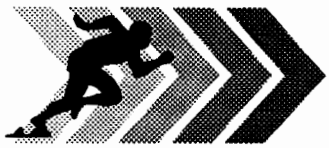
COMPETITIVE PITTSBURGH

Establishing a Culture of Excellence

Recommendations of the Competitive Pittsburgh Task Force

Competitive Pittsburgh Task Force
October 1996



Establishing a Culture of Excellence

The Competitive Pittsburgh Task Force

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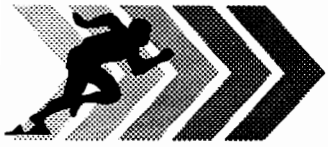


Introduction

A City of Excellence

The City of Pittsburgh must be governed by a culture of excellence. This City can be the best place in the world to live, work, and do business. Pittsburgh can set the standard for competitive service delivery to residents, visitors and businesses through a constant drive for excellence. The City and its employees must continually strive to do better. Second best is not enough. Excellence must be a habit.

The residents and taxpayers in the City deserve excellence in City government. The City must be able to provide quality services at the lowest practical cost. City resources must be used to meet the needs of the residents, visitors and businesses in the City.

The southwestern Pennsylvania region deserves excellence in City government. The health of the City of Pittsburgh is vital to the economic competitiveness of the region. The region depends on the City of Pittsburgh as a business and cultural center to grow new and existing businesses, to attract tourists and visitors, and to provide our residents with high quality service. The region has to meet these goals in a climate of increasing competition with other regions across the United States and throughout the world.

Excellence can only be created in partnership with employees, other governmental entities, community groups, businesses, nonprofit organizations, civic agencies, organized labor, and, above all, the residents of the City. There are a few simple rules that this partnership must follow to create a culture of excellence.

- The City must focus on essential functions. The City cannot waste resources on activities that are better done by others.
- The City must focus on the competitive delivery of services. The performance standards must be the best practices in government and private industry.
- The City must involve employees as members of Labor-Management Problem Solving Teams to foster continued improvements. There is a community of interest among City employees regardless of job responsibility.
- City management must recognize the interests of its employees, seek their assistance, and avoid layoffs wherever possible.

- The City work force must recognize that their jobs are dependent on the creation of a world class city.

The residents of the City and of the region should expect nothing less.

City government is not working alone in the creation of a world class city. Initiatives are underway to give the Pittsburgh region a more competitive advantage in the global economy. The Committee to Prepare Allegheny County for the 21st Century (ComPAC 21) recognized the competitive nature of today's society and the changes in county government that are necessary for it to remain on the cutting edge. The Strategic Investment Partnership is building on the southwestern Pennsylvania region's economic strengths through specific development projects. The newly formed Pittsburgh Regional Alliance is creating a unified regional international marketing plan and a regional business retention strategy. And the Pittsburgh Downtown Partnership and new Business Improvement District are providing a new focus on the Golden Triangle.

The City, itself, has embarked on a long-term program of attracting new development, making street and sidewalk improvements, improving public safety programs, and working with others to keep the downtown strong. Transportation and Cultural District projects are also being pursued.

Our region faces stiff competition from around the country and around the world. Many regions have stepped up to the challenge and taken measures to become more competitive. In their efforts, these governments look to private sector businesses for advice and expertise in streamlining their operations. Competitive Pittsburgh is no exception.

The Mayor charged the Competitive Pittsburgh Task Force with the job of attacking the City's structural deficit. Simply put, the City's scope of operation and expenses exceed the City's ability to generate revenue. In 1997 there is a $39 million problem. If it fails to reduce the cost of services, the City will soon face the day when it cannot meet its financial obligations with its available resources.

The City must do more. It must create a culture of excellence that carries beyond the implementation of the recommendations in this report. Within a culture of excellence, the City will function more efficiently, residents will receive quality, cost-effective services, and the region will benefit from a healthier core city.

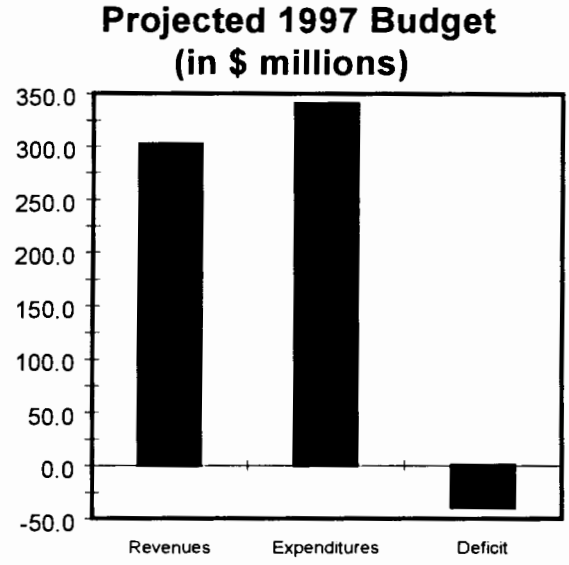
The Competitive Pittsburgh Process

The Problem

The City of Pittsburgh is faced with long-term fiscal problems as a result of the increasing demand and cost of public services and limited revenue sources. Specifically, the 1997 problem is a structural deficit of approximately $39 million. Faced with the prospect of not meeting its payroll obligations as early as September of 1997, the City had to identify additional revenue sources and limit expenditures.

The City has had some success in identifying new ongoing revenue sources, such as the Allegheny Regional Asset District distributions, and some one-time sources, such as the sale of water department assets to the Pittsburgh Water and Sewer Authority.

The City has also reduced expenditures by privatizing the Zoo, Aviary, Conservatory and Schenley Park Golf Course. More needs to be done.



The Options

Many cities across the country have begun to identify competitive ways in which municipal services can be provided. The approaches cover a continuum from simple intergovernmental cooperation and re-engineering to contracting out and outright privatization. The goal of these efforts is to bring market discipline into government service provision. Examples of this include:

- Cooperating with other municipal or county governments to eliminate duplicate services or provide services jointly. This has been done to some extent through the City of Pittsburgh/County of Allegheny Cooperative Services Program.
- Re-engineering services to eliminate inefficiencies.
- Establishing performance standards for services and eliminating the costs that are not needed to achieve these standards. This approach has been taken in the past with fire suppression services.
- Competitively bidding the management of services with clearly specified performance standards.

- Competitively bidding out or purchasing services from the private sector. In western Pennsylvania, this is regularly done with waste collection and recycling services at the municipal level, and with social services at the county level. It can only be done in negotiation with the appropriate bargaining units. In some instances, employees and management can bid, retaining the provision of services in-house.

- Turning over services to the private or nonprofit sector. The continued provision of the services will depend on good bottom line management. This has been done in Pittsburgh with the Zoo, Aviary, Conservatory and Golf Course.

There is no single best approach. Each one of these approaches has been used by local governments to provide market discipline in the provision of services.

The Strategy

Mayor Tom Murphy introduced the Competitive Pittsburgh initiative to make the City of Pittsburgh more competitive in the global marketplace of regions; to reduce the cost of City services by introducing market competition in service delivery; and to introduce strategies that will bring short-term savings for inclusion in the 1997 budget. The process is also expected to produce long-term cost reductions.

> ***"The Task Force is a public-private effort that has been brought together ... to address the effective delivery of government services and to build a better city for all of us."***
>
> ***— Mayor Tom Murphy***

In order to meet these goals, the Mayor appointed a public-private task force to examine City functions and services, identify opportunities for cost saving through the introduction of market discipline, and develop strategies for increased competitiveness and cost savings. The project is funded by the City with the approval of City Council, and by private grants received through the Allegheny Conference on Community Development. The Competitive Pittsburgh Task Force included representation from the private and civic sectors, City Council, City management and organized labor.

Chaired by Paul H. O'Neill, Chairman and Chief Executive Officer of Alcoa, and staffed by the Pennsylvania Economy League, the task force met regularly over a six-month period to examine current City practices and review best practices in other cities throughout the nation. Individual task force members and City staff, as well as local experts and other representatives from the business and civic communities, offered additional time and talents to conduct a more in-depth exploration. League staff developed information on national standards, performance measures and best practices in other cities and private industry across the country.

The Task Force received the cooperation and participation of City management throughout the process.

Benchmarking

The Competitive Pittsburgh process included benchmarking service delivery in other cities across the country. Initial comparisons were made with eight cities that have reputations of being well managed, that are similar in size to Pittsburgh, and that are center cities with metropolitan areas. These cities are Charlotte, Cincinnati, Indianapolis, Lexington, Minneapolis, Nashville, Portland, OR, and Seattle. This material was supplemented with survey results from the International City/County Management Association, the Federal Department of Justice, the Reason Foundation, and other sources. In addition, experts from private industry were brought in to provide private sector comparisons and to help address issues of the City's competitiveness in areas such as fleet management, building use and maintenance, and waste management. The League has also contacted more than a dozen cities to collect more detailed information on how Pittsburgh compares.

