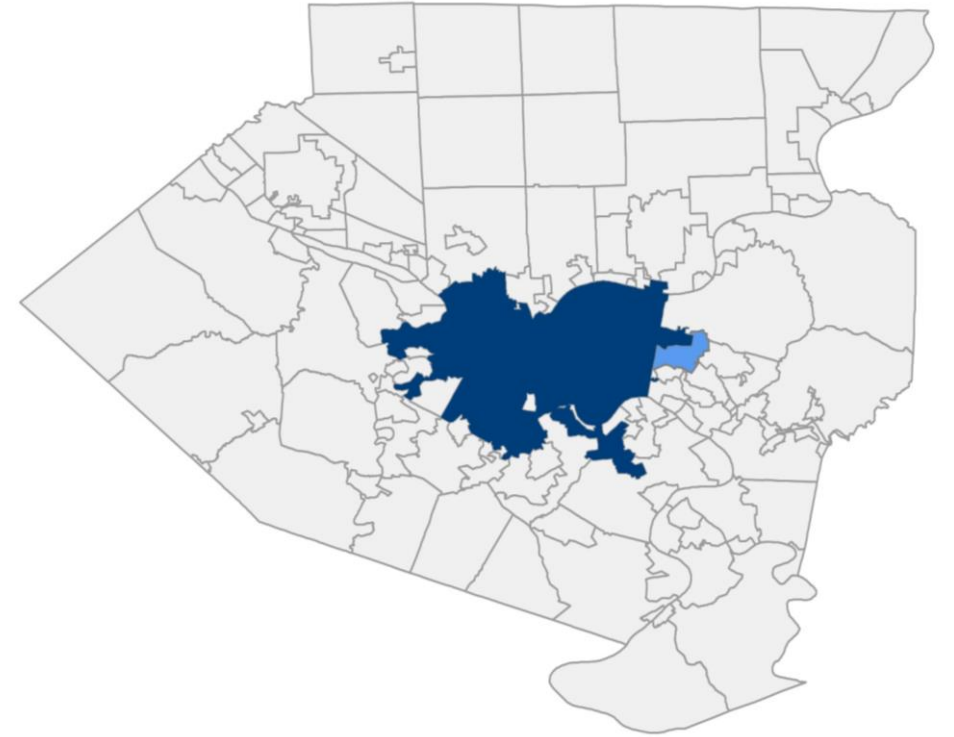
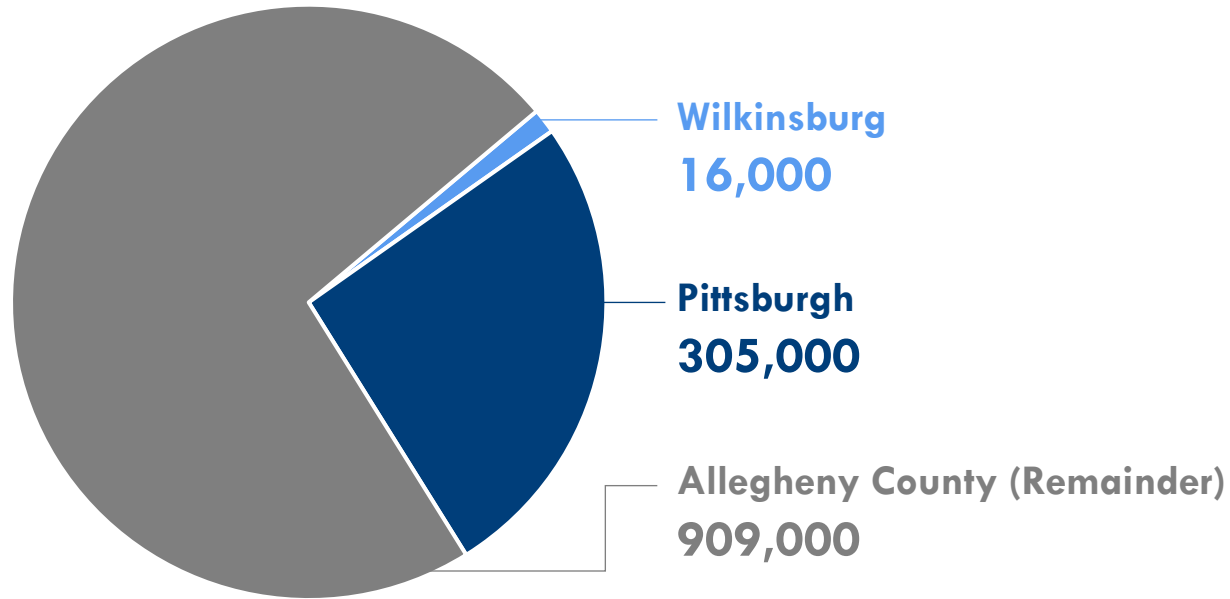
APPENDIX A: EXISTING CONDITIONS

2019

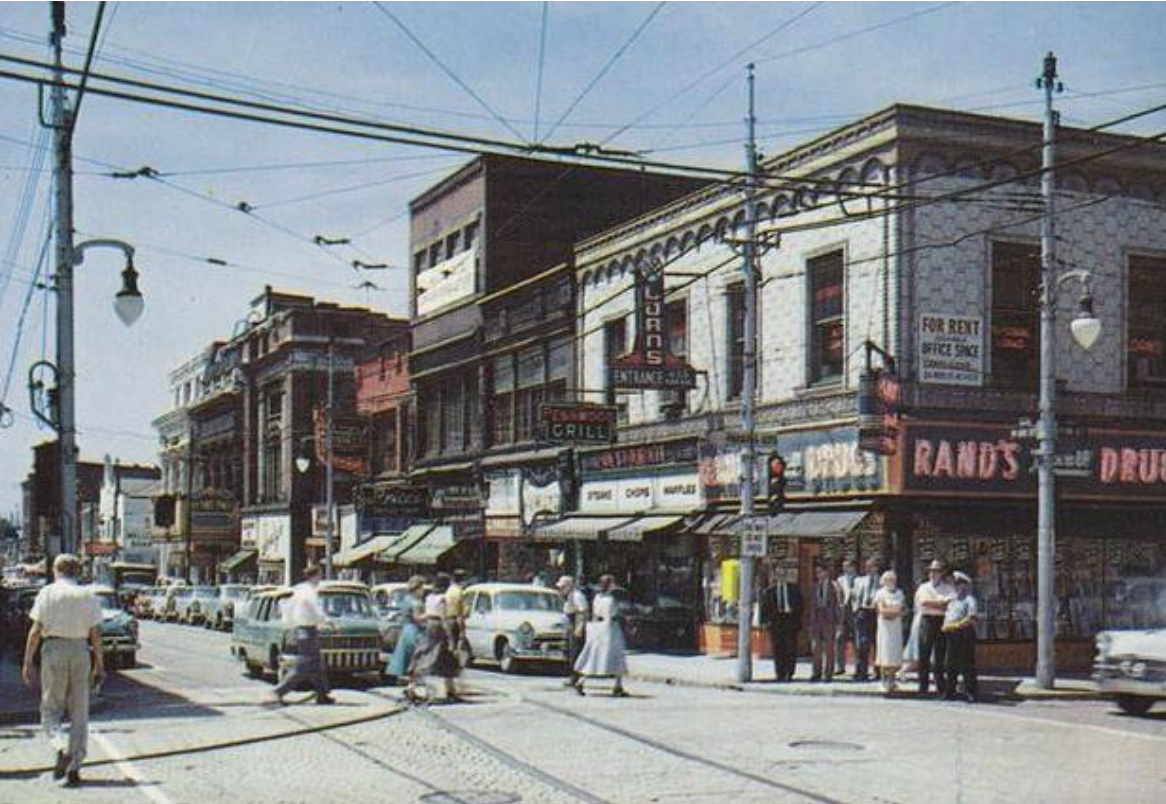
Context

Wilkinsburg is a community of about 16,000 residents on the eastern edge of Pittsburgh in Allegheny County.

Population of Allegheny County (2017)



Regional deindustrialization hit communities such as Wilkinsburg particularly hard, with declines in population, real estate values, tax revenues, public services and quality of life.



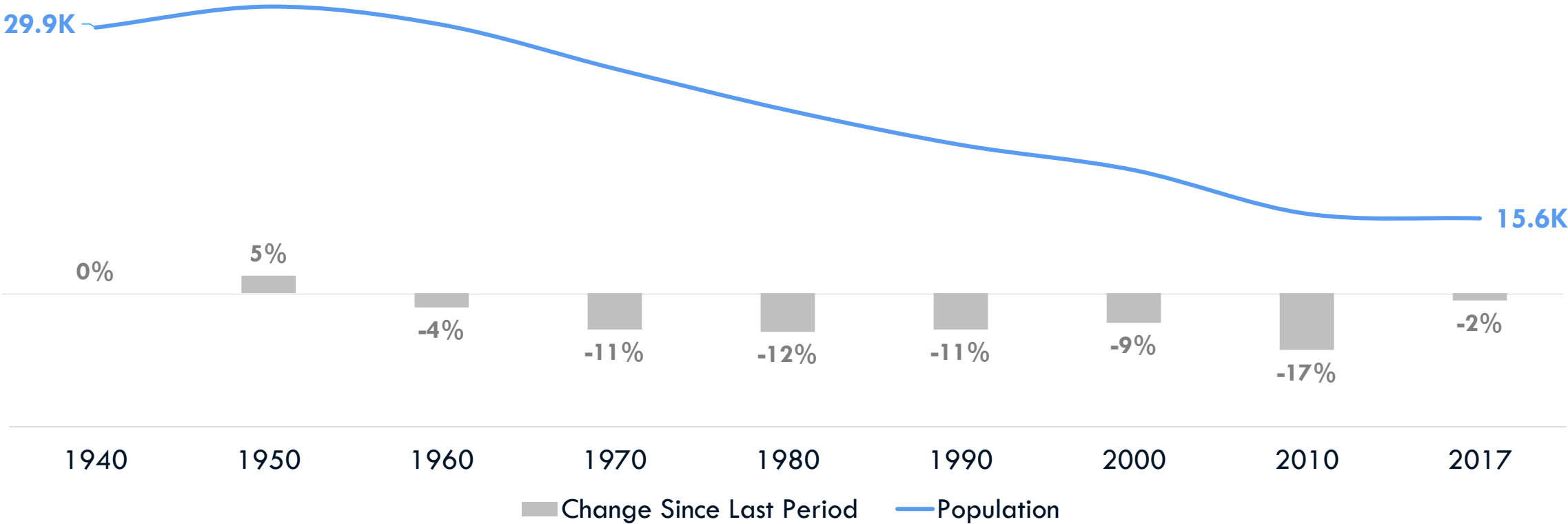
Penn Avenue, 1967
(Wilkinsburg Historical Society)



Penn Avenue and Surrounding Neighborhoods, 2018
(Google Earth, HR&A)

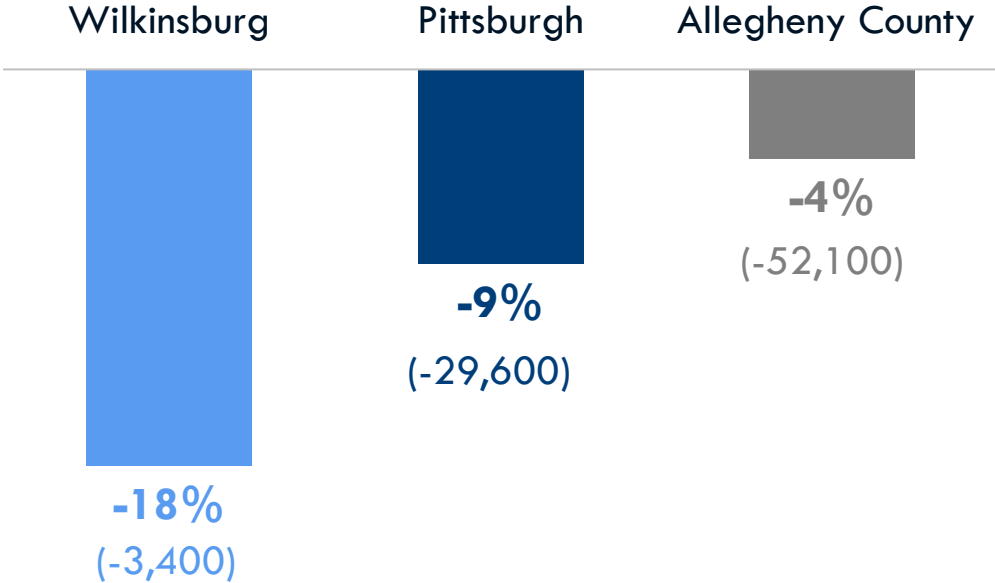
The borough's population has declined substantially since 1940. The most severe period of decline occurred between 2000 and 2010, though decline has slowed in recent years.

Wilkinsburg Population Since 1940 and Periodic Change

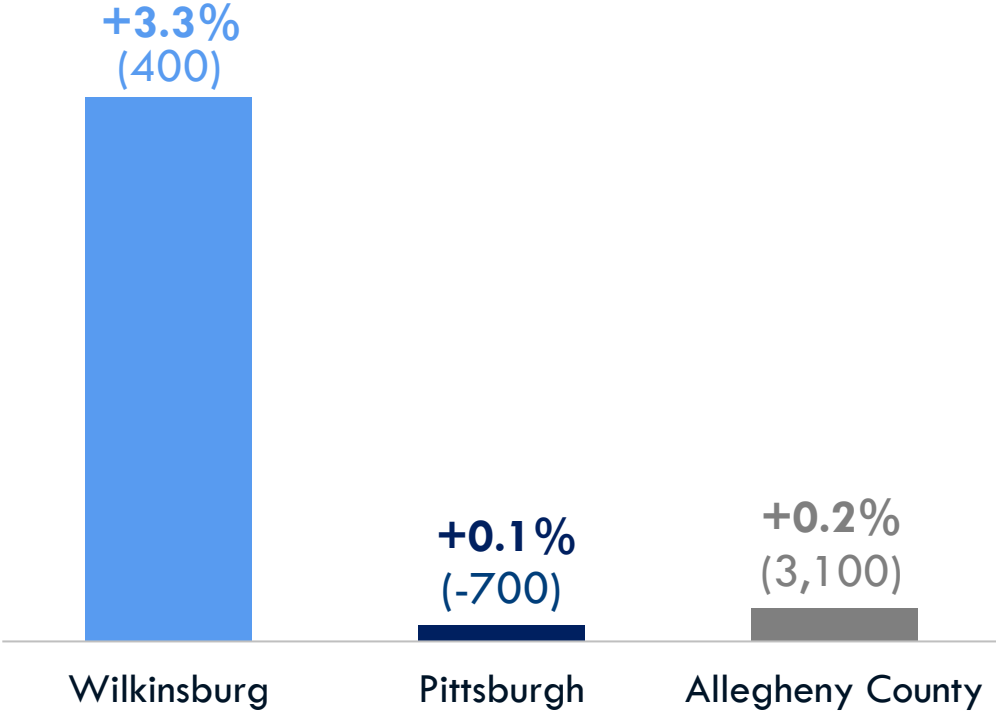


Wilkinsburg has displayed a faster rate of population loss and poverty rate growth in recent years than Pittsburgh or Allegheny County.

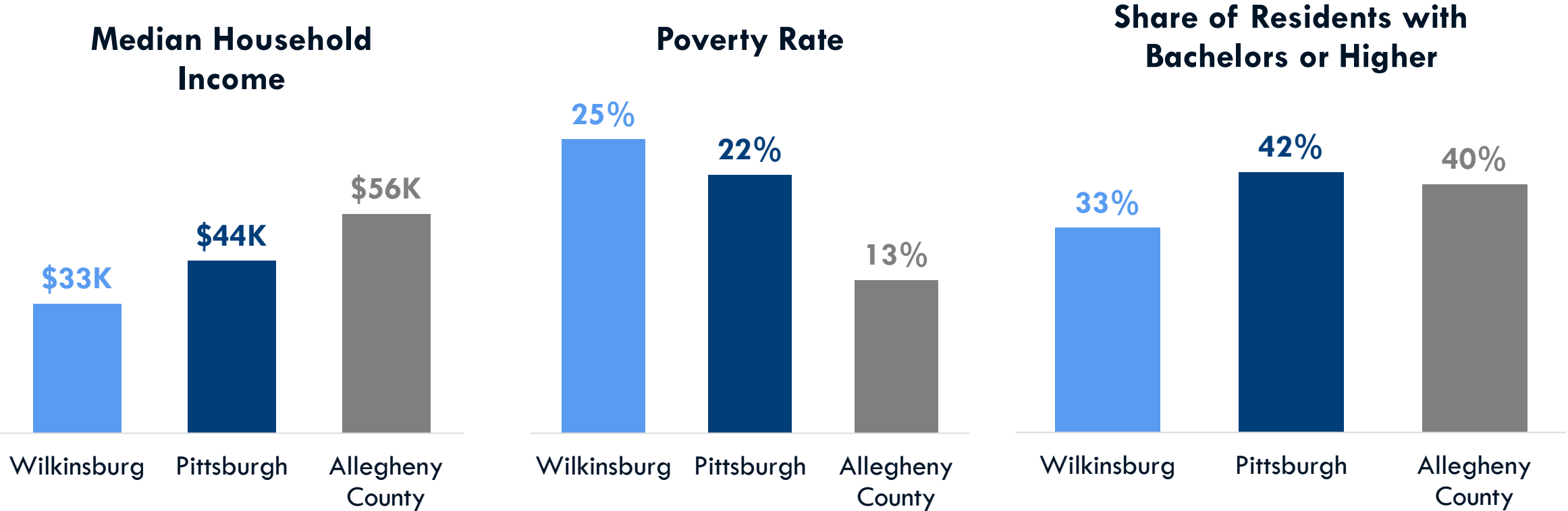
Population Change (2000-2017)



Poverty Rate Growth (2010-2017)

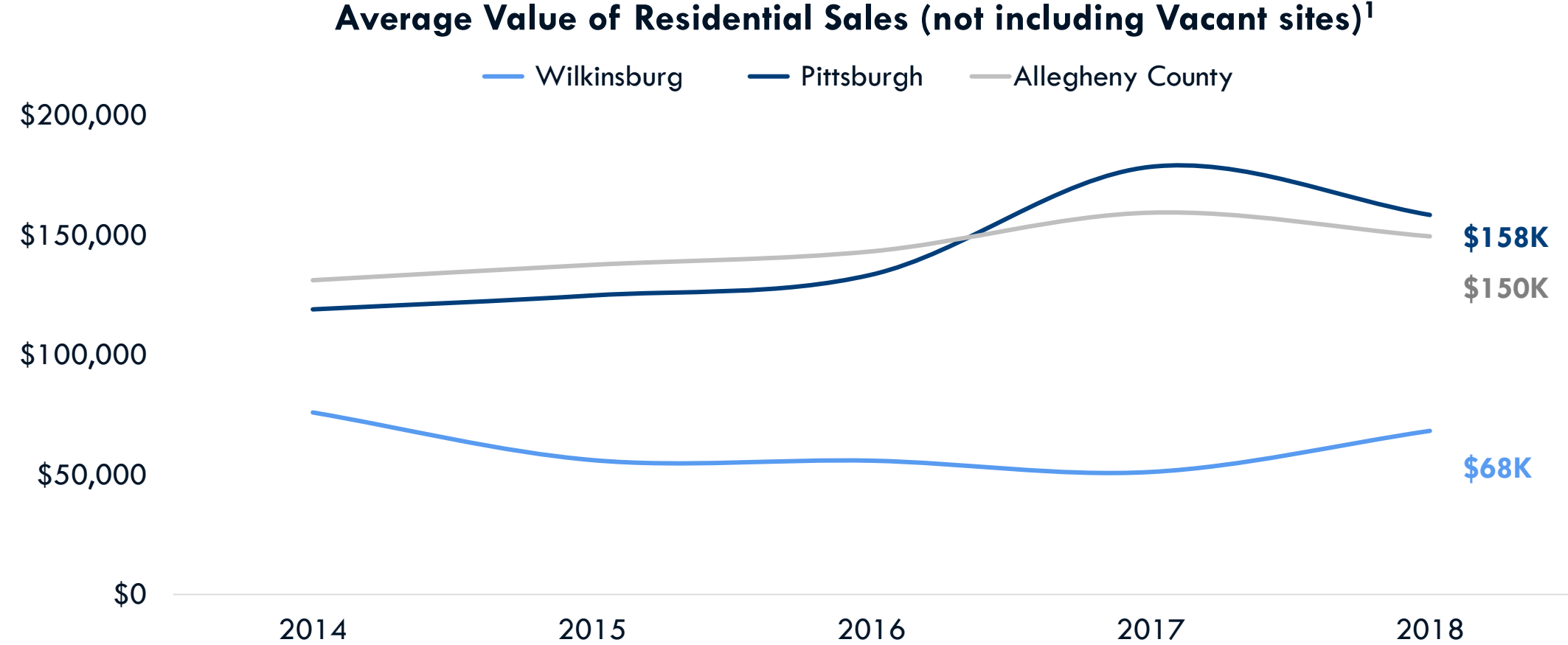


Wilkinsburg's median household income is lower than in the county overall, its poverty rate is higher and its population tends to be less well-educated.



*ACS 2017 (5 year estimates)

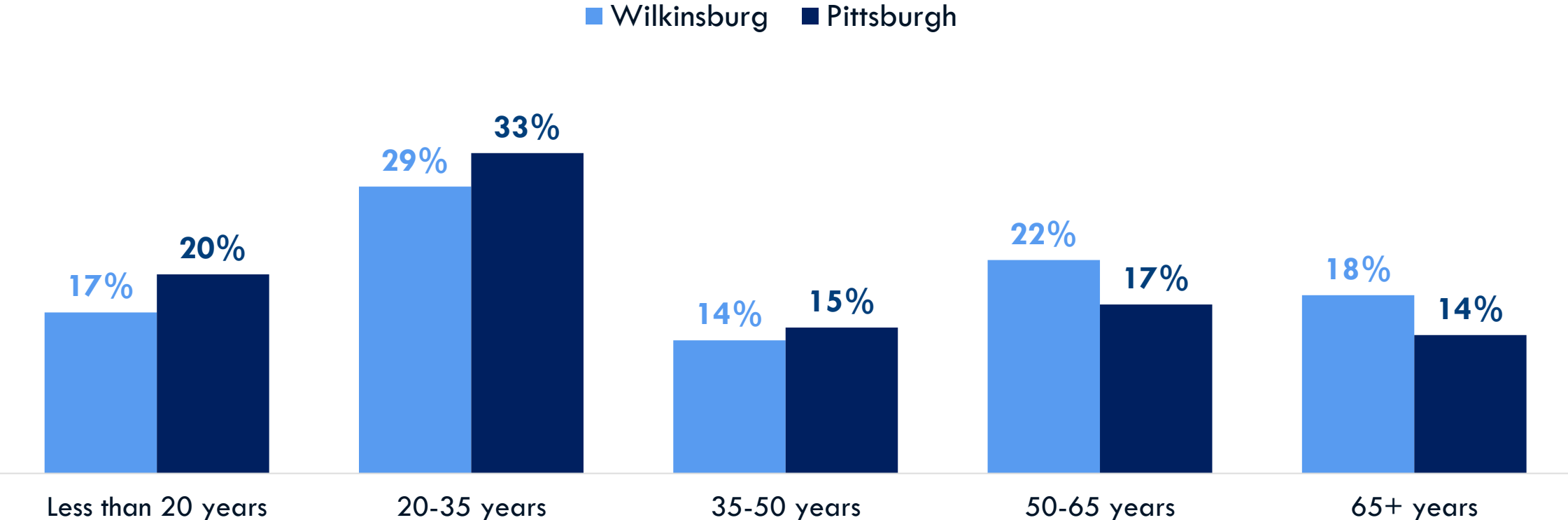
Average residential property values in Wilkinsburg are less than half of those elsewhere in Allegheny County and Pittsburgh.



¹Data represent the value of residential sales per year and will differ from the assessed value and market value.
Source: Allegheny County Assessor's office recorded sales

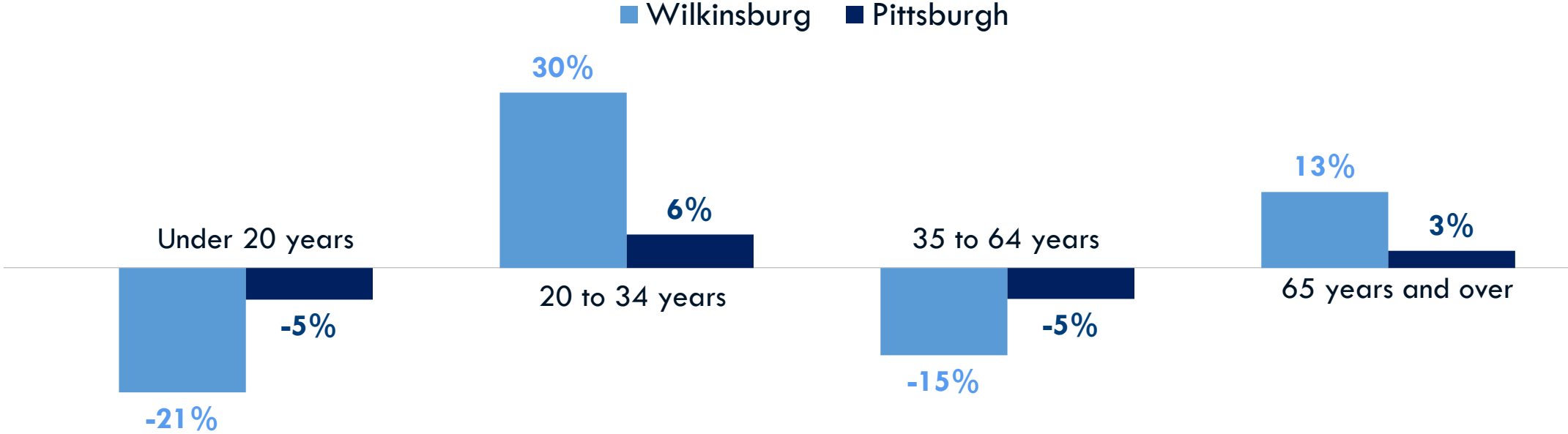
Wilkinsburg's age break-out generally mirrors that of Pittsburgh, despite a slightly higher share of older adults and a lower share of younger adults and children.

Population by Age Cohort (2017)



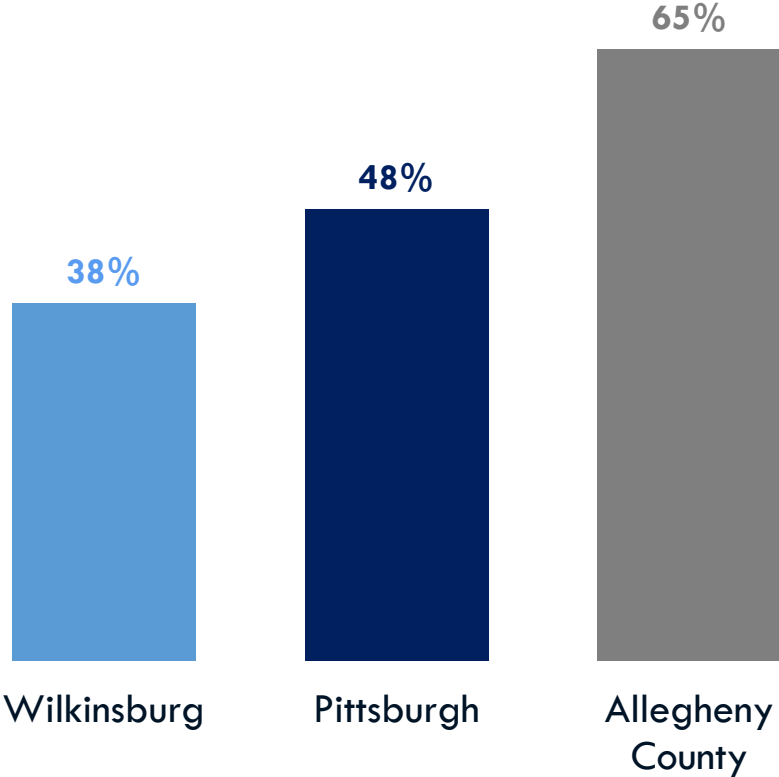
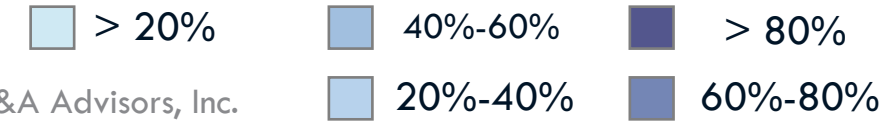
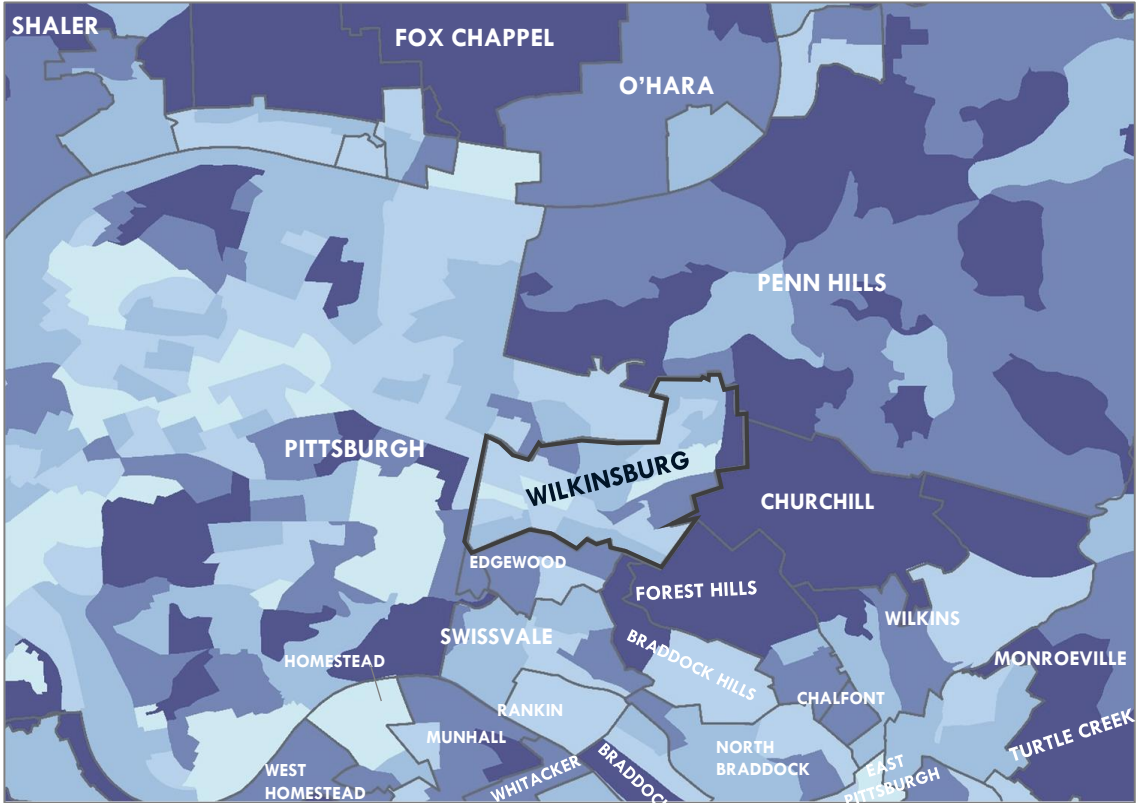
Wilkinsburg's population of children has fallen dramatically since 2017, while its population of younger adults and retirees has grown.

