

CITY OF PITTSBURGH 2016 BUDGET AND FIVE-YEAR FINANCIAL PLAN

OVERVIEW

The 2016 Budget and Five-Year Plan submitted by the City to the ICA highlights Mayor Peduto's commitment to developing a long-term financial sustainability plan, improving the efficiency and effectiveness of government operations, and strengthening financial management practices.

Key elements of the proposed 2016 operating and capital budgets include the following:

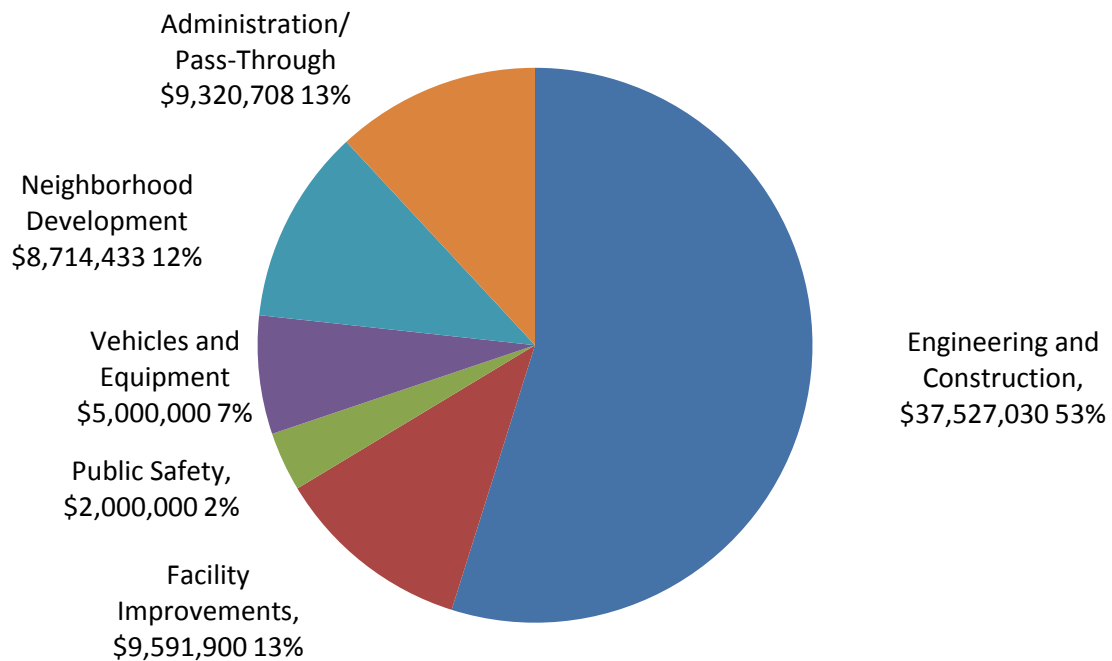
2016 Operating Budget

- Total projected revenues: \$524,068,555
- Total projected expenditures: \$517,542,683
- Projected operating result: \$6,520,257
- Fund balance as % of general fund expenditures: 11.5%