> ***"As a Pittsburgh resident, I know that this is a great city to live and work in. It is the heart of a region that is trying hard to compete in a global economy. But the deficit has to be addressed for the City's continued health and future growth."***
>
> ***— Paul O'Neill***
> ***Chairman and CEO, Alcoa***

The Results

Because of the complexity of the issues and the potential impact of the recommendations on diverse groups and interests in the City, individual members of the Competitive Pittsburgh Task Force have not endorsed each one of these recommendations. This report as a whole, however, presents the issues that the City must address and an overall plan to maintain the City's financial strength. It is this comprehensive plan which is endorsed by the entire Task Force.

Task Force members focused their efforts on the functions that comprise a major portion of the budget in the areas of Public Works, Public Safety and the Department of General Services. Following the review of more than 30 City services and functions for opportunities to increase the City's competitiveness and/or reduce costs, the Task Force produced 79 recommendations. The Task Force endorsed these initiatives for inclusion in the City's 1997 budget process. Full implementation of these recommendations would result in savings of $39 to $45 million (shown in table below). These savings are detailed in the respective sections of this report.

The short-term savings shown are opportunities that can be implemented immediately and be included in the City's 1997 budget. If the City and its partners, including Allegheny County and the Pittsburgh Board of Public Education, engage in cooperative initiatives,

such as the joint bid of asphalt or the shared cost of crossing guards, there may be additional savings in the short term.

Long-term savings represent conservative calculations for savings in 1998 and beyond. These opportunities can be implemented after the City has worked through relevant issues with its partners such as the County, the school district and labor unions.

The low and high ranges listed are calculations based on assumptions of the degree of implementation of individual recommendations.

Finally, there is the pension problem. The City's pension plans are woefully underfunded. There are a number of problems that threaten the viability of the pension plans. To restore the assets in the plans and eliminate the unfunded liabilities that exceed $500 million, the City has committed itself to making ever increasing payments. The annual payment could exceed $100 million within 30 years. This is approximately five times the current payment of $22 million per year.

The pension problem is a ticking time bomb. The City must address this problem or endanger the future financial stability of the City.

Implementation

The recommendations in this report are items for action. These actions require endorsement by the Mayor and the City Council. Many actions can be implemented through the budget process. Others will require special action by the Mayor and Council, involving cooperation and negotiation with other entities.

The successful implementation of these recommendations will require the involvement of employees in Labor-Management Problem Solving Teams. Without the involvement of the employees who are responsible for the day-to-day operation of the City, the City will never create the culture of excellence needed to carry it forward.

The successful implementation of these recommendations will also require the involvement of the City's partners. There are stakeholders in the community that have a vital interest in each one of the recommendations. These stakeholders include neighborhood and community groups, state and local officials, legislators, civic and nonprofit organizations, businesses, organized labor, and the residents of the City of Pittsburgh.

Competitive Pittsburgh Task Force members will take the lead in recruiting firms to provide additional pro bono professional assistance to the City. Pittsburgh's private sector has a depth of experience and expertise that can move the implementation forward. The private leadership of the City stands ready to assist the Mayor and the City Council in the implementation of the recommendations in this report. Some firms have already offered their assistance.

The implementation of these recommendations, with the involvement of the labor-management problem solving teams and the City's other partners, will undoubtedly yield additional opportunities for improvement. To be effective this process must be ongoing.

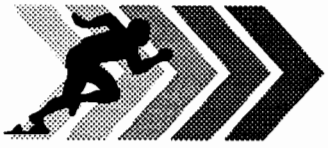
City government is responsible to the community. The residents and taxpayers in the City of Pittsburgh are entitled to quarterly progress reports on the status of these recommendations and the creation of a culture of excellence.

Identified Annual Savings From the Implementation of Competitive Pittsburgh Recommendations

Competitiveness Area	Short Term Low	Short Term High	Long Term Low	Long Term High
City/County Cooperation	—	—	$ 2,000,000	$ 2,000,000
Solid Waste Collection				
Rerouting	$ 790,000	$ 790,000	790,000	790,000
Bulk Collection	—	—	335,000	670,000
Commercial Fee*	—	—	—	—
Residential Fee	12,290,000	12,290,000	12,290,000	12,290,000
Public Works				
Joint Bid for Asphalt	—	—	100,000	200,000
Animal Control	—	—	100,000	200,000
Salt Boxes	265,000	265,000	265,000	265,000
Other Initiatives	—	—	—	—
Emergency Medical Service	3,000,000	3,000,000	6,000,000	9,000,000
Fire Protection Services	8,000,000	8,000,000	8,000,000	8,000,000
Police Services				
Premium Pay	500,000	500,000	500,000	500,000
Crossing Guards	—	—	1,000,000	1,000,000
Building Use and Maintenance	—	—	208,000	208,000
Cable Bureau	—	—	1,000,000	1,000,000
Copying/Printing/Graphic Services	500,000	500,000	500,000	500,000
Energy Management	—	—	1,000,000	1,000,000
Fleet Management	—	—	—	—
Internal Services Fund	—	—	555,000	555,000
Pensions	—	—	💣*	💣*
Recreation				
Recreation Center	250,000	300,000	250,000	300,000
Pools	480,000	480,000	480,000	480,000
Senior Citizens Centers	—	—	640,000	800,000
Tax Claim Bureau	—	—	200,000	1,000,000
Workers' Comp & Risk Management	—	—	2,000,000	3,000,000
Annual Savings	$26,075,000	$26,125,000	$38,213,000	$43,758,000
One-Time Savings				
Sale of Asphalt Plant	$ 350,000	$ 350,000	$ 350,000	$ 350,000
Sale of Fleet Management Parts	—	—	500,000	500,000
One-Time Savings	$ 350,000	$ 350,000	$ 850,000	$ 850,000
Total Annual & One-Time Savings	**$26,425,000**	**$26,475,000**	**$39,063,000**	**$44,608,000**

* Redesigning commercial fees will generate additional but as yet undetermined revenues.

💣* See Pension discussion on page 31.



A Culture of Excellence

Institutionalizing Competitive Pittsburgh

The City has shown a strong commitment to the Competitive Pittsburgh process. Any organization that is addressing challenges on all sides and dealing with crises on a day-to-day basis will find it hard to devote attention and resources to change. Even so, the commitment to institutionalize this process and the culture of excellence must continue.

The City is taking some major steps toward reform. These include a conversion to a new accounting system, Unisource, that will allow program budgeting and performance measurement. This project, which will go on line in 1997, will give City policy makers an important tool for the management of the City's expenditures. Unisource will allow the City to document and measure its performance to determine if it is achieving its standards of excellence.

> ***"Excellence must be a habit."***
>
> ***— Competitive Pittsburgh Task Force***

The City has also moved aggressively on safety and workers' compensation costs. The new claims and care management systems and the efforts to return employees to work will bring substantial reductions in costs.

City government has made a host of management changes to control costs and increase revenues. These are steps in the right directions, but the City's new competitive directions have to be institutionalized across all departments and programs. All City employees must embrace excellence as the goal in operations and services.

Competitive Performance Indicators

A number of the cities benchmarked have institutionalized a culture of excellence. In 1994, the City of Seattle adopted a comprehensive plan for the city. In 1995, the Office of Management and Planning was created to ensure that Seattle's programs were consistent with this vision. The new office combined the Office of Management and Budget and the Office of Planning.

The City of Portland regularly measures its own performance, and it benchmarks this performance against six other cities. The measures include annual citizen surveys. The city has begun an in-depth performance review of all departments. The Comprehensive Organization Review and Evaluation (CORE) program provides multi-year management, organizational improvement and financial plans for each of the city's departments.

In 1991, the City of Indianapolis began to submit many government services previously performed by government employees to competition. To enhance this effort, the Mayor recruited volunteers from the local business community to serve on the Service, Efficiency, and Lower Taxes for Indianapolis Commission (SELTIC) and as consultants to assist in the transition. The City established the Office of Enterprise Development to spearhead competition projects.

The City of Charlotte began a management by objectives program in the 1970s. This program, under the direction of the Budget and Evaluation department, has evolved to meet changing needs. In the early 1990s, faced with slow revenue growth, the city undertook a major "rightsizing" program. The program focused on restructuring the city government into nine key businesses, four support businesses, and four administrative functions. Each key business develops and implements business plans which are tied to Charlotte's goals and objectives for the year. The city has included privatization, benchmarking performance, and resident surveys in these efforts.

In 1993, the City of Cleveland began the "Cleveland Competes" initiative and created the Office of Competitiveness to run it. The program elements include reorganization for efficiency, encouraging an entrepreneurial spirit, up-to-date technologies, private management of city assets, and competitive bidding between the city and private providers. Before any changes are made, labor and management meet to resolve problems. When the city bid out street resurfacing in 1995, city employees were able to beat the private price and lower their own costs by 32 percent. The savings have been used to expand the paving program.