Population Change by Age Cohort (2010-2017)



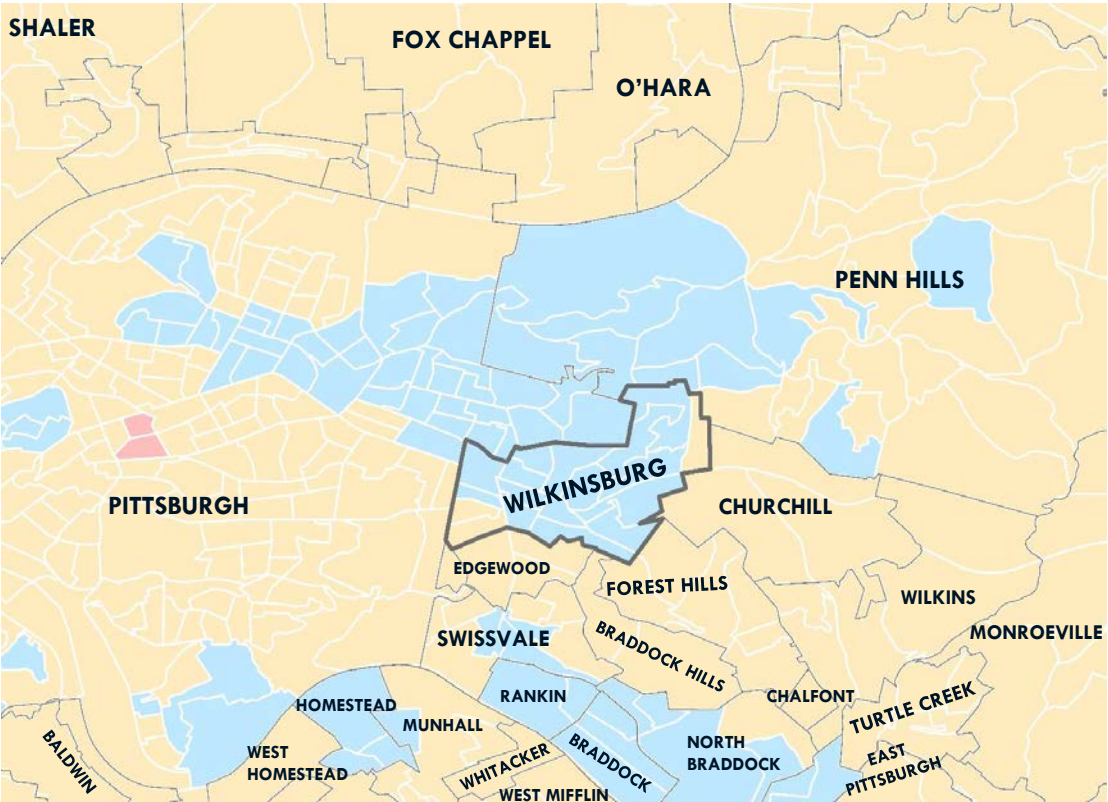
Wilkinsburg has a relatively low share of owner-occupied households that is similar to that of adjacent neighborhoods in Pittsburgh but not adjacent suburban neighborhoods.

Percentage of Owner-Occupied Households (2017)



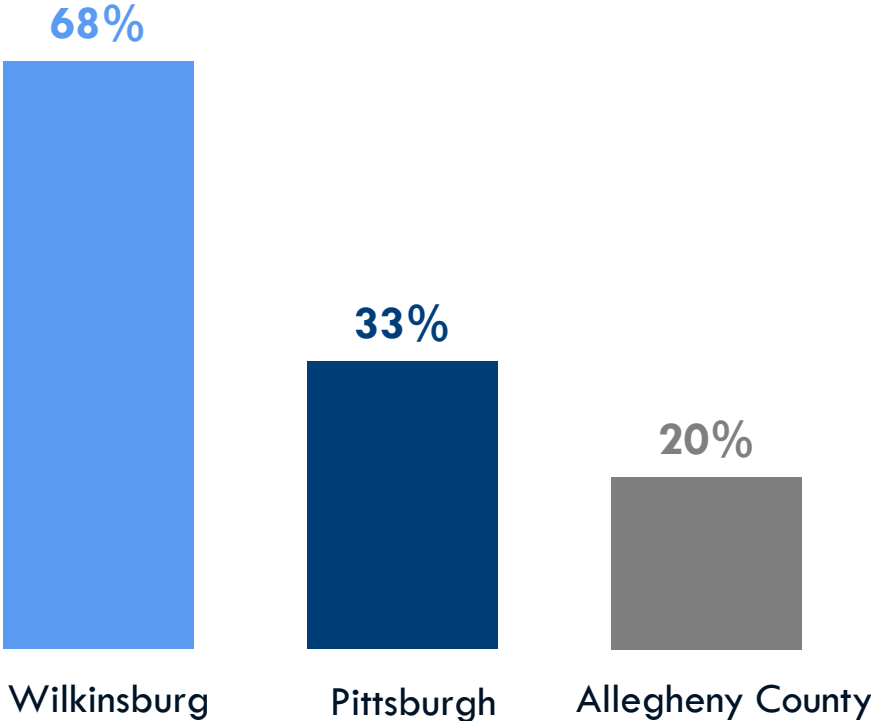
Wilkinsburg's ethnic break-out is similar to that of neighborhoods to the north in Pittsburgh and Penn Hills.

Largest Racial Group by Census Tract (2017)



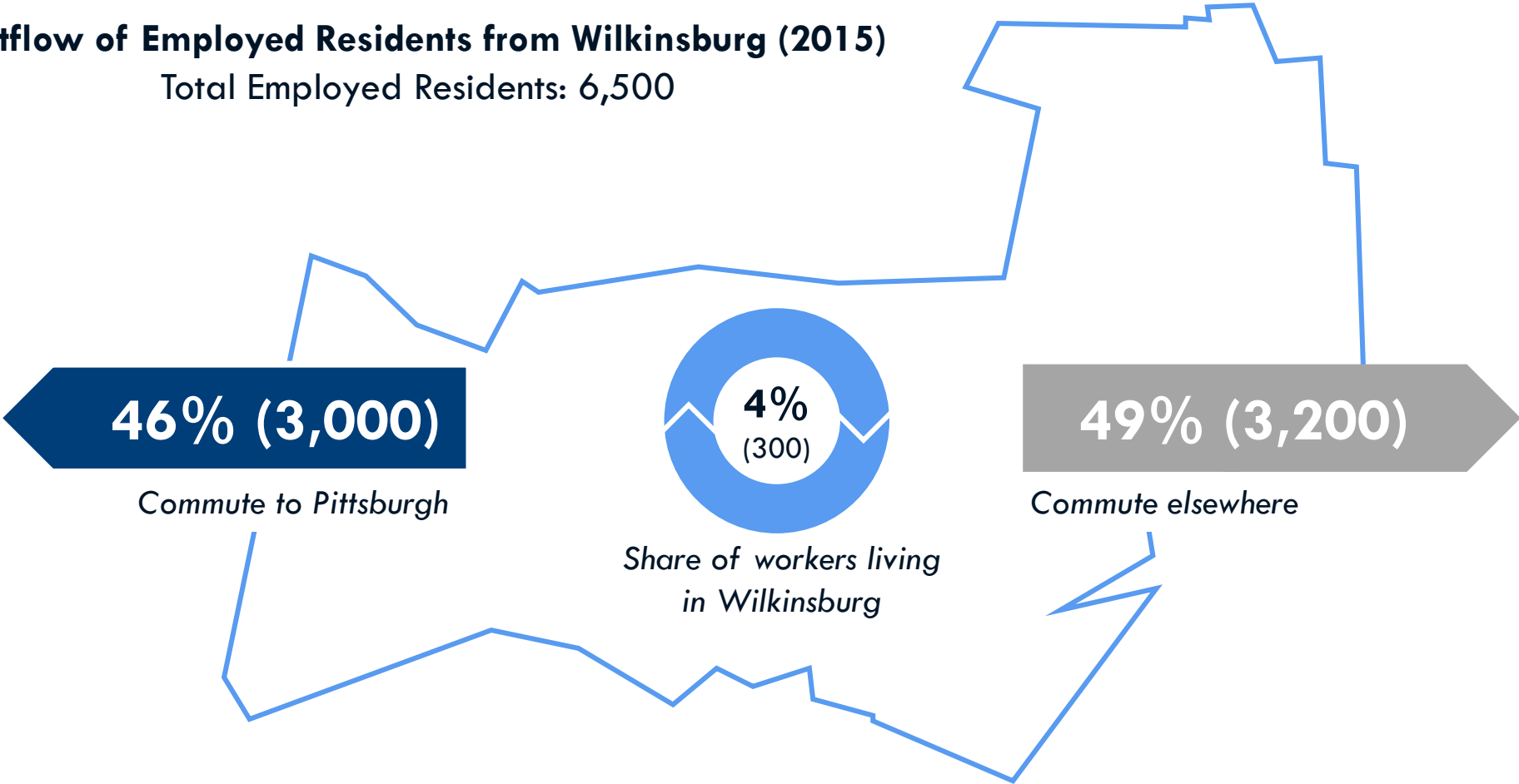
White Black or African American Asian

Minority Population Share (2017)



The economies of Pittsburgh and Wilkinsburg are highly integrated, with a majority of working residents of Wilkinsburg commuting to Pittsburgh.

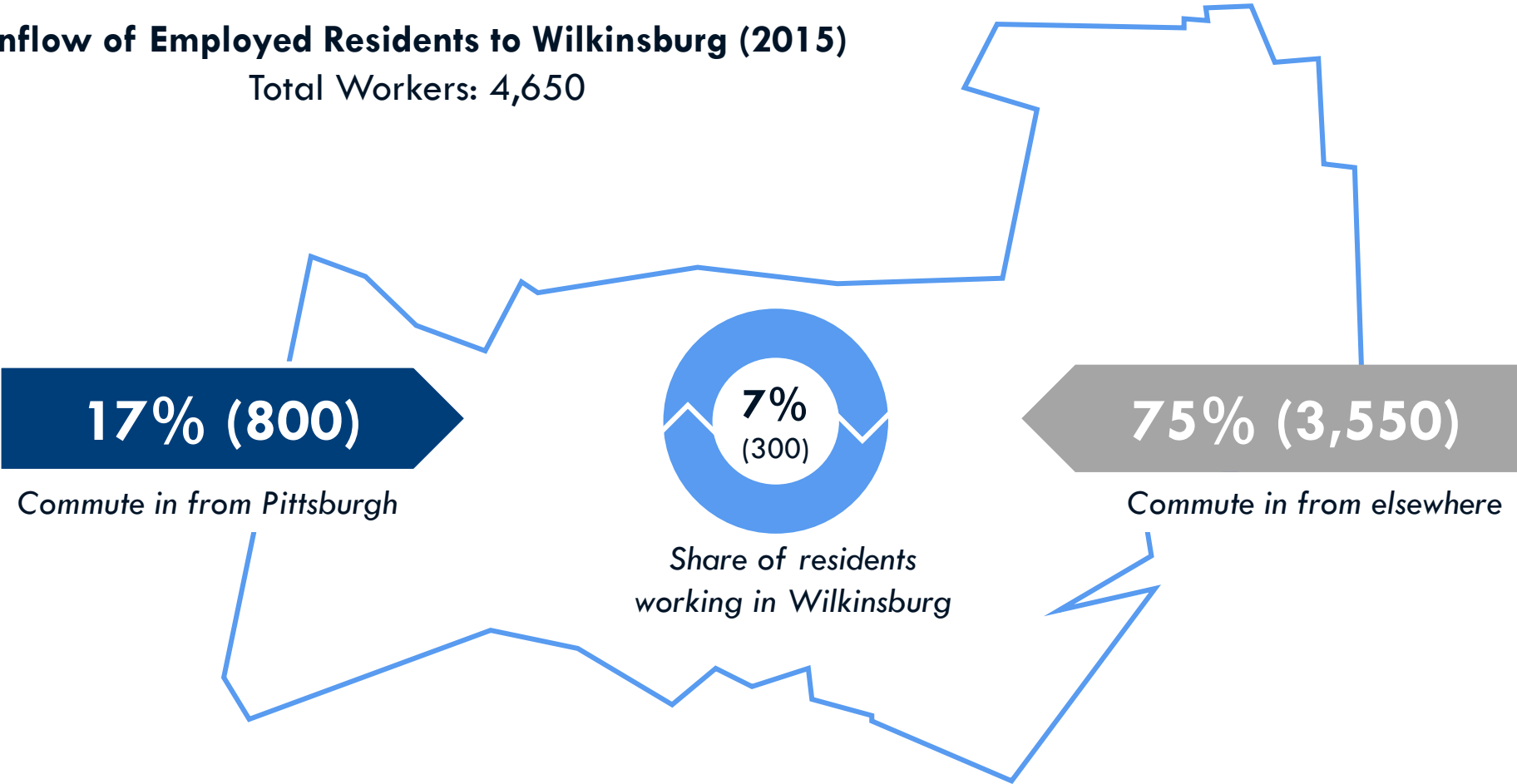
Outflow of Employed Residents from Wilkinsburg (2015)
Total Employed Residents: 6,500



Wilkinsburg is dependent on the workforce of its neighbors, with more than 90% of its workforce commuting in from Pittsburgh and other regional communities.

Inflow of Employed Residents to Wilkinsburg (2015)

Total Workers: 4,650

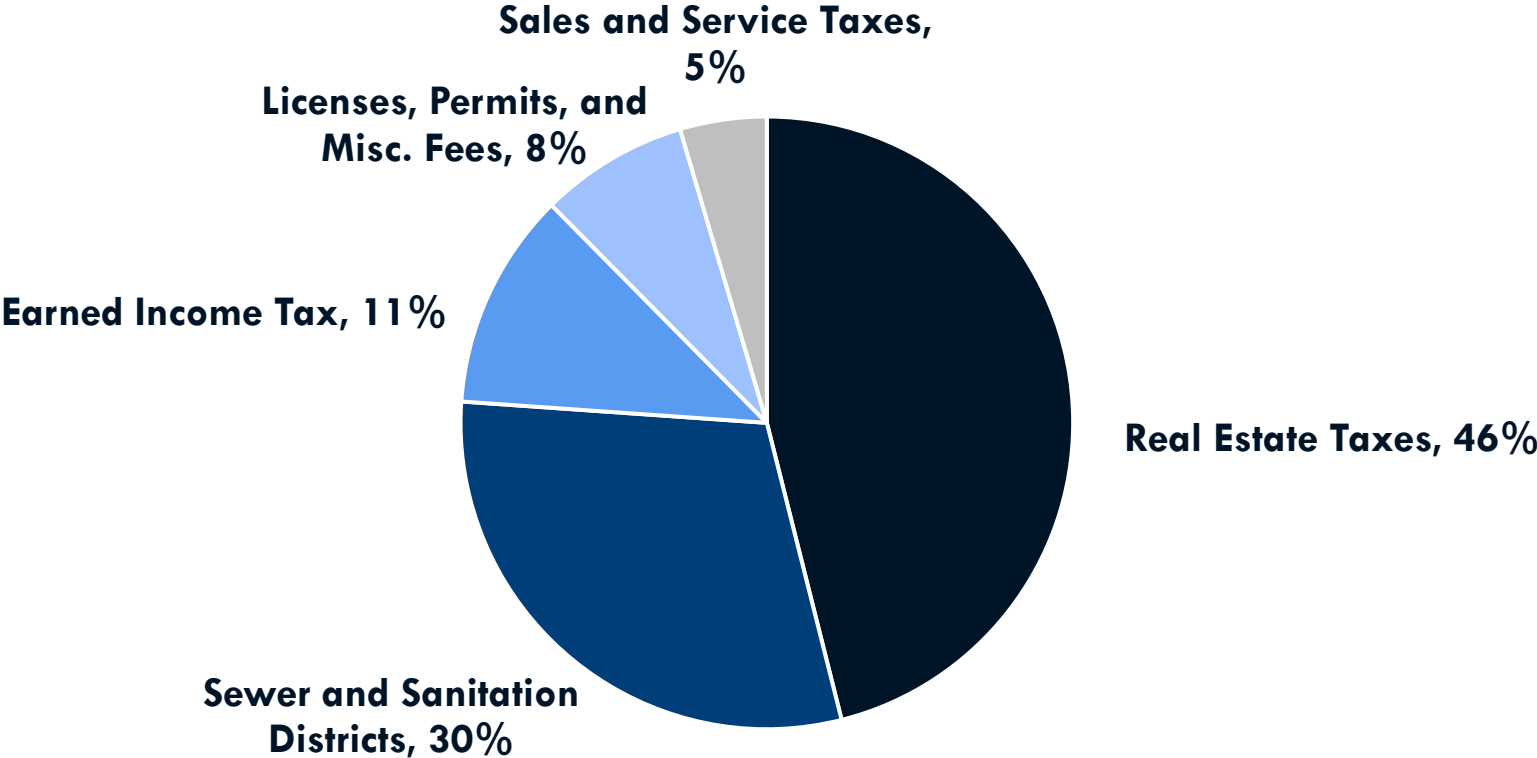


Fiscal Conditions

Wilkinsburg relies primarily on real estate taxes and residential service fees to fund its operations.

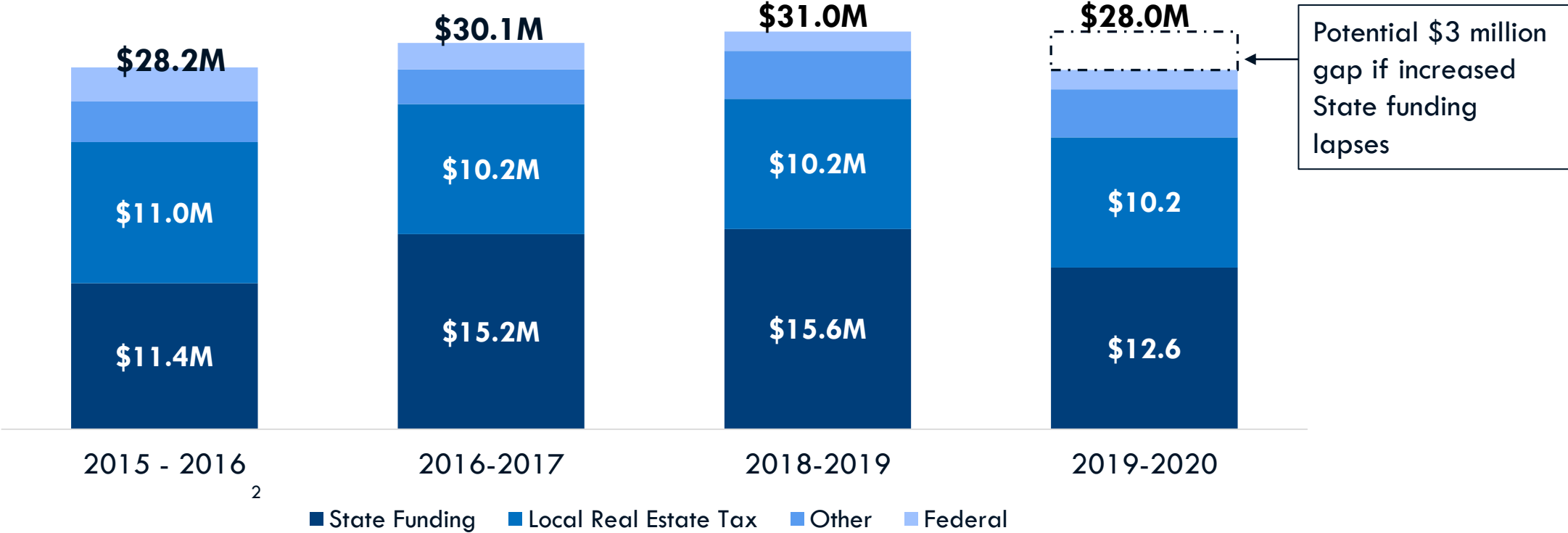
Borough Revenues

2012-2016 Average, less Intergovernmental Transfers and Financing - Total: \$11.3M



State funding has played an increasingly critical role in recent years, with the district's financial solvency contingent on increased levels of State support.

Wilkinsburg School District Revenue By Source¹



¹According to the Wilkinsburg Borough School District Performance Audit, February 2019.

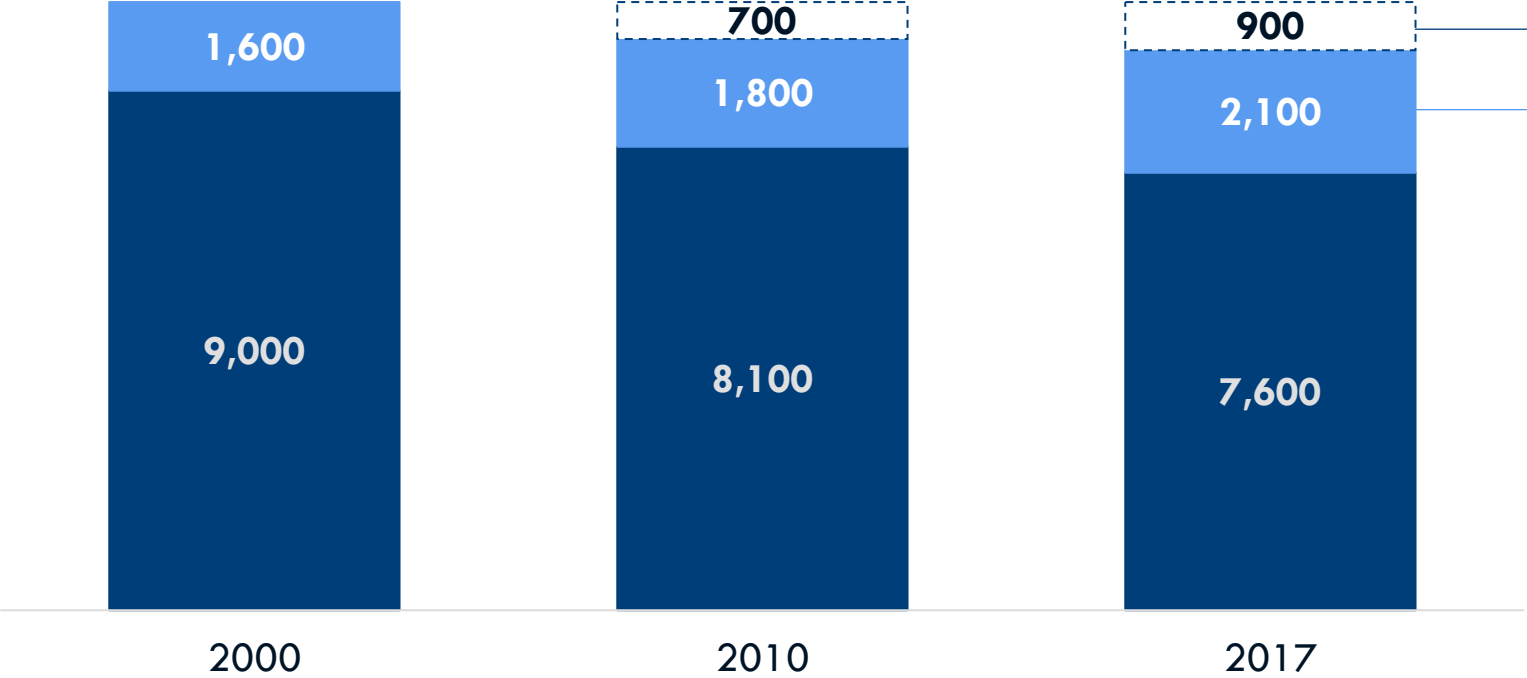
²2015-2016 budget figures are based on the preliminary budget of Wilkinsburg School District. 2016-2017 and 2018-2019 are final budget figures of Wilkinsburg School District.

³Figures represent the 2018-2019 budget less \$3 million in state funding expected to cease in 2019.

Since 2000, Wilkinsburg's tax base has been impacted by a substantial decline in the borough's occupied housing units, as homes have been left vacant or demolished.

Wilkinsburg Housing Units (2000-2017)

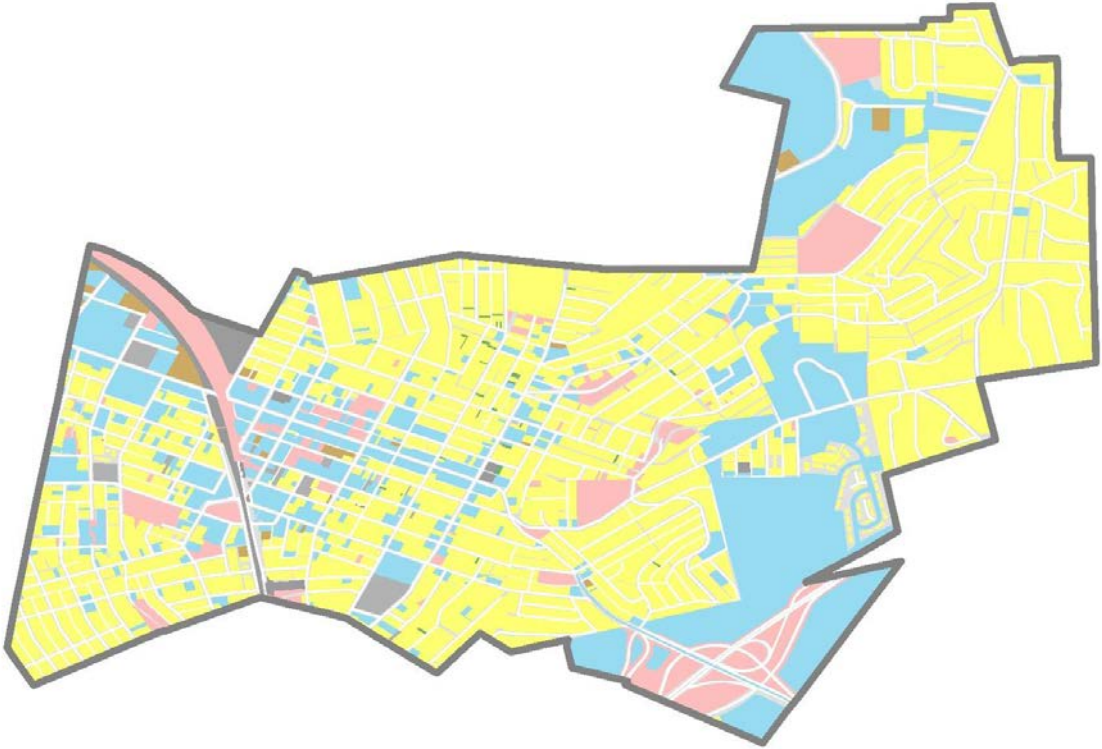
■ Occupied ■ Vacant □ Net Loss



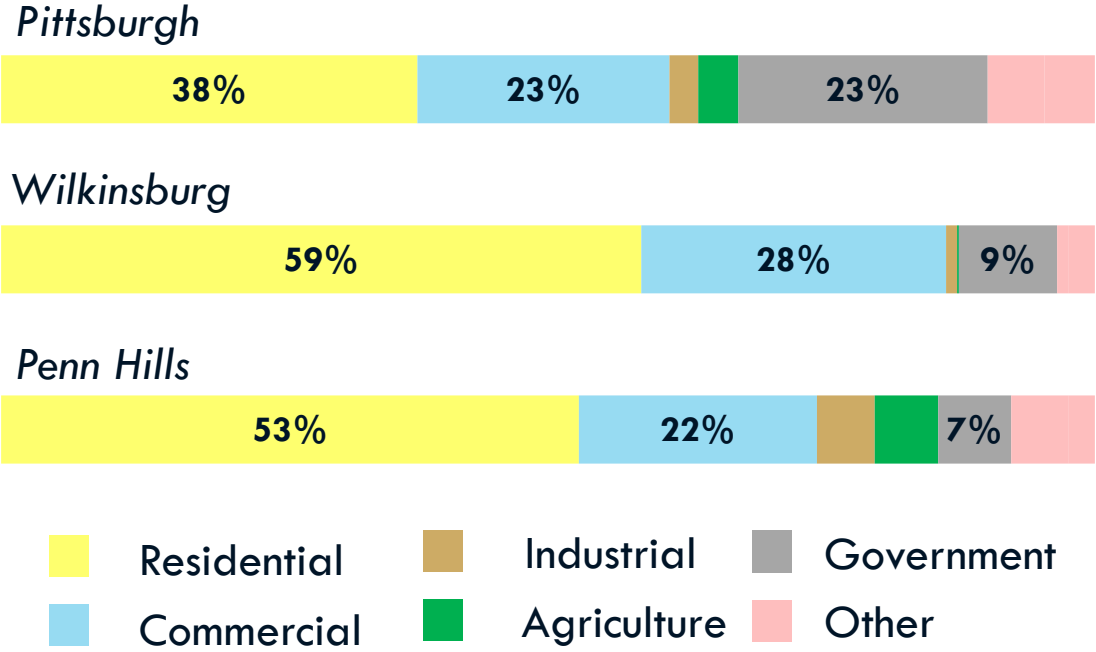
There has been a net **loss of 900 units**, or 8% of the 2000 total.

23% of housing units are vacant, a 38% increase since 2000.

Wilkinsburg's residential decline is particularly impactful given the outsized share of the borough occupied by residential uses.

