



ALLEGHENY COUNTY ANNUAL REPORT 2011

An Eye Toward The Future

**Prepared by
County Controller Chelsa Wagner
for the Taxpayers of Allegheny County**

► **To the Taxpayers of Allegheny County**

I am pleased to present the 2011 Popular Annual Financial Report (PAFR). This report seeks to offer the citizens of Allegheny County a broad and objective look at the financial state of our County. As you will see, our County has reason for both deep concern and cautious optimism. As the county's top fiscal officer, I am committed to identifying the areas in which we must do better, and to offering actionable solutions for efficient, innovative, and transparent government that continues to provide quality services. My goal is to make the County's finances and operations crystal clear to the public. Both this report and the more in-depth Comprehensive Annual Financial Report (CAFR) are available on my Web site. Efforts are underway to include all contracts executed by the county on the Web, a long overdue hallmark of government transparency.

Our County government faces real fiscal challenges resulting from years of inadequate planning and severe cuts from the state and federal governments, many to mandated services which the County must continue to provide. We must begin to set fiscal priorities with an eye to the future of our region, and to work within the limitations we face by improving efficiency and promoting innovation.

I intend to use the resources of my office to probe County functions both large and small to ensure their effectiveness and efficiency. Since I took office in January, we have launched examinations of the County's property reassessment; Pittsburgh-Allegheny County Thermal, the cooperative providing steam heating and cooling to the County and other public and private customers Downtown, to ensure taxpayers receive the best deal in a shifting energy market; and the first audit of the Community College of Allegheny County in a decade, to make certain that tax dollars designated for this institution from this year's millage increase are utilized wisely.

We have also taken a huge step forward this year toward inter-governmental cooperation and the resulting savings. In January, the City of Pittsburgh joined the County's financial management system, sparing it the multi-million dollar expense of its own state-of-the-art system. This process was finished on time and under budget. Efforts are underway to bring City and County authorities and local governments on to the system, which would result in further savings.

As part of my efforts to educate the public on the County's financial condition and connect County government with solutions devised in the private and non-profit sectors, I have instituted a Community and Government Relations arm of the Controller's office to better interface with taxpayers. Through these efforts, as well as this report and numerous other forums, it is my goal to connect Allegheny County taxpayers with their government like never before. Please do not hesitate to contact my office if we may of any assistance.

Kindest regards,



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The County Budget

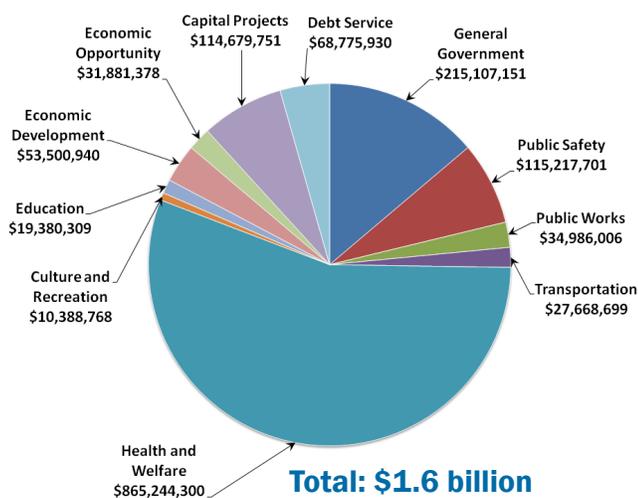
While the charts below and to the right give a summarized view of County revenues and expenditures on a governmental fund basis, only a portion of these funds are under direct control of the County. The County's 2011 Operating Budget (consisting of the General, Liquid Fuel, Debt Service, and Transportation Funds) was \$767.7 million. The County's 2012 Operating budget is \$16.4 million higher. The increase is to cover increased costs or support of the following areas:

- ▶ \$8.6 million to cover Courts costs exceeding budget and grants received;
- ▶ \$2.9 million for Community College of Allegheny County;
- ▶ \$1.6 million for Department of Human Services programs
- ▶ \$1.2 million for debt service; and
- ▶ \$2.1 million for other net increases.

The one mill property tax increase approved in December 2011 is projected to bring in \$53.8 million in 2012. These funds cover the increases above, replace \$8.5 million in cuts to state funding for the County and a \$4 million decrease in federal funding, and set aside \$22 million for refunds on appealed property taxes.