In each of these cities, the commitment to excellence is evidenced by:

- A focus on core government responsibilities and services,
- Competitive practices in evaluating and delivering services,
- Employee involvement in problem solving and change,
- World class standards to benchmark performance,
- Broad stakeholder involvement from all sectors of the community, and
- The creation of a culture of excellence to guarantee the continuation of progress.

The City of Pittsburgh must make the same long-term commitment to excellence that has occurred in these benchmark cities. To remain competitive in this fast changing world, the City has to institutionalize a culture of excellence. City managers and employees have to become entrepreneurs and seize the opportunities to improve services and control costs.

Recommendations

- **Place the responsibility for implementing the Competitive Pittsburgh recommendations in the Mayor's Office of Management and Budget.**

  The Office of Management and Budget must be given the responsibility to coordinate all efforts in incorporating Competitive Pittsburgh recommendations into City departments. The Director of the Office of Management and Budget should be given the ongoing responsibility for maintaining the culture of excellence in the City.

- **Establish Labor-Management Problem Solving Teams to ensure employee involvement.**

  All employees must have the opportunity to assist in the implementation of these recommendations. Without employee participation, the City cannot establish a culture of excellence.

- **Seek the participation of the City's partners.**

  The implementation of these recommendations will require the participation of a broad group of stakeholders including neighborhood and community groups, state and local officials, legislators, civic and nonprofit organizations, businesses, organized labor, and the residents of the City of Pittsburgh.

- **Seek outside assistance for the implementation of the Competitive Pittsburgh recommendations.**

  Competitive Pittsburgh Task Force members will take the lead in recruiting firms to provide additional pro bono professional assistance to the City. Pittsburgh's private sector has a depth of experience and expertise that can move the implementation forward. The private leadership of the City stands ready to assist the Mayor and the City Council in the implementation of the recommendations in this report. Some firms have already offered their assistance.

- **Measure and benchmark the City's performance on a continuing basis.**

  The Competitive Pittsburgh process should continue within City departments through the development of performance measures and comparisons of these with other cities.

- **Report progress on establishing a culture of excellence to the community quarterly.**

  City government is responsible to the community. The residents and taxpayers in the City of Pittsburgh are entitled to quarterly progress reports on the status of these recommendations and the creation of a culture of excellence.

City/County Cooperation

There is significant duplication of services between the City of Pittsburgh and Allegheny County. The duplication includes specialized police and public safety services, emergency management, senior citizen programs, recreational programs, public works, and administrative support services. There is a potential for significant savings on both sides if duplication is eliminated.

Competitive Performance Indicators

For the City's taxpayers this should be an important issue. Their tax dollars are being used to support both City and County services while they are only receiving the benefits of the City services. This is, in effect, double taxation for a single service.

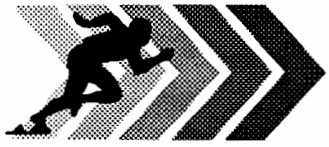
The staff at the League and at both the City and the County believe that there are major savings that can be realized if the City and the County can eliminate duplicate services, especially in the areas of public safety and public works. The elimination of duplicate services is a major ComPAC 21 recommendation. Other cities and counties have attacked this issue aggressively. The City of Charlotte and Mecklenburg County, in particular, have eliminated all major duplicate services.

Recommendation

- **Accelerate the efforts to eliminate all duplicate services.**

  This action should include the active participation of both City and County governments. The estimated savings from achieving zero duplication are conservatively estimated to be $2 million for each government.

In separate sections of this report, there are specific recommendations concerning City/County cooperation.



Opportunities in Public Works

Solid Waste Collection

The City operates 49 refuse routes with an average crew size of 2.5 persons to service approximately 119,000 households plus apartments, housing authority units, schools, churches and nonprofit institutions. The City uses two-person crews to collect trash each week and recycling every other week. The City adds a third person every other week to the trash collection routes to help collect bulk refuse.

The City is considering reducing average crew size and the number of routes, and making other management improvements to bring down its costs to a level comparable to that of the private sector.

The City is also considering revising fees on apartments and nonprofit institutions and offering services, for a fee, to commercial establishments.

Competitive Performance Indicators

The City's solid waste collection costs are not competitive with those of the private sector. The City's current annual per household cost is approximately $113 for trash, recycling, and bulk collection ($89.29 per ton). A survey of private sector costs for comparable service in surrounding municipalities showed annual prices ranging from $73 to $84 per household ($41.46 to $63.85 per ton, respectively).

- A 1995 survey of 120 local governments in 34 states showed that 50 percent have contracts for solid waste collection.
- In *Privatization: The Provision of Public Services by the Private Sector*, Roger Kemp asserts that "two thirds of all U.S. cities have their residential trash hauled away by trucks owned and operated by for-profit companies."
- A recent study concluded Los Angeles could save 27 percent by contracting out trash collection.

- In 1994, the City of Cleveland had a trash collection rate of 482 houses per crew. The "Cleveland Competes" initiative set a goal of increasing crew collections by 25 percent to 603 in 1995. Although the city did not meet that target, it did achieve 550 houses per crew.

Recommendations

➢ **Reduce unit costs to private sector levels.**

The City should form and work in cooperation with a labor-management problem solving team toward reducing costs.

If the City were to achieve productivity levels comparable to those of the private sector, annual household costs could range from $73 to $84. Reducing costs to $73 per household ($41.46 per ton) would save about $4.8 million. At $84 per household ($63.85 per ton), the savings would be about $3.5 million. City crews should be able to perform solid waste services at least as cheaply as the private sector.

➢ **Undertake a complete re-routing of refuse collection routes.**

The City can reduce its costs by reducing the number of routes. Major local firms typically collect from 680 to 850 units per route per day with two person crews, and one firm reports collecting 600 units with a one person crew. Cincinnati's municipal crews collect about 770. The City's crews average about 475 units per route. Based on work practices in the private sector and other cities, the City should be able to eliminate at least eight of its 49 routes generating a minimum savings of $790,000.

To be competitive with the private sector, it may be necessary for the City to invest in new equipment. The private sector typically uses 31 cubic yard trash packers, while the City's uses 25 cubic yard packers. In addition, private sector firms typically place a priority on extending the useful lives of their vehicles. The City's trucks reportedly are not in optimum condition.

The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

➢ **Make bulk refuse collection more competitive.**

At least two major waste management firms in western Pennsylvania collect bulk refuse as part of their normal weekly trash collection routine using just two employees per truck. Another major firm's practice is for the driver alone to collect both trash and bulk. This firm reports a reduction in work related injuries by using one person crews. Elimination of the third employee attached to each City route every other week would

save nearly $670,000. Alternatively, the City could reduce bulk collection frequency from bi-weekly to monthly still using the third employee. This would eliminate 12 positions for a savings of $335,000.

The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. These changes can only be made in cooperation with the appropriate bargaining units.

- **Start residential collections earlier in the day.**

  Trash collection crew efficiency is hampered by heavy traffic. Earlier route start times would allow crews to perform at least a portion of their routes during low traffic periods. Many municipalities in this area allow residential collections to begin at 6:00 a.m. At least two Pennsylvania cities allow collections throughout the night. Pittsburgh's 7:00 a.m. start time does not allow a high level of efficiency.

- **If the City does not competitively manage solid waste collection, competitively bid a portion or all of solid waste collection.**

  A 1995 survey of 30 major United States cities found that half contract out some portion of their residential waste collection, with seven cities contracting out 50 percent or more. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding can only be done in cooperation with the appropriate bargaining units.

- **Redesign fees to recover costs from apartment buildings and nonprofit institutions.**

  The City currently provides one free pickup per week for buildings with more than five units. It charges $32 per two cubic yard container, according to the number of units, for collections in excess of the one free pickup per week. Charging for all collections would generate additional but as yet undetermined revenues. In cities such as Buffalo, Cincinnati, Indianapolis and Portland, OR, schools, churches and other nonprofits are considered to be commercial enterprises and the cities charge them accordingly.

- **Charge fees for residential collections.**

  A survey of 30 major U.S. cities conducted by the City of Houston in 1995 showed that 43 percent charge fees for residential collection. Buffalo (not included in the survey) will begin charging fees as of October 1996. Pittsburgh's current annual per household cost of trash, recycling and bulk collection is approximately $113, or $9.42 per month. A $10 monthly

residential collection fee could result in new revenue of $12.3 million at a collection rate of approximately 86 percent.

Public Works

The City is considering either competitively bidding or eliminating a number of functions. The City is examining contracting paving, street sweeping, part of snow removal, catch basin cleaning, line striping and sign painting, and eliminating salt boxes, asphalt production, and some Public Works garages. The City can also transfer the remaining sewer maintenance and repair operations to the Pittsburgh Water and Sewer Authority.

The Task Force and League staff have reviewed the areas of street sweeping, paving, asphalt production, animal control, forestry, catch basin cleaning and salt boxes.