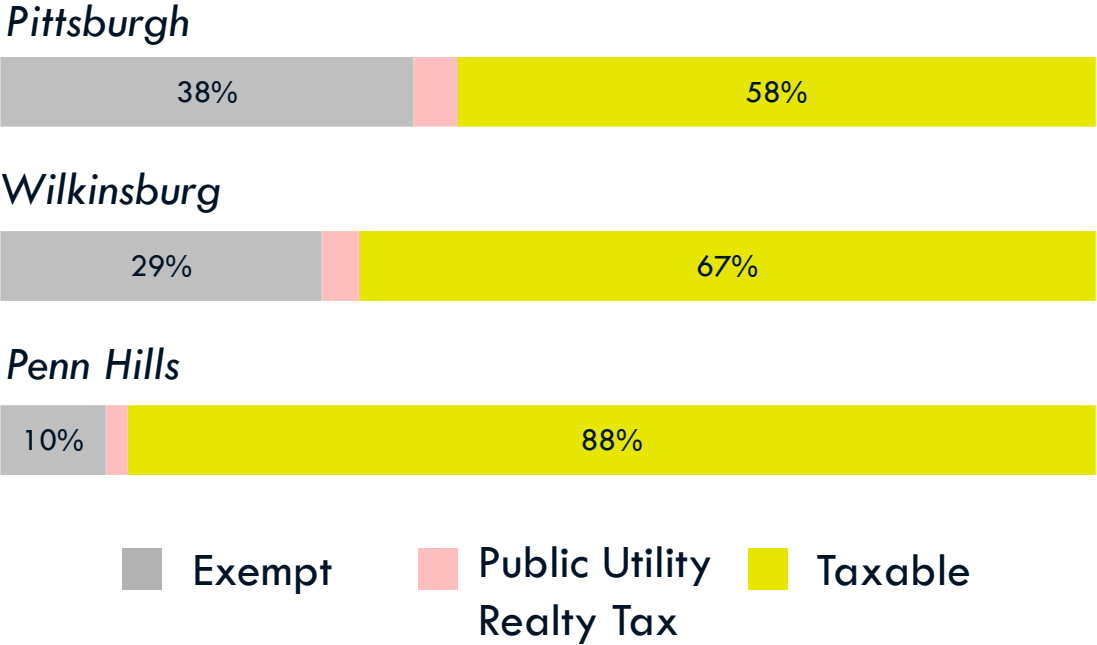
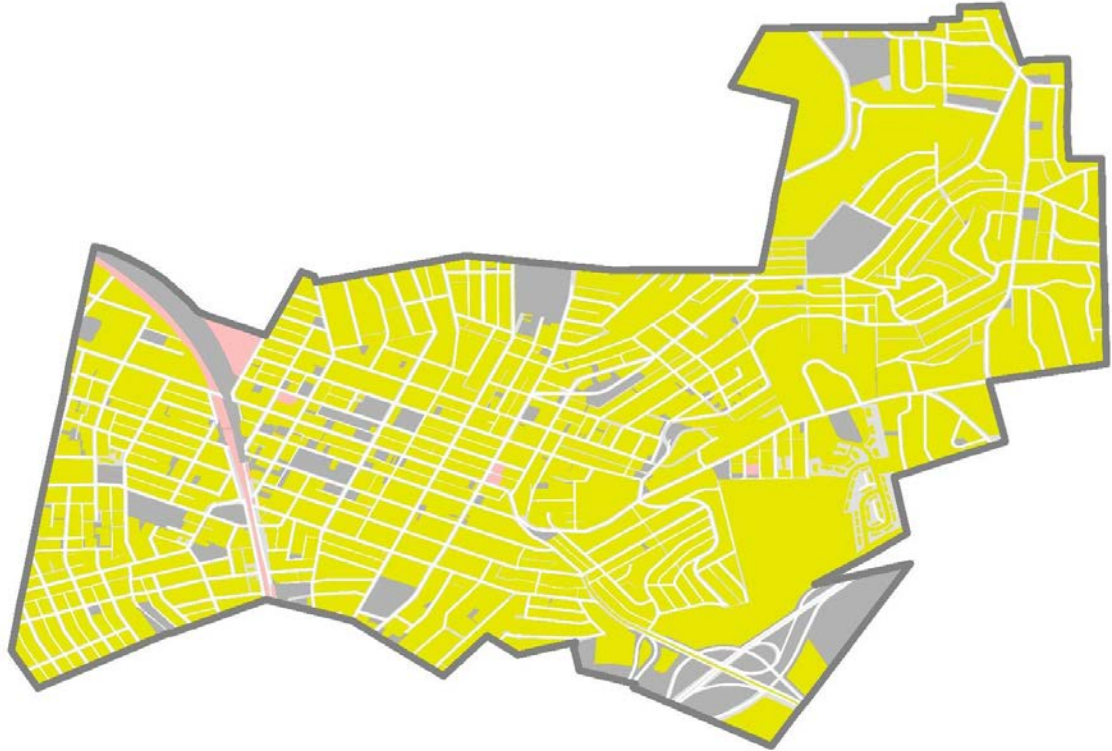


Comparative Land Use (2018)



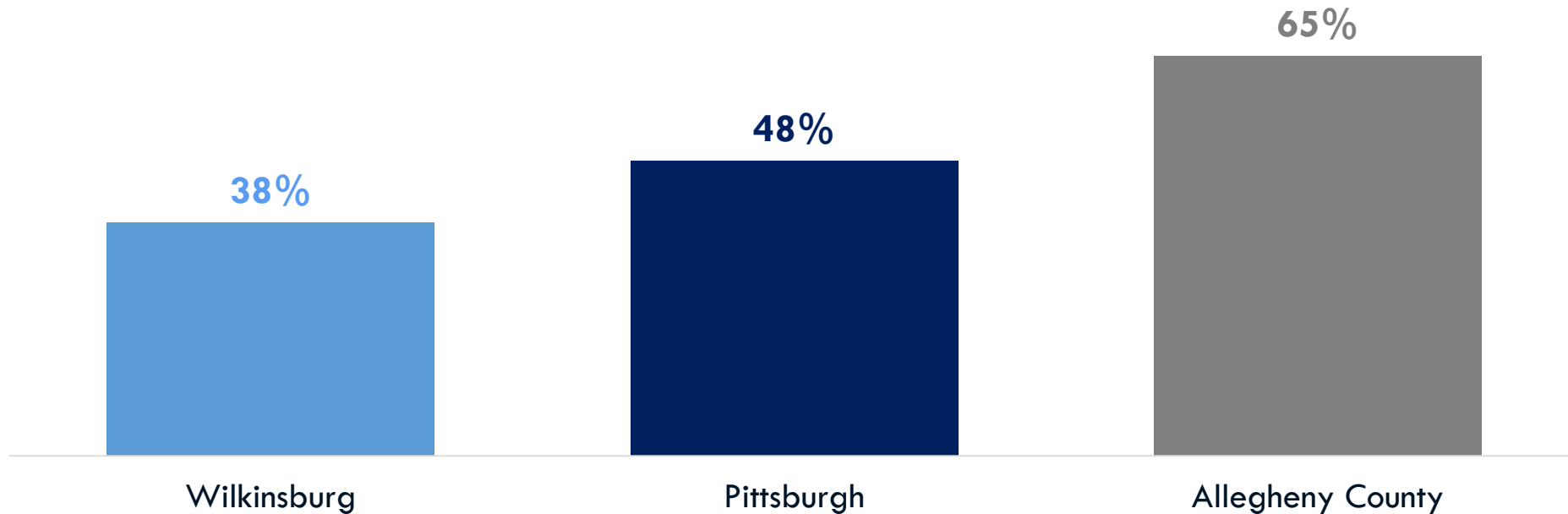
Like Pittsburgh, Wilkinsburg has a relatively large amount of tax-exempt property.

Comparison of Taxable Status - 2018



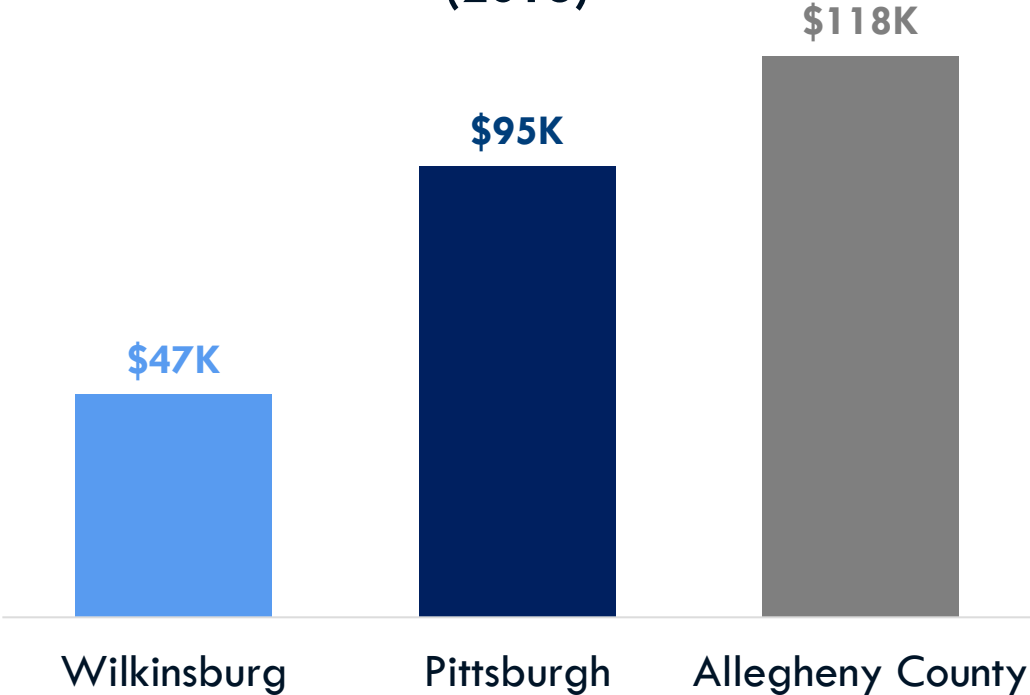
Wilkinsburg's residential population is significantly less weighted toward homeowners than in Pittsburgh or Allegheny County.

Percentage of Households Owner Occupied (2017)

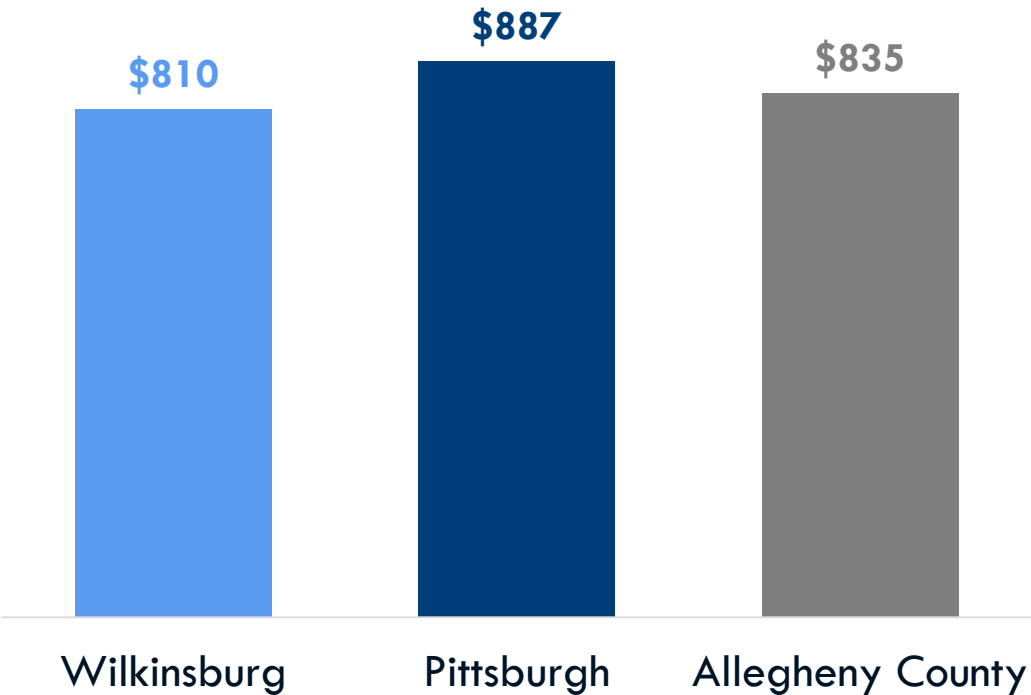


Wilkinsburg has a substantially lower average residential assessed value than Pittsburgh and Allegheny County, as well as lower residential rents.

Average Residential Assessed Value (2018)



Median Gross Rent (Monthly)^{1,2}

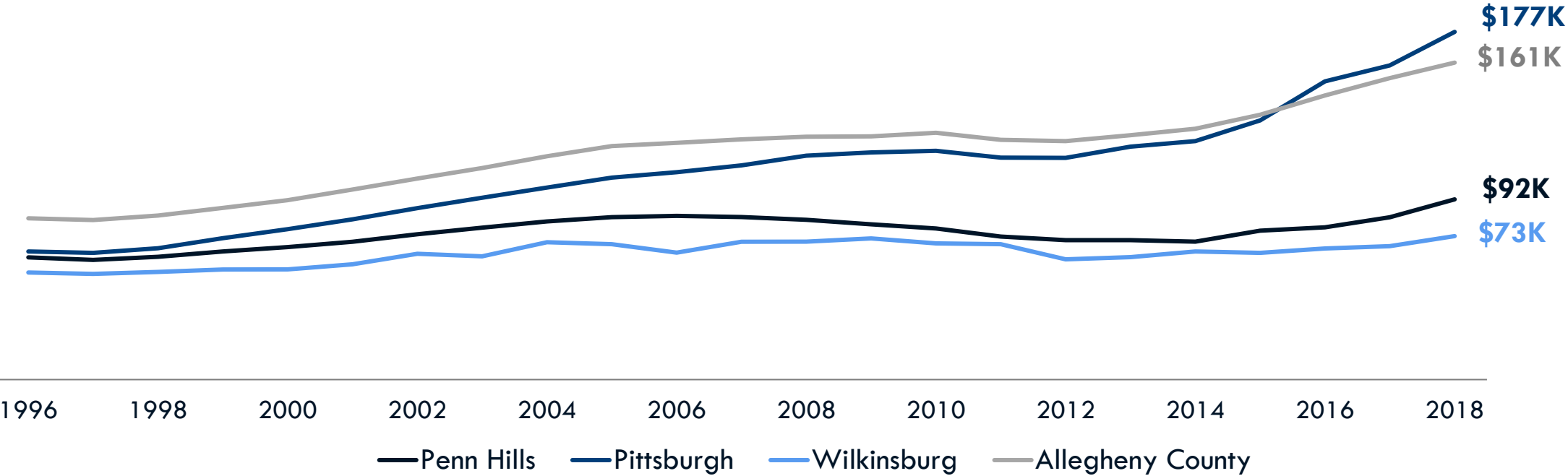


¹Data are the gross rent from ACS 2017 5-year estimates and includes the contract rent plus other costs such as utilities and fuels paid by the renter. It will differ from the market-value rent presented later.

²Vacancy rates for the given areas were 3 percent, 5.1 percent, and 5 percent in Wilkinsburg, Pittsburgh, and Allegheny County, respectively.

The average home value of Wilkinsburg properties has remained low while Pittsburgh and Allegheny county have experienced an average 3% growth per year.

**Average Zillow Home Value Index
By ZipCode^{1,2}**

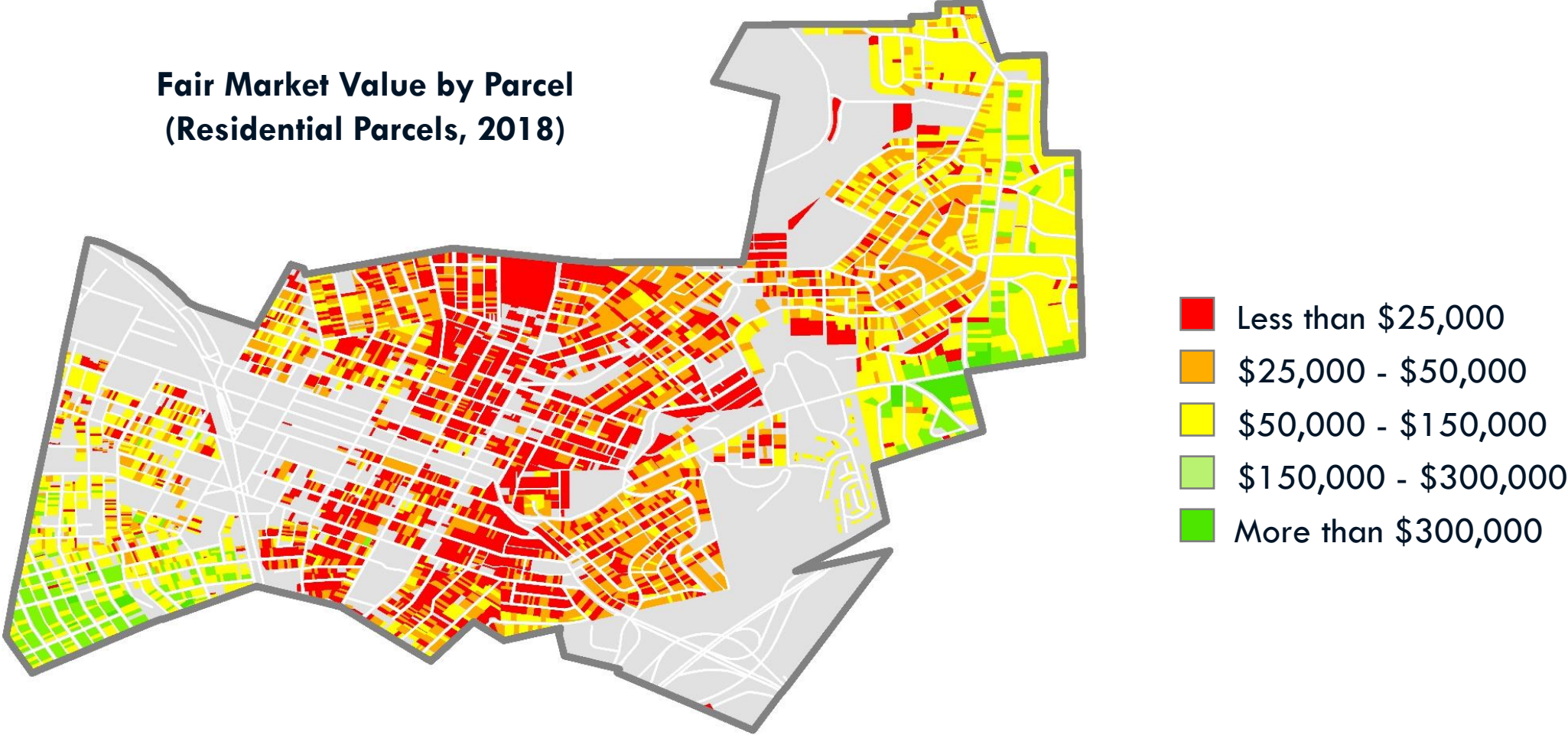


¹Wilkinsburg ZIP code 15221 does not include a small portion of the borough adjacent to Blackridge and includes a portion of Pittsburgh adjacent to Wilkinsburg. Home value includes all single family, condo and coop housing.

²Data represent the market value of homes sold and will differ from the assessed value.

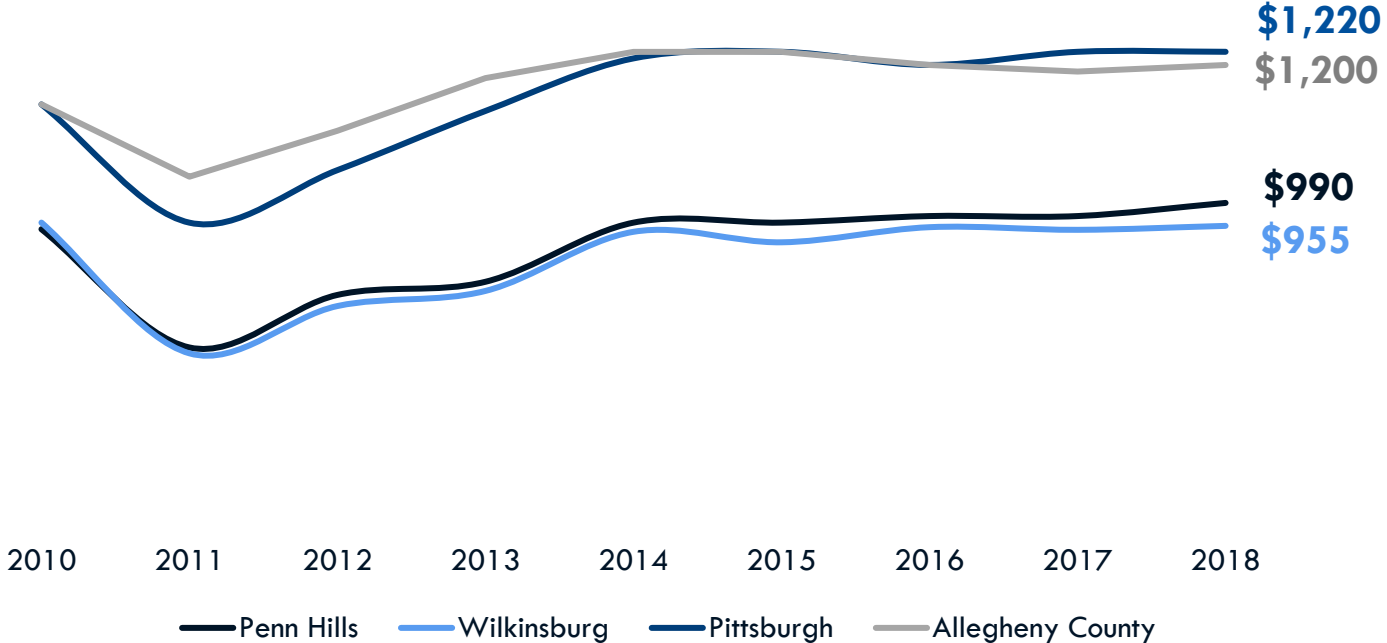
Wilkesburg's assessed values vary widely within the borough, with central neighborhoods commanding far lower values than eastern and western neighborhoods.

**Fair Market Value by Parcel
(Residential Parcels, 2018)**

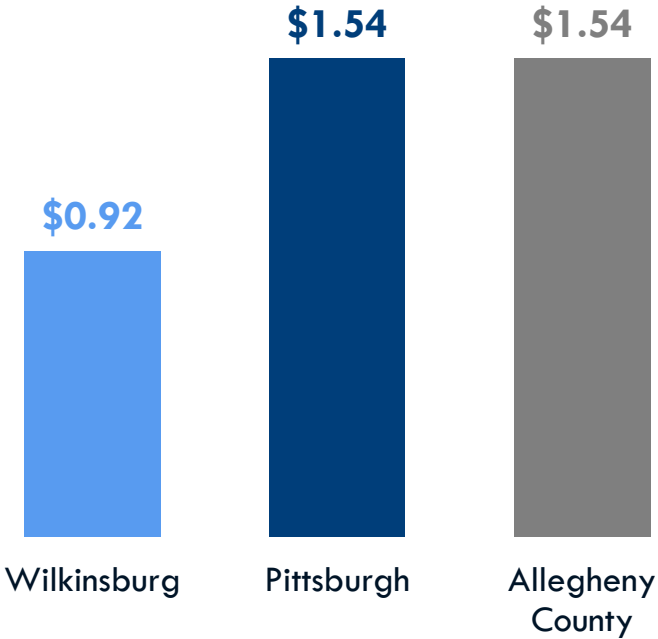


Wilkinsburg residential rents have remained consistently below rent levels in Pittsburgh and Allegheny County over the past decade.

**Average Zillow Rental Value Index
By ZIP code^{1,2}**



**Average Rental Price
per square foot³ (2018)**

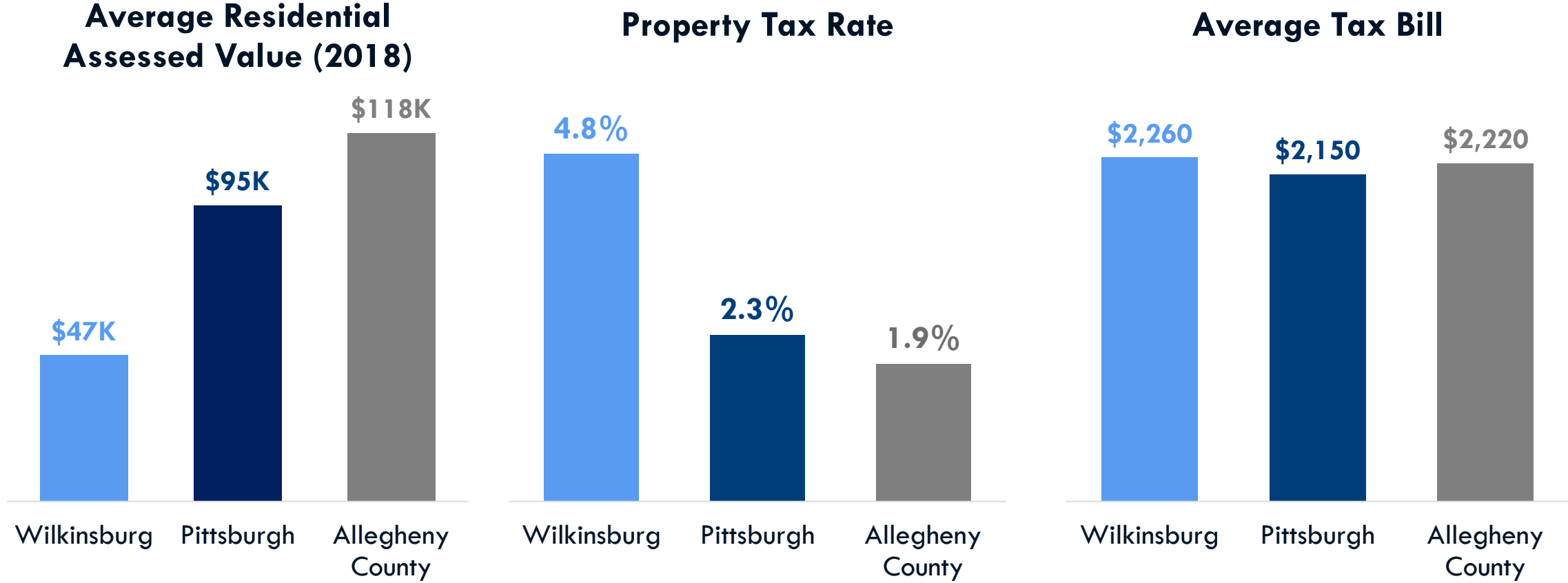


¹Wilkinsburg ZIP code 15221 does not include a small portion of the borough adjacent to Blackridge and includes a portion of Pittsburgh adjacent to Wilkinsburg.

²Data represent the market value of a rental unit.

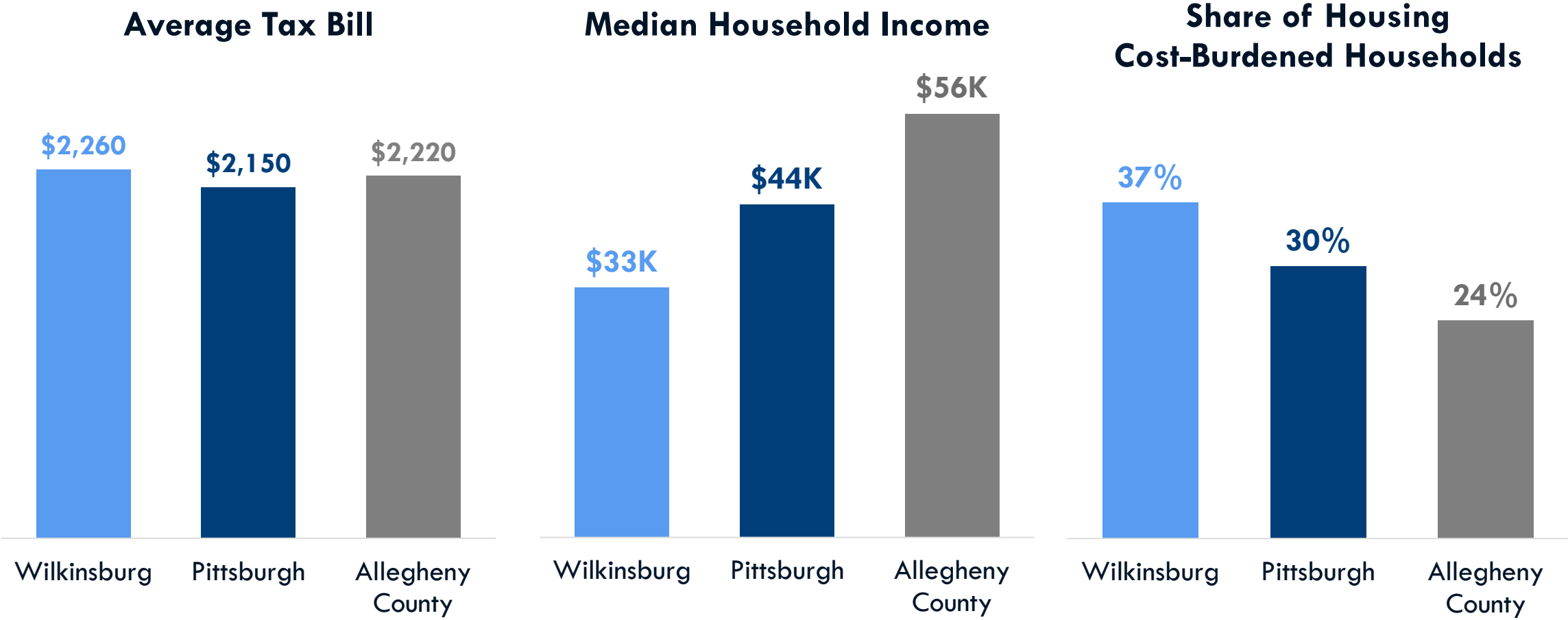
³Rental value and price per sq. ft is an average of single family, multi-family, condo and coop housing.

Population and property value declines have pushed the Borough's property tax rate to nearly the highest in the county in order to generate sufficient revenues.



*2017-2018 data

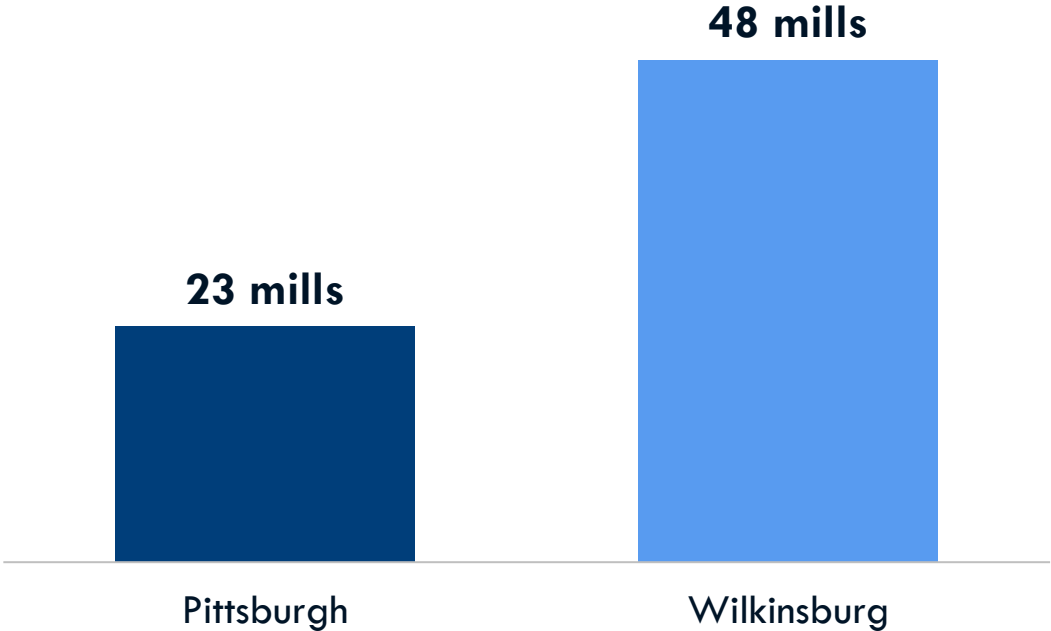
Though Wilksburg property owners pay a similar annual tax to those in neighboring communities, their lower-than-average incomes make this amount especially burdensome.



