



CITY OF PITTSBURGH
OFFICE OF THE CITY CONTROLLER
Controller Rachael Heisler

September 30, 2025

The Honorable Erika Strassburger
Finance Chair, Pittsburgh City Council
City County Building
Pittsburgh, PA 15219

Dear Councilperson Strassburger,

Pursuant to the requirements of the Pittsburgh City Code and as part of the annual budget process, I hereby submit this letter to certify the reasonableness of the City's revenue forecast for the period 2026–2030. A copy of this certification is being filed with the City Clerk. The Controller's office met with members of the City of Pittsburgh's Financial Joint Task Force: including representatives from the Office of Management and Budget, the Finance Department, Council's Budget Office, and your office, to review revenue forecasts in preparation for the formulation of the 2026 budget.

Earned Income Tax continues to demonstrate resilience, projected to grow at an average rate of 1.5% over the five-year period, reflecting sustained wage growth despite inflationary pressures. Between 2020 and 2024, Pittsburgh experienced modest but meaningful population growth that outpaced much of the surrounding region. This trend strengthens the City's revenue base, but retaining and attracting residents will remain a core fiscal variable for long-term sustainability. Every growth strategy should be tied to measurable equity outcomes: workforce access, continued growth of our housing stock, and transit connectivity to ensure that public investments expand opportunity City-wide for all residents.

Several revenue lines require particular attention:

- **Parking Tax:** Projections reflect updated modeling based on Allegheny County's gross county product estimates, with growth rates moderating from 4.6% in 2026 to 3.4% by 2030.
- **Investment Earnings:** The administration's revised projection shows a significant 10% decline in 2026, followed by continued 1% annual decreases. This reflects the challenging interest rate environment and emphasizes the importance of disciplined cash management practices.



- **Deed Transfer Tax:** Conservatively projected with -\$350,000 less next year and zero growth from 2027–2030, acknowledging volatility in real estate markets and the impact of recent downtown reassessment activities and transaction patterns.
- **Intergovernmental Revenue:** Includes the addition of \$2.3 million for Pittsburgh Water's pension contribution and \$1.87 million in anticipated ARLE reimbursements. While these adjustments strengthen the revenue base, continued coordination with state partners will be important given the challenges of a State Budget that is yet to be passed.
- **Charges for Services:** The 2026 EMS Average Commercial Rate (ACR) Model provided by OMB from the Pennsylvania Department of Health anticipates an additional \$10 million in projected revenue, continuing through 2030. This increase reflects expected Pennsylvania Medicaid reimbursements for hospital transportation services. The projection assumes that reimbursement levels remain consistent with current state policy.
- **Facility Usage Fee:** As of September 25, 2025, the Pennsylvania Supreme Court has invalidated the Facility Usage Fee as unconstitutional. As a result, the City must immediately stop collecting the three percent fee.
 - Nonresident athletes and performers will now be subject to the City's standard 1% earned income tax. While this will recover some revenue, it falls far short of what the fee produced.
 - The Court's decision doesn't directly address refunds or damages. Tax-related refunds are typically issued from prior year revenues, and any potential Facility Usage Fee refunds aren't included in this year's forecast. While the ruling doesn't automatically trigger payments, it also doesn't prevent them. This is a potential liability we need to account for and plan for in the years ahead.

Overall Assessment: The revenue assumptions for 2026 through 2030 are reasonable given current economic conditions, with appropriate conservative adjustments in key areas. The forecast reflects a compound annual growth rate of 1.8%, which aligns with realistic expectations for a mature urban economy facing demographic headwinds. None of this is exclusive to Pittsburgh, but it underscores the importance of building conservative assumptions into our forecasts. I urge continued vigilance regarding:

- Population retention and attraction strategies to support long-term growth.
- Active monitoring of real estate market conditions and downtown reassessment impacts.
- Careful management of the City's investment portfolio has helped sustain returns in a declining interest rate environment, but the budget is now relying on rainy-day reserves to close gaps, a trend that cannot serve as a recurring revenue source.

I am grateful for the cooperation of members of the Financial Joint Task Force in this process and appreciate the Office of Management and Budget's responsiveness in addressing technical corrections identified during our review. The collaborative approach to revenue forecasting strengthens both accuracy and accountability.