Department	Employees	Spending
Human Services/Kanes	2221	\$852,856,641
Court of Common Pleas	1152	94,641,414
Jail	550	55,874,635
Economic Development	83	50,969,349
Health	356	41,842,173
Public Works	419	36,065,908
Emergency Management	277	34,960,525
Administrative Services	280	25,733,619
County Police	258	24,867,699
Sheriff	189	16,608,465
District Attorney	205	16,028,899
Court Records	146	9,393,279
Medical Examiner	95	8,780,753
Parks	122	8,469,717
Public Defender	125	8,352,633
Controller	94	6,622,087
Treasurer	79	5,909,579
Real Estate	58	3,740,355
Law Department	54	2,341,528
Human Resources	17	1,328,637
County Manager	15	929,101
County Council	19	770,852
Budget & Finance	6	744,336
MBE/WBE/DBE	6	455,607
Executive Office	3	359,390
Cooperative Extension	2	291,791

2011 Expenditures



2011 Revenues



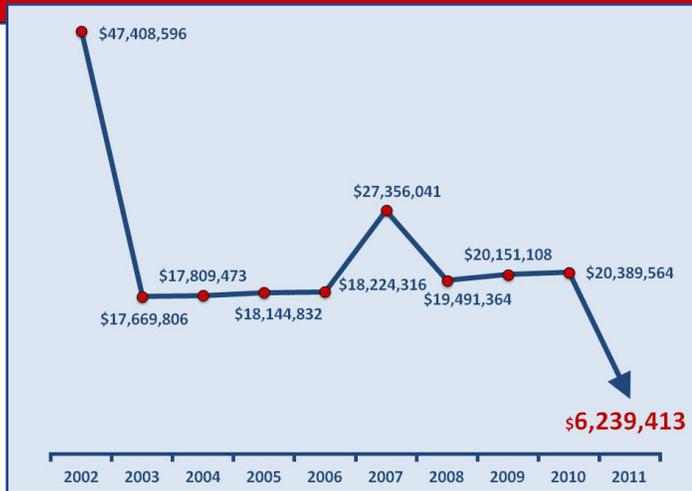
The summary financial information within this report pertains to the County's Governmental Funds maintained on the modified accrual basis of accounting. It does not include component units of the County or note disclosures. This report is consistent with GAAP, but is not intended to be a complete financial statement of the County of Allegheny. Download the full, audited 2011 Comprehensive Annual Financial Report at: http://www.alleghenycounty.us/uploadedFiles/CONTROL/2011CAFR_Internet.pdf



Fiscal Concern

In February 2011, Standard & Poor's and Moody's Investor Service revised the outlook on the County's general obligation debt to negative from stable, citing the County's lack of adequate fund balance, reliance on one-time measures, and looming uncertainty over state reimbursements.

INADEQUATE FUND BALANCE



Despite cautions from parties inside and outside County government against the practice, the County continued to utilize one-time, non-recurring, or unbudgeted areas of funding as sources for expenditures in 2011.

A drastic decrease in the General Fund Balance stands as one of the most pressing financial issues the County faced in 2011. Rating agencies recommend maintaining a fund balance of at least \$35 million, but at the conclusion of 2011, only \$6.2 million remained, down from \$20.4 million the County held in 2010. To put this figure in further perspective, in 2002 Allegheny County touted a fund balance of \$47.4 million. Yet now, the County general fund balance is lower than that of many public school districts.

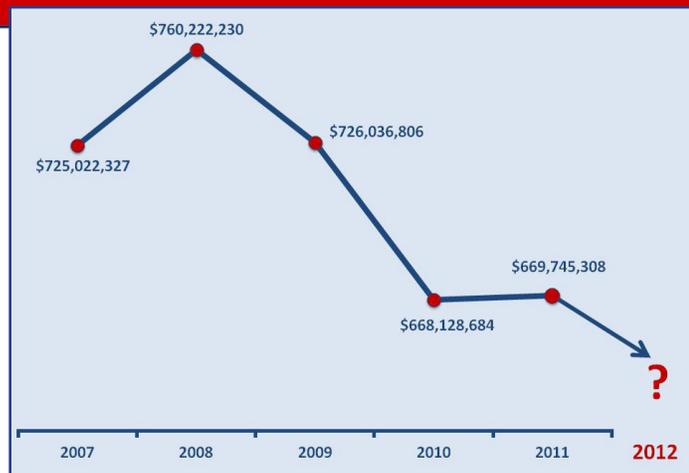
ONE-TIME BUDGET FIXES

2011 Total: \$45.6 million

including:

- \$17 million from PennDOT Reimbursements
- \$6 million from Tax Receivable Sale
- \$5 million from Hotel Tax used for Parks
- \$5 million from Drink & Car Rental Tax Revenue
- \$4.5 million from C-68 bond issue proceeds
- \$3.8 million from cuts to Community College
- \$3 million from Redevelopment Authority
- \$1.3 million from PEMA grant for County Police

DECREASING STATE SUPPORT



Although in the County's governmental funds as a whole state funding increased slightly, the County's general, operating, fund, saw a decrease in funding from the Commonwealth of PA of \$7.5 million. This was coupled with a more than \$4 million decrease from the federal government. In February 2012, Governor Corbett announced his budget proposal, which imposes further burdens on urban-centered municipalities such as Allegheny County. Among the cuts are a 20% decrease in state funding for county-level human services programs and a 3.8% cut in community college funding.



The New Census

The 2010 U.S. Census, released in 2011, showed the decline in Allegheny County's population slowing. While the County lost some 58,318 residents in the last decade, year-by-year estimates suggest the decline stalled in 2008, as it is estimated the County gained 850 residents in 2009 and another 4,000 in 2010. Overall population fell to 1,223,348 residents in 2010, a 4.6% decline from 1,281,666 in 2000. The county lags behind the entire Commonwealth, which grew 3.4% in the same timeframe.



The 2010 Census included a detailed demographic survey of the County. Allegheny County is now more diverse with a 12.5% increase in minorities residing in the county. The Hispanic population grew by 71% from 11,166 to 19,070 residents, representing 1.6% of total population. The African-American population also increased over the decade to 161,861, representing a 1.8% increase in overall share of the County's population to 13.3%. The County's population is 52.1% female and 47.9% male. The Census reported the median age in Allegheny County to be 41.3 years. Overall, the population of Allegheny County residents under the age of 18 declined by more than 14% over the decade.

A troubling statistic is that a total of 8.7% of families (representing 12.6% of all persons) lived in poverty. Even more concerning is the racial disparity of poverty, with 37.9% of African-Americans versus 9.2% of white residents mired in poverty. Furthermore, the Census Bureau estimates that 40.3% of all African-American Pittsburghers live in poverty, compared to 15.4% of whites in the City.

Both nationally and in Western Pennsylvania, 70% of those in poverty are single mothers and children. In reaction to the hard economic times, governments chose to create infrastructure-related jobs, while making historic cuts in the social sector. As a result, 90% of the jobs created in the year prior to March 2011 went to men, and nearly 80% of the jobs cut in between July 2009 and February 2011 were held by women. In addition, income inequality for women continues to exist in both Pittsburgh and the nation, where women make 75 cents and 81 cents on the dollar, respectively. In 2011, although women represented a majority of the population, only 14% of the boards of the top 50 publicly traded companies based in Pittsburgh had female members.

It is incumbent upon our County government, in concert with federal, local, state and private resources, to close these racial and gender gaps, particularly since these populations are the ones who will be most detrimentally affected by looming cuts to health and human services, public transportation and education. Failure to address these disparities adversely affects the performance and standard of living for our region as a whole.

Statistic	Allegheny Co.	Pennsylvania
Total Population	1,223,348	12,702,379
Under 18	19.8%	22%
Over 65	16.8%	15.4%
Median Age	41.3	40.1
Education Level		
High School	91.2%	86.9%
Bachelor's	33.5%	26%
Demographics		
African American	13.2%	10.8%
Asian	2.8%	2.7%
Hispanic or Latino	1.6%	5.7%
Veterans	11%	10.8%
Poverty Rate	12.6%	12.1%
Median Income		
Family	\$63,714	\$62,250
Male	\$48,080	\$46,465
Female	\$36,149	\$34,796

Poverty rate, Pittsburgh-area, 2000	10.8%
Families in Poverty, 2010	8.7%
Persons in Poverty, 2010	12.6%
White Residents in Poverty, 2010	9.2%
Black Residents in Poverty, 2010	37.9%



Economic Condition

Despite the significant structural and financial barriers to long-term financial stability for County Government, the County and the Region continued to outpace much of the nation. The County saw gradual recovery from the Great Recession as many sectors of the economy enjoyed growth and new opportunities.