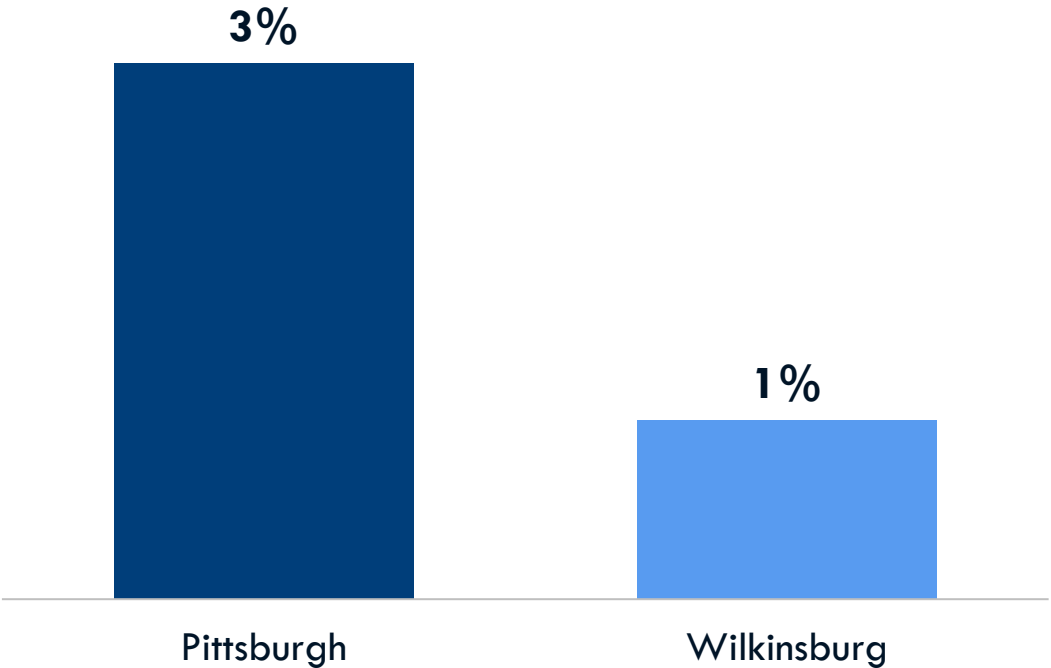
*2017 data

While Pittsburgh has substantially lower property taxes than Wilkinsburg, Pittsburgh and its school district levy a higher earned income tax.

Property Taxes (2018)
Borough and School District



Earned Income Tax (2018)
Borough and School District



Property taxes have a disparate impact on households with lower incomes in Wilkinsburg, a disincentive for homeownership.

Combined Earned Income and Property Tax Payments
(as a Percentage of Income)¹

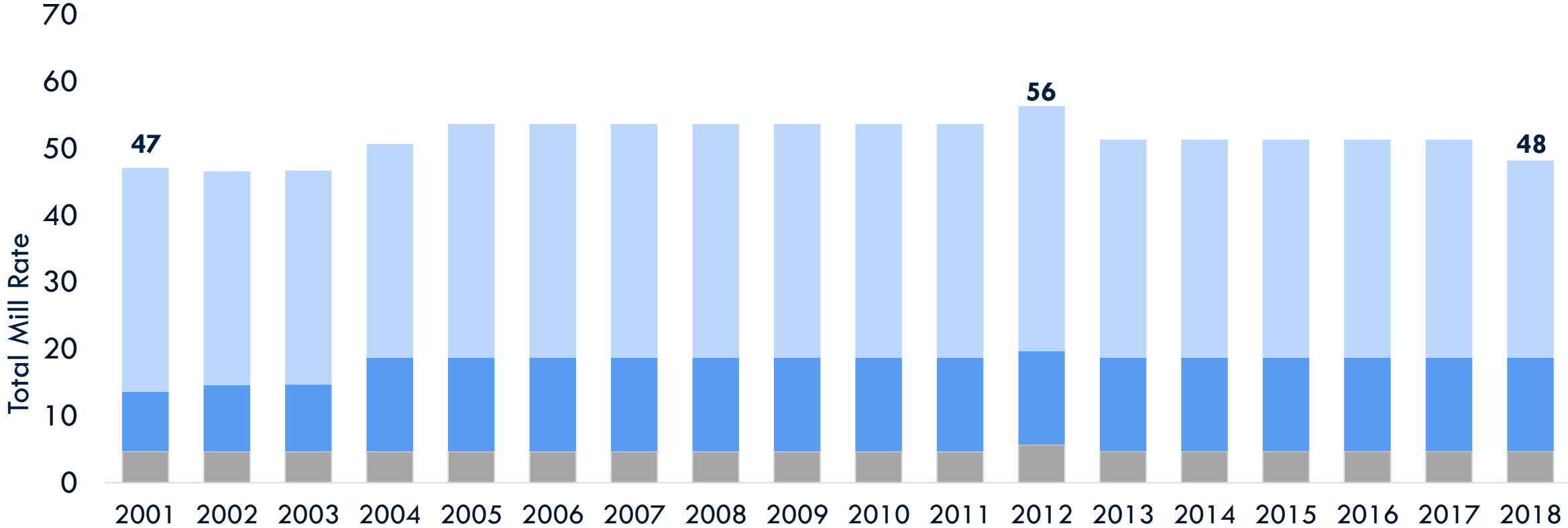
	Household A: Income: \$200,000 Home Value: \$220,000	Household B: Income: \$80,000 Home Value: \$100,000	Household C: Income: \$60,000 Home Value: \$40,000
Pittsburgh	\$11.0K (5.5%)	\$4.7K (5.8%)	\$2.5K (6.4%)
Wilkinsburg	\$12.6K (6.3%)	\$5.6K (7.0%)	\$3.3K (8.2%)
Additional Tax Burden	0.8%	1.2%	1.8%

¹Total taxes and property tax include all 2018 County, Municipality and School District residential property and earned income tax. The above includes homestead relief of county property taxes for eligible homeowners (Act 50) but does not include tax reliefs provided for senior citizens under (Act 77, SS Act 1).

Total millage in Wilkinsburg is third highest of any municipality in the county. In 2018, several years after school consolidation, the School District lowered the mill rate.

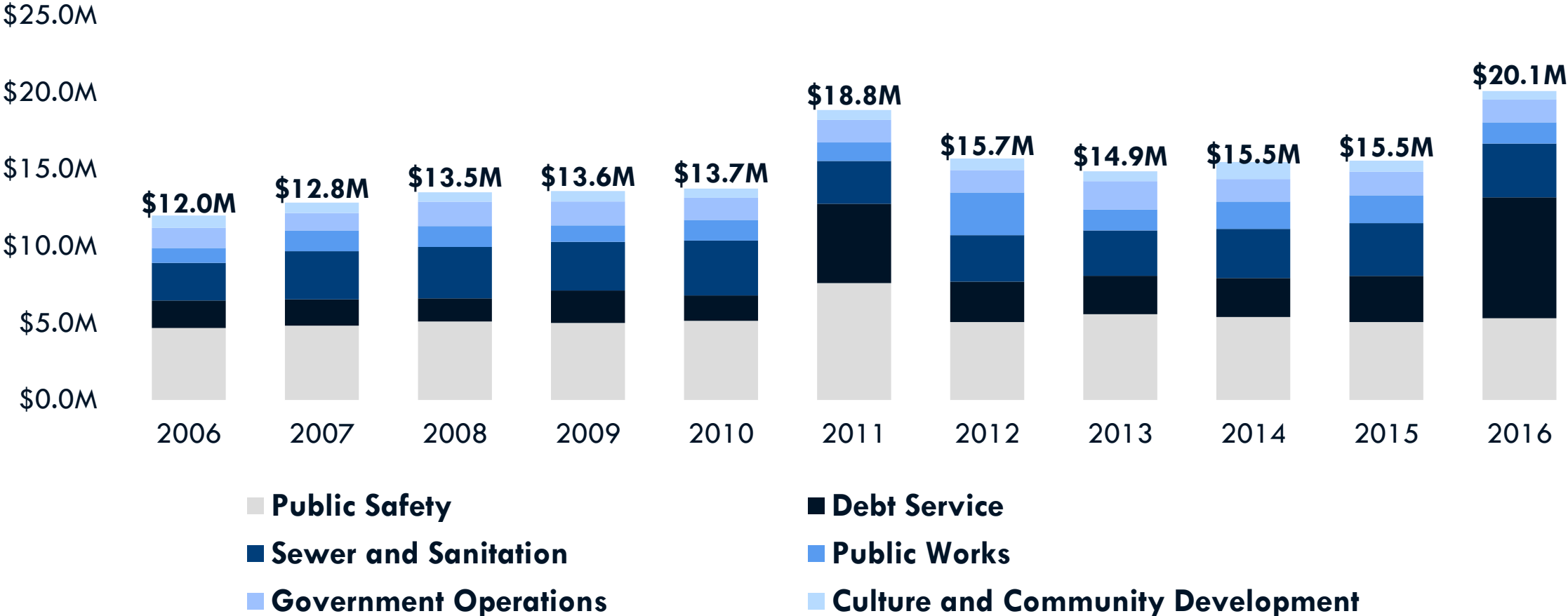
Mill Rates over Time by Entity (2001-2018)

■ Allegheny County ■ Wilkinsburg ■ Wilkinsburg School District



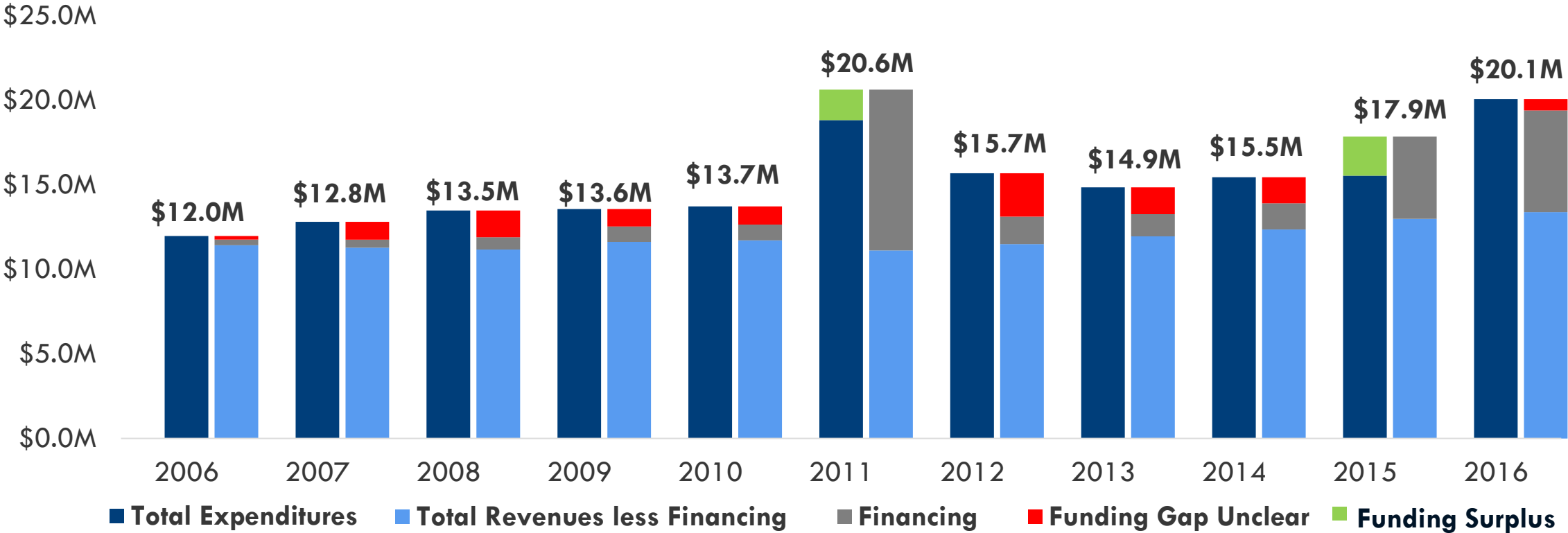
The Borough's largest non-school expenditures are on public safety, debt service, and sewer and sanitation services.

Borough Expenditures Over Time



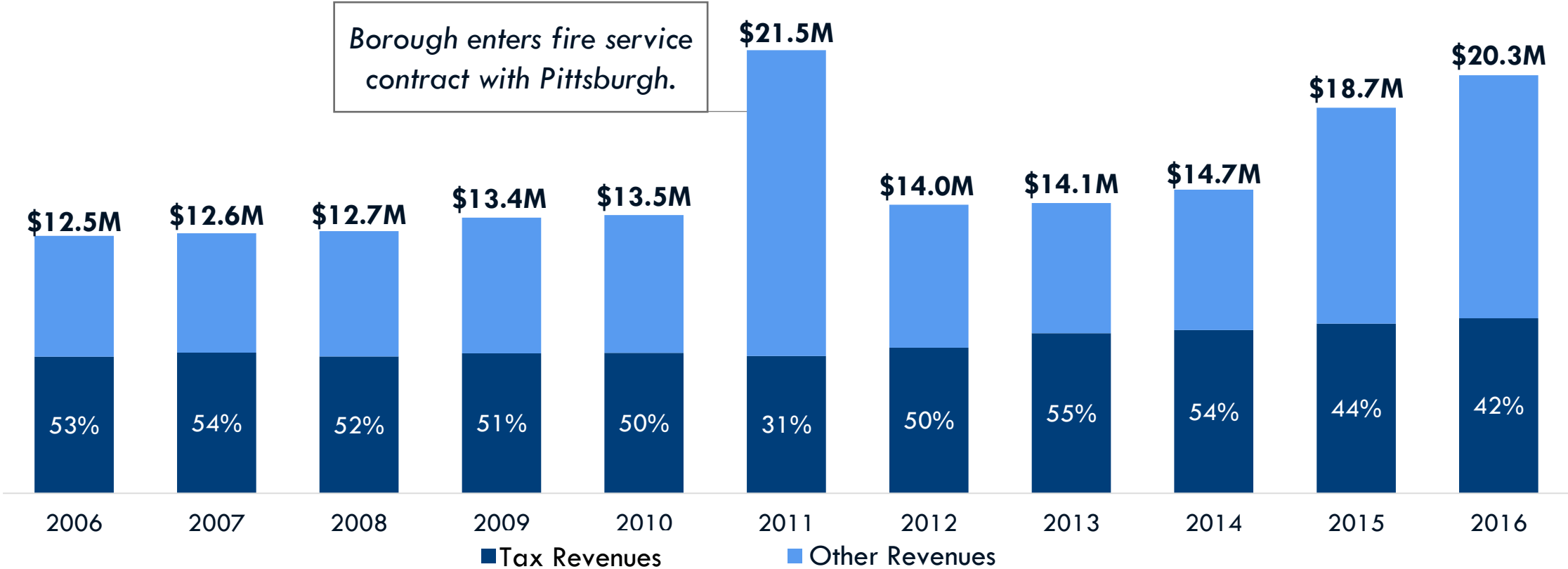
Despite cost reductions via shared-services agreements, borough operating expenditures have generally exceeded revenues since 2006.

Borough Revenues vs. Expenditures (2006-2016)



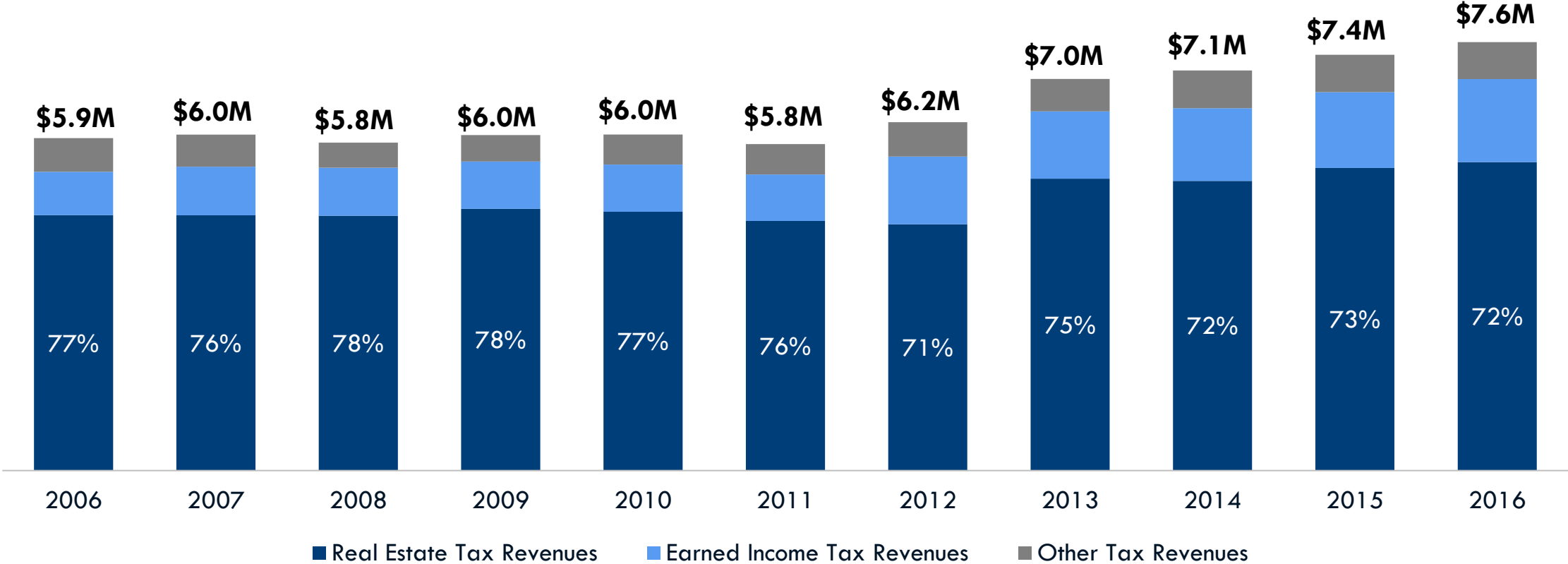
Tax revenues have remained relatively flat in recent years, as expenses have steadily increased.

Borough Revenues Over Time

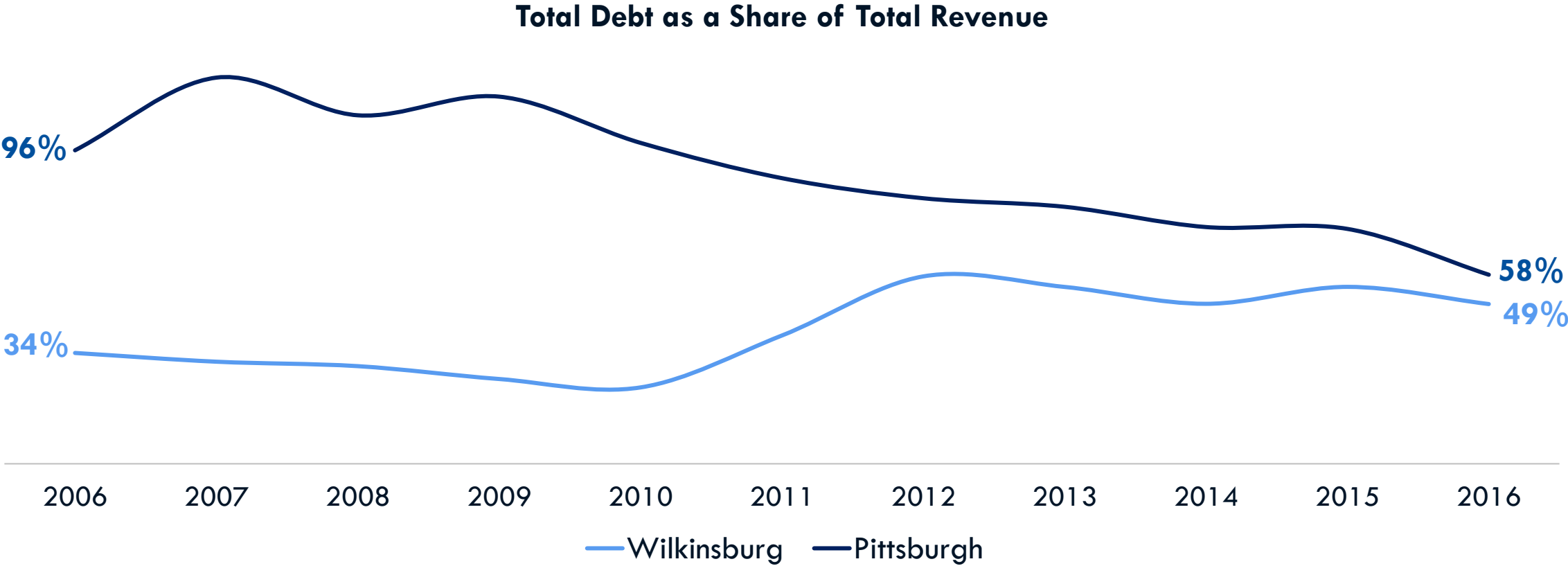


Wilkinsburg relies on property taxes as its primary source of tax revenue with an increasing share of tax revenue generated from the Earned Income Tax.

Borough Sources of Tax Revenue Over Time



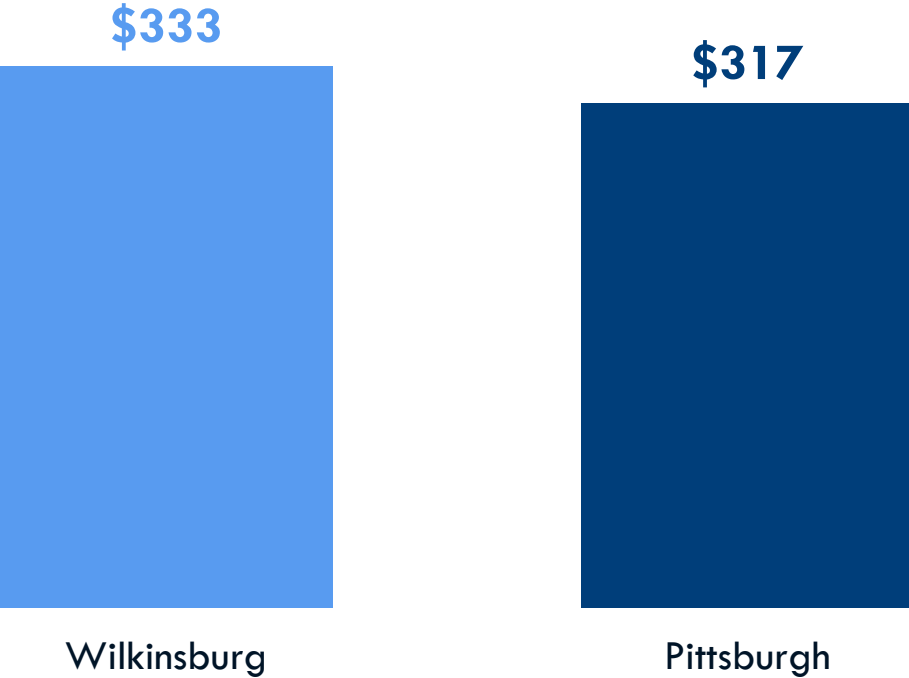
Wilkinsburg has taken on debt in order to consolidate functions of government, however the total debt per capita is still much less than Pittsburgh.



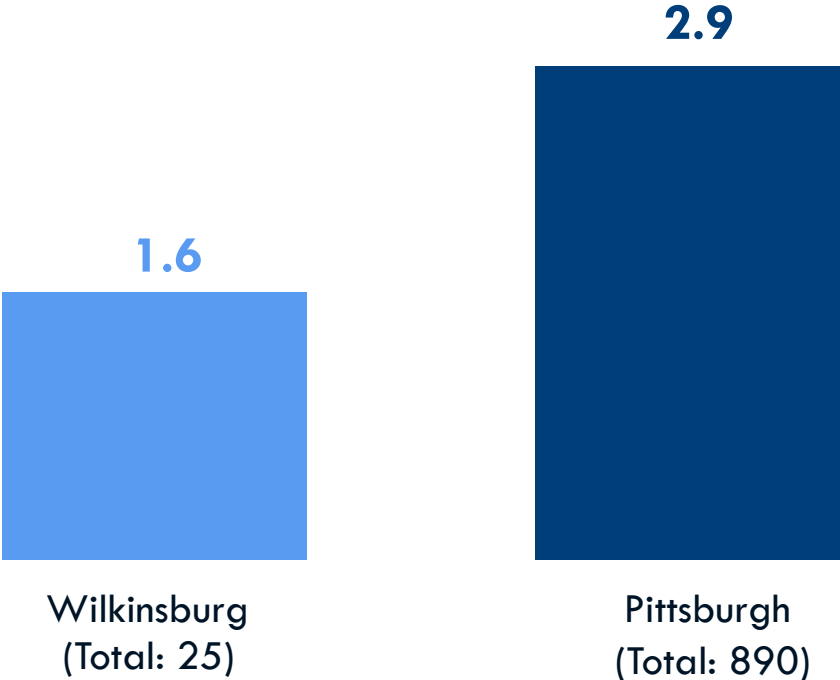
Public Services

Wilkinsburg spends more per capita on public safety than Pittsburgh and adjacent suburbs, though it still employs fewer law enforcement personnel per capita.

Public Safety Spending Per Capita (2018)



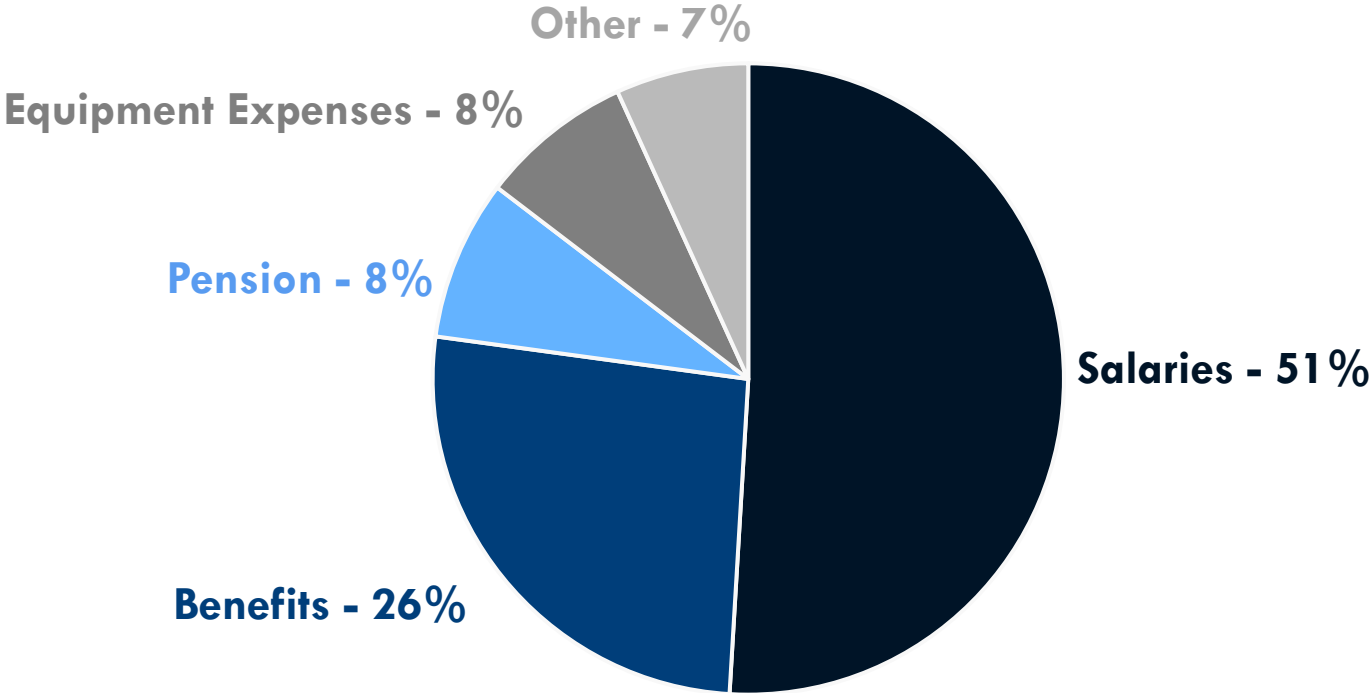
Officers¹ per 1,000 Residents (2018)



¹Based on Wilkinsburg's and Pittsburgh's respective 2018 budget

Staffing costs comprise half of the police budget, with pension and other benefits totaling another third of the budget.

Wilkinsburg Police Expenditures
2018 - Total: \$3.8M

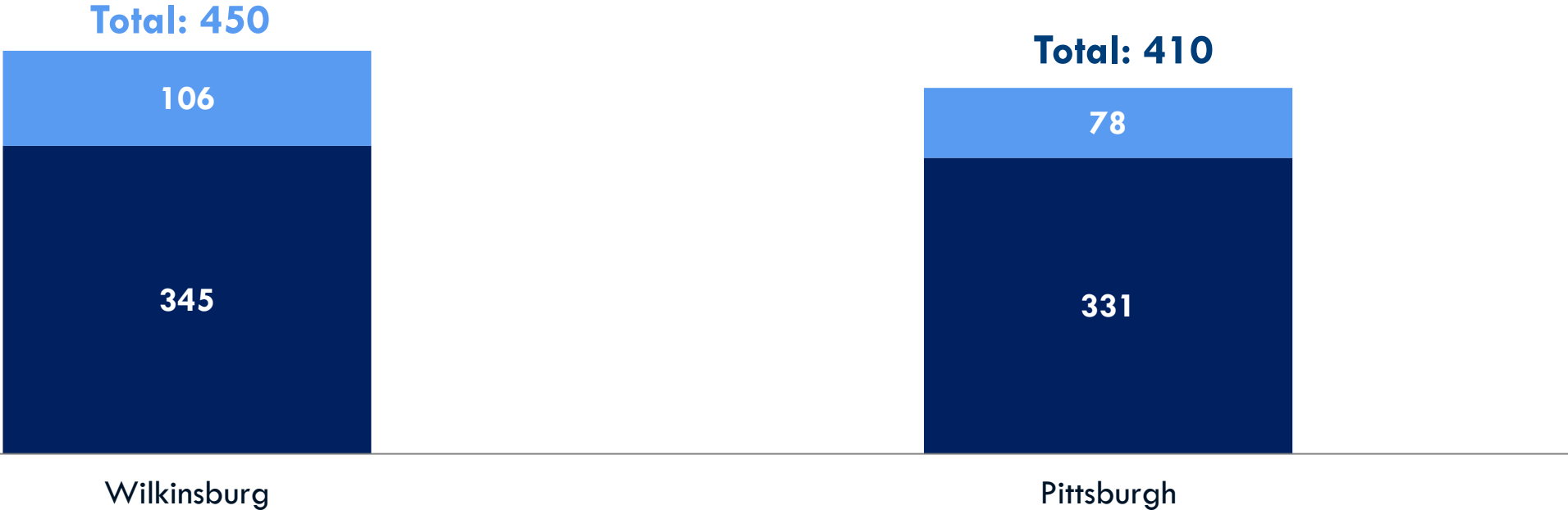


¹Based on Wilkinsburg's 2018 budget

The borough's crime rate is slightly higher than in Pittsburgh, despite higher-than-average spending.