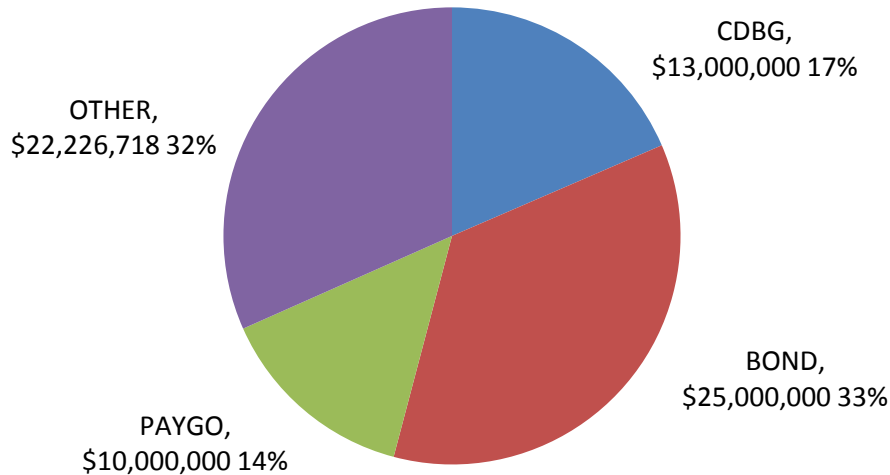
2016 Capital Budget and CIP

- Total 2016 capital budget: \$70,226,718
- Total 2016-2021 Capital Improvement Plan: \$474,404,202

2016 Capital Budget By Functional Area



2016 Capital Budget by Fund Source



KEY ELEMENTS OF THE 2016 BUDGET AND FIVE-YEAR PLAN

The 2016 Budget and Five-Year Plan are designed to achieve the following goals and objectives:

- Reinforce the City's commitment to achieving the primary objectives of the Act 47 Recovery Plan which called for:
 - Eliminating the operating deficits in the baseline multi-year financial projection while preserving core municipal services;
 - Gradually reducing the City's debt burden to provide more resources to support daily operations;
 - Keeping the City's fund balance at an appropriate level to avoid the need for cash flow borrowings and provide an adequate buffer against unanticipated revenue shortfalls or expenditure increases;
 - Gradually increasing the City's pension fund contributions to the levels recommended by its actuary; and
 - Directing more funding to the City's capital budget, with the priority to invest more in the City's roads, bridges, public safety facilities, and other core infrastructure.
- Emphasize the Mayor's priorities for enhancing the delivery of core municipal services.
 - Hiring more police and fire recruits and moving towards a continuous recruitment effort to achieve authorized staffing levels.
 - Increase funding for police vehicles by 33% to improve the condition of the fleet.
 - Purchasing two EMS vehicles, 17 public works vehicles, and four refuse vehicles as part of our efforts to upgrade and modernize the City's fleet. This purchase follows the acquisition of seven fire apparatus in 2015.
 - Invest in Police Bureau training, equipment, and technology and enhance the Bureau's ability to conduct data-driven community policing.
 - Provide funding to replace aging operational equipment used for parks and street maintenance efforts across the City.

- Continue implementation of the Cartegraph system to improve the management of work orders, provide better data, and enhance operational efficiency.
- Maintain the City's increased investment in Learn & Earn Program through a \$1M allocation for summer youth employment leveraging CDBG funds.
- Implement the Mayor's vision for modernizing city government and implementing leading practices to provide taxpayers with an efficient, effective, transparent, and more accountable government.
 - Expand the Lean Six Sigma training program to increase value-added processes.
 - Upgrade systems to automate manual and time-consuming personnel processes.
 - Implement the procurement transformation plan to align with leading practices.
 - Complete the reorganization of the Department of Permits, Licenses, and Inspections and expand the department's on-line presence for transactions.
 - Successfully complete transition to the JD Edwards Workforce Management System and focus on opportunities for continuous improvement.
- Allocate \$70.2M in 2016 funding for capital projects and continue the Mayor's commitment to developing a long-term maintenance and investment plan for the City's assets.
 - Includes \$14.7M for street resurfacing, providing for ~60 miles to be completed.
 - Includes \$9.6M for facility improvements, including critical public safety facilities, park reconstruction, play area improvements, swimming pool rehabilitation, and improvements to recreation and senior centers throughout our neighborhoods.
 - Provides funding to complete the facility optimization plan required in the Mayor's Executive Order related to strategic investment and maintenance of facilities.
 - Includes \$5M for capital equipment acquisition.
 - Dedicates \$6.8M to neighborhood and community development projects and \$2M in demolition funds to enhance the quality of life and public safety.
- Provide a fiscally responsible path to address legacy costs and improve the City's long-term fiscal health.
 - Continues efforts to reorganize city government and improve the delivery of core services with only 3,093 General Fund positions, which is 69 fewer positions than the November 2014 Budget.
 - Allocates an additional \$150M to the pension fund over five years beyond the state mandated minimum municipal obligation (MMO).
 - Reduces the City's debt burden from 17.1% of general fund expenditures in 2016 to 8.8% in 2020.
 - Continues to add \$2.5M in annual contributions to the other post-employment benefits (OPEB) trust fund.
 - Maintains a minimum unassigned fund balance of 10% of general fund expenditures.
 - Continues the City's efforts to reduce overall worker's compensation costs, which have decreased for four consecutive years.

