

Clifford B. Levine  
Direct Dial 412.297.4998

clevine@cohenlaw.com  
Direct Fax 412.209.1853

December 23, 2011

*VIA HAND DELIVERY AND ELECTRONIC MAIL*

The Honorable Luke Ravenstahl  
City of Pittsburgh  
313 City-County Building  
414 Grant Street  
Pittsburgh, PA 15219

**Re: Intergovernmental Cooperation Authority Disapproval of 2012 Budget And  
Proposed Financial Plan**

Dear Mayor Ravenstahl:

Our firm has been retained by the Pittsburgh Intergovernmental Cooperation Authority (“ICA”). On behalf of the ICA, and pursuant to the Intergovernmental Cooperation Authority Act for Cities of the Second Class (“Act 11”), 53 P.S. §§ 28101 *et seq.*, and the September 7, 2004 Cooperation Agreement (“Cooperation Agreement”), the City of Pittsburgh is hereby notified that the 2012 Budget for the City of Pittsburgh, as adopted by City Council on December 19, 2011, and the proposed financial plan, that includes the 2012 operating and capital budgets, fail to reflect the conditions for approval that the ICA has required.

On October 19, 2011, the ICA conditionally approved a proposed operating budget for 2012 that the City of Pittsburgh (“City”) submitted. The conditions that the ICA imposed included those to which the City Finance Director Scott Kunka agreed, on behalf of the City, in his October 19, 2011 letter to the ICA. For the ICA’s approval to be effective, the City must demonstrate, to the ICA’s satisfaction, compliance with those conditions.

To date, the City has not satisfied the following ICA conditions:

1. The City must establish and implement a strategic capital project plan that is acceptable to the ICA. Further, the capital project plan must demonstrate that future budgets for the City will be able to sustain the additional debt service or any new debt issuance. As Mr. Kunka advised the ICA in his October 19<sup>th</sup> letter, the City was to have in place, by the end of 2011, a formal capital budget process for 2012 that will include the “description of money achieved via refinancing, refunding, and/or new borrowing; a

recommendation of all pre-allotted capital funds; a system by which new projects are weighted in consideration of fund allocation; and, discussion of the new ERP's CIP tracking and monitoring tools and attendant City policy."

2. The establishment of an adequately funded Other Post-Employment Benefits trust fund ("OPEB Trust Fund"). This condition requires the establishment of the OPEB Trust Fund; appropriate assurances that monies allocated for the Fund are sufficiently protected from diversion; and the budgeting of an appropriate sum, as defined by the Amended Recovery Plan Initiative PN03.
3. Full payment of the budgeted amount of employer pension contributions for 2011 and a \$ 60 million employer contribution to the pension plan in 2012. In his October 19<sup>th</sup> letter, Mr. Kunka noted that the City would make the full pension payment, which includes an employer contribution of \$60 million, by the end of 2011.

In addition to these unfulfilled conditions, the ICA notes that certain amendments of the Pittsburgh City Council relating to its approval of the proposed 2012 budget on December 19, 2011, violate the terms of the Cooperation Agreement and constitute impermissible variances to the budget that the ICA conditionally approved at its October 19, 2011 meeting. Those amendments, which provide an additional basis for the ICA's disapproval of the 2012 budget, include:

1. An increase in Council's staff base salary; and
2. A dedicated fund for Council mailings.

These monies, apparently, were appropriated by diminishing a workers compensation fund.

The ICA remains willing to work with the City. However, under the Cooperation Agreement, the City must be forthcoming with the appropriate documentation that it has met the above-stated conditions. As long as the City fails to meet these conditions, the ICA's conditional approval of the 2012 operating budget and the associated five-year Financial Plan is not effective.

Thank you for your anticipated cooperation. If you have any questions, please do not hesitate to call me.

Very truly yours,

COHEN & GRIGSBY, P.C.

By:   
Clifford B. Levine

The Honorable Luke Ravenstahl  
December 23, 2011  
Page 3

CBL/tmb

cc: ***VIA ELECTRONIC MAIL***  
Honorable Darlene Harris  
Honorable Michael Lamb  
Honorable Scott Kunka  
Dan Regan, Esquire  
Honorable Charles Zogby  
Honorable Ray Walker  
Fred Reddig  
James Roberts, Esquire  
Barbara McNees  
Ann Dugan  
Dana Yealy  
Dr. J. Matthew Simon  
Elise Roby Yanders  
Henry Sciortino

1717080\_1