Crime Rate per 10,000 Residents (2016)

■ Property Crime ■ Violent Crime

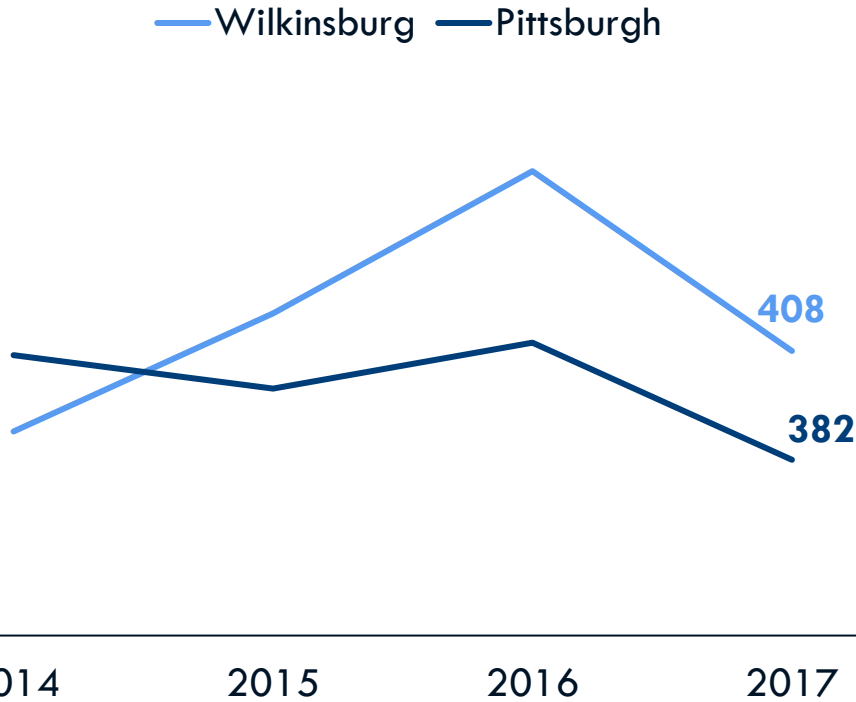


Part 1 Offenses only.

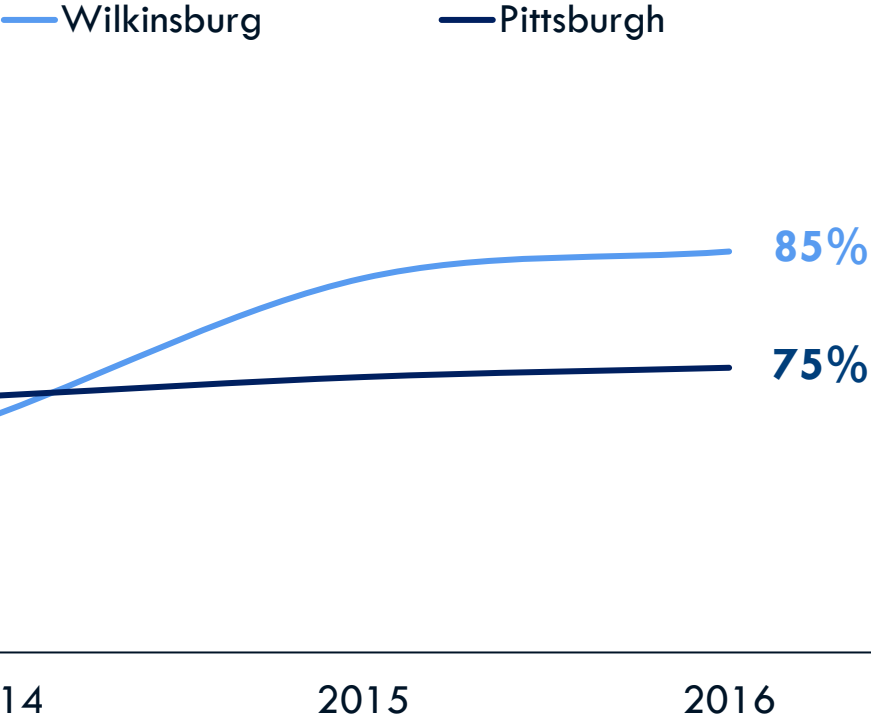
Source: Pennsylvania Uniform Crime Reporting System. Information contained in the report reflects data submitted as of the date of compilation.

In recent years, Wilkinsburg's crime rate has surpassed Pittsburgh's, while its rate of uncleared crimes has grown almost 15%.

Total Crime Rate¹ per 10,000 Residents



Rate of Uncleared Cases*



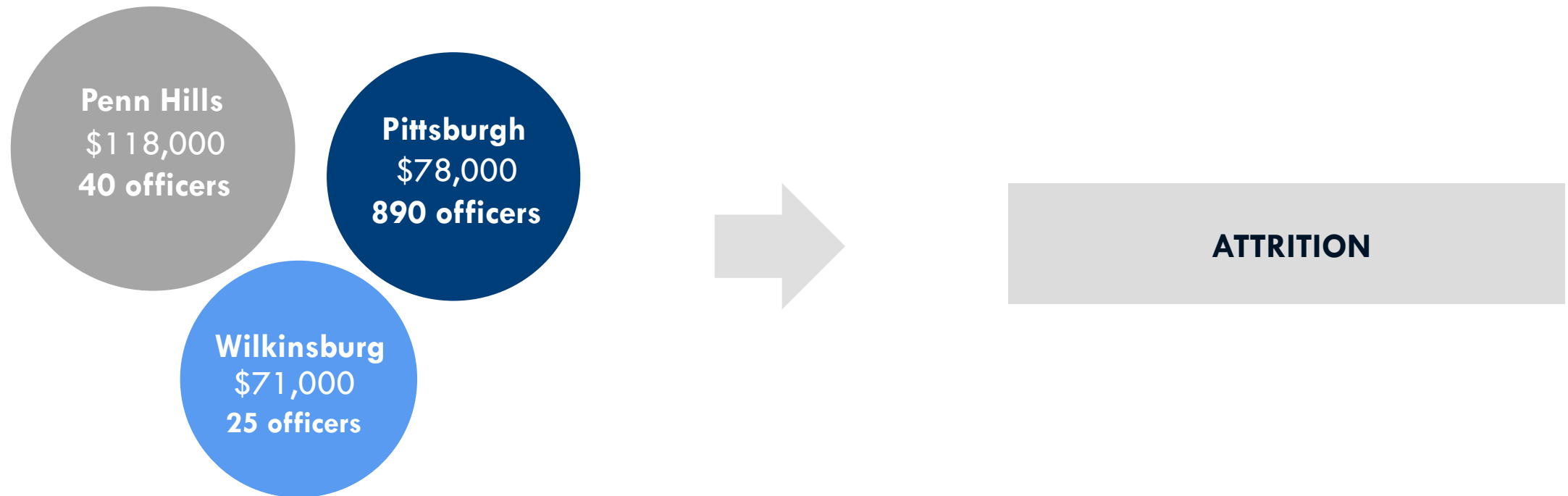
¹ Part 1 Offenses only.

Source: Pennsylvania Uniform Crime Reporting System. Information contained in the report reflects data submitted as of the date of compilation.

*2017 uncleared case data unavailable

Wilkinsburg's public safety challenges may be related to compensation discrepancies and higher levels of staff turnover.

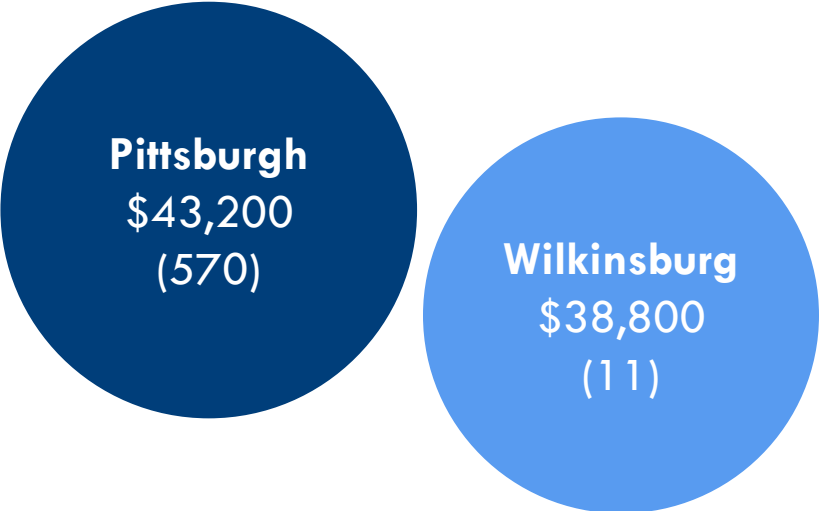
Average Police Salaries & Overtime¹ (2018)



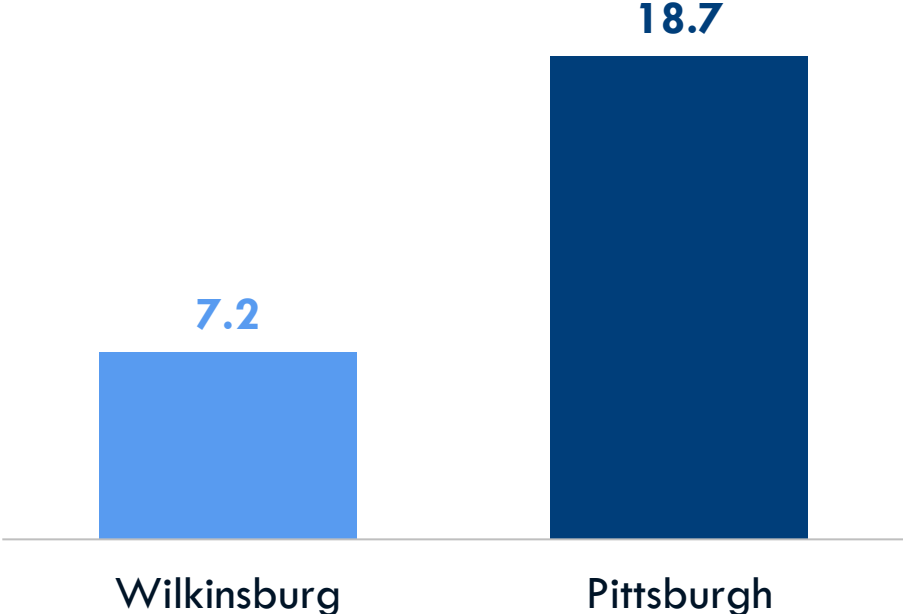
¹Average salaries calculated based on the average of regular pay, including overtime and additional special or premium pay for all uniformed workers in the respective police departments. Police Chief and crossing guards salaries, excluded. Overtime and Court Overtime in Wilkinsburg accounts for an additional \$8,000 on average per officer and Premium Pay in Pittsburgh accounts for an additional \$11,000 on average per officer. Penn Hills provides both Overtime and Special Pay averaging \$29,000 per officer assuming Special Pay is allocated to employed officers.

Pittsburgh’s size allows it to hire additional employees with specialized bureaus of operational, environmental and facility services.

**Average Department of Public Works Salaries¹
(2018)**



**Public Works² Employees per
10,000 Residents (2018)**

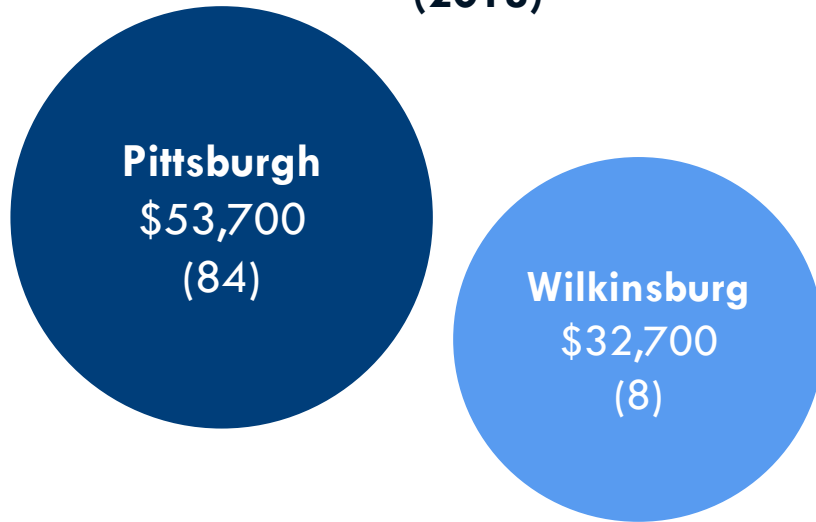


¹Average salaries calculated based on regular pay net of benefits provided in the 2018 proposed budget.

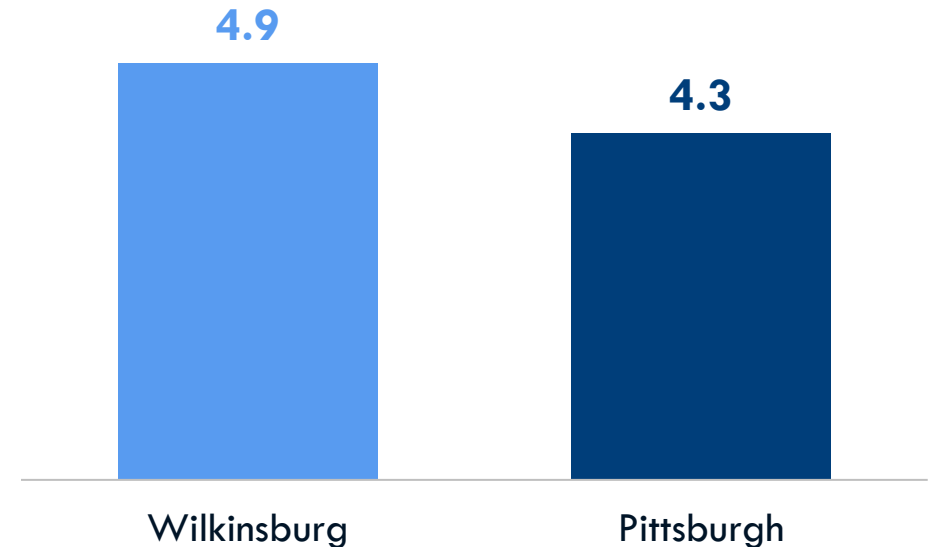
²The Pittsburgh Department of Public Works includes 4 bureaus, including administration, operations, environmental services and facilities that provide public works. All bureaus were added in the analysis.

Pittsburgh has hired fewer code enforcement and planning employees per capita than Wilkinsburg, however employees earn approximately 40% more.

**Average Code Enforcement and Planning Salaries¹
(2018)**

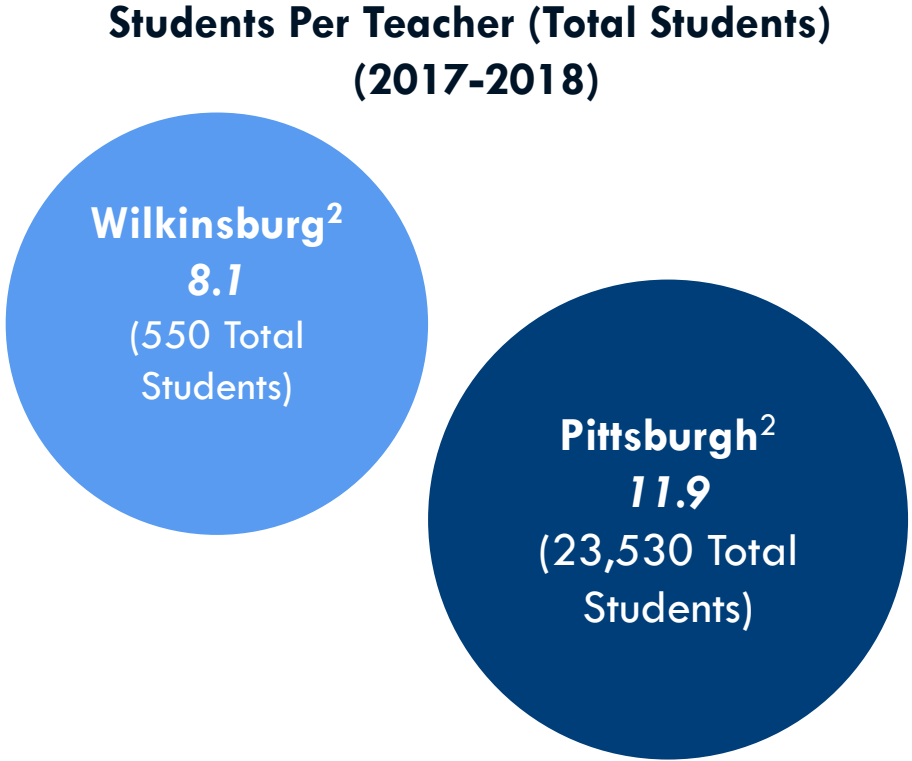
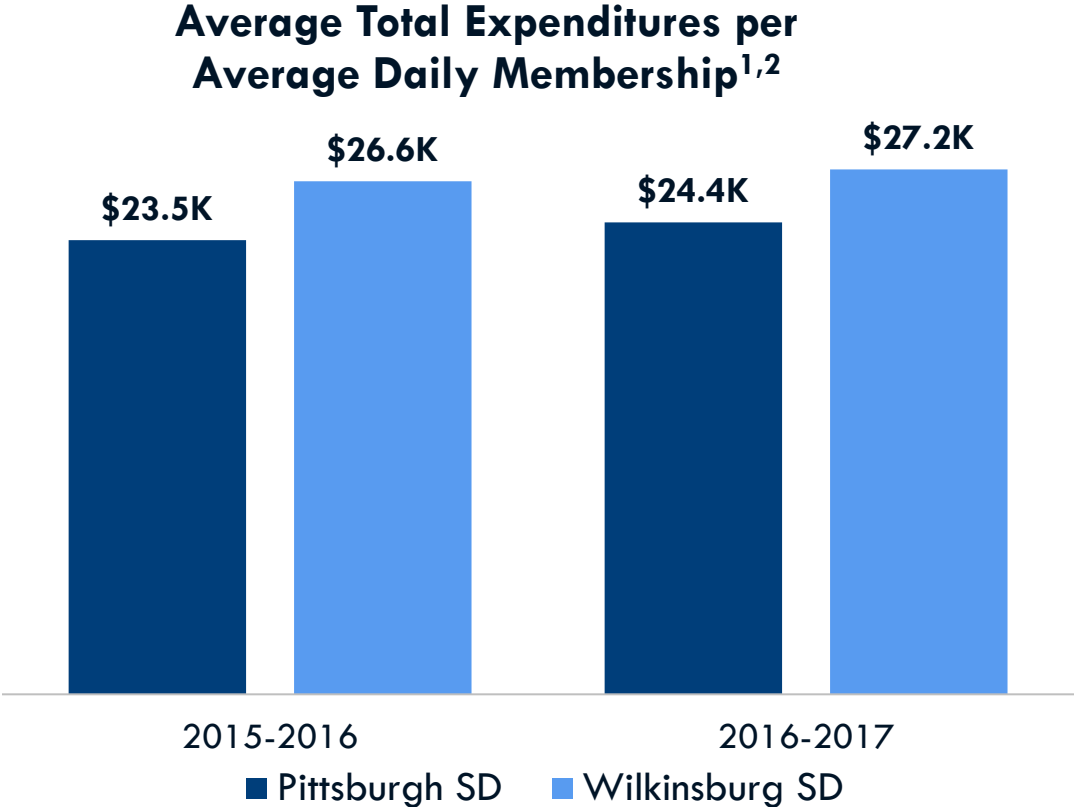


**Code Enforcement Employees per
10,000 Residents (2018)**



¹Average salaries calculated based on regular pay net of benefits provided in the 2018 proposed budget. Pittsburgh has two separate departments for functions of permits, licenses, and inspections and city planning there were compared to Wilkinsburg's Department of Planning and Codes.

Wilkinsburg School District has spent several thousand dollars more per student than Pittsburgh in recent years, with a much smaller student-teacher ratio.



¹Pennsylvania Department of Education, Bureau of Budget and Fiscal Management

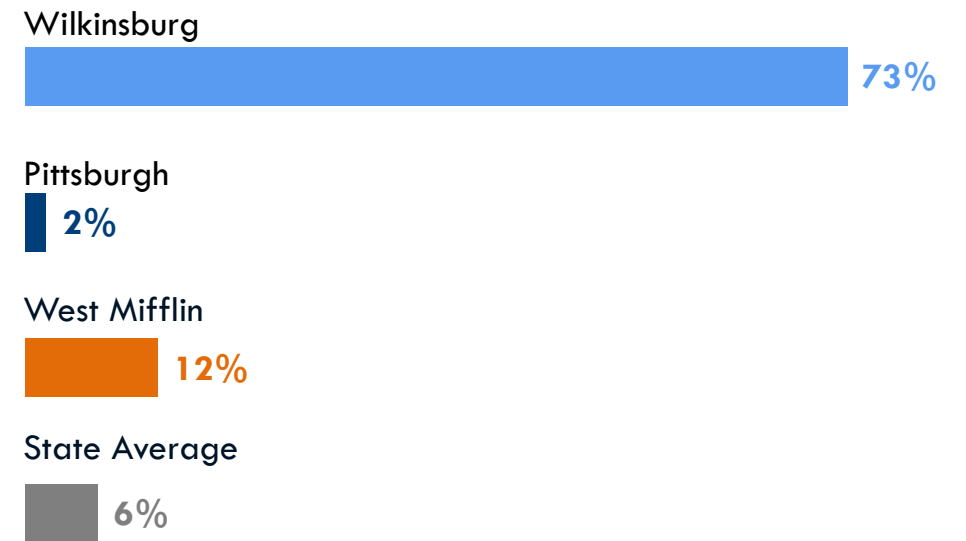
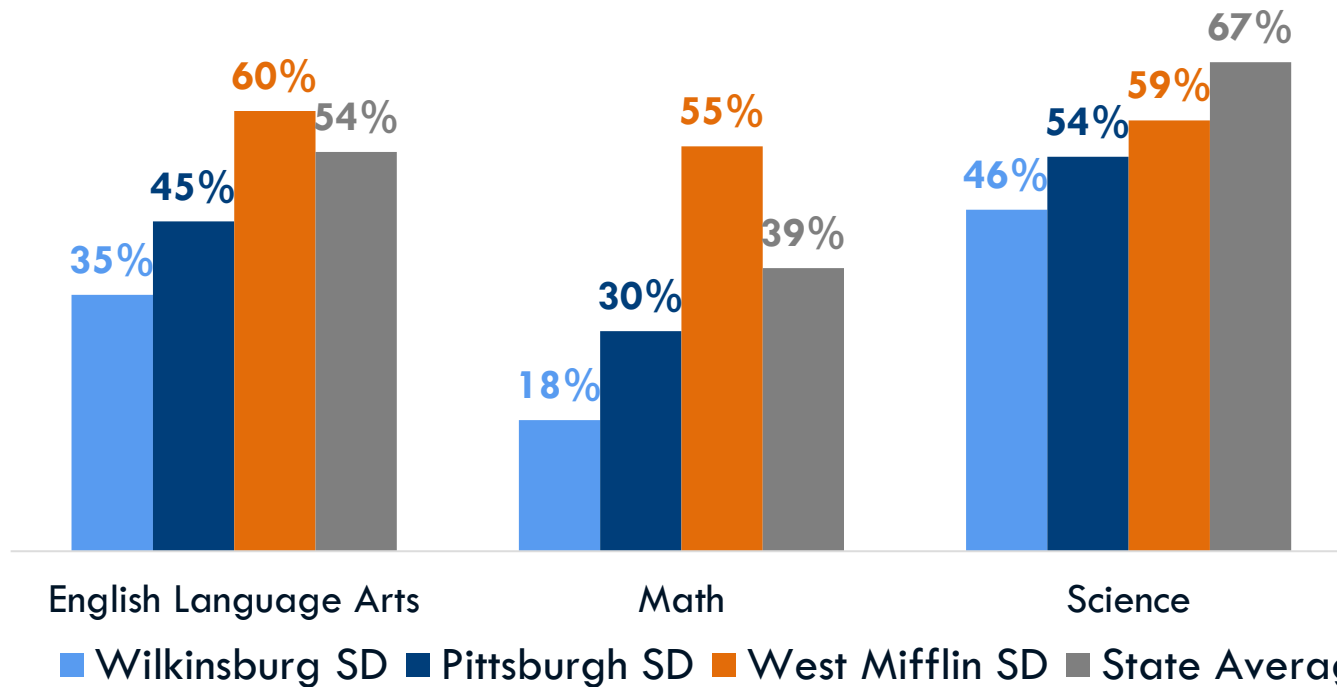
² Average Daily Membership is calculated by dividing the total days each student is present and days absent by the total number of days in a school year.

³Wilkinsburg School District Performance Audit and Future Ready PA

However, the Wilkinsburg School District (K-6) has fallen behind other districts in academic performance.

Student Proficiency on Statewide Assessment Tests (2018)¹

Truancy Rates (2017-2018)^{2,3}



¹Pennsylvania tests student proficiency on standardized exams in grades 3-8. For consistency with Wilkinsburg, this only compares student proficiency in grades 3 through 6.

²Pennsylvania Department of Education; Pennsylvania Department of Education Safe Schools Online

³Truancy rates are calculated for kindergarten–6th grade.



WILKINSBURG REDEVELOPMENT STUDY

APPENDIX B: FINANCIAL PROJECTIONS

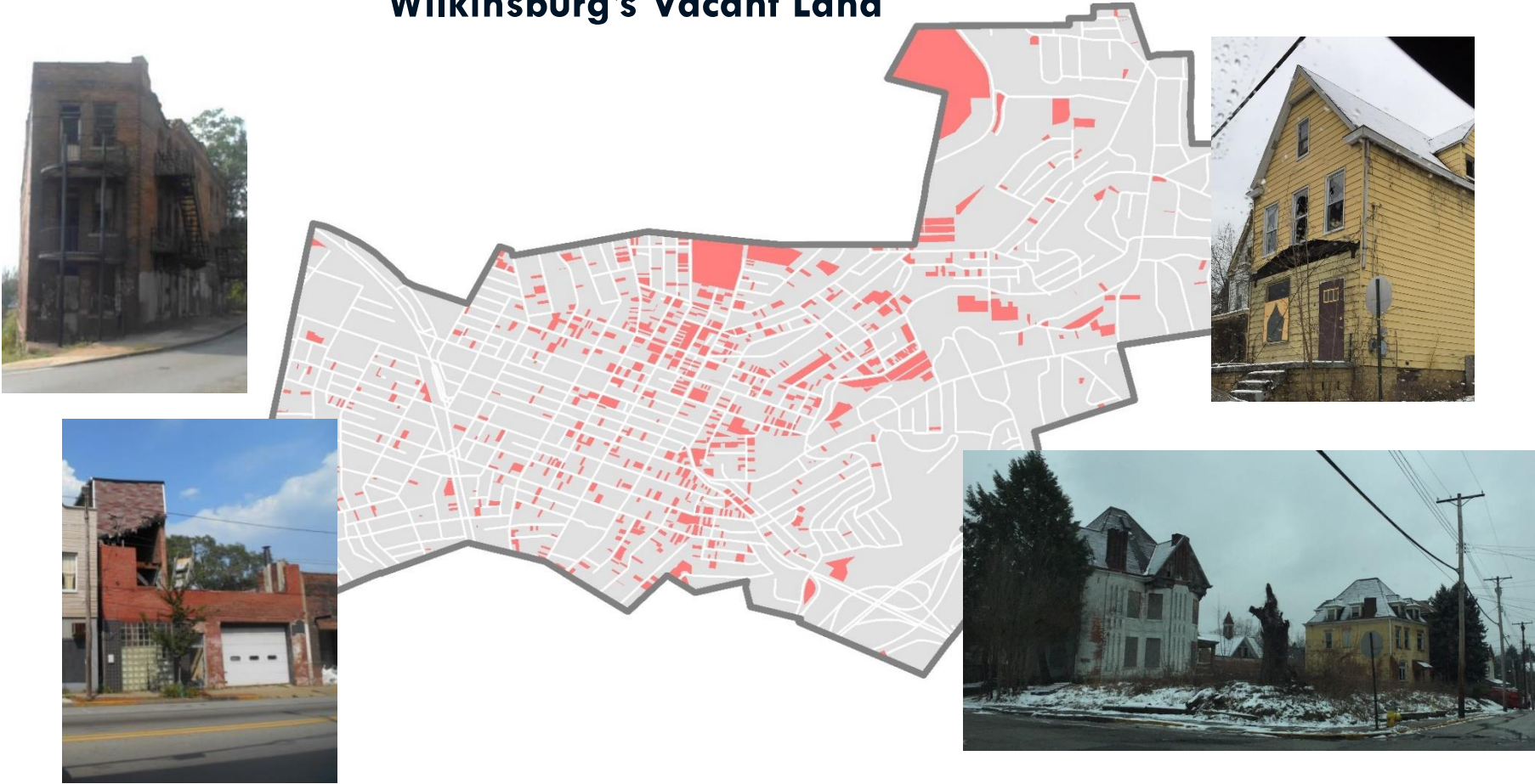
2019

Financial Projections

Borough of Wilkinsburg

Wilkesburg's economic distress has resulted in privately held **vacant land** and **blighted properties** throughout the Borough. Vacancy and blight further **discourage private investment**.

Wilkesburg's Vacant Land

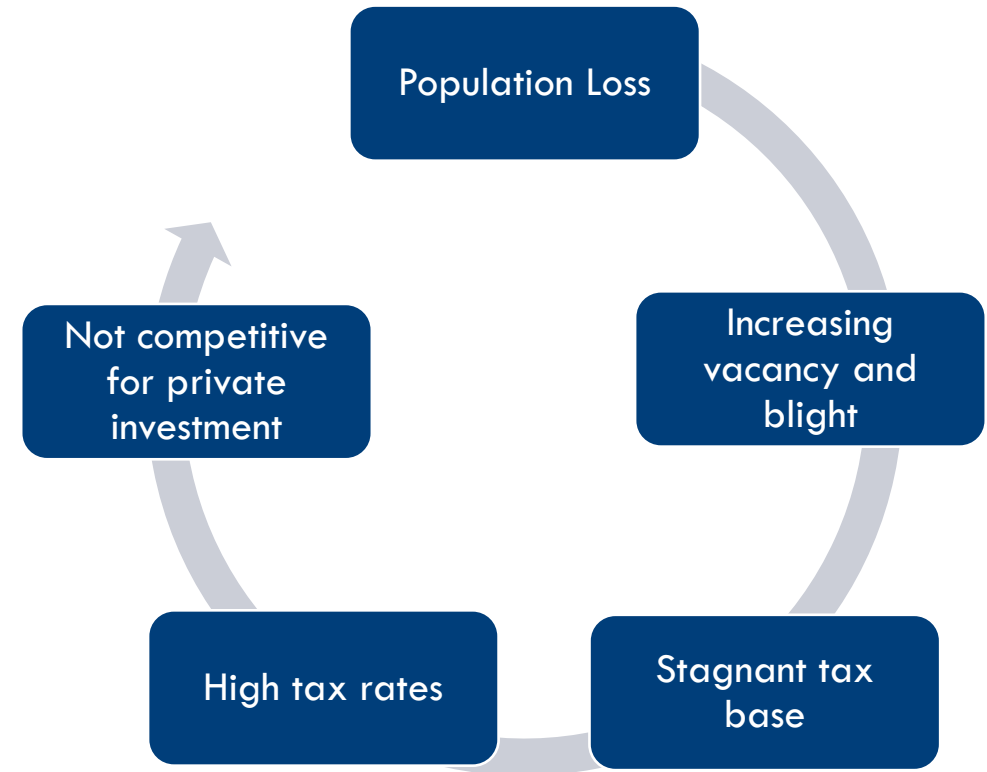


This lack of development is largely the result of a long cycle of **population loss, disinvestment, and high taxes**. **Wilksburg** was **hit particularly hard by regional deindustrialization**.