The City uses both in-house crews and private contractors to pave streets. The Department of Public Works usually assembles two paving crews each year to pave approximately 35 miles. Because of greater work activity during the summer months and reductions in staff, it has been increasingly difficult for the department to assemble the two crews. Additional paving is performed with outside contractors. The number of miles paved varies greatly from year to year. The City is considering eliminating one or both paving crews and using additional outside contractors.

The City is also considering the sale of the asphalt plant and the joint purchase of asphalt with Allegheny County or through some other intergovernmental mechanism. The plant was originally built because asphalt prices were high and the City received poor service from the few private plants in the area. As there is now an overcapacity in the local market, private sector prices are competitive. With proper contract provisions, the City can receive good services from private vendors. Two Pennsylvania Economy League studies have concluded that the City's asphalt plant is not cost effective at present and planned production levels. The plant is cost effective at production levels of over 100,000 tons a year. The City is forbidden by law to sell asphalt.

Competitive Performance Indicators

- A 1995 survey of 120 local governments in 34 states showed nearly 40 percent have contracts for street maintenance, over 30 percent have contracts for tree trimming, and nearly 20 percent have contracts for street sweeping.

- In December of 1994, New York City launched competition pilot projects in a number of service areas including park upkeep, traffic-sign making, and street paving. Further, it estimated it can save $15 million annually by contracting out street sweeping.

- A report of the International City/County Management Association (ICMA) shows that in 1992, 33 percent of responding local governments contracted out tree trimming and planting.

- Numerous major U.S. cities have opened up park maintenance including forestry, animal control, street sweeping, street repair, and paving to competitive bidding.

- All governments in the southwestern Pennsylvania area buy asphalt from the private sector. None besides Pittsburgh produces its own asphalt.

Recommendations

➢ **Provide public works services at unit costs comparable to those of the private sector. If the City does not manage services competitively, it should competitively bid these services.**

The City should form and work in cooperation with a labor-management problem solving team toward reducing public works costs. Competitive bidding of these services should only be done in cooperation with the appropriate bargaining units.

➢ **Contract out street sweeping.**

This is done in other major cities including Boston, Phoenix, and San Jose and by most municipalities in western Pennsylvania who have street sweeping programs. Contracting out street sweeping may be a break even proposition, but it could refocus the Department of Public Works on other vital services. The City would also avoid numerous operational and maintenance problems associated with street sweepers.

The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

➢ **Eliminate one or both of the paving crews.**

The elimination of paving crews would reduce overtime and equipment maintenance costs. This action would involve the reallocation of the paving staff to their primary maintenance divisions.

➢ **Sell the asphalt plant.**

The City's asphalt plant was built at a time when allegations of collusion between asphalt manufacturers were not uncommon. Before it built its asphalt plant, City trucks would commonly be delayed as asphalt vendors sent their own trucks to the front of loading lines. Unfortunately, the City built its plant in a location that could not capitalize on transportation economies, making it difficult to operate efficiently. The sale of the plant would result in a one-time revenue of $350,000.

A survey of six cities — Cleveland, Lexington, Minneapolis, Nashville, Portland, OR, and Seattle — revealed that only Minneapolis owns and operates an asphalt plant. Because Minneapolis produces and uses more than 100,000 tons per year and sells some asphalt to neighboring communities, the plant has been cost effective. Even so, the city is currently reviewing whether to retain the plant. Portland and Seattle had owned asphalt plants but sold them 15 to 20 years ago because they were not cost effective.

- **Enter into an intergovernmental agreement for the joint purchase of asphalt.**
  The purchase of asphalt through an intergovernmental mechanism could produce annual savings of $100,000 to $200,000 depending on the size of the paving program.

- **Competitively bid animal control.**
  Most municipalities in western Pennsylvania contract out this service. Competitively bidding animal control could save $100,000 to $200,000. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding must be done in cooperation with the appropriate bargaining units.

- **Expand the City's use of contracted forestry services.**
  Newark, Indianapolis and Charlotte use forms of managed competition to perform various forestry functions, and Anaheim cut back on tree trimming costs by acting more like a private business. The City currently contracts out a portion of its forestry services. An activity-based costing report on the City's forestry services may reveal opportunities for savings through competitively bidding the entire service or forming a joint program with the County.

  The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding must be done in cooperation with the appropriate bargaining units.

- **Expand the City's use of contracted catch basin cleaning.**
  The City currently contracts out a portion of its catch basin cleaning services. Competitively bidding the entire catch basin cleaning responsibility may produce savings and would allow the City to avoid the operational and equipment maintenance problems associated with catch basin cleaning. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this

recommendation. Competitive bidding must be done in negotiation with the appropriate bargaining units.

- **Eliminate the City's salt boxes.**

  Salt boxes were installed before the City regularly plowed and salted streets. While they allow residents to spread salt on small sections of steep streets as needed, the salt is commonly pilfered for use on privately owned driveways and walks. Furthermore, new City salt spreading equipment can more readily reach streets that were once difficult to keep clear eliminating the need for many salt boxes. Salt boxes must be regularly repaired, replaced and filled at a substantial cost. Eliminating salt boxes would save an estimated $265,000. Few hilly, ice storm prone cities besides Pittsburgh use salt boxes.

Opportunities in Public Safety

Emergency Medical Services

The City of Pittsburgh has a long-standing commitment of providing emergency ambulance service to its residents and visitors. For the past 21 years, Pittsburgh's Emergency Medical Service (EMS) has provided a high quality of prehospital advanced life support paramedic care, and has attained a national reputation for excellence. Pittsburgh's leadership in the successful integration of EMS with other public safety agencies for the provision of specialty services such as hazardous material incident mitigation and river safety services has resulted in inquiries and visits from around the world.

Competitive Performance Indicators

Pittsburgh EMS is obviously competitive in terms of quality of care and service delivery. A 1995 Reason Foundation report on how cities can cut costs and save lives identified a number of measures of system performance by which to evaluate a city's EMS. Pittsburgh compared favorably with the majority of these indicators.

- The City runs a very efficient operation. Pittsburgh's Unit-Hour Utilization (an EMS industry measure of productivity) was 0.59, where best practice cities fall in the range of 0.35 to 0.50.

- Pittsburgh's Subsidy/Price Tradeoff (a measure of per capita cost) is $17.71, ranking Pittsburgh as average on a scale with other national cities and as very competitive with cities of similar size.

- Pittsburgh EMS has emergency response times well within the nationally recommended standard of responding to 90 percent of all calls within eight minutes.

The provision of emergency services is, unfortunately, not a break-even operation, and currently, Pittsburgh EMS is not involved in the delivery of non-emergency services.

Under the present operations, Pittsburgh EMS will not be competitive in that it will always require a large subsidy from the taxpayers. Despite improved efforts to collect third-party payments, Pittsburgh EMS is able to recover only 47 percent of its total costs. Given the City's difficult financial situation and nationwide changes in the health care system, it may be only a matter of time before the City will no longer be able to support the EMS system.

While EMS is considered an essential public safety service of government, it is also strongly aligned with the health care community. Today's health care climate is changing rapidly. Managed care initiatives are calling for health care services in the home, transportation of non-emergency patients to free-standing clinics, as well as emergency transportation to specific hospitals with which the patient's insurance coverage is aligned.

To meet these objectives, Pittsburgh EMS needs to expand its scope of services beyond just providing emergency care to acutely ill and injured people. To do this, the City needs help. The City alone cannot enter these more lucrative markets. Hospitals, however, are able to and need to have these services available to maximize the benefit to patients, manage their costs, and ensure an adequate flow of patient population to their facilities.

The Task Force recommends the formation of a partnership with the city's hospitals to operate the EMS system. A planning process involving the Mayor's Office, City Council, EMS management, the EMS union and the hospitals could result in the formation of a new entity, jointly governed by representatives of the City, the hospitals and the community. For example, under this organization Pittsburgh EMS would continue to provide its high quality public safety services, but a second, for-profit division of the partnership could offer home health care and transportation services. The two divisions, emergency and non-emergency, could share resources and consolidate costs. In the long term, the goal of the organization would be to achieve financial self-sufficiency.

The partnership could also allow for added personnel benefits, including job enrichment of paramedics in home health care and new opportunities for transfer and promotion of personnel from the emergency to the non-emergency division.

The hospitals would benefit from expert pre-hospital care, an uninterrupted patient flow, increased outreach and marketing opportunities, association with a nationally recognized EMS system and quality communication system, and the potential for new care and transport services.

In order to form this organization, the hospitals should be asked to invest in the partnership in amounts commensurate with patient flow by January 1, 1997. During 1997, this new partnership would develop the necessary corporate structure and plan to implement the new service and resource management. The partnership would be fully operational in 1998.