Allegheny County's unemployment rate at the end of 2011 stood at 7.1%, lower than the Pennsylvania rate of 8.3% and the national average of 8.8%. In April 2011, the U.S. Bureau of Economic Analysis recognized Allegheny County as Pennsylvania's highest earning county with a total personal income level 4.5% higher than Philadelphia County, the next highest earner. Further signifying an economic recovery and burgeoning consumer confidence, home sales in Allegheny County rose 16% in 2011.

Strengthening Our Urban Core

Economic development, particularly in Downtown Pittsburgh and in the reclamation of former brownfield sites, saw steady gains from prior years. As an example, developers transformed the former State Office Building into a 218-unit apartment complex, where full occupancy is expected by the Fall of 2012. In the next few years, visitors to Downtown Pittsburgh can expect to see a complete renewal of Mellon Square; the construction of PNC's new skyscraper headquarters (right); a transformation of the former Civic Arena site; Millcraft Industries' The Gardens at Market Square, which will feature new hotel rooms, office space, retail shops, and parking; and the completion and expansion of Point Park University's Academic Village.



Creating a strong, viable urban core of housing and shopping in Downtown Pittsburgh will remain a challenge in the coming year, as highlighted most recently by the departure of Saks Fifth Avenue, an anchor retailer. However, the Downtown office vacancy rate did fall to 15.6%, including a Class A vacancy rate of 13.4%.

Attracting New Visitors

More tourists flocked to the County in 2011, with 14% more convention bookings than 2010. Downtown Pittsburgh's hotel occupancy rate stood at its highest in 21 years, besting the national average of 60%. Total sold hotel room nights were up 10,000 from 2010, a 10% increase.



Another source of new visitor attraction was again the Pittsburgh Marathon, which in its third year since revival, attracted nearly 22,000 participants in five different events. The 2011 Marathon also brought a new course for runners taking them through 13 neighborhoods, and over five bridges and three rivers.

Top 10 Groups Hosted in 2011

(by estimated direct spending)

1. National Rifle Association - \$23.8 million
2. NHL Winter Classic - \$22 million
3. Mennonite Church USA - \$9.7 million
4. National Veterans Wheelchair Games - \$7.4 mil.
5. American Society for Quality - \$6.1 million
6. Anthrocon - \$5.7 million
7. Women of Faith - \$5.6 million
8. Longwall USA - \$5.2 million
9. East Coast Volleyball - \$4.6 million
10. International Parking Institute - \$3.9 million

Source: VisitPittsburgh





Creating New Opportunities

The Allegheny County Department of Economic Development continued efforts to develop residential, commercial, and brownfield sites. The Summerset at Frick, an industrial brownfield site, expects to add 116 for-sale homes in the near future. Development also continues at the former 28-acre Edgewater Steel mill on the riverfront in Oakmont, which will contain 240 homes and a riverfront park. A brownfield site of more than 300 acres in South Fayette will include a major retail center, a hotel, office space, and more than 50 homes, many of which have already been sold. The large commercial brownfield developments include continued work at the ALMONO site in the Pittsburgh neighborhood of Hazelwood, a former J&L Steel site; the Carrie Furnace site that borders the communities of Munhall, Rankin, Swissvale, Whitaker, and Pittsburgh; and the Industrial Center of McKeesport, the 133-acre site of the former U.S. Steel National Tube Works.



Housing Market Improvement

The Region's housing market showed positive growth in 2011 compared to the rest of the nation. The total dollar volume jumped 13% in the Region to \$279.3 million in 2011 from the previous year. The Region saw the average home price also grow by 2% to \$154,924. Home sales in Allegheny County grew 16% in 2011, the best in the Region, as the real estate market continues to outpace the nation across the board.