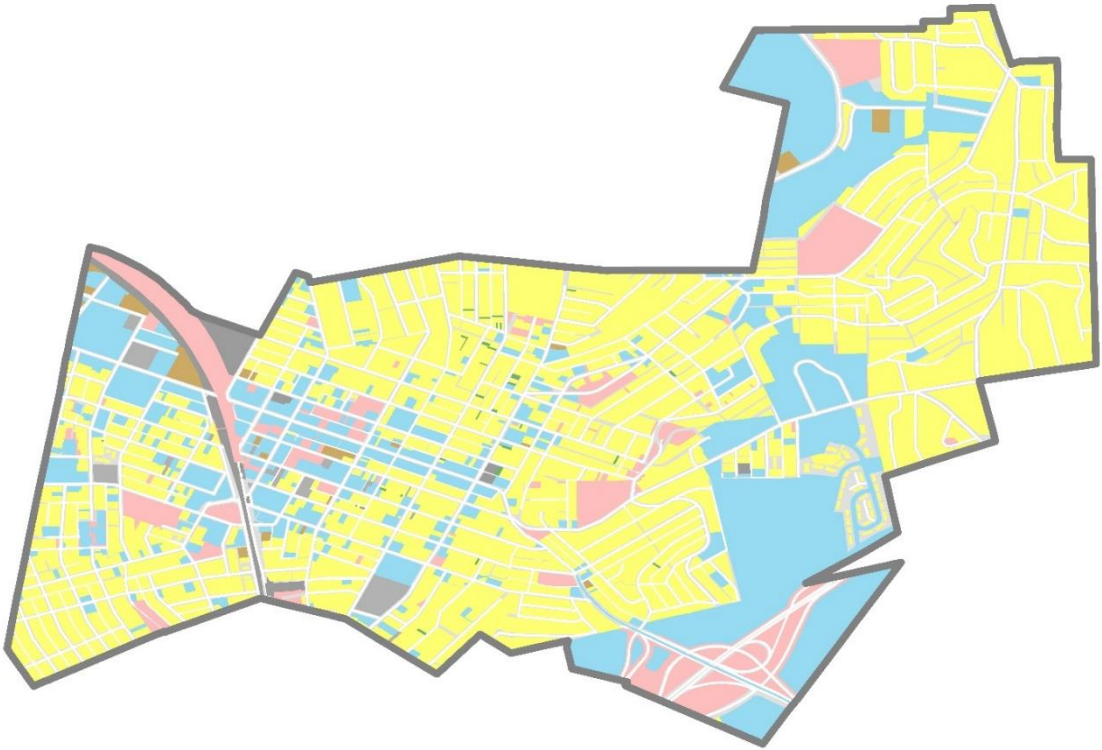
Population Loss: Like many cities in the region Wilksburg has **lost population for 70 years**. This has led to high vacancy rates, blighted properties, and a stagnant property tax base.

Impact on Tax Rates: This stagnation has resulted in the need for **higher tax rates than neighboring communities** to generate the revenue necessary to provide vital services and educate students.

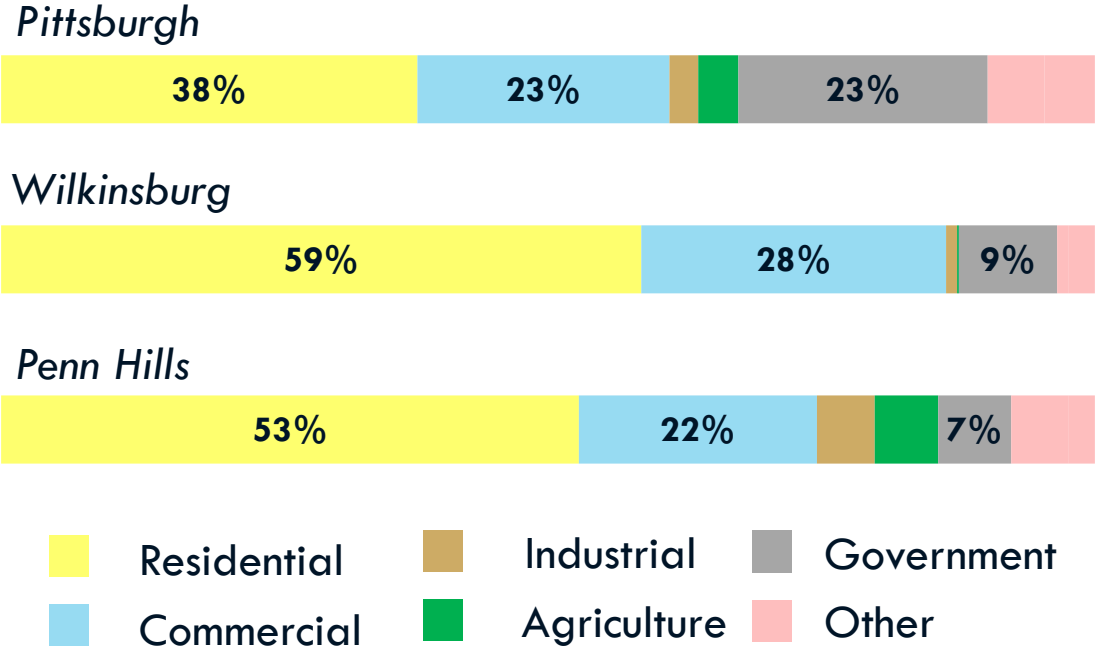
Impact on Investment: High tax rates have made the Borough **not competitive for private investment**, leading to further population loss and tax base stagnation.



Wilkinsburg's residential decline is particularly impactful given the outsized share of the Borough occupied by residential uses.

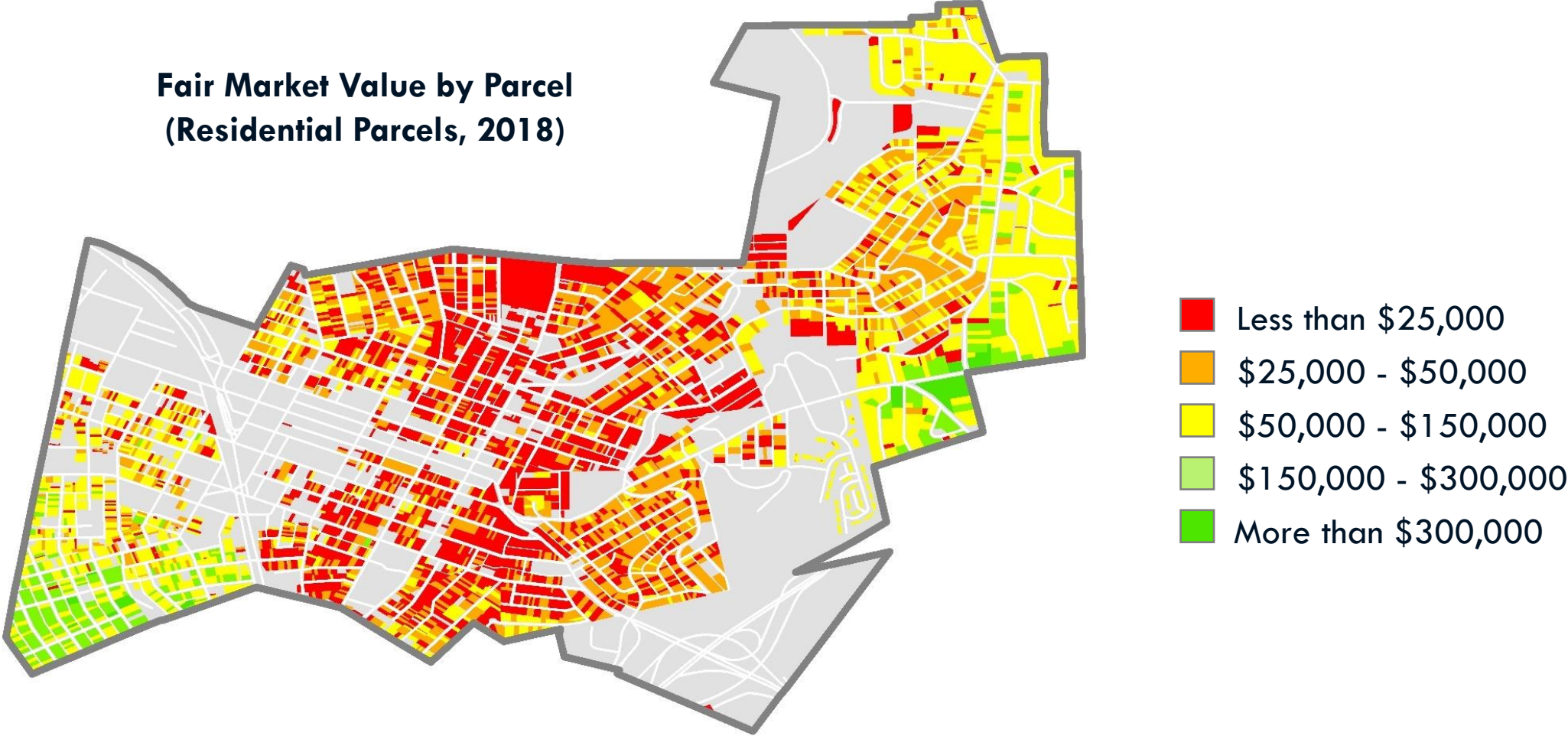


Comparative Land Use (2018)

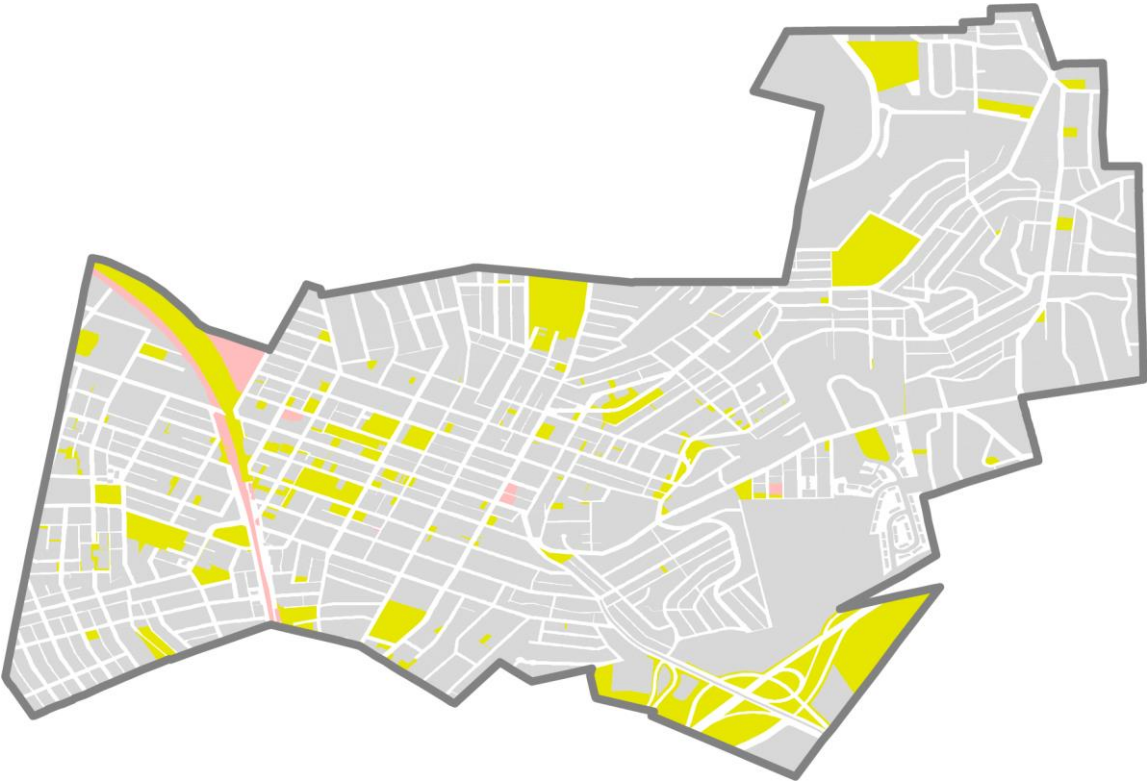


Assessed values vary widely, with central neighborhoods commanding lower values than eastern and western neighborhoods. Wilkinsburg's median home value is 26% lower than Pittsburgh.

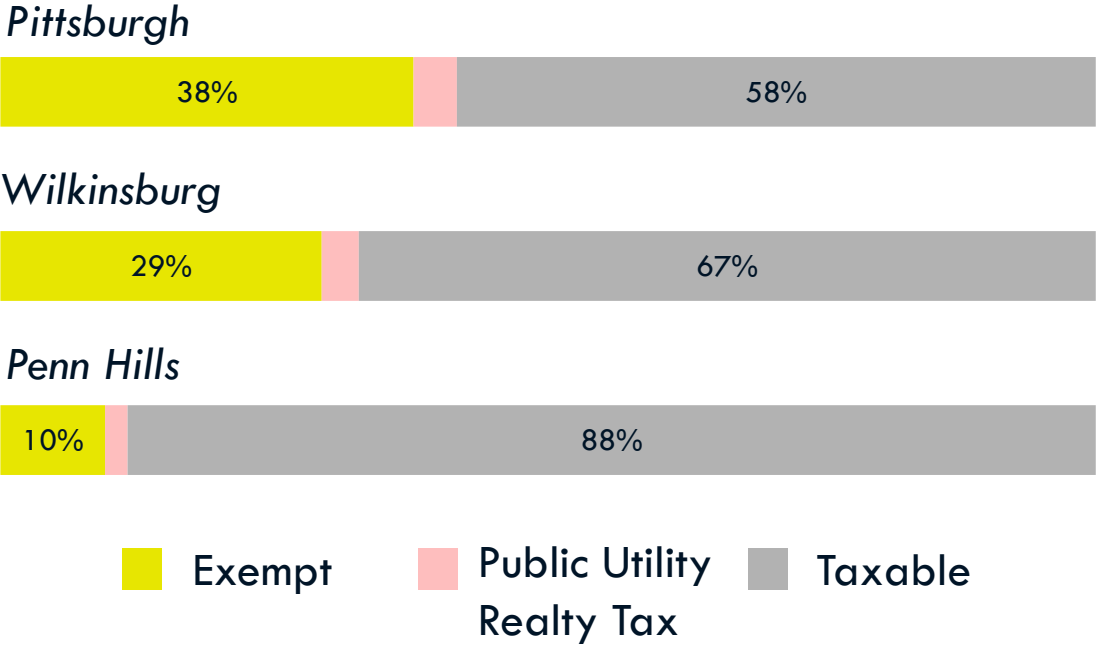
**Fair Market Value by Parcel
(Residential Parcels, 2018)**



Wilkinsburg also has a relatively **large amount of tax-exempt property**, further straining the Borough's ability to raise the revenue it needs.

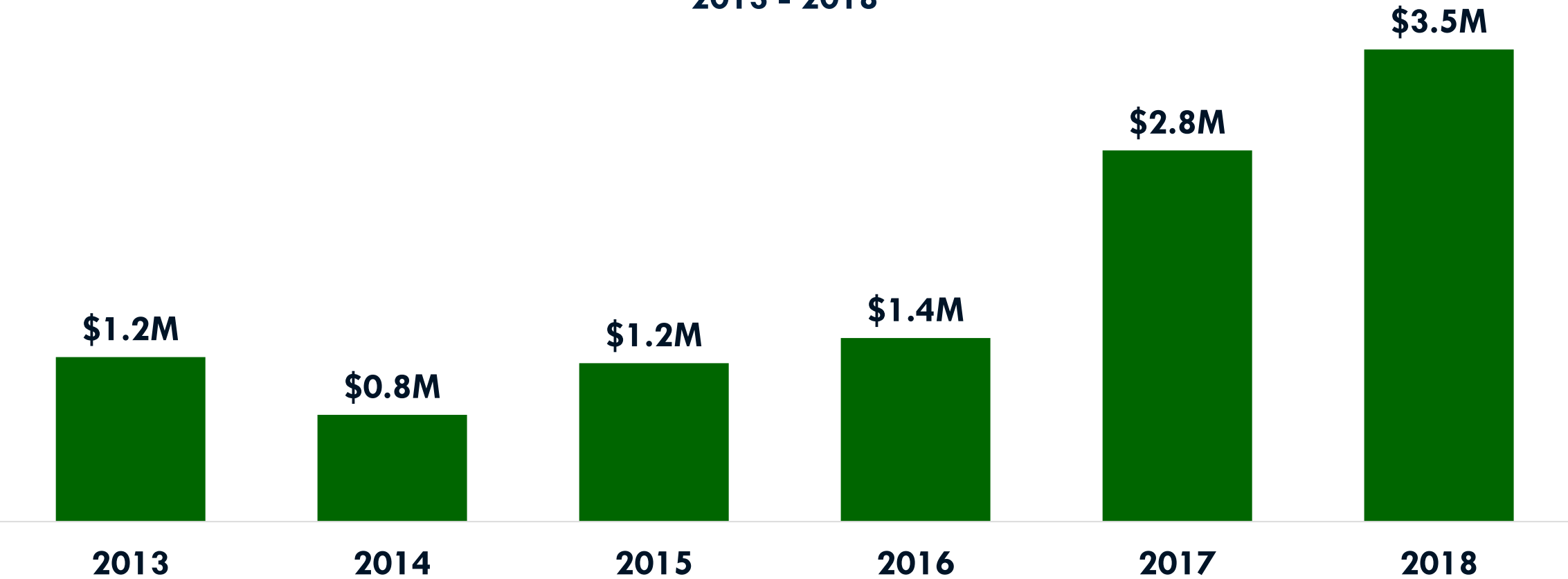


Comparison of Taxable Status - 2018



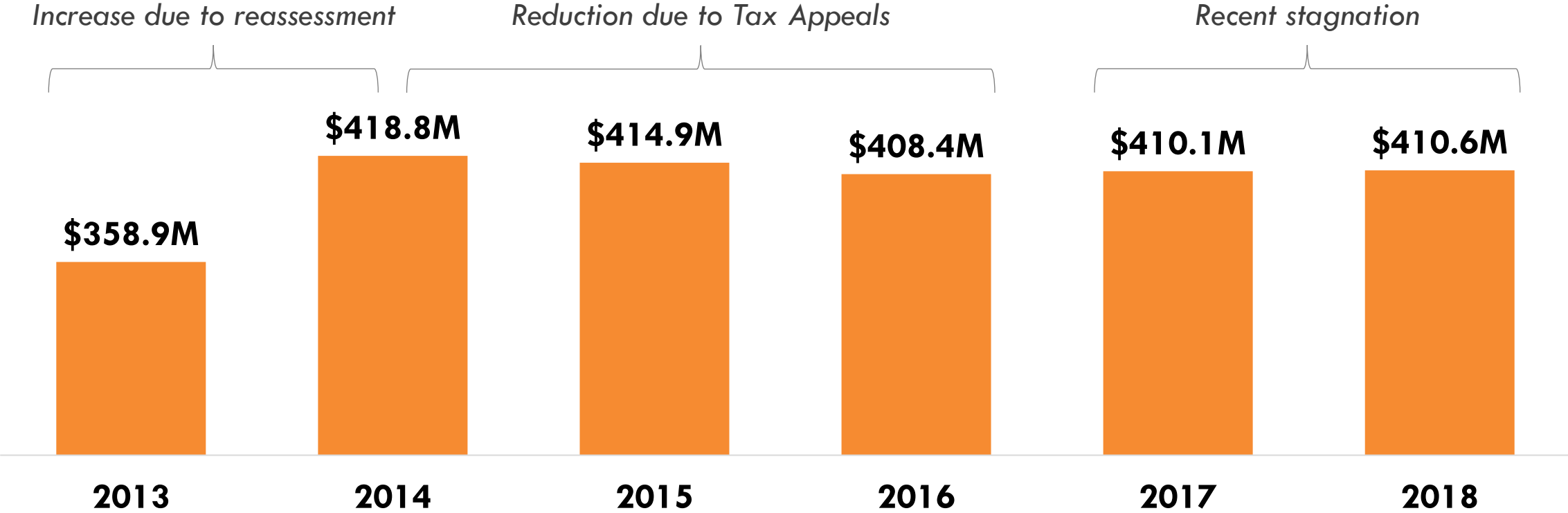
Wilkinsburg's general fund balance increased in recent years due to partnerships with Pittsburgh, better collection of delinquent real estate taxes and fees, and growing earned income tax revenue.

Wilkinsburg General Fund Balance
2013 - 2018



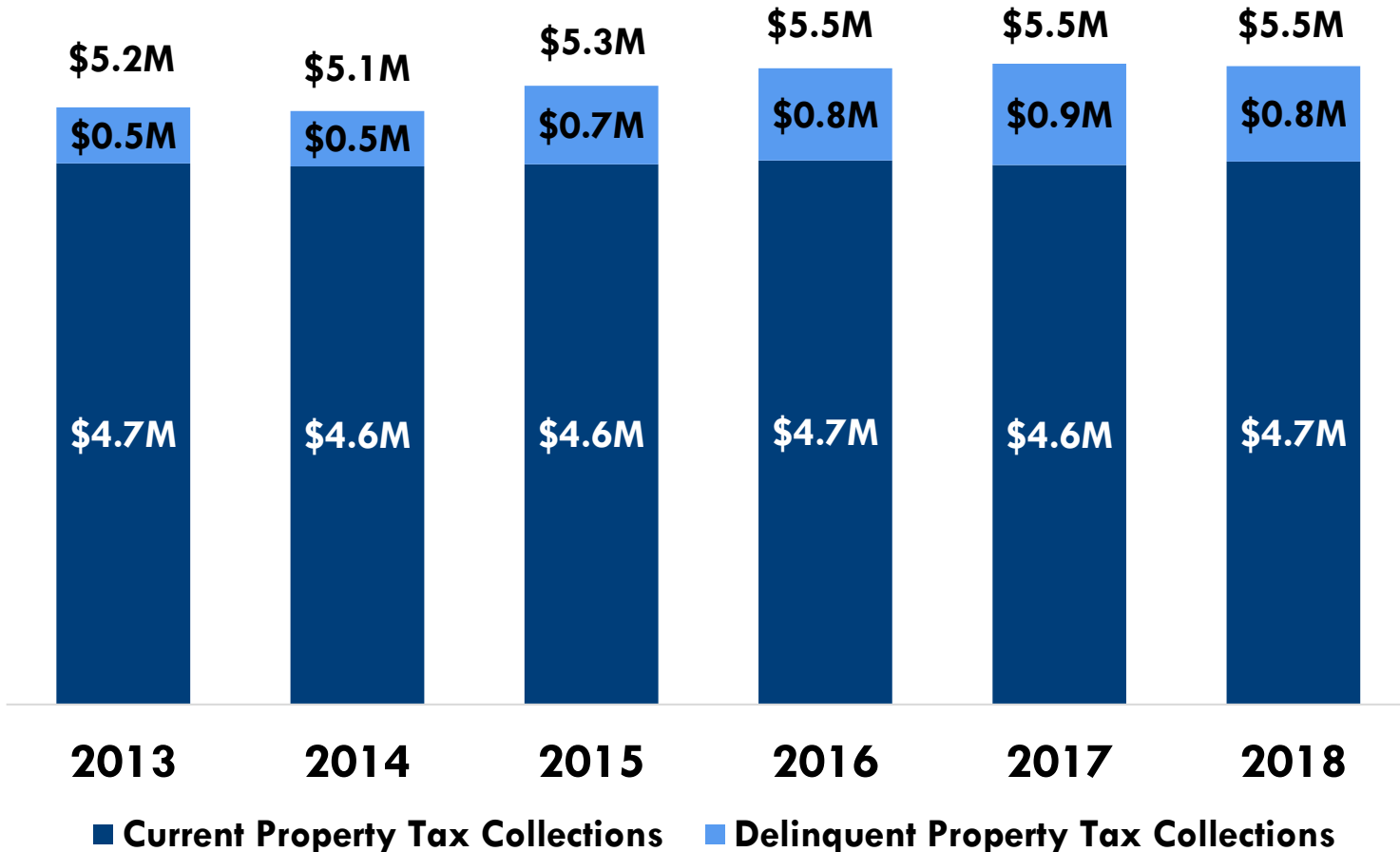
Wilkinsburg's assessed value declined following the 2013 reassessment due to tax appeals. Since then **assessed value has remained stagnant**, with just **0.5% growth from 2016 – 2018**.

Wilkinsburg Assessed Value, 2014 - 2018



Property tax revenue has only grown at **1% per year** during a period of strong economic growth. Most of this growth is attributable to improved delinquent tax collections and **not growth in the tax base**.

Change in Property Tax Revenue, 2013 - 2018



← Growth in delinquent tax collections has led to overall growth in property tax revenue.

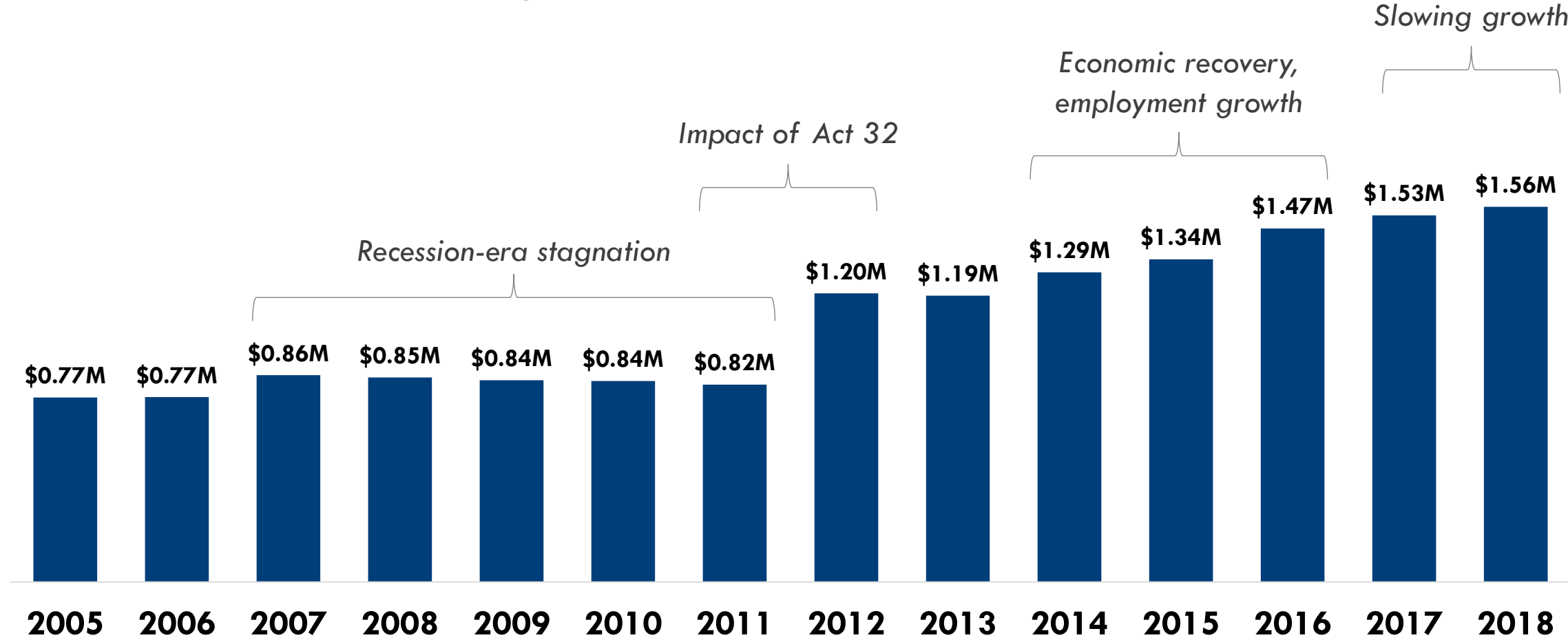
← Current property tax revenue has remained flat due to tax base stagnation.

45 - 50%

Of general fund revenue comes from property taxes

Following a period of stagnation and decline during the recession, **earned income tax revenue grew by almost 30%** between 2013 and 2018 as the broader economy (and employment) improved.

Wilkinsburg Earned Income Tax Revenue, 2005 - 2018

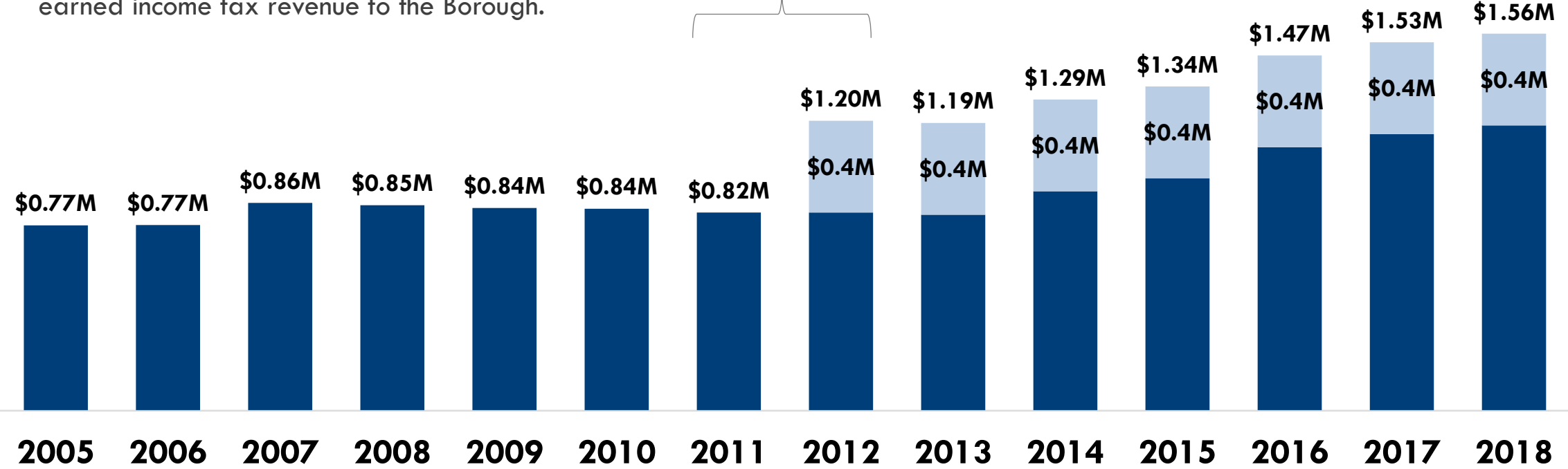


A major share of earned income tax revenue growth was attributable to the increase in compliance sparked by Act 32.