Recommendations

- **Establish a new partnership with Pittsburgh hospitals to manage the City's EMS system.**

  The planning process must involve the Mayor's Office, City Council, EMS management, the EMS union and the hospitals. Pittsburgh EMS is a shared resource, and all parties must work together to ensure its quality services. Planning should begin immediately and continue into 1997 in order to identify and resolve all issues surrounding this proposed partnership. The partnership should form the new, jointly governed EMS management entity in 1997.

  What is envisioned is a system that preserves the best of the current services while opening up new areas of opportunity in the expanding health care arena. Under the new organization, the City's integrated public safety system would remain intact, as would the City's 9-1-1 emergency communication system. City paramedics would have the option to remain City employees, but new opportunities would be available.

  The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Guarantee continued EMS service and access to the system by all residents and visitors in the City.**

  Both the City and the hospitals should be responsible for this. The partnership agreement must ensure that quality of service is not diminished and that the consistency of service across all 88 City neighborhoods is maintained.

- **Seek $3 million in financial support from the hospitals during 1997 to help underwrite the planning process and the EMS system.**

  The amounts of hospital contributions should be commensurate with the numbers of patients received through Pittsburgh EMS in a year.

- **Set a long-range goal to establish an EMS system that is self-supporting and eliminates the taxpayer subsidy without reducing the quality of service.**

  The development of an EMS system which is financially fully self-supporting will produce short-term City savings of approximately $3 million and long-term savings of $6 to $9 million. Potential savings are realized from a combination of the following.

  - Improved billing and collections — while City collection efforts have improved, the fact remains that the City is not in the billing business. Hospitals have entire departments dedicated to collections.
  - Reduced operating costs

- Transport profits — the new organization would be able to become involved in the non-emergency transport business.
- Hospital support
- Bulk purchasing — economies of scale in joint purchasing could be realized with the involvement of the City and several hospitals.

Fire Protection Services

The provision of fire protection services has always been a costly item for center cities. This tends to make cities noncompetitive with their surrounding suburbs, which often use volunteer services to provide fire protection. Because of the impossibility of using volunteers in major cities, it is especially important that the fire protection services be offered as efficiently as possible. This helps to minimize the cost differential between living in the center city and the surrounding suburbs.

Fortunately, the dangers associated with fires have been substantially reduced over the past 20 years. Improved building codes, sprinkler systems, smoke detectors and fire inspection efforts have all combined to dramatically reduce the danger from fire for city residents. However, the cost of fire protection has not been reduced commensurate with the decreased dangers.

Prior City administrations have recommended the closing of fire stations. The current administration is proposing increases in firefighter work hours to match national norms.

Competitive Performance Indicators

The Pittsburgh Fire Bureau was the subject of a major reorganization study by Ernst & Young in 1991. The study results indicate that the City is not competitive in this area and exceeds reasonable standards. The City has more firefighters and fire stations on a per capita and per square mile basis, and a shorter work week than most comparable cities. The Bureau of the Census *1992 Census of Local Governments* indicates that in 28 cities with populations of 300,000 to 499,999, the average number of firefighters per 10,000 residents is 16. In Pittsburgh, there are 24 firefighters per 10,000 residents.

The number of actual structure fires in Pittsburgh has decreased by 72 percent over the last 20 years.

A recently completed survey of 34 comparable cities, with populations between 240,000 and 520,000, indicates the following:

- Pittsburgh, with 35 fire stations, is 60 percent higher than the survey average of 22 stations.
- Pittsburgh, with 33 engine companies (pumper trucks), is 50 percent higher than the survey average of 22 companies.
- Pittsburgh, with 11 truck companies (ladder trucks), is 57 percent higher than the survey average of seven companies.
- Pittsburgh, with a staffing complement of 894 firefighters, is 66 percent higher than the survey average of 538.
- Pittsburgh, with an average firefighter work week of 42 hours, is almost 20 percent below the survey average of 52 hours. In addition, the most frequently worked schedule was 56 hours per week, which is being used in 16 of the 34 surveyed communities. Only one city has as short a work week as Pittsburgh's — Newark.

Recommendations

➢ **Extend the work week for firefighters from the current 42 hours to the national norm of 52 hours.**

This would result in savings of approximately $8 million. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Extending the work week must be done in cooperation with the appropriate bargaining unit.

➢ **If the City is unable to extend the work week, reduce the number of fire stations consistent with the findings of the Ernst & Young study of 1991 or with the City's subsequent reorganization plan based on this study.**

Police Services

Following the appointment of a new Chief of Police earlier this year, the City has begun a reorganization of the Police Bureau. The reorganization planning has gone forward with extensive Bureau personnel involvement. This reorganization effort focuses on improving management capacity, reducing overtime pay, consolidating support services, increasing training and crosstraining of personnel, and redeploying police officers to perform police functions. One of the reorganization initiatives, the establishment of a court liaison program, is of particular importance because court-related activities are responsible for approximately 42 percent of police overtime pay.

Competitive Performance Indicators

Pittsburgh has more police officers per capita than most comparable cities. There are over 30 sworn officers per 10,000 residents.

- The 1993 Law Enforcement Management and Administrative Statistics (LEMAS) survey of more than 12,000 local police departments results indicate that in 45 cities with populations of 250,000 to 499,999, the average number of sworn officers per 10,000 residents is 21.

- The Bureau of the Census, *1992 Census of Local Governments* indicates that in 28 cities with populations of 300,000 to 499,999, the average number of sworn officers per 10,000 residents is 23 and the total number of police employees is 30.

- In both surveys, sworn officers make up only 76 percent of the total number of police employees. In Pittsburgh, sworn officers make up more than 95 percent of the full-time employees.

In addition to the high staffing levels, the City's Police Bureau overtime pay costs are also high at 15 percent of regular pay. Comparable cities range from 5 to 10 percent.

The City also budgets for 206 part-time school crossing guards in the Police Bureau. The per crossing guard wage is approximately $10,660 per year. The crossing guards also receive a full benefit package. Total personnel costs are over $2 million per year plus the cost of the benefits. Surrounding communities typically do not provide full benefit packages to crossing guards.

In most Pennsylvania communities, the cost of school crossing guards is paid for by school districts or shared with school districts. The City is one of the few municipalities that covers 100 percent of the cost. State law, in fact, allows all municipalities, except Pittsburgh and Philadelphia, to require school districts to cover up to half of the costs. A reduction in the benefit package and splitting the cost with the Pittsburgh Board of Public Education could produce savings in excess of $1 million.

Recommendations

➢ **Continue with the reorganization of the Police Bureau to use personnel more efficiently.**

This includes the consolidation of support services and the continued development and implementation of the court liaison program. The latter unit will monitor and reduce court-related overtime through improved scheduling and appropriate disciplinary procedures. This action could produce a reduction of over $500,000 in overtime pay.

The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Negotiate an agreement with the County on the elimination of duplicate bomb/ordnance disposal units.**

  This could result in a more effective and appropriate use of more than 20 police personnel and a potential reduction in overtime pay. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Evaluate the benefit package of the crossing guards.**

  The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. The evaluation of the benefit package can only be done in cooperation with the appropriate bargaining unit.

- **Share the cost of the crossing guards with the Pittsburgh Board of Public Education.**

  This, along with a reduction in the full benefit package could result in potential savings of $1 million.

- **Turn over the tow pound and booting functions to the parking authority or a private contractor.**

  This should result in more appropriate use of police personnel. This can only be done in cooperation with the appropriate bargaining unit.

- **Civilianize support functions to permit the redeployment of police officers to police functions.**

  The Police Bureau's average civilian complement is less than five percent of the total force. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Evaluate police operations to improve the safety of police personnel.**

  One of the first tasks of the new Risk Management Office should be to work with the Police Bureau on safety issues. Improved safety measures can reduce accidents, injuries, workers' compensation costs and vehicle and equipment loss and damage. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

Opportunities in General Services

Building Use and Maintenance

The City owns and leases over 300 structures for City use. These range in size from the City-County Building to one-stall garages and park shelters. The City lacks accurate information on operating costs and capital repair needs for many of these buildings.

The Task Force has reviewed building use and alternatives, maintenance and repair practices. Two members of the Building Owners and Managers Association (BOMA) participated in this process.

Competitive Performance Indicators

Maintenance and custodial services in the buildings are performed by a mixture of City staff from a number of departments and outside contractors. The costs and effectiveness of these services vary greatly.

It is the responsibility of the Department of General Services to maintain 19 facilities. Maintenance of the City-County Building is shared by the City and County. Custodial services for the City's 208,000-square foot portion of the City-County Building are provided by City employees. The cost of these services is $572,000, or $2.75 per square foot. The remaining 18 facilities receive custodial services through cleaning contractors at a cost of $295,000, or $0.75 per square foot.

Local industry averages for cleaning commercial office space are $0.75 to $0.80 per square foot for suburban locations and $1.25 to $1.50 per square foot in the City. Urban costs are typically higher because of more intense use and greater sidewalk cleaning needs. The average cost of cleaning public facilities is even higher, approaching $1.75 per square foot due to the excess wear and tear.