2011 Employer Rankings

Largest Principal Employers

1. University of Pittsburgh Medical Center	38,700
2. United States Government	18,570
3. Commonwealth of Pennsylvania	13,610
4. University of Pittsburgh	12,215
5. Giant Eagle, Inc.	11,087
6. West Penn Allegheny Health System	9,981
7. Bank of New York Mellon	7,550
8. Allegheny County	7,032
9. Westinghouse Electric Company	6,000
10. Highmark, Inc.	5,266
11. U.S. Steel Corporation	4,700
12. Carnegie Mellon University	4,602
13. Pittsburgh School District	4,595
14. United Parcel Service	4,562
15. Eat 'n Park Hospitality Group	4,425
16. Excelsa Health	3,845
17. Verizon Communications	3,750
18. Heritage Valley Health System	3,528
19. Consol Energy	3,503
20. City of Pittsburgh	3,209
21. Allegheny Technologies	3,000
22. FedEx Ground	2,938
23. Bayer Corp	2,700
24. Port Authority of Allegheny County	2,658
25. CVS Caremark	2,600

Largest Minority-Owned Companies

1. Rice Enterprises LLC	956
2. Pennsylvania Transformer Technology Inc	300
3. Wyndham Grand Pittsburgh Downtown	241
4. Aquatech International Corp	233
5. The Emyrean Group	218
6. Chester Engineers	215
7. Moriarty Consultants	170
8. Computer Enterprises Inc (CEI)	167
9. Urban Lending Solutions	150
10. Home Healthcare & Staffing Services	120

Largest Women-Owned Companies

1. W.L. Roenigk, Inc	895
2. Nemaocolin Woodlands Resort	850
3. AM-GARDInc.	650
4. 84 Lumber, Inc	515
5. Gentile and Associates	494
6. Day Automotive Group	388
7. Golden Triangle Construction	300
8. DiCenzo Personnel Specialists	250
9. McGinnis Sisters Special Food Store	230
10. p.r.n. Health Service Inc.	210

Source: Pittsburgh Business Times 2012 Book of Lists (Ranked by number of local employees in Pittsburgh-Area)





Port Authority

The past year proved to be another difficult one for the Port Authority of Allegheny County. In January 2011, the Authority's Board of Directors imposed a 15% service reduction which included deep cuts on many routes, consolidation of others, and the elimination of 260 jobs.

Later in 2011, the Port Authority approved a \$370.2 million operating budget that did not include any additional cuts to service or staff. The budget included using most of the Authority's \$40 million in reserve funds. Additionally, the Authority approved a \$182.9 million capital improvement budget for 2011-12 and \$149.2 million for 2012-13.

The service cuts were less drastic than initially expected because the state provided \$45 million in stop-gap funding. The Port Authority predicted that this cash infusion would only carry it through June 30, 2012. As 2011 ended, no long-term solution for the state's transportation funding gap had been approved. Accordingly, the Authority has proposed even more drastic cuts and reductions to take effect in September 2012 in the absence of state or other intervention. Moreover, the Authority has been forced to raise fares to levels higher than those charged by comparable public transit systems elsewhere.



Legacy costs—salaries and benefits for retirees—continue to plague the Authority, as the agency now has more retirees than active employees. Pension costs were \$23.8 million in fiscal year ended June 30, 2011, and are projected to nearly double to \$42 million in 2014. Retiree health benefits for the year were \$67.8 million.

Public Transit Ridership

Selected U.S. Cities

Rank	City	% transit riders
7	Philadelphia	27.19%
15	Seattle	18.19%
16	Pittsburgh	18.03%
17	Baltimore	17.64%
20	Minneapolis	15.18%
28	Portland	12.07%
40	Cleveland	9.84%

Even with reductions and cuts, demand for the Port Authority buses and 'T' rail lines remains steady. Public transit usage in the County is higher than many similar areas across the country, including Cleveland, Detroit, and Indianapolis. Of the estimated 126,000 workers commuting to Downtown Pittsburgh each day, almost 54% use the Port Authority or other public transit. Port Authority ridership increased 6.2 percent in the first quarter of 2012 over the same period in 2011 according to the American Public Transportation Association, better than the 5 percent increase seen nationally.