Wilkinsburg Earned Income Tax Revenue, 2005 - 2018

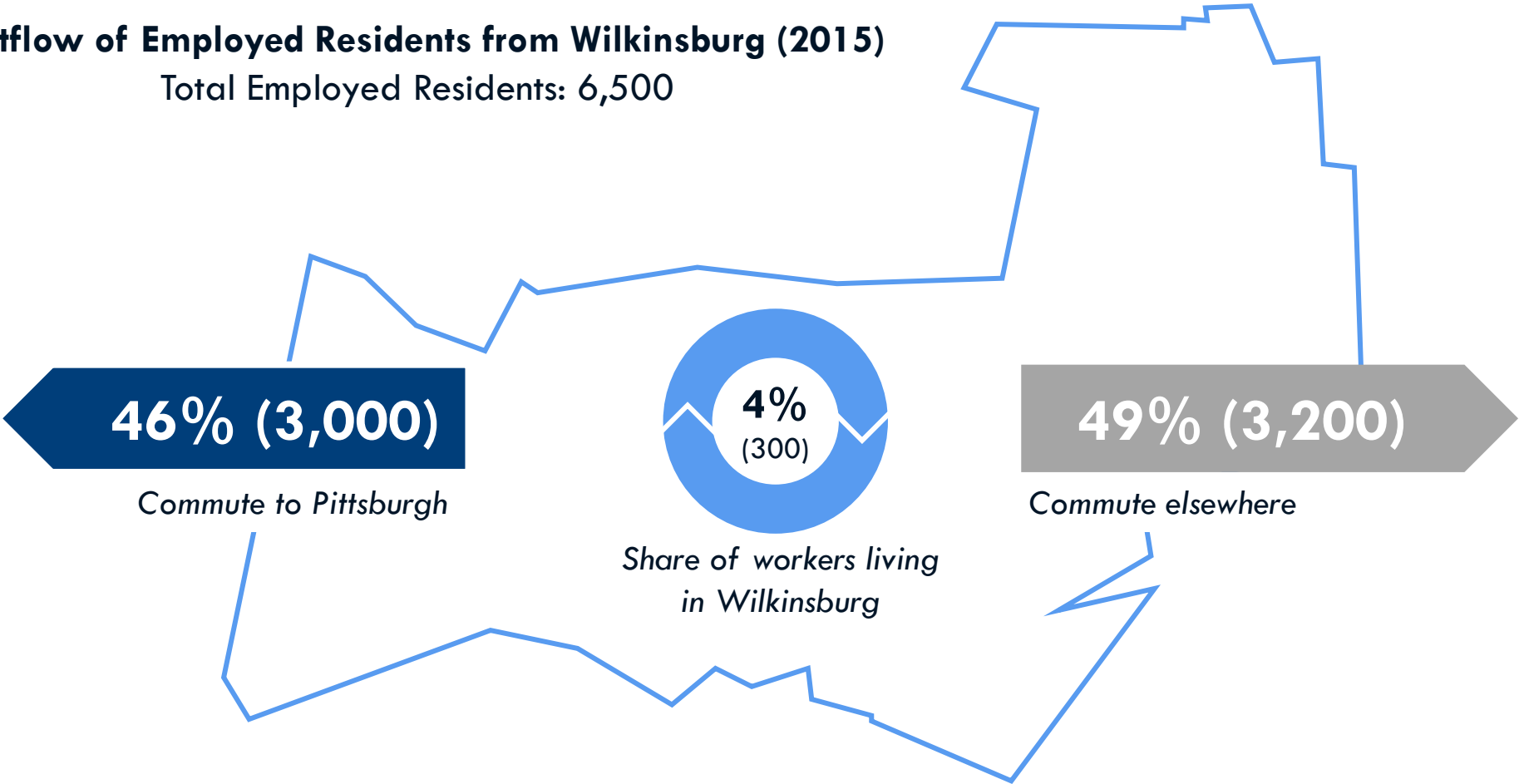
Act 32 made employers outside of Wilkinsburg who employ Wilkinsburg residents responsible for distributing earned income tax revenue to the Borough.

→ *Impact of Act 32*



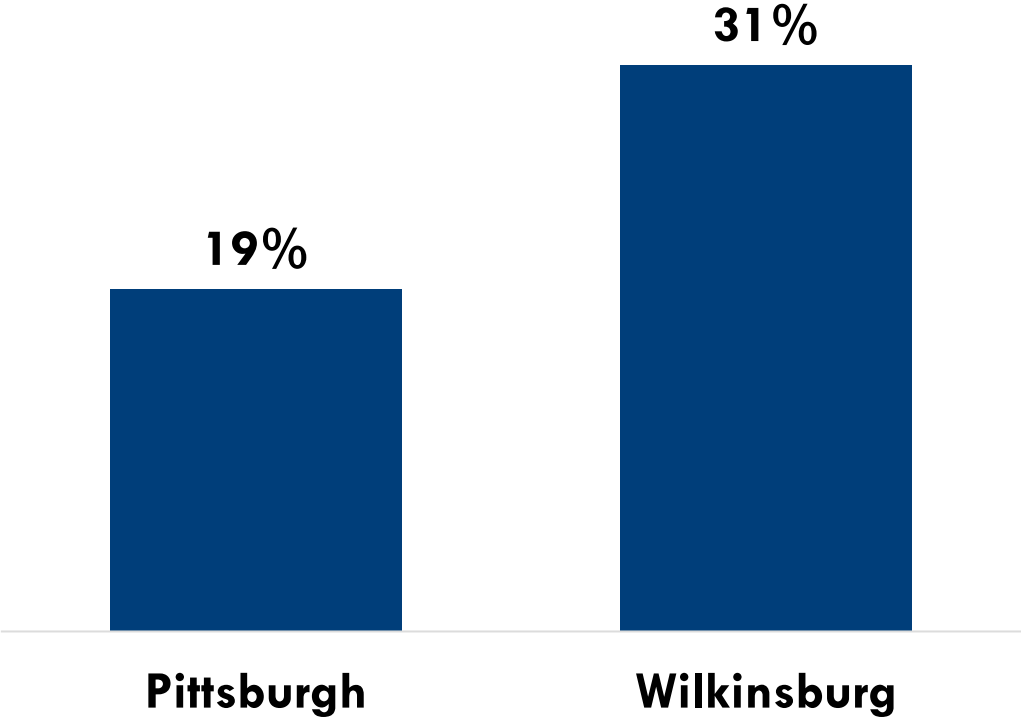
Compliance with Act 32 is important to Wilkinsburg's financial health as **most of its employed residents work outside of the Borough.**

Outflow of Employed Residents from Wilkinsburg (2015)
Total Employed Residents: 6,500



Following implementation of Act 32, earned income tax continued to grow as the broader economy and employment improved, with Wilkinsburg's growth outpacing Pittsburgh's.

**Growth in Earned Income Tax
Revenue, 2013 - 2018**



While Wilkinsburg has taken steps to improve its finances, it continues to face **challenges** that **will limit its ability to maintain its higher general fund balance** and invest in its services and infrastructure.

Significant Challenges Remain

Economic

- **Tax base stagnation**
- **High tax rates**
- **Population loss**
- **Lack of private investment**

Revenue

- Underlying **property tax revenue will remain stagnant** without tax base growth or increased tax rates
- **Earned income tax revenue susceptible to economic cycles**

Expenditures

- **Rising police costs, including high overtime costs due to lack of manpower**
- **Agging infrastructure**

Given the challenges Wilkesburg faces, we considered the Borough's future fiscal condition according to three scenarios.

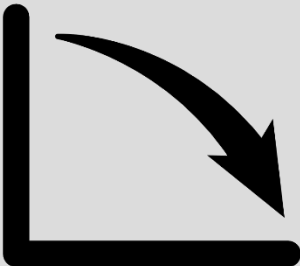
BASELINE

Current trends continue



WEAKENING ECONOMY

Broader economic decline



INCREASED SERVICES

Increase Police and Code Enforcement service levels to match Pittsburgh's



Scenario assumptions

	1. BASELINE	2. WEAKENING ECONOMY	3. INCREASED SERVICES
REVENUE	<ul style="list-style-type: none"> • Property tax growth remains flat • Earned income tax and other revenue sources grow annually at inflation (2%) • Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates 	<ul style="list-style-type: none"> • Property tax base experiences slow decline in line with great recession growth rates • Earned income tax and other tax revenues decline in line with great recession growth rates • Other revenue sources grow annually at inflation (2%) 	<ul style="list-style-type: none"> • Property tax growth remains flat • Earned income tax and other revenue sources grow annually at inflation (2%) • Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates
EXPENDITURES	<ul style="list-style-type: none"> • Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases • Insurance costs grow annually at median historical growth rate (6%) • All other expenditures grow annually at inflation (2%) 	<ul style="list-style-type: none"> • Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases • Insurance costs grow annually at median historical growth rate (6%) • All other expenditures grow annually at inflation (2%) 	<ul style="list-style-type: none"> • Police and code enforcement salaries and officer counts match Pittsburgh • All personnel costs grow annually at 2.5%; All other expenditures grow annually at inflation (2%) • Insurance costs grow annually at median historical growth rate (6%)

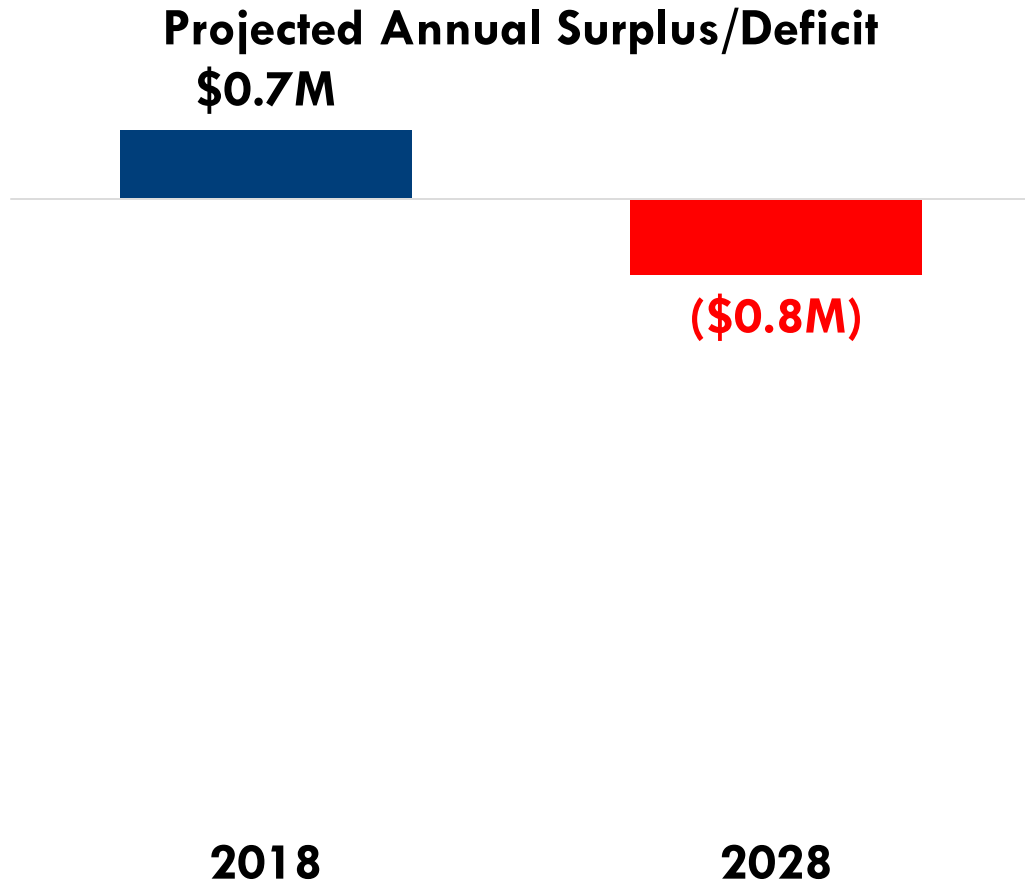
Other tax revenue consists of local services tax, business privilege tax, RAD revenue, and real estate transfer tax

Scenario 1: Baseline

	1. BASELINE	2. WEAKENING ECONOMY	3. INCREASED SERVICES
REVENUE	<ul style="list-style-type: none">• Property tax growth remains flat• Earned income tax and other revenue sources grow annually at inflation (2%)• Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates	<ul style="list-style-type: none">• Property tax base experiences slow decline in line with great recession growth rates• Earned income tax and other tax revenues decline in line with great recession growth rates• Other revenue sources grow annually at inflation (2%)	<ul style="list-style-type: none">• Property tax growth remains flat• Earned income tax and other revenue sources grow annually at inflation (2%)• Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates
EXPENDITURES	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases• Insurance costs grow annually at median historical growth rate (6%)• All other expenditures grow annually at inflation (2%)	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases• Insurance costs grow annually at median historical growth rate (6%)• All other expenditures grow annually at inflation (2%)	<ul style="list-style-type: none">• Police and code enforcement salaries and officer counts match Pittsburgh• All personnel costs grow annually at 2.5%; All other expenditures grow annually at inflation (2%)• Insurance costs grow annually at median historical growth rate (6%)

Other tax revenue consists of local services tax, business privilege tax, RAD revenue, and real estate transfer tax

Scenario 1. In a baseline scenario, the Borough will experience a growing deficit as **police and personnel costs outpace revenue**. The Borough's **property tax base** is projected to remain **stagnant**.



9%

Growth in
Total Revenue
(2018-2028)

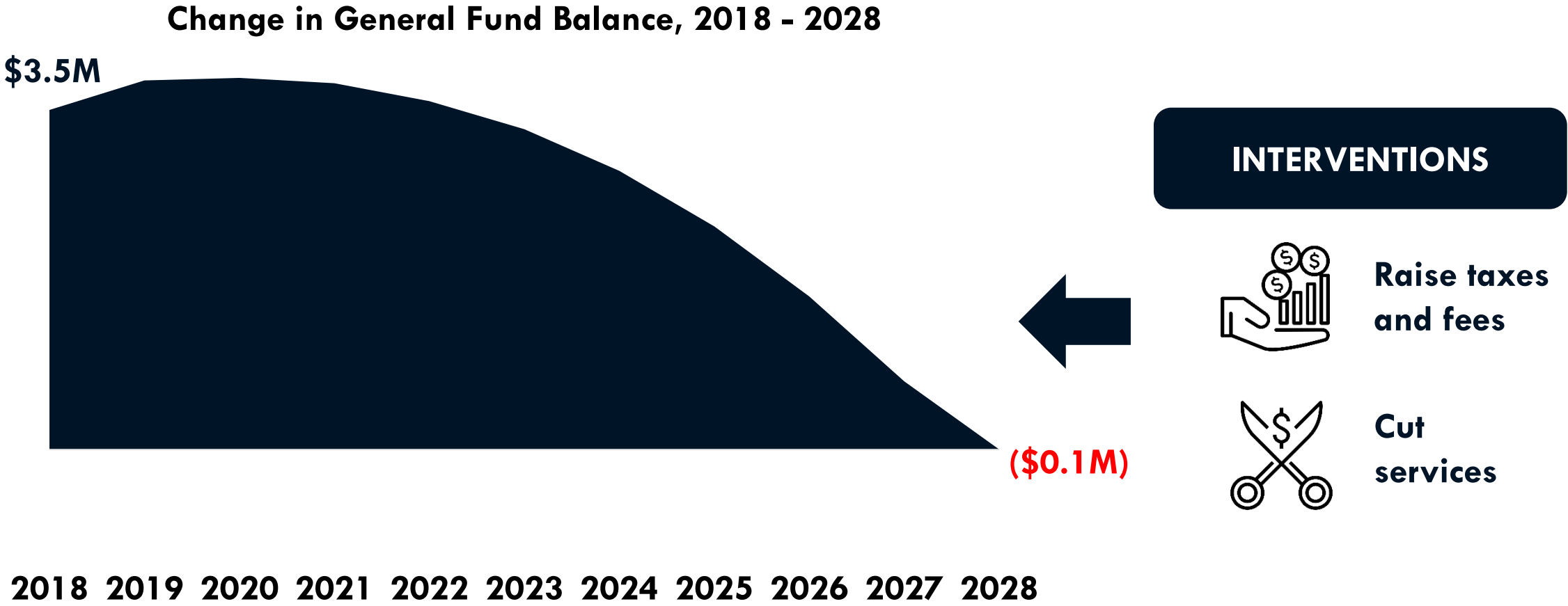
Modest overall growth, largely **driven by growth in earned income tax** and other revenue sources. Property tax revenue is projected to remain **virtually flat**.

24%

Growth in
Total Expenditures
(2018-2028)

Largely **driven by police expenditures**, the Borough's leading cost driver.

Scenario 1. This growing deficit would lead to a **negative fund balance by 2028**, forcing the Borough to **raise taxes, cut expenditures, or some combination of both** before 2028.

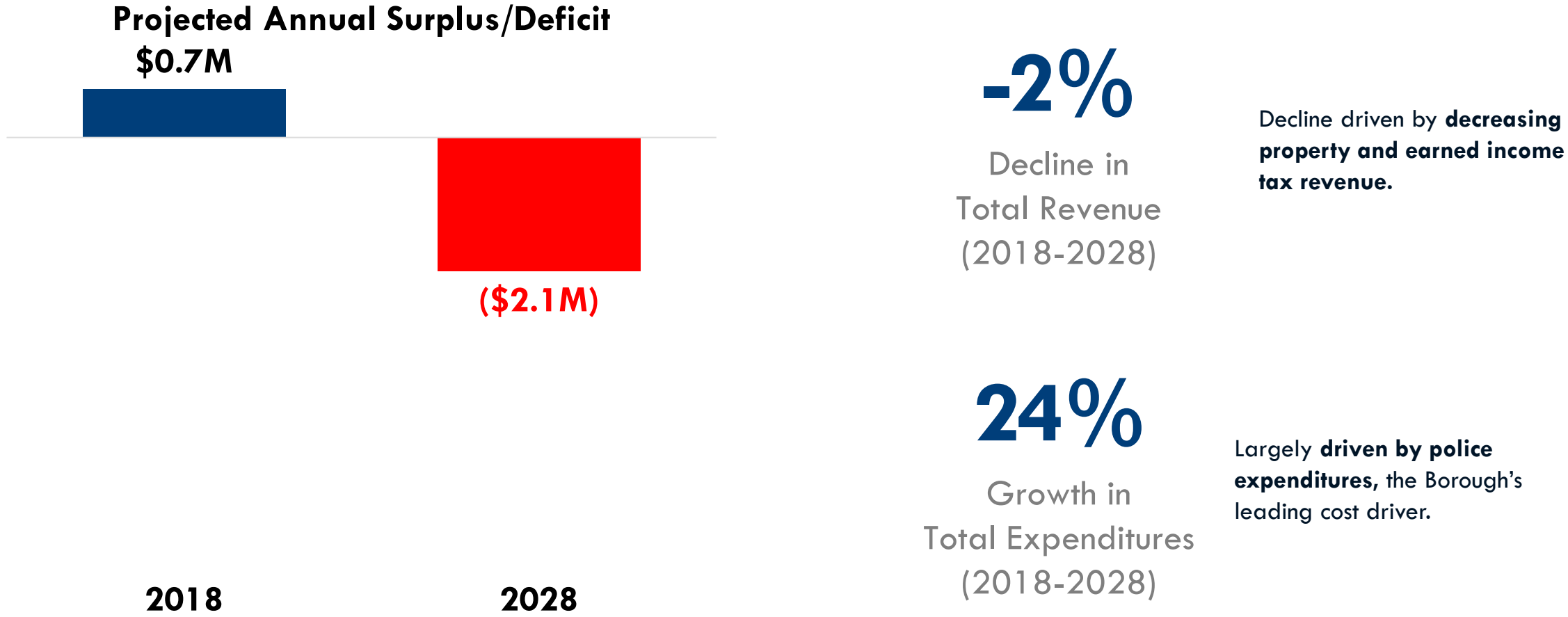


Scenario 2: Weakening Economy

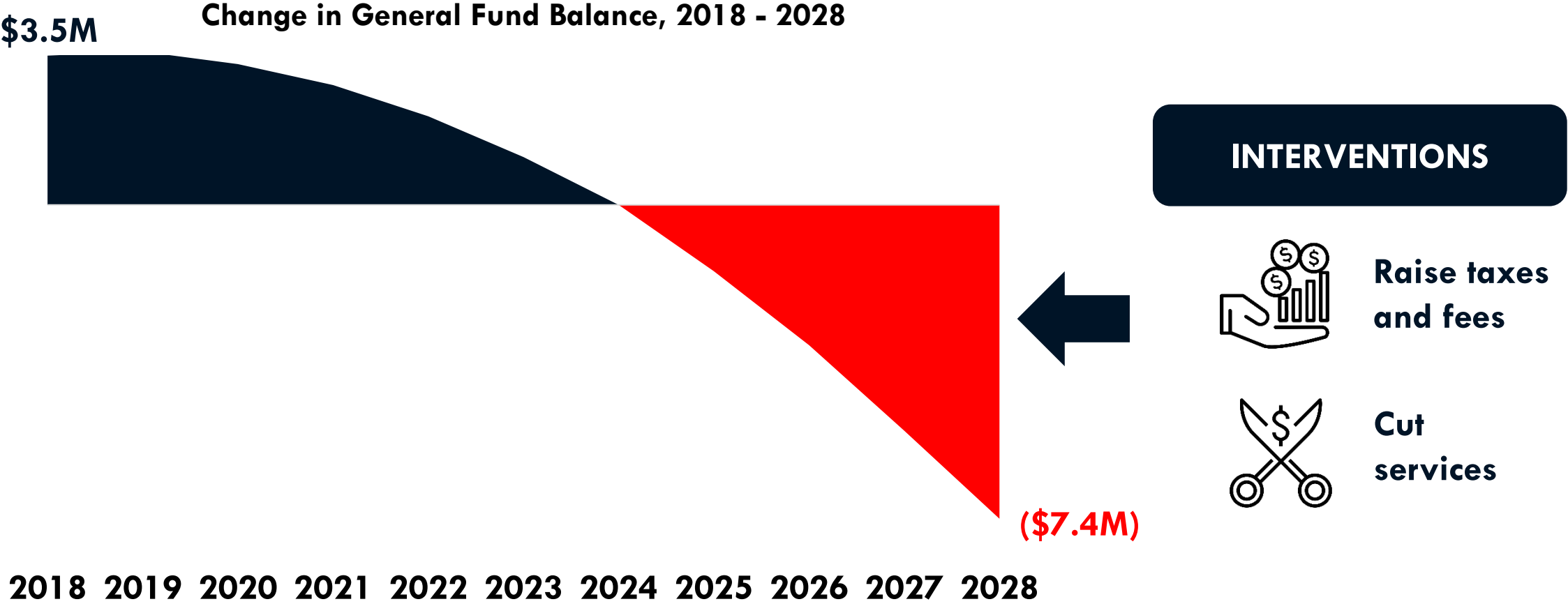
	1. BASELINE	2. WEAKENING ECONOMY	3. INCREASED SERVICES
REVENUE	<ul style="list-style-type: none"> Property tax growth remains flat Earned income tax and other revenue sources grow annually at inflation (2%) Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates 	<ul style="list-style-type: none"> Property tax base experiences slow decline in line with great recession growth rates Earned income tax and other tax revenues decline in line with great recession growth rates Other revenue sources grow annually at inflation (2%) 	<ul style="list-style-type: none"> Property tax growth remains flat Earned income tax and other revenue sources grow annually at inflation (2%) Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates
EXPENDITURES	<ul style="list-style-type: none"> Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases Insurance costs grow annually at median historical growth rate (6%) All other expenditures grow annually at inflation (2%) 	<ul style="list-style-type: none"> Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases Insurance costs grow annually at median historical growth rate (6%) All other expenditures grow annually at inflation (2%) 	<ul style="list-style-type: none"> Police and code enforcement salaries and officer counts match Pittsburgh All personnel costs grow annually at 2.5%; All other expenditures grow annually at inflation (2%) Insurance costs grow annually at median historical growth rate (6%)

Other tax revenue consists of local services tax, business privilege tax, RAD revenue, and real estate transfer tax

Scenario 2. In a weakening economy, the Borough will experience an even larger deficit as **property tax, earned income tax, and other tax revenue decline while expenditures grow.**



Scenario 2. In a weakening economy, this growing deficit would lead to a **negative fund balance by 2024**, forcing the Borough to **raise taxes, cut expenditures, or some combination of both.**

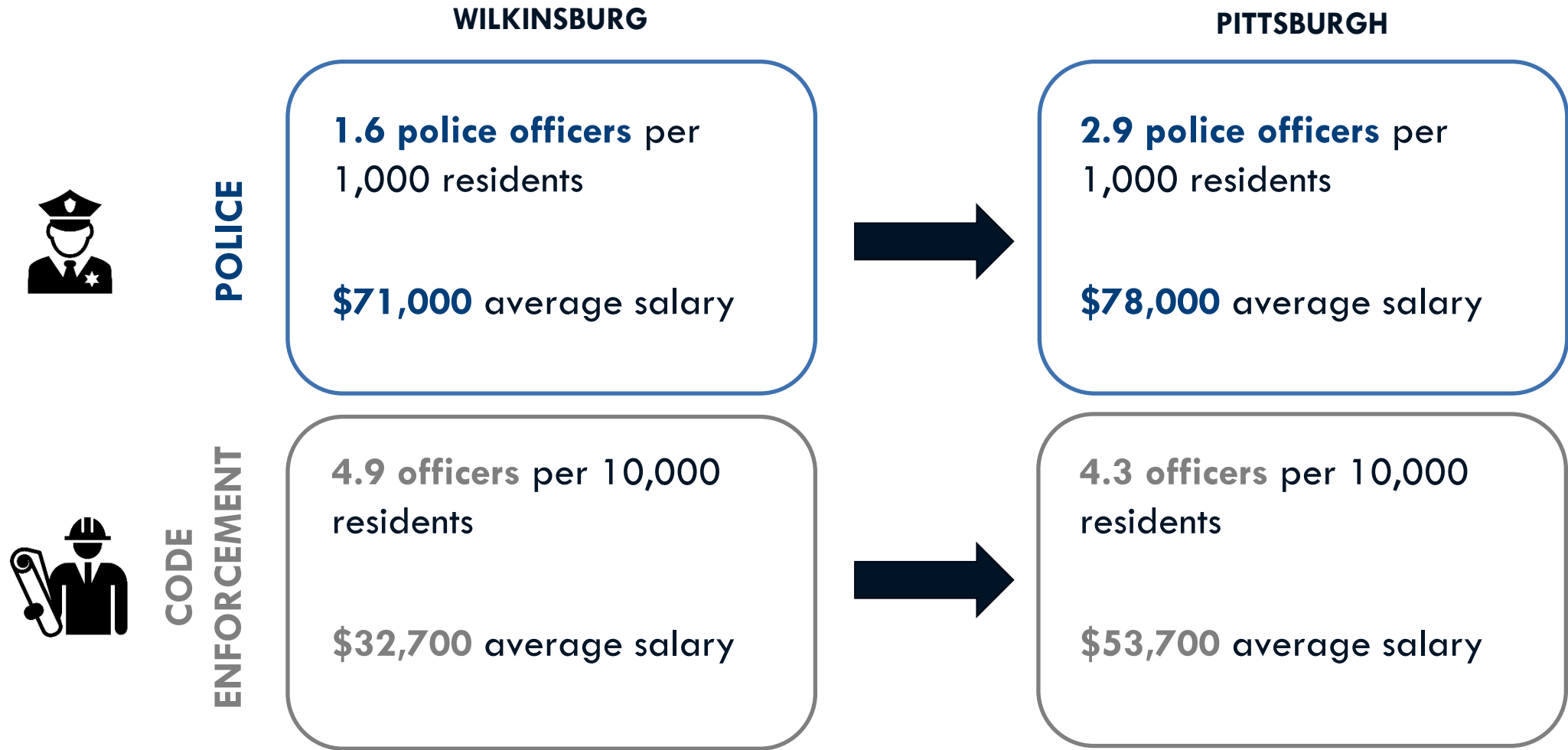


Scenario 3: Increased Services

	1. BASELINE	2. WEAKENING ECONOMY	3. INCREASED SERVICES
REVENUE	<ul style="list-style-type: none"> Property tax growth remains flat Earned income tax and other revenue sources grow annually at inflation (2%) Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates 	<ul style="list-style-type: none"> Property tax base experiences slow decline in line with great recession growth rates Earned income tax and other tax revenues decline in line with great recession growth rates Other revenue sources grow annually at inflation (2%) 	<ul style="list-style-type: none"> Property tax growth remains flat Earned income tax and other revenue sources grow annually at inflation (2%) Other tax revenue grows at 1.5%, in line with 2013 – 2018 growth rates
EXPENDITURES	<ul style="list-style-type: none"> Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases Insurance costs grow annually at median historical growth rate (6%) All other expenditures grow annually at inflation (2%) 	<ul style="list-style-type: none"> Personnel costs grow annually at 2.5%, inline with historical and upcoming contract increases Insurance costs grow annually at median historical growth rate (6%) All other expenditures grow annually at inflation (2%) 	<ul style="list-style-type: none"> Police and code enforcement salaries and officer counts match Pittsburgh All personnel costs grow annually at 2.5%; All other expenditures grow annually at inflation (2%) Insurance costs grow annually at median historical growth rate (6%)

Other tax revenue consists of local services tax, business privilege tax, RAD revenue, and real estate transfer tax

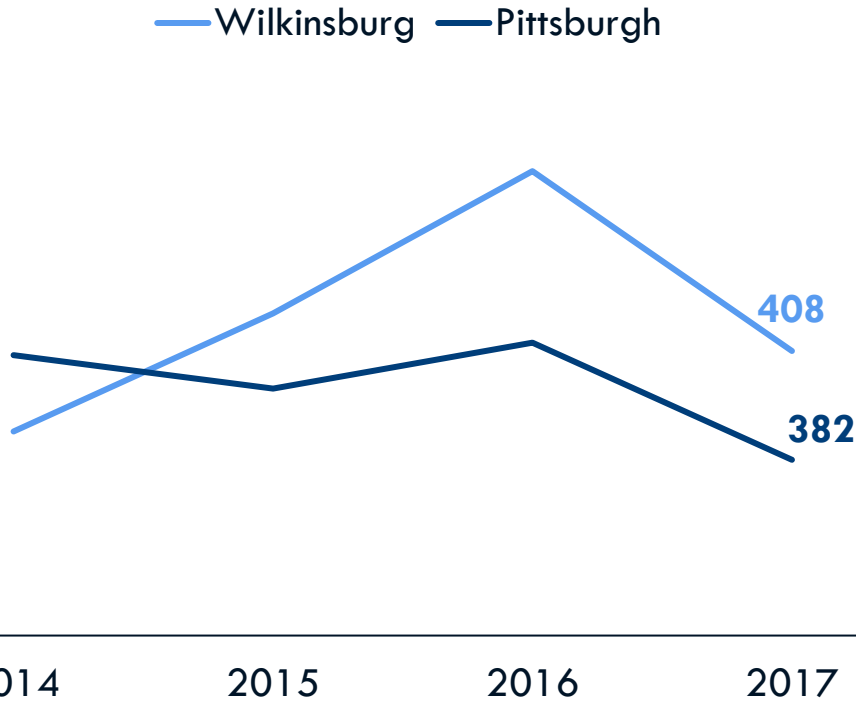
Scenario 3. What would happen to the Borough's fiscal condition if Wilkinsburg **matched Pittsburgh's police and code enforcement salary and employment metrics?**