Recommendations

- **Use, manage and maintain City facilities at levels comparable to those in the private sector.**

  The City should form and work in cooperation with a labor-management problem solving team toward increased efficiency in building use and maintenance. If the City is unable to do this with a portion or all of its facility operations, it should competitively bid those portions that are not managed competitively. Competitive bidding should only be done in cooperation with the appropriate bargaining units.

- **Develop a database containing information on all City-owned facilities.**

  The database would include information such as physical characteristics, mechanical and electrical systems, and furniture.

- **Develop a space use plan for each building to augment the database.**

  The space use plan would identify the number of people per floor and how the space is being used.

- **Require maintenance personnel to complete annual inspection reports outlining maintenance and capital needs (roofs, foundations, etc.).**

  This will provide management with a snapshot of the condition of each facility.

- **Require each City department to develop a strategic plan outlining future space requirements.**

  Information from the database, the space use plan and the inspection reports can be used to determine how department needs can be accommodated.

- **Sell unneeded facilities.**

  Based on space use plans and inspection reports, the City should be able to determine which buildings are worth keeping and which should be sold.

- **Bring in-house cleaning costs per square foot in line with local industry averages.**

  While 18 City facilities receive custodial services through cleaning contractors at a cost in line with local industry averages, the City's portion of the City-County Building, cleaned by City employees, costs $2.75 per square foot compared to a $1.75 industry average. Estimated savings for the City-County building alone are $208,000 per year.

  The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Establish written performance standards and schedules to be adhered to by both City custodial workers and outside contractors.**

  Performance standards include defining the total number of square feet that each custodial worker is responsible for and the type and frequency of duties to be performed. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Reach an agreement with the County whereby either one or the other government is responsible for maintaining the entire City-County building.**

  The City is responsible for 4.5 floors and the County is responsible for 3.5 floors. The County will soon be moving off the sixth floor, and this could be an opportunity for negotiation.

- **Implement a charge back system to transfer the costs of facilities operations to the user departments.**

  This recommendation is fully detailed under the Internal Service Fund section of this report.

Cable Bureau

Pittsburgh's Cable Bureau transmits City Council meetings and other events on a dedicated cable channel and produces and transmits material for employees on a second channel. The City operates a sophisticated production facility using franchise fees.

The City receives approximately $2.1 million in franchise fees from TCI of Pennsylvania, Inc. A portion of the fee, approximately $623,000, is transferred to the general fund to cover indirect expenses. The remainder, over $1.5 million, is used to cover the direct expenses of the Cable Bureau. The Bureau has a television production staff of 13 and a total staff of 25. The City is under no legal obligation to broadcast Council meetings and other events. Nor is the City required to use the franchise fee revenues on television related activities.

In addition, the City may be able to sell its interests in the two cable channels that it uses. This will produce one-time revenues for the City.

Competitive Performance Indicators

With respect to cable service quality, the City is very competitive. This is clearly demonstrated by the number of awards the Bureau has won since its creation in the 1980s. The City is not competitive in terms of the cost and effort involved in cable operations. In

most cities, as well as in many municipalities in western Pennsylvania, televising council meetings and other events is handled by part-time employees or contractors at minimal cost.

In cities that are comparable to Pittsburgh and that do televise council meetings, this is done at a lower cost. The City of Nashville has a staff of four to televise council meetings and other events. Live broadcasts are transmitted over a public education channel while taped events are transmitted over a separate government access channel. In Lexington, council meetings and other events are taped by the office of public information. The office has a total budget of $722,000 for all public information activities. Portland contracts out televising meetings.

Recommendations

- **Eliminate the Cable Bureau.**
  This should only be done in cooperation with the appropriate bargaining units. While the City should discontinue most functions of the Bureau, the City must ensure, that two cable functions continue. This action, accounting for the two continued functions, could result in savings of approximately $1 million.

- **Continue to perform the regulatory functions concerning the TCI franchise.**

- **Continue broadcasting public hearings, press conferences and Council meetings.**
  This function could be handled by part time employees or competitively bid. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding should be done in cooperation with the appropriate bargaining unit if necessary.

- **Sell one or both cable channels and all equipment, pending legal review.**
  The City has the exclusive use of two cable channels. The City should enter into negotiations with organizations that may wish to purchase the City's interests in these channels. In addition, as the City would no longer be running a full-service facility, excess equipment could be sold.

Copying/Printing/Graphic Services

The City leases over 100 copy machines, and City departments negotiate their own lease agreements. The lease costs and per copy charges are over $1 million annually. The City

also runs a large printing shop with personnel, equipment and supplies amounting to $234,000 annually. The shop produces approximately 5.5 million impressions each year at a cost of four cents per copy.

Competitive Performance Indicators

Copy service is an area in which Pittsburgh is *internally* not competitive. As long as these services are free, they will be over-used, inefficient and expensive. In addition, a review of the lease agreement, cost and production volume for each copier indicates that many copiers are used at far below their rated capacity, and the lease costs on identical model copiers vary greatly.

The Department of General Services estimates that a reduction in the number of copiers and adjustments in their capacities to meet demand, coupled with the creation of a copy center, could reduce lease costs from the current level of $1 million a year to $500,000 a year. The department has entered into discussions with vendors to explore improvements in the management of copiers and cost reductions.

Recommendations

- **Centralize the management of copiers and copy services within the Department of General Services.**

  This action will allow the City to gain control over costs, improve services and standardize lease terms and arrangements.

- **Implement a charge back system to transfer the costs of copying to the user departments.**

  If the services are free, departments are more likely to over-use them than if a charge against the departmental budget is involved. This recommendation is fully detailed under the Internal Service Fund section of this report.

- **Reduce the number of copiers and match copier capacity to service demand.**

  There are a number of strategies that can accomplish this reduction. They include:

  - Competitively bidding copy service on a per copy price basis, and
  - Creating a copy center that is minimally staffed to manage large jobs and limiting the size and number of office copiers.

  The estimated savings resulting from these changes in copy service are at least $500,000 a year.

- **Continue to operate the print shop at unit cost levels that are comparable to private sector unit costs.**

  A review by members of the Building Owners and Managers Association (BOMA) revealed that the print shop is being operated at a reasonable rate, but should be compared with other in-house print plants. Specialty print jobs that are not cost effective should be competitively bid. Additionally, a thorough operations cost review should be done to ensure that all costs are included, especially space, utility and transportation costs.

  The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

Energy Management

The City owns over 100 buildings that receive utilities. Because many of these buildings are old, there are many opportunities for cost savings from proper energy management. The City had an energy manager until the last quarter of 1995 and has implemented a number of cost saving measures. In late 1995, the City retained SPEC Consulting Inc. to make additional recommendations on energy management and the negotiation of utility rates. The City is considering proposed capital improvements to bring additional reductions in annual energy expenses.

The Task Force has reviewed and analyzed present efforts as well as a proposal prepared by SPEC Consulting Inc. The Philadelphia Municipal Energy Office director participated in the process and has offered the City her assistance. Two energy consultants retained by The Heinz Endowments participated as well.

Recommendations

- **Create an energy management office that is adequately staffed.**

  The City should seek to minimize costs by establishing a cooperative arrangement with the Philadelphia Municipal Energy Office. A representative of this office has provided assistance and has offered to further this arrangement.

- **Pursue the implementation of energy management recommendations.**
  - Insist on better metering and site monitoring capabilities.
  - Address street and signal lighting costs as a first priority.

- Undertake projects that can be done one building at a time such as boiler hot water conversions and the elimination of window air conditioners.
- Develop a set of mandatory procurement specifications for energy using equipment.
- Continue to negotiate with the utility companies for lower tariffs.
- Be prepared to produce its own power if lower tariffs do not become available.
- Establish "Energy Zones" (undeveloped areas not previously serviced by utilities) as a way of promoting business development. Utility companies are forced to bid rates for these zones based on published tariffs without the inclusion of any stranded costs.
- Account for the likelihood of adverse environmental impact in energy cost savings decisions.
- Safeguard the interests of low income energy consumers, particularly in light of reductions in subsidy programs.
- Ensure that City regulations provide incentives and flexibility to encourage homeowners and businesses to improve energy efficiency.

The Task Force estimates that with the recommended capital and administrative investments, the energy initiatives could result in an annual net savings of $1 million or more.

Fleet Management

The City operates a diverse fleet of over 1,300 vehicles. A majority of the management and maintenance functions are performed by City staff. The City currently uses outside repair services for these functions: tire mounting, mechanical repair, ladder truck (elevated devices) certification, recapping, upholstery repair, hydraulic cylinder repair, motorcycles, hazardous material cleanup, relining brake shoes, radiator repair, exhaust repair, transmissions, engines, repairs to petroleum equipment, repairs to generators, alternators and starters, windshield and glass repair, car detail and car wash. Towing and body shop repair are partially contracted out. The County operates a similar fleet with similar fueling

and repair facilities. There are obvious opportunities for City/County cooperation around fueling, management and maintenance.

The City should consider a number of alternatives. They include charge backs to ensure responsible use of the fleet, additional cooperation with the County, private management of the parts inventory, and competitively bidding the remaining towing and body shop repair services. The City is also exploring a number of fleet management software packages that could help identify and manage costs.

The Task Force has reviewed fleet operations. A fleet manager for a large utility company participated in the review.

Competitive Performance Indicators

The City is not competitive for two reasons. The City does not have a management information system in place to adequately identify and manage fleet related costs. As a result, the City cannot manage its costs nor easily compare its performance with industry standards. In addition, the City is performing services that are typically contracted out by professional fleet managers such as vehicle towing and body shop repairs. A number of firms, including NAPA, a national auto parts supplier, manage inventory for both public and private fleets.

Recommendations

- **Reduce the unit costs of fleet management and maintenance to comparable private sector unit costs.**

  The City should form and work in cooperation with a labor-management problem solving team toward reducing fleet costs. If the City is unable to do this with portions or all of its fleet operations, the City should competitively bid those areas. Competitive bidding can only be done in cooperation with the appropriate bargaining units.

- **Invest in a fleet information management system that will facilitate the identification and control of costs associated with the fleet operations and track maintenance and performance statistics.**

  Depending on the City's needs, costs could be $40,000 for a system and implementation, and $4,000 a year for maintenance.

- **Establish a charge back system to transfer fleet operation costs to the user departments.**

  This recommendation is fully detailed under the Internal Service Fund section of this report.

- **Competitively bid the management of the City's parts inventory.**
  Outsourcing parts management has been a trend in the private sector. A one-time reduction of present inventory due to this effort could result in one-time savings of over $500,000 and continuing savings on future purchases. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding can only be done in cooperation with the appropriate bargaining units.

- **Competitively bid the remaining in-house towing operation.**
  This could result in savings in personnel and equipment maintenance costs. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding can only be done in cooperation with the appropriate bargaining units.

- **Competitively bid the remaining in-house body shop services.**
  This will allow the City to avoid making required investments in equipment and a paint booth. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation. Competitive bidding can only be done in cooperation with the appropriate bargaining units.

- **Reduce the number of City owned fueling stations to avoid future costs associated with environmental compliance.**
  The City owns 47 fuel storage tanks in 14 locations. The City is preparing a preliminary reduction plan for City-wide storage tanks. The City is also attempting to identify the costs of bringing remaining sites up to federal standards by 1998 and the costs of removing abandoned and active tanks that are not part of the reduction plan, as well as ground remediation.

- **Continue to pursue cooperation with the County, particularly on fueling and repairs.**

- **Establish stricter guidelines regarding the issuance of 24-hour vehicles.**
  Previous Pennsylvania Economy League research has found that both the public and private sector are in the process of reducing the number of 24-hour vehicles and developing specific criteria for their use. The City should create a fleet vehicle review board to hear requests for take-home vehicles and to make allocations. The review board should establish specific criteria to determine which employees and what circumstances require the use of City vehicles.

Potential gross savings from implementing all of the above efforts could be a one-time savings of over $500,000 in parts inventory and up to $400,000 per year in salaries and wages from competitively bidding towing and body shop repair. There will be some contract costs associated with towing and body repair services that have not yet been identified.

Opportunities in Other Areas

Internal Service Fund

The City does not charge for the total cost of services provided by one department to another. As departments are not held responsible for their expenditures, the City is *internally* not competitive. Internal services include workers' compensation and other benefit costs, building space, purchasing, warehousing, printing, phones, computer services, legal services, vehicles and maintenance, utilities, building inspections, building maintenance, custodial services, and radio repair. These services, provided by General Services, Computer Information Systems, Department of Law and Bureau of Building Inspection, can easily be charged back to the user departments.

The Office of Management and Budget is considering the creation of an internal service fund as part of the new accounting system. Under a charge back system, the user department would budget for the service and then order it from another department. The City should also have the option of outsourcing the service if it can find a better price.

Competitive Performance Indicators

The City of Seattle allocates internal service costs through an administrative services operating fund. The services charged back include utilities, printing, facilities, computer services, communications and vehicles. The services do not include insurance and benefits. For 1996, the fund has $76 million in budget revenues. This is equal to five percent of the city's total operating and capital budget of $1.7 billion.

The City of Minneapolis tracks internal service charges through six funds with the intention of recovering the cost of each service. The services cover paving products, vehicles, radios, buildings, stores, printing, telecommunications and employees benefits. In 1994, these funds had $71 million in expenses. This is equal to 23 percent of total primary government expenses of $304 million.

The Metro Government of Nashville and Davidson County tracks printing, vehicles, computer services, radio services, insurance, benefits, office supplies and postage through an internal service fund. In fiscal year 1994–1995, the fund had total operating expenses

of $76 million. This is equal to eight percent of total primary government expenditures of $958 million. With the exception of insurance and benefits, most of the services within the fund are managed by the city's department of general services.

The City of Portland uses internal service funds to track communications, computer services, facilities, vehicles, benefits and insurance, printing and workers' compensation. For fiscal 1996–1997, the funds have budgeted expenses of $79 million. This is equal to nine percent of the city's total operating and capital budgeted expenditures.

Recommendation

- **Establish a charge back system through an internal service fund that will allow user departments to know the full cost of their services and make budget and resource allocation decisions accordingly.**

  National experts believe that it is possible to reduce internal service costs by as much as 25 percent by implementing a charge back system.

Pensions

The City has three pension plans for its employees. These plans cover police personnel, fire personnel and other municipal employees. There are a number of problems that threaten the viability of the pension plans. Within a few years, the assets in the Municipal Plan could be depleted, and the City will have to make pension payments for the employees covered by this plan out of current revenues. To restore the assets in this plan and eliminate unfunded liabilities in the other two plans by 2024, the City has committed itself to making ever increasing payments. The City is considering a number of options to solve these problems. The City's actuaries have projected the City's payments out to the year 2024 for each of the options. These projections assume that state aid will be at $14.6 million each year.

Without taking any action, the City could be faced with dramatic increases in City pension contributions in the year 2000 if the assets in the Municipal Plan are depleted. The City's 1997 contribution is estimated to be $21.6 million. In the year 2000, if no steps are taken, the Municipal Plan will be without assets, and the City's contribution will have to be $34.2 million.

The City has a number of options to address this immediate problem. To avoid a default in the Municipal Plan in 2000, the City could increase its contribution by $17.6 million per year for the next five years, or issue $29 million in pension bonds and deposit the proceeds in the Municipal Plan.

Even with these measures, the City would still be required to make steadily increasing contributions to all three plans until the unfunded liabilities are eliminated in 2024. In that year, the City's contribution could be $115.2 million. To avoid steadily increasing amortization payments, the City could switch to a level amortization of the unfunded liabilities. This would require additional payments beginning in 1998 and extended to 2010. To ease the burden of shifting to level amortization, and meet the unfunded liability problems, the City could issue pension bonds and restructure a portion of City debt to reduce the City's combined pension and debt service liabilities.

The Task Force has reviewed the pension recovery alternatives.

Recommendations

- **Change to a level amortization of the unfunded liabilities, and pursue the use of pension bonds coupled with a restructuring of a portion of the City's debt to reduce the City's combined pension and debt liabilities.**

- **Before any action is taken, carefully review the assumptions in the pension analysis, particularly those concerning the level of state aid remaining at $14.6 million per year, and the pay increase rates.**

  The 1996 estimated state aid level represents a substantial decrease from the 1995 funding. The 1996 state aid will be known soon, and this must be factored into the analysis.

- **Use any immediate savings, generated by the sale of pension bonds and the debt restructuring, solely to reduce future pension obligations.**

  This action will avoid a dramatic increase in the City's future payments.

Recreation

The Department of Parks and Recreation operates five programs: recreation, aquatics, special events, Partners in Parks and senior citizen centers. Pittsburgh is not competitive in three of the five areas. Its facilities for the recreation, aquatics and senior citizen programs are antiquated, difficult to maintain on a tight budget, and cannot meet the demands of current programming. Many of the recreation centers, pools and senior centers were designed and located in various neighborhoods to meet the needs and serve the size and distribution of the City's population in the 1950s. The City's 1950 population was almost twice as large as the 1990 population. The decrease is reflected in lower attendance figures at many of these recreational facilities. The centers and programs are

no longer running at capacity — facilities designed to serve neighborhoods of 10,000 people now serve 2,500 to 5,000 people.

The Parks and Recreation Department has considered a number of actions including reorganizing and refocusing programs, increasing fees on the use of City facilities, privatizing some recreational facilities, and competitively bidding the management of facilities to nonprofit community groups. Any such initiatives must ensure the equality and consistency of services across all 88 city neighborhoods.

While the City has been reluctant to close facilities, it should do so as part of a larger, reorganized recreation program. The recreation system would run more efficiently with 21 or fewer of its 27 recreation centers, with approximately 16 of its current 32 pools, and with 10 of its 18 senior centers. Management alternatives exist in joint aquatics programming with the community college, the expanded shared use of public school recreational facilities, Allegheny Regional Asset District funding for the development of regional park recreation complexes, and contracted operation of recreation centers and pools to other providers.

The City's 18 senior citizen centers are operated under annual contracts with the Allegheny County Department of Aging. The contracts only provide $660,000 for the operation of the centers. The City's annual budget for the centers is approximately $1.3 million in direct costs (the City's overhead costs are approximately $300,000). Therefore, the City subsidizes the centers by $640,000 per year. To reduce the City subsidy of the centers, the City can either reorganize the services while seeking additional funding from the County and State, or stop bidding on the contract.

Competitive Performance Indicators

A recently completed recreation facilities study, completed by a private consultant who previously worked for the City, indicated that Pittsburgh is not competitive in the following areas.

- The total inventory of municipal, educational and nonprofit recreation facilities in the City of Pittsburgh exceeds the national recommended guidelines for Pittsburgh's population.
- City recreational and pool facilities do not effectively serve the population due to location, topography, demographic and social factors.
- Other than the Community Enrichment Program, the coordinated use of school facilities is lacking.
- Communication and cooperative planning among recreation providers and facility operators across the city is poor, and facilities are not used effectively.

Pittsburgh, with 32 pools and a population of 369,876 (1 pool per 11,560 residents), is far above the national per capita average. In comparison, Denver has 1 pool per 29,225 residents, and Portland has 1 pool per 39,756 residents.

In a national survey completed for the National Recreation and Park Association, 256 governmental entities responded from the north central and northeastern regions of the United States. Of these respondents:

- Only five reported maintaining ten or more recreation centers. Four of these serve populations over 500,000.
- Only four, all with populations over 500,000, reported maintaining ten or more outdoor swimming pools.

Recommendations

➢ **Reorganize the parks and recreation programs and resources so that they can effectively meet the needs of the residents of the City in the coming years.**

This involves closing smaller buildings or pools and other poorly attended facilities, and concentrating funds and personnel in a few full-service facilities, cooperating in the development of multi-use facilities at public schools and reducing operations where nonprofit agencies are prepared and equipped to meet the needs of Pittsburgh's residents. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

➢ **Pursue additional long-term partnerships with the Board of Public Education, the Community College of Allegheny County, The Carnegie, nonprofit recreation providers, and community groups to maximize the use of recreation facilities within the City.**

➢ **Close at least six recreation centers based on their attendance figures, location, population density, physical condition, and cost effectiveness, and improve the recreation programs at the remaining centers.**

The elimination of six centers could produce savings of $250,000 to $300,000 and avoid needed capital investments at the centers. A portion of this savings could be used to develop programs at the remaining facilities. There may be an alternative in competitively bidding the management of some facilities.

The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Close 16 pools determined by a combination of factors including seasonal attendance, location, population density, facility condition, and cost effectiveness, and develop more comprehensive programs at the remaining pools.**

  The elimination of 16 pools and recovering additional Community Development Block Grant reimbursement from the Housing Authority could save approximately $480,000. A portion of this savings could be used to develop programs at the remaining pools. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Operate the senior citizen centers competitively, within the reimbursements received from the County. If the City continues to operate the senior citizen centers, reorganize the program to make a more efficient use of existing resources, and aggressively pursue additional cost recovery from the County and the state.**

  The number of senior citizen centers should be reduced by closing at least four centers and consolidating four centers. The programming should be enhanced at the remaining centers. A restructuring of the senior citizen program and aggressive cost recovery from the County and the state could produce a reduction in the City's subsidy of $800,000. The City should form and work in cooperation with a labor-management problem solving team toward reducing senior center costs.

- **If the City cannot operate the senior citizen center program within the reimbursements from the County, do not bid to operate the centers.**

  This would produce a savings of $640,000. The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

Tax Claim Bureau

The collection of delinquent real estate taxes is a highly fragmented process in Allegheny County, with a total of 174 different taxing jurisdictions (the City and its school district, 129 other municipalities, 42 other school districts and the County) individually pursuing delinquent tax claims.

In general, an estimated $38 million in real estate taxes levied by all of the taxing jurisdictions in Allegheny County are not collected every year. Although the City has improved its efforts to collect delinquent taxes in recent years and has accelerated the Treasurer's Sale process, more needs to be done.

The most common method of improving the collection of delinquent real estate taxes is through the creation of a tax claim bureau, a process which expedites and streamlines tax collection and the sale of properties for delinquent taxes.

A 31-member public-private task force recommended the establishment of a tax claim bureau in Allegheny County in 1995. This can only be done through legislation and with the cooperation of the City and County.

The current sale of tax liens by the City does not change the need for a tax claim bureau to handle future delinquencies for the City and all other taxing bodies in the County.

Competitive Performance Indicators

Allegheny County is one of two counties in the state that does not have a tax claim bureau. The creation of the bureau would consolidate delinquent property tax collections, thereby reducing collection costs and increasing collections. This will require legislation.

Recommendation

➢ **Create a tax claim bureau.**

This effort involves state legislation and the cooperation of the City and the County. The creation of a bureau could produce savings of at least $200,000 to $400,000 in the first year and $1.0 million in a combination of reduced costs and increased collections in subsequent years.

Workers' Compensation and Risk Management

The City's risk management functions are spread among a number of departments. A public-private task force completed a risk management study in 1994. The study recommended the creation of a risk management program with a risk manager. To its credit, the City has aggressively implemented a number of the recommendations resulting in significant cost savings.

The City has a costly workers' compensation program. There are several reasons why the City's expenditures are so high, including loopholes in the State workers' compensation legislation, the Pennsylvania Heart and Lung Act of 1935, which allows police and fire personnel sustaining work related injuries to receive 100% of their pay tax free, and ineffective cost controls.

The City is undertaking a number of activities to reduce these costs.

- The City supported Senate Bill 801 which reforms the state workers' compensation legislation. The City estimates savings of $300,000 in 1998 and

$600,000 per year thereafter due to the elimination of the "double dipping" loophole (employees receiving workers' compensation and collecting pension benefits). These new legislative changes do not apply to individuals currently receiving benefits.

- The City has entered into a contract with Allegheny General Hospital and a case manager to handle both past and future cases and claims in a more aggressive fashion. The estimated savings are $1.0 million per year in health care costs.

- There are approximately 745 people who are no longer City employees that are on workers' compensation. A recent review determined that, at present, approximately 100 can return to work in a light duty capacity based on medical history, age and skill level. The City will be developing a light duty program through a labor-management committee to return these individuals to work.

- The City has begun the development of a safety program for employees through a labor-management committee.

The Task Force has reviewed the City's plans and progress and recommends implementation of the risk management study recommendations.

Competitive Performance Indicators

The workers' compensation costs for the City are extremely high compared to other governments and private industry. Compensation costs are equal to approximately 12 percent of wages and salaries and, on a per employee cost, exceed $4,300.

Other cities have a strong commitment to safety and risk management offices that aggressively control costs. The costs in these cities are appreciably below Pittsburgh's costs. The City of Portland highlights workers' compensation, general and fleet liability on a department-by-department basis in its budget. Portland has 23 employees in the office of finance and administration devoted to insurance and risk management related duties. The City of Portland's costs are $871 per employee, or two percent of payroll. The City of Charlotte's insurance and risk management program has a staff of 22. The City of Charlotte's workers' compensation costs are $866 per employee. This is three percent of wages and salaries.

The Lexington-Fayette Urban County Government's costs are $1,841 per employee, or five percent of payroll. The government's insurance & risk management fund has a staff of 25 to manage insurance costs and claims related to workers' compensations, general liability, and property and casualty. Other cities of comparable size have lower workers' compensation costs. For example, Milwaukee's costs are $520 per employee, and Indianapolis' costs are $250 per employee.

Recommendations

- **Make a renewed commitment to employee safety.**

  This commitment should include employee training and incentive programs, safe equipment and facilities, investigations and remedial action, and discipline. Employers with serious commitments to employee safety have fewer accidents, fewer injured employees, fewer lost work days, and lower workers' compensation costs.

  The City should form and work in cooperation with a labor-management problem solving team toward the implementation of this recommendation.

- **Create a risk management office that consolidates and coordinates functions that are currently in the departments of Personnel, General Services, Finance and Law.**

  This office should also institutionalize the efforts already undertaken regarding aggressive claims management and the implementation of a City-wide light duty program. For an investment of $200,000 to create and staff a risk management office, the City could expect an estimated savings of $2 to $3 million per year after the first year. The success of a risk management program depends on an experienced risk manager.

- **Through the risk management office, develop and maintain a safety program that focuses on training, and accident investigation.**