

**Allegheny Regional Asset District**  
**Report of the Allocations Committee**  
**September 29, 2009**

Board Members:

We are submitting for your consideration a 2010 preliminary budget totaling \$79.4 million with grants to 89 organizations. Overall the proposed budget is a 1% reduction from current levels. While it calls for modest changes in some allocations, it maintains current funding for libraries and city and county regional parks, places that are free to the public.

The budget would be supported by an estimated \$76.6 million in sales tax with the balance coming from interest earnings and reserve.

The budget maintains the historic distribution of funds with libraries getting 32% of the budget, parks 31%, sports facilities 18%, regional facilities like the Zoo, Phipps and Aviary 9%, and arts and cultural organizations 9%.

When we adopted a hold the line budget for 2009, the hope was that the recession would end quickly and that employment and sales tax revenue would bounce back. The Board agreed to fund 2009 grants at a level that was \$3.5 million in excess of current revenue. The downturn seems to have impacted this area later than others and the upturn has not yet materialized.

Our latest projections are that revenue will decline the expected 5% in 2009 but there will be no further drop in 2010. All but three months of 2009 have seen tax revenue lower than the prior year and the last four months have been down by an average of 4.3%. The most recent month saw a 7% decline in general sales tax revenue which was offset to some degree by gains in auto sales probably resulting from the now ended government incentive program.

The committee found that the best gauge of sales tax is the movement in the unemployment rate. July statistics show unemployment in the county at 7.1%, up 48% from the prior year. This is still better than the state and nation which may explain why the drop in revenue here is not as pronounced as it has been in other areas. Despite the fact the some claim the recession is over, no forecasters are predicting an improvement in the unemployment rate through 2010. Thus, it is impossible to predict growth in tax revenue during our next budget period.

In arriving at a preliminary budget, the committee determined that the District must now begin to adjust its spending to be more in line with the projected revenue level. We believe that this is a prudent course and will give assets a firm allocation for the coming year. The projections are based on the information we have now but will be reexamined prior to budget adoption in December.

One item that will require further evaluation is the recently announced plan by the state to eliminate the exemption on the sale of certain admission fees to cultural and entertainment venues. The revenue estimates we have made do not include any changes in the sales tax base. We will evaluate the measure if and when it is adopted and include any adjustments in the final budget report later in the year.

District support for the Carnegie Library of Pittsburgh remains the single biggest appropriation at \$17.6 million proposed for next year. We will also provide \$2.5 million to fund the electronic information network that serves all county libraries and allows them to share materials and resources. Another \$5.6 million will be provided to libraries outside the Carnegie system to support countywide library service. The 2009 level of RAD library support is 51% more than the first RAD budget in 1995, the exact percentage increase of District tax revenue during that time.

To maintain and to concentrate our park investments, the proposal emphasizes support for our regional parks. The District's level of support for and commitment to the regional parks in this budget is \$24.3 million, a 19% increase in just the last five years. The regional parks located in every corner of the county offer all forms of passive and active recreation and require our concentrated attention and funding.

With the availability of gaming proceeds to support the David L. Lawrence Convention Center, the allocation to the center has been reduced to a \$500,000 operating grant to assist with debt payments. An additional \$250,000 in capital maintenance funds would be available if and when they are matched from hotel tax funds paid to Visit Pittsburgh for center marketing expenses. In the presentation to the District, center officials said that there were unfunded capital maintenance needs. While marketing is important, the proper upkeep of the facility must come first and hopefully this incentive grant will encourage the center and its associates to address this issue.

The budget does contain \$250,000 to begin the Connection Grant program which is designed to foster reduction in asset overhead by merging administrative and program operations. It is critically important in these times of limited resources for funders to show their commitment to such shared service initiatives. To that end, we have also provided an increase in operating support to the History Center which recently agreed to merge with the Ft. Pitt Museum. While Ft. Pitt was not a RAD funded facility, it is an important one to maintain and the History Center has demonstrated how merging cultural facilities can save costs.

Finally, assets are reminded that this plan reflects where we are now. The Board does not vote on the budget until after we hear public comments and review updated revenue estimates.

This year RAD marked allocating over \$1 billion since the program started in 1995. An equal amount has gone to county and municipal governments for tax reform and to fund municipal services. Despite current economic conditions, this dedicated fund continues to prove its value to the community.

We thank the Board and assets for their participation in the applications process and in the over 20 hours of public review sessions held over the last six weeks. On behalf of the public, we also thank the volunteer asset board members and staff who are working during some difficult times to sustain and enhance service to the citizens of and visitors to our region.

Submitted by

Allocations Committee

Dan Griffin, Stan Parker, Rick Pierchalski

| <b><u>Revenues</u></b>                 | <b><u>2009</u></b>         | <b><u>2009</u></b>                 | <b><u>2010</u></b>                   |
|--|----------------------------|------------------------------------|--------------------------------------|
|  | <b><u>Final Budget</u></b> | <b><u>Estimate<br/>9/29/09</u></b> | <b><u>Preliminary<br/>Budget</u></b> |
|  |                            |                                    |                                      |
| <b><u>Sales Tax</u></b>                | \$76,600,000               | \$76,600,000                       | \$76,600,000                         |
| <b><u>Interest Earnings</u></b>        | \$300,000                  | \$150,000                          | \$85,000                             |
| <b><u>Reserve, refunds, lapses</u></b> | \$3,369,300                | \$3,519,300                        | \$2,762,286                          |
| <b><u>Total Revenues</u></b>           | \$80,269,300               | \$80,269,300                       | \$79,447,286                         |
|  |                            |                                    |                                      |
|  |                            |                                    |                                      |
|  |                            |                                    |                                      |
|  |                            |                                    |                                      |
| <b><u>Expenditures</u></b>             | <b><u>2009</u></b>         | <b><u>2009</u></b>                 | <b><u>2010</u></b>                   |
|  | <b><u>Final Budget</u></b> | <b><u>Estimate<br/>9/29/09</u></b> | <b><u>Preliminary<br/>Budget</u></b> |
| <b><u>Operating Grants</u></b>         | \$77,800,300               | \$77,800,300                       | \$76,427,386                         |
| <b><u>Connections Grant</u></b>        |                            |                                    | \$250,000                            |
| <b><u>Capital Grants</u></b>           | \$1,880,000                | \$1,880,000                        | \$2,142,400                          |
| <b><u>Administration</u></b>           | \$627,500                  | \$627,500                          | \$627,500                            |
| <b><u>Less Admin Reserve</u></b>       | (\$38,500)                 | (\$38,500)                         |                                      |
| <b><u>Total Expenditures</u></b>       | \$80,269,300               | \$80,269,300                       | \$79,447,286                         |