CAPITAL BUDGET HIGHLIGHTS

| Project Name | 2016 Total |
|--|-------------------|
| Functional Area: Administration/Pass Through | |
| ADA COMPLIANCE | 40,000 |
| CDBG ADMINISTRATION | 50,000 |
| CDBG PERSONNEL | 1,100,000 |
| CITIZEN PARTICIPATION | 200,000 |
| CITY COUNCIL'S UNSPECIFIED LOCAL OPTION | 850,000 |
| COMMUNITY-BASED ORGANIZATIONS | 650,000 |
| EMERGENCY SOLUTIONS GRANT | 1,159,290 |
| FAIR HOUSING | 100,000 |
| HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS | 721,418 |
| INFORMATION SYSTEMS MODERNIZATION | 150,000 |
| MAYOR'S UNSPECIFIED LOCAL OPTION | 500,000 |
| NEIGHBORHOOD EMPLOYMENT CENTERS | 150,000 |
| PITTSBURGH EMPLOYMENT PROGRAM | 150,000 |
| PITTSBURGH SUMMER YOUTH EMPLOYMENT PROGRAM | 700,000 |
| SENIOR COMMUNITY PROGRAM | 700,000 |
| URBAN LEAGUE - HOUSING COUNSELING | 100,000 |
| URBAN REDEVELOPMENT AUTHORITY PERSONNEL | 2,000,000 |
| Total: Administration/Pass Through | 9,320,708 |
| Functional Area: Engineering and Construction | |
| AUDIBLE PEDESTRIAN AND TRAFFIC SIGNALS | 595,000 |
| BIKE INFRASTRUCTURE | 836,632 |
| BRIDGE REPAIRS | 197,500 |
| CBD SIGNAL UPGRADES (TIP) | 5,000,000 |
| CHARLES ANDERSON BRIDGE (TIP) | 750,000 |
| DESIGN, CONSTRUCTION, AND INSPECTION SERVICES | 200,000 |
| FLEX BEAM GUIDERAILS AND FENCING | 175,000 |
| FLOOD CONTROL PROJECTS | 2,700,000 |
| LIBERTY AVENUE SINC UP (TIP) | 464,653 |
| LOWER HETH'S RUN | 5,200,000 |
| PENN AVENUE RECONSTRUCTION, PHASE I (TIP) | 800,000 |
| PENN AVENUE RECONSTRUCTION, PHASE II (TIP) | 500,000 |
| PENNDOT LOCAL SHARE (TIP) | 143,000 |
| RAMP AND PUBLIC SIDEWALK | 500,000 |
| SECOND AVENUE BRIDGE (TIP) | 700,000 |

| | |
|---|-------------------|
| SLOPE FAILURE REMEDIATION | 850,000 |
| SOUTH NEGLEY AVENUE BRIDGE (TIP) | 1,035,000 |
| STEP REPAIR AND REPLACEMENT | 147,800 |
| STREET RESURFACING | 14,646,945 |
| STREETSCAPE AND INTERSECTION RECONSTRUCTION | 470,000 |
| WEST OHIO STREET BRIDGE (TIP) | 1,615,500 |
| Total: Engineering and Construction | 37,527,030 |

Functional Area: Facility Improvement

| | |
|---------------------------------------|------------------|
| BEECHVIEW COMMUNITY AND SENIOR CENTER | 300,000 |
| BOB O'CONNOR GOLF COