

Peduto for City Council		

Understanding the Parking-Pension Problem

A lot of folks have asked me to explain to them what is going on down at City Hall with the Parking-Pension issue. I realize that most of you have some understanding from the media, but you still have questions and want to know what each of the different proposals will mean to you. Hopefully, I will be able to give you some information to better understand the issue and to know there are no easy solutions – and most don't solve anything.

Background

Presently, the city only has enough money to pay about 27% of our pension obligations. That is the lowest funded pension plan in the country. In order to help Pittsburgh and other PA towns with severely distressed pension plans, the state legislature created Act 44 last year. Mayor Ravenstahl lobbied the state to exclude Pittsburgh and offered his plan to lease our parking assets as his solution. The state gave Pittsburgh one year to implement a plan that will get the city's pension to level of 50% funded. We have until January 1, 2011 to find an alternative or to join the state plan under Act 44.

What Are the Options?

The Mayor's plan calls for the city to privatize all of the city's garages, surface lots and meters for the next 50 years. Rates would be increased, enforcement would be extended, 900 new meters would be added and improvements would be required – all as part of the agreement. The Mayor's plan has received a winning bid of \$452 million. Another plan calls for the city to raise the rates on its own – not as much as the Mayor's plan – and to use that new revenue to pay for a loan to get the plan 50% funded. Another plan being discussed by City Controller Michael Lamb would have the city enter into an agreement with the Parking Authority that would dedicate new increases in rates to the pension fund – Controller Lamb will be announcing details of his plan sometime this week. Finally, the fourth option would be to allow the city to become part of the state's Act 44 pension program for severely distressed municipalities. Each of these plans provides the city with needed cash by raising rates, but each of these plans also has drawbacks.

My Analysis

I can't opine on Controller Lamb's proposal until the details are released, but the questions I would have are similar to the questions I have regarding the plan to borrow the money. Presently, our annual pension costs are about \$80 million per year – yes, that's right – \$80 million per year. We put \$45 million into the fund and we take \$80 million out. Do you see the

problem? Even if we put an additional \$220 million into the fund – in order to get it to 50% funded – we will still be taking more out on an annual basis. Within a few years, we will be back to under 50% funded. Within several years, we will be right back to where we are today – except we will have higher parking rates. Also, a pension fund that is 50% funded really isn't anything to be proud of – actually, it is something to be concerned about.

I know what your saying – what about the Mayor's plan, won't that solve the pension plan?

Sorry, but the answer is NO. Yes, it will get us a lot of money. Why? Because it creates parking rates that will be the HIGHEST IN THE COUNTRY. That is why Wall Street is willing to give us \$452 million – because they know they will be able to reap \$3.2 Billion over the next 50 years. But, the downside of the Mayor's plan is not the money we would be getting – the problem is what we would be giving up. The costs associated with raising meters from 50 cents an hour to 3 dollars an hour, increasing surface lots and garages to rates as much as four times their present rates come at a cost to Pittsburgh. It goes against our policy of Main Street development and would promote a policy of further sprawl and decline. It would be a disincentive for stores to locate in our neighborhoods or companies to locate in our city. It would put Pittsburgh at a disadvantage for the next 50 years.

Preserving Our Pension Plan Through Act 44

The state had a plan for us to solve our pension problem, but the Mayor decided to tie pension funding to parking privatization. However, the plan is still on the table. The reason people are opposed to the state plan is because of the cost associated with it. As you know, our pension costs are \$80 million per year and we are scheduled to place \$45 million into it. The other plans have modest increases to that amount – but, they do NOT solve the problem – they just push it to a later year. The state plan would require us to contribute \$72 million per year into the plan in order to solve the problem – an additional \$27 million per year. Those who oppose Act 44 try to scare people with claims that we will have to make severe cuts, or raise property taxes – or worse. They say that the state will come in and mandate terrible tax increases and harmful cuts to the city. It is unfortunate and of course it is not true. WE can also find a way to get to the additional \$27 million – it is possible. If we do, we will then have a more stable pension plan, will not have to borrow money and will not have given away over \$3 billion in revenue over the next 50 years. Guess what plan I support.

Some Good Reading:

[Parking Asset Study and Lease Agreement](#)

Scheduled rate increases by neighborhood:

Parking rates from around the country:

Pittsburgh Post-Gazette, Brian O'Neill, [September 26, 2010](#)

Pittsburgh Business Times, Tim Schooley, [September 24, 2010](#)