The failure to find a solution to the Port Authority's problems affects the entire Region, including its businesses and commuters who are not transit riders, who will find increased traffic congestion, travel times and gridlock on all routes. To be a vital urban region we must solve the Port Authority's funding gap. It is imperative that this issue become one of high priority for County officials and all stakeholders so that Allegheny County can craft a self-sufficient solution and end its unjustified reliance on outside help that has failed to arrive over several decades.



In total, Pittsburgh International Airport’s scheduled passenger aircraft traffic increased by 1.3% in 2011, with a total of 8.3 million scheduled passengers traveling at the airport. While the airport did see this increase in traffic in 2011, the level pales in stark comparison to the facility’s 30 million – 40 million passenger estimated capacity and the 21 million passengers at its height in the late 1990s.

This represents the gross underutilization of an extremely valuable asset constructed at significant taxpayer expense. One of the chief challenges for our Region moving forward is to transform the Airport back into its intended role as a regional economic generator.

Last year marked the second consecutive year-over-year increase in passenger traffic. For only the second time in history, three airlines – US Airways, Southwest, and Delta – have flown more than 1 million passengers each in and out of Pittsburgh International. Seven airlines – Southwest, Delta, Continental, JetBlue, Air Canada, Myrtle Beach Direct, and USA 3000 – reported increases in traffic.

The Airport continues its slow recovery from the unexpected departure of US Airways, which left a gaping void in the revenues generated by the Airport and in the services it could offer. In 2012, the Airport will reduce fees by 3.5% and continue to attract new airlines, such as PeoplExpress, by offering incentives for signatory airlines. The Airport Authority also plans for costs to drop significantly by 2018, when the midfield terminal construction will be paid off.

2011 Passenger Traffic		
Selected North American Airports		
Rank	Airport	Passengers
1	Atlanta	92.4 million
2	Chicago O’Hare	66.7 million
6	New York JFK	47.7 million
11	Charlotte	39.0 million
14	Newark	33.7 million
16	Minneapolis	33.1 million
24	Balt-Washington	22.4 million
41	Cleveland	9.2 million
42	Raleigh-Durham	9.2 million
49	Pittsburgh	8.3 million

However, this past year brought concerns about the plans of existing airlines, particularly Southwest, which announced it was ending popular routes in 2012 including direct service between Pittsburgh and Philadelphia. Additionally, seven-day direct service by Delta to Paris was suspended in October 2011. Pittsburgh-to-Paris returned with four flights per week in March 2012, and will expand to five weekly flights for part of the summer before another suspension in October. This is first year the service will not be subsidized by the Allegheny Conference on Community Development, so future availability could well be determined by its performance this summer.

Most Affordable U.S. Airports		
Selected Airports		
Rank	Airport	Avg. Airfare
1	Long Beach, CA	\$223
2	Burbank, CA	\$223
3	Milwaukee	\$273
4	Lehigh Valley	\$280
12	Rochester, NY	\$318
14	Akron-Canton	\$326
21	Pittsburgh	\$338
32	Buffalo	\$366
63	Cleveland	\$414

Expanding the flight options offered by the Airport is absolutely critical to the County’s ability to attract investment and create jobs. Focus on obtaining direct flights to U.S. cities and international destinations should be of the utmost importance. For instance, local, state and federal officials, in collaboration with the Airport and its stakeholders must continue efforts to redirect flights from congested eastern airports (such as Newark and Philadelphia) to Pittsburgh, which has the capacity and the under-utilized, world-class infrastructure that airlines desire. The Airport should be the economic jewel of our Region. Now is the time for its potential to be realized.



County Controller Chelsa Wagner is dedicated to increasing the vigilance of average citizens towards County government by increasing accessibility and transparency. Here are some of the ways that you can connect with the Allegheny County Controller's Office:

Contact the Office

104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

Phone: 412-350-4660
Fax: 412-350-3006
controller@alleghenycounty.us

On The Web

The Controller has made significant improvements to the office's website, which you can visit at:

alleghenycounty.us/control

Social Media



[@AC_Controller](https://twitter.com/AC_Controller)



[facebook.com/
AlleghenyController](https://facebook.com/AlleghenyController)

REPORT FRAUD, WASTE, AND ABUSE

If you see something that you think is not right in a County Department or Entity, call the County Controller's Taxpayer Hotline to report any fraud, waste or abuse.

412-350-4300



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