Allegheny Regional Asset District

Year 20 Committee

October 1, 2013

Board Members:

The Year 20 Committee has agreed on a recommendation which we are presenting to the Board for additional review prior to final consideration. The report includes background on the issue, an outline of the committee process and an explanation of the conclusions.

In summary, the recommendations are:

1. The District should extend the current contractual asset category for another five years and renew the current nine contractual assets’ agreements for that period. All reporting, compliance and funding guarantee provisions in the current agreements would remain in place.

2. The funding of the library electronic information network (EiN), now channeled through the Carnegie Library of Pittsburgh, should be included as an additional guaranteed amount in the Library grant. The amount would be $2,160,000 which is the level of RAD funding when it assumed total responsibility for local funding of the network.

3. The District should not expand the contractual asset category during this renewal period. The committee, like our predecessor groups, favors more flexibility and accountability, which is enhanced through the annual grant system.

The Committee will remain active to review comments from the Board and others and will make a final report and recommendation at a later date.

Submitted by

Year 20 Committee
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Allegheny Regional Asset District

Year 20 Project Committee Report

Background

In February, 2013 the Chair appointed a Year 20 Committee. The charge to the committee was to provide advice to the Board on how the grant program should be structured beginning in budget year 2015.

Act 77 of 1993, the District governing Act, provided the initial grant structure by requiring the creation of a group of publicly owned and/or traditionally subsidized grantees. For identification purposes, these assets became known as the “contractual” assets and, as provided by the law, they received ten-year contracts with minimum operating grant guarantees. In 2005 and again in 2010 the District awarded that initial group of contractual assets five year renewals.

The first District board sought to expand the benefits of the program and created a second category not originally envisioned in the statute and now known as annual grants. These assets, generally owned or operated by non-profit corporations, were invited to apply for funding annually without benefit of a minimum guarantee.

Several years after the grant program began, the Board also agreed to create a third category, to accommodate approvals for bonded capital projects whose life extends beyond the original contractual grant period and for certain cash grants to be paid out over several years.

Under Act 77 all grants, except for those debt service commitments, would become annual grants in budget year 2015. The question for the committee is whether the Board should allow that course to take effect, whether the current structure should be continued or whether some other alternative structure would serve the assets and the community better.

The Review Process
The Committee was provided with extensive background material including:

- a summary and analysis of Act 77 and its contents;
- a summary of the legislative history that led up to the passage of the Act;
a historic review of the District’s budget policies including the extensive research and public input during the Year 11 and Year 15 projects;

alternative structures and policy options.

As part of our work, the Committee also sought input from assets, elected officials and others through a public comment solicitation. The effort resulted in 54 individual comments. Consistent with the results of prior such surveys, we found broad continuing support for the District’s program.

Several assets would like either increased guaranteed funding or to be among those with a funding guarantee. The committee concluded, however, that there is a need for the District to retain some degree of accountability oversight and funding flexibility given that guaranteed funding already adds up to $54 million when you include debt service and legally required grants for parks capital projects.

We found during our review that between operating and capital grants, the District has kept pace with inflation in terms of its grants to contractual assets. In addition, some assets that seek contractual asset designation have actually fared better as annual grantees in terms of increased operating support.

The recommendations we are making, therefore, respect the success of the program and continue the Board’s flexibility to meet changing revenue patterns, assessing asset progress and responding to community interests.

Recommendations

1. **Extend the current contractual asset category for another five years and renew the current nine contractual assets’ agreements for that period.**

There is general agreement that the contractual assets have greatly improved as a result of the District’s support and that this designation is important to their operation and financial stability. Most of these assets are publicly owned and subject to public sector oversight. Several are now operated by nonprofit corporations that have been able to stabilize management and finances and leverage District funding with private grants. Assuming they remain in compliance with all of the District’s contractual requirements, we recommend renewing their status.
The agreement with contractual assets should continue to require long range planning and District participation in asset Board and key committee meetings. We also recommend the minimum funding guarantees continue as set in the 1995 contract.

2. **Restore the Electronic Information Network (EiN) as a contractual asset designee.**

When the original guaranteed funding amount was set for the Allegheny County Library Association (ACLA), it included a portion of the funding for the local share of the electronic information network, the computer system that connects all of our library resources and is an integral part of countywide library services. Eventually RAD became the sole provider of local support for the system. The grant was transferred to the Carnegie Library of Pittsburgh but the guaranteed funding provision was not moved with the grant. Given this history and the critical nature of this funding to the county system, we are recommending that the EiN grant be restored at this time. The amount we recommend is $2,160,000 which is the amount of the RAD funding when it became solely responsible for local support.

3. **Do not expand contractual asset category during this renewal period.**

As stated above, the committee believes that the program should become more flexible, accountable and competitive. Adding more guarantees, even under a limited basis, works against these goals.

**Conclusion**

Given the success of the funding program in carrying out the intent of Act 77, the Committee determined that major changes in the grant program structure are not warranted at this time. We hope that this effort has been helpful to the Board in meeting its responsibilities.

Submitted by

Year 20 Project Committee