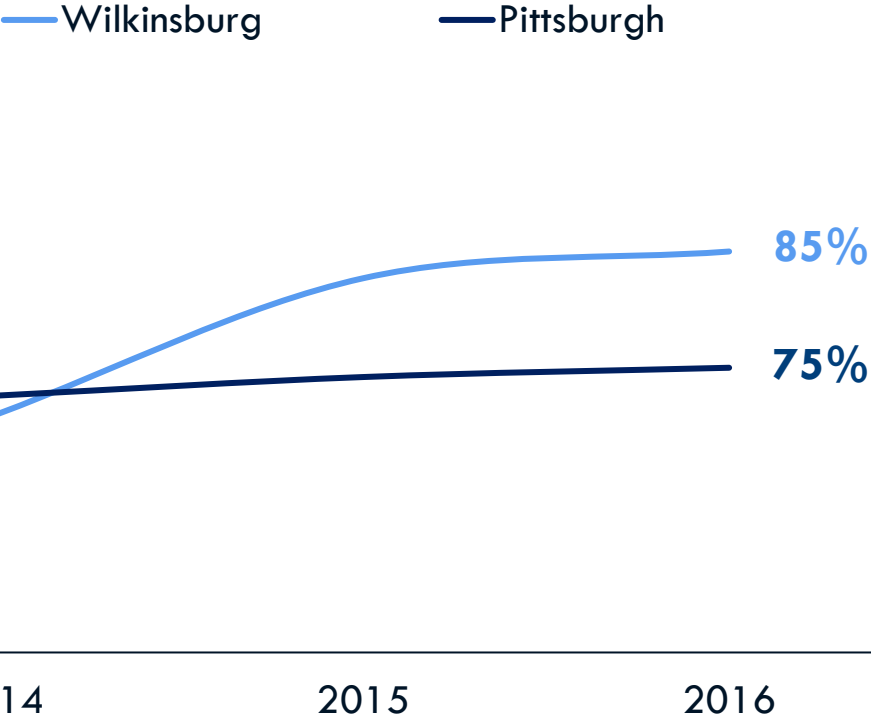
Per the approved 2019 budget, Wilkinsburg had one vacancy in its police department

Scenario 3. Improving employment metrics is important to public safety in Wilkinsburg as **fewer officers per capita likely contributed to the increase in overall crime rates and the rate of uncleared crimes.**

Total Crime Rate¹ per 10,000 Residents



Rate of Uncleared Cases*

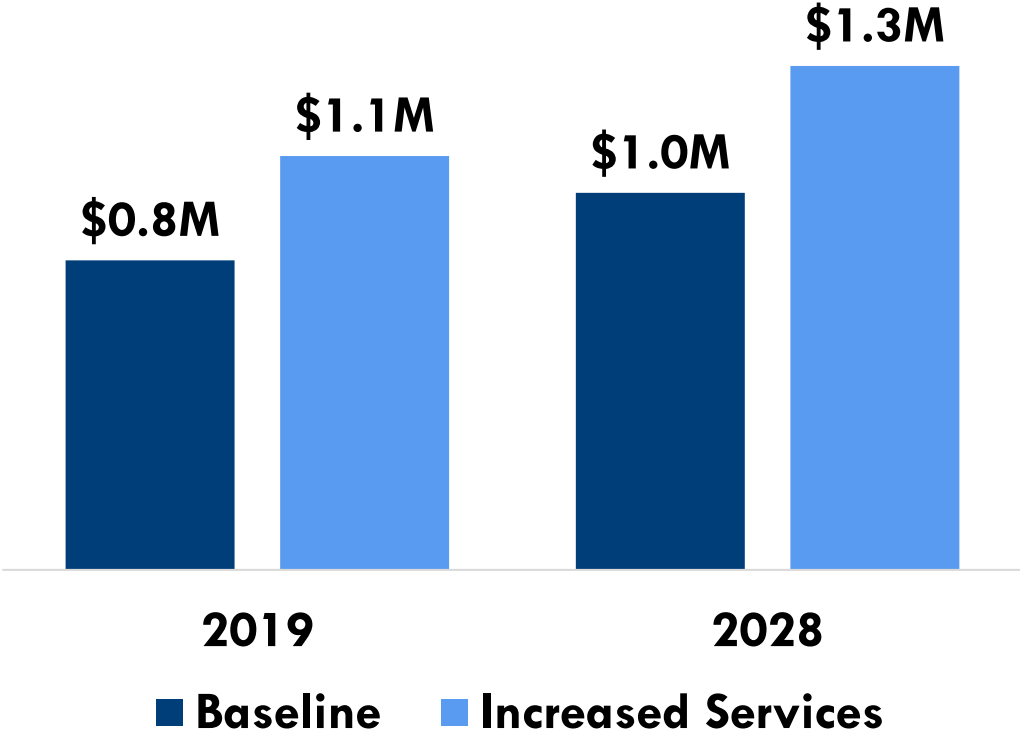
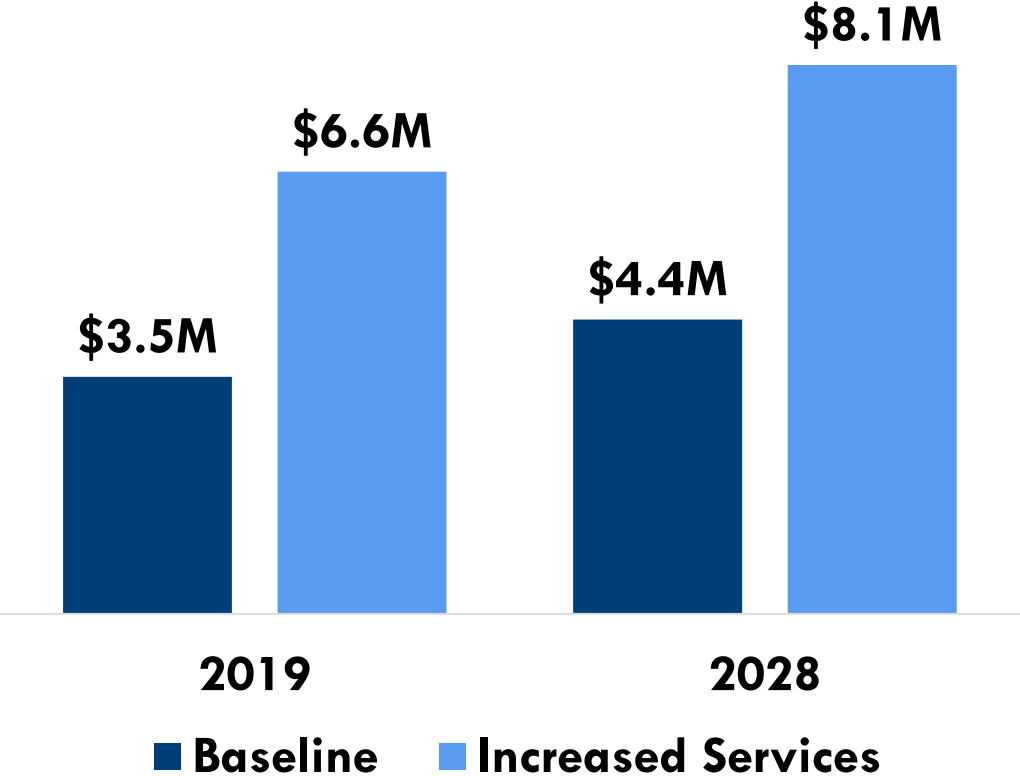


¹ Part 1 Offenses only.
Source: Pennsylvania Uniform Crime Reporting System. Information contained in the report reflects data submitted as of the date of compilation.
*2017 uncleared case data unavailable

Scenario 3. If Wilkinsburg matched Pittsburgh’s metrics, police expenditures would increase by over \$3 million in the first year. Code enforcement expenditures would increase by \$300,000.

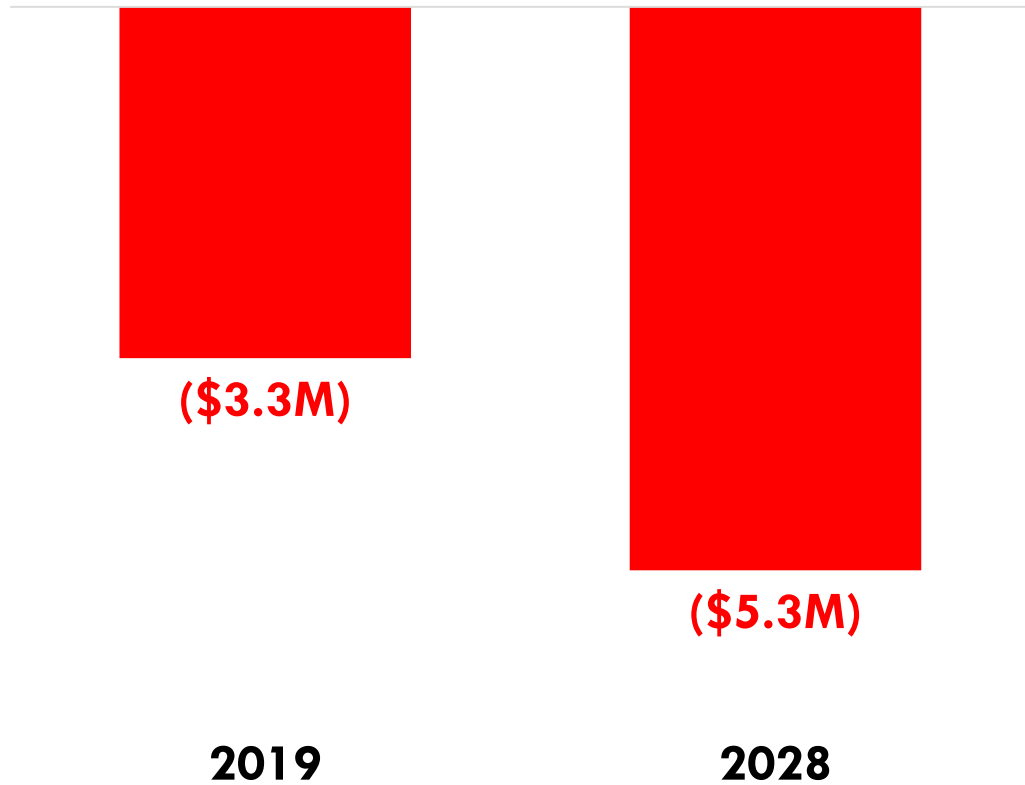
Increase in Police Expenditures

Increase in Code Enforcement Expenditures



Scenario 3. If the Borough were to increase services in 2019, higher **police and code enforcement costs would overwhelm** the 2019 budget. The 2028 projected deficit is **almost 7x** the baseline scenario.

Projected Annual Deficit



9%

Growth in
Total Revenue
(2018-2028)

Modest overall growth, largely **driven by growth in earned income tax** and other revenue sources. Property tax revenue is projected to remain **virtually flat**.

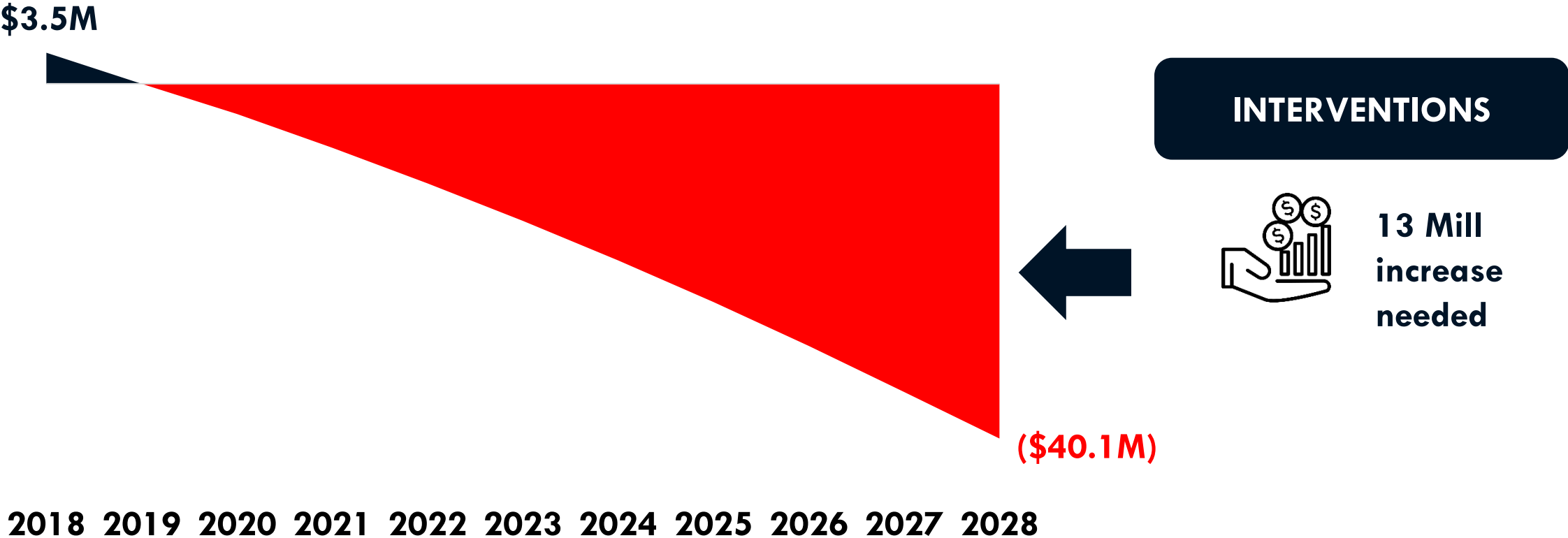
65%

Growth in
Total Expenditures
(2018-2028)

Largely **driven by the significant increase needed to match Pittsburgh's police and code enforcement metrics**.

Scenario 3. Wilkinsburg would need to increase its property tax rate by 13 mills by 2028 to provide Pittsburgh’s level of police and code enforcement service.

Change in General Fund Balance, 2018 - 2028



In all scenarios the **Borough is unable to afford rising expenditures under its current tax structure. To close this deficit, the Borough is faced with tough choices.**

	1. BASELINE	2. WEAKENING ECONOMY	3. INCREASED SERVICES
Required Change in Revenue	Increase property taxes by 2 mills by 2028	Increase property taxes by 5 mills by 2028	Increase property taxes by 13 mills by 2028
Required Change in Expenditures	Cut annual expenditures by \$800,000 by 2028	Cut annual expenditures by \$2.1 million by 2028	N/A: Expenditures increase by \$4 million to provide increased police and code enforcement levels, resulting in a total annual deficit of \$5.4 million in 2028


Financial Projections

Wilkinsburg School District

What potential futures may the School District face over the next 10 years?

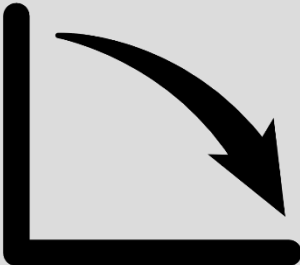
BASELINE

Current trends continue

A thick black icon of an upward-trending arrow with a zigzag path, symbolizing growth or continuation of current trends.

WEAKENING ECONOMY

Broader economic decline

A thick black icon of a downward-trending arrow with a curved path, symbolizing economic decline.

Scenario assumptions

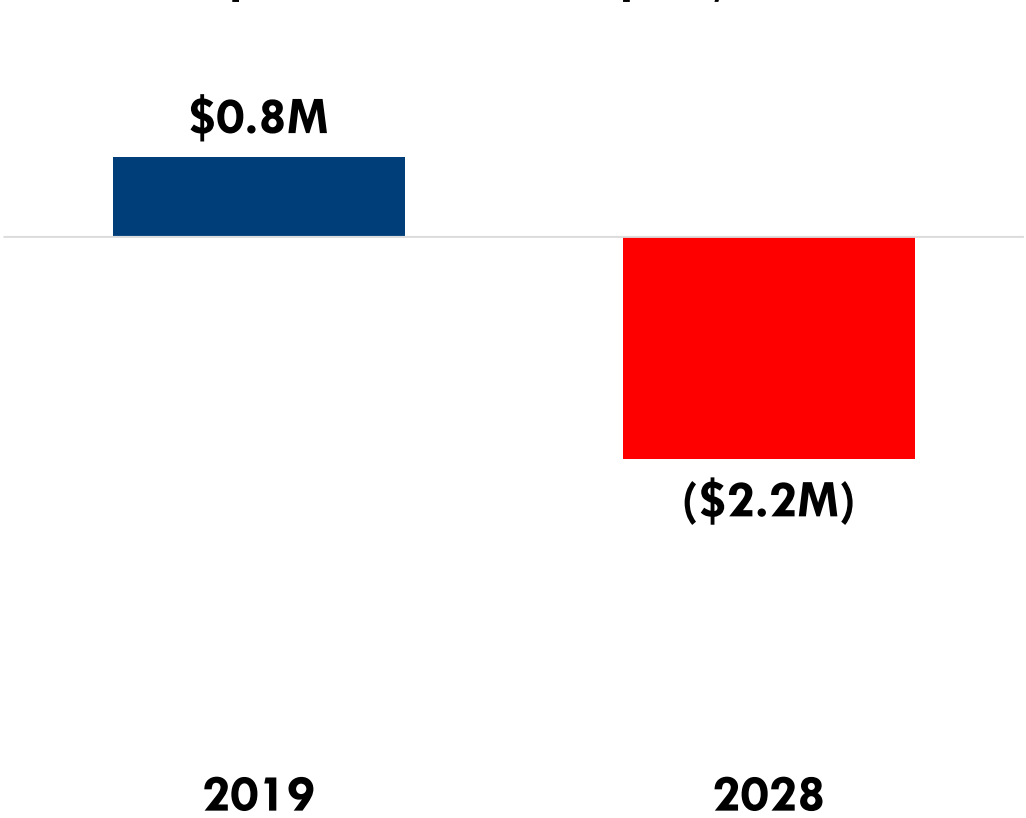
	1. BASELINE	2. WEAKENING ECONOMY
REVENUE	<ul style="list-style-type: none">• Property tax base relatively flat• Earned income tax and other revenue sources grow annually at inflation 2%	<ul style="list-style-type: none">• Property tax base experiences slow decline in line with great recession growth rates• Earned income tax and other tax revenue decline due to their economic sensitivity
EXPENDITURES	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical contract increases• Other expenditures grow annually at 2%	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical contract increases• Other expenditures grow annually at 2%

Scenario 1: Baseline

	1. BASELINE	2. WEAKENING ECONOMY
REVENUE	<ul style="list-style-type: none">• Property tax base relatively flat• Earned income tax and other revenue sources grow annually at inflation 2%	<ul style="list-style-type: none">• Property tax base experiences slow decline in line with great recession growth rates• Earned income tax and other tax revenue decline due to their economic sensitivity
EXPENDITURES	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical contract increases• Other expenditures grow annually at 2%	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical contract increases• Other expenditures grow annually at 2%

Scenario 1. Due to recent improvement, the district is projected to have a **surplus for fiscal 2019**. However, this surplus will **quickly disappear** as expenditure growth outpaces revenue growth.

Projected Annual Surplus/Deficit



12%

Growth in
Total Revenue
(2019-2028)

Largely driven by growth in **state aid and federal funding**. Property tax revenue is projected to remain **virtually flat**.

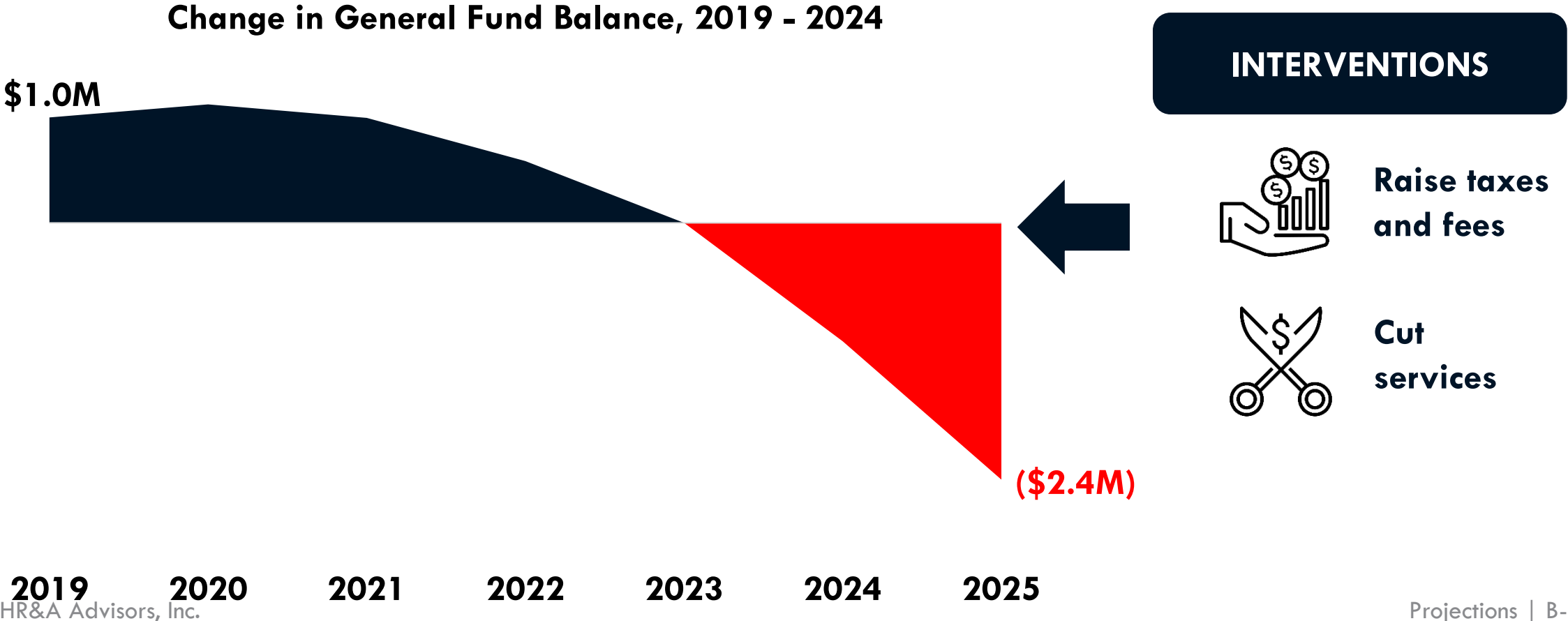
23%

Growth in
Total Expenditures
(2019-2028)

Largely driven by **instructional services**, the district's leading cost driver.

Source: HR&A analysis

Scenario 1: In the baseline scenario, the district's growing deficit would lead to a **negative fund balance by 2023**, forcing the School District to **raise taxes, cut expenditures, or some combination of both**.

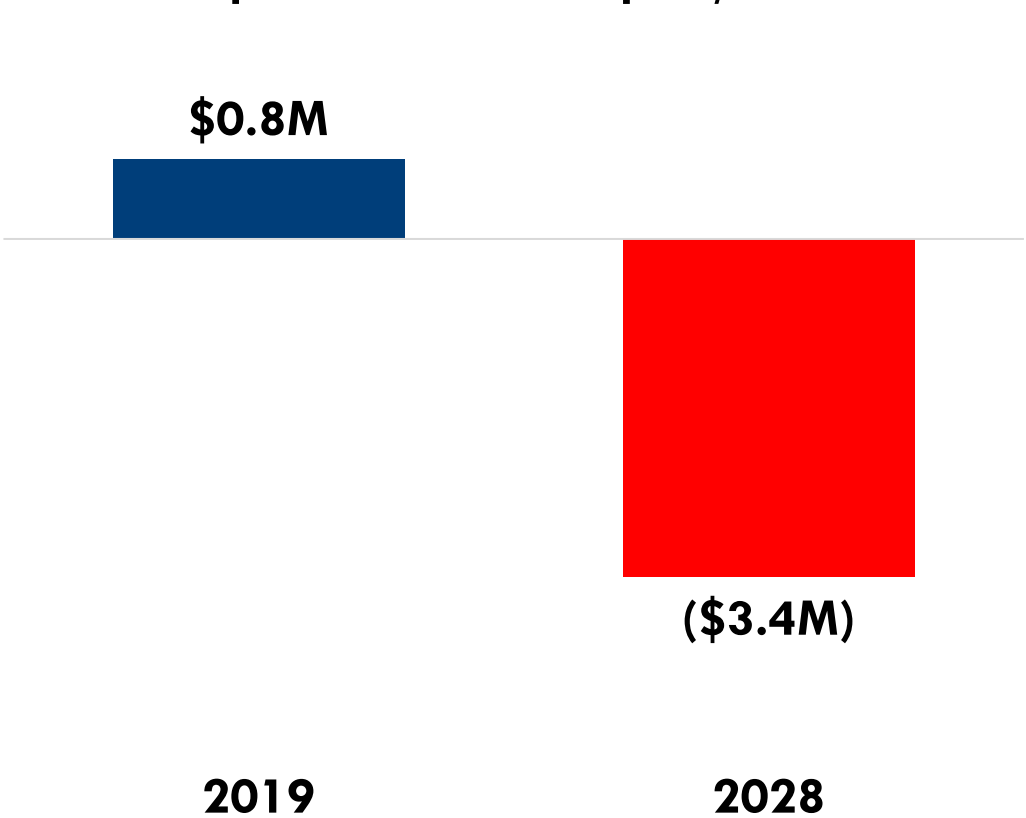


Scenario 2: Weakening Economy

	1. BASELINE	2. WEAKENING ECONOMY
REVENUE	<ul style="list-style-type: none">• Property tax base relatively flat• Earned income tax and other revenue sources grow annually at inflation 2%	<ul style="list-style-type: none">• Property tax base experiences slow decline in line with great recession growth rates• Earned income tax and other tax revenue decline due to their economic sensitivity
EXPENDITURES	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical contract increases• Other expenditures grow annually at 2%	<ul style="list-style-type: none">• Personnel costs grow annually at 2.5%, inline with historical contract increases• Other expenditures grow annually at 2%

Scenario 2. In a weakening economy the School District will experience **slower revenue growth as property and earned income tax revenue decline.**

Projected Annual Surplus/Deficit



9%

Growth in
Total Revenue
(2019-2028)

Slower revenue growth due to **declining property and earned income tax revenue.** State and federal funding continue to grow.

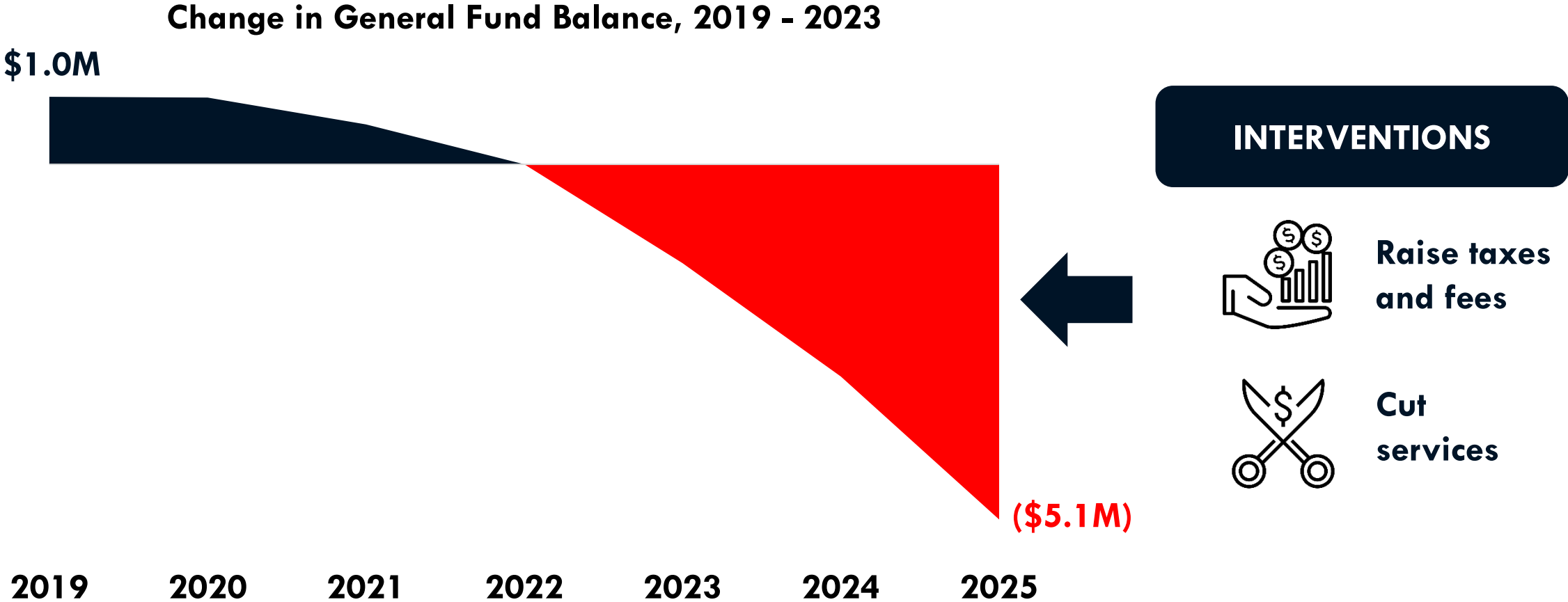
23%

Growth in
Total Expenditures
(2019-2028)

Largely **driven by instructional services,** the district's leading cost driver.

Source: HR&A analysis

Scenario 2. In a weakening economy, this growing deficit would lead to a **negative fund balance by 2022**, forcing the School District to **raise taxes, cut expenditures, or some combination of both** even earlier.



In both scenarios, the district will need to raise property taxes, cut expenditures, or some combination of both.

	1. BASELINE	2. WEAKENING ECONOMY
REVENUE	<p>Increase property taxes by 5 mills by 2028</p> <p>Other Revenue Constraints 55% of district revenue is non-locally controlled (State & federal)</p>	<p>Increase property taxes by 8 mills by 2028</p> <p>Other Revenue Constraints 55% of district revenue is non-locally controlled (State & federal)</p>
EXPENDITURES	<p>Cut annual expenditures by \$2.2 million by 2028</p> <p>Difficult to control certain costs:</p> <ul style="list-style-type: none">• Charter school tuition• Special education costs• Pension contributions	<p>Cut annual expenditures by \$3.4 million by 2028</p> <p>Difficult to control certain costs:</p> <ul style="list-style-type: none">• Charter school tuition• Special education costs• Pension contributions

The **combined** Borough and school district millage increases or expenditure cuts are substantial in each scenario.

	1. BASELINE	2. WEAKENING ECONOMY
REVENUE	<p>Increase Property Taxes 2 mills (Borough) 5 mills (School District)</p> <p>Combined increase of 7 mills by 2028</p>	<p>Increase Property Taxes 5 mills (Borough) 8 mills (School District)</p> <p>Combined increase of 13 mills by 2028</p>
EXPENDITURES	<p>Cut annual expenditures \$800,000 (Borough) \$2.2 million (School District)</p> <p>Combined expenditure cuts of \$3 million by 2028</p>	<p>Cut annual expenditures \$2.1 million (Borough) \$3.4 million (School District)</p> <p>Combined expenditure cuts of \$5.5 million by 2028</p>

Across all scenarios, Wilkinsburg property owners would face significant property tax hikes if both the Borough and School District needed to raise their mill rates to close their annual deficits.

1. BASELINE

Increase Property Taxes
2 mills (Borough)
5 mills (School District)

**Combined increase of 7 mills
by 2028**



+15%

Property tax increase for local
businesses and homeowners
by 2028

2. WEAKENING ECONOMY

Increase Property Taxes
5 mills (Borough)
8 mills (School District)

**Combined increase of 13 mills
by 2028**



+27%

Property tax increase for local
businesses and homeowners
by 2028

3. INCREASED SERVICES

Property Tax Increase
13 mills (Borough)
N/A (School District)

**Total increase of 13 mills
by 2028**



+27%

Property tax increase for local
businesses and homeowners
by 2028