Thank you for your efforts on behalf of our City and I look forward to continuing these conversations about the City's financial future and supporting sound fiscal stewardship in the years ahead.

Respectfully,

A handwritten signature in black ink, reading "Rachael Heisler". The signature is written in a cursive, flowing style.

Rachael Heisler
City Controller

Encl: City of Pittsburgh 2026-2030 Preliminary Forecast (dated 09/29/2025)

Forecast 2026 updated 2025-09-29		2024 <u>Actual</u>	2025 <u>Forecast</u>	2026 <u>Forecast</u>	2027 <u>Forecast</u>	2028 <u>Forecast</u>	2029 <u>Forecast</u>	2030 <u>Forecast</u>	5-Year <u>Growth</u> ¹
41100	Real Estate Tax	143,510,418	144,765,593	142,832,830	142,130,922	141,042,781	139,899,216	138,884,031	-0.6%
41400	Earned Income Tax	137,322,915	143,052,278	147,985,312	150,797,033	153,511,379	156,274,584	159,243,801	1.5%
41440	Payroll Preparation Tax	76,426,225	77,239,943	79,742,920	81,258,036	82,720,680	84,209,653	85,809,636	1.5%
41500	Parking Tax	58,927,305	56,806,169	59,681,938	62,438,022	64,688,968	67,127,805	69,538,868	3.1%
41450	Deed Transfer Tax	47,905,847	39,352,501	39,001,668	39,001,668	39,001,668	39,001,668	39,001,668	0.0%
41700	Act 77 - Tax Relief	26,233,780	27,355,287	28,302,643	29,172,758	30,084,656	30,817,844	31,568,899	2.2%
41300	Amusement Tax	21,006,363	21,844,868	22,697,715	23,529,324	24,377,296	25,211,436	26,074,141	2.8%
41420	Sports Facility Usage Fee	1,609,736	3,204,508	-	-	-	-	-	n/a
41200	Local Service Tax	13,814,251	13,992,722	13,866,788	13,741,987	13,618,309	13,495,744	13,495,744	-0.5%
41650	Telecommunication Licensing Fee	1,116,808	1,127,976	1,139,256	1,150,648	1,162,155	1,173,776	1,185,514	0.8%
41600	Institution & Service Privilege Tax	(114,411)	80,372	64,849	64,849	64,849	64,849	64,849	0.0%
41900	Non-Profit Payments for Services	613,102	631,495	646,651	658,937	670,798	682,872	695,847	1.5%
41800	Other Taxes ²	-	-	-	-	-	-	-	n/a
Tax Revenues		528,372,340	529,453,712	535,962,570	543,944,184	550,943,539	557,959,447	565,563,000	1.1%
42000	Licenses & Permits	17,522,893	17,944,569	18,366,029	18,712,208	19,046,419	19,386,625	19,752,175	1.5%
43000	Charges for Services	37,929,572	40,130,111	50,688,352	51,255,953	51,854,924	52,394,455	53,027,935	0.9%
44000	Fines & Forfeitures	8,639,040	8,897,995	9,112,884	9,287,176	9,454,580	9,624,762	9,807,389	1.5%
45000	Intergovernmental	45,094,271	47,286,615	52,937,757	53,556,529	54,154,185	54,763,436	55,407,364	0.9%
47000	Investment Earnings	21,766,528	15,138,460	13,113,951	12,982,812	12,852,984	12,724,454	12,597,209	-0.8%
48000	Miscellaneous ³	46,859,198	509,699	346,301	352,816	359,105	365,439	372,318	1.5%
Non-Tax Revenues		177,811,503	129,907,448	144,565,274	146,147,494	147,722,197	149,259,171	150,964,391	0.9%
Total Revenues		706,183,844	659,361,160	680,527,844	690,091,677	698,665,736	707,218,619	716,527,391	1.0%
Annual Growth %		2.5%	-6.6%	3.2%	1.4%	1.2%	1.2%	1.3%	
Annual Growth \$		\$ 17,124,351	\$ (46,822,683)	\$ 21,166,683	\$ 9,563,834	\$ 8,574,059	\$ 8,552,883	\$ 9,308,772	

¹ Forecast average annual growth from 2026 through 2030

² Includes taxes that have been phased out (e.g., the mercantile and business privilege taxes.)

³ Includes revenues generated from ARPA through 2024, donations, the sale of scrap, public property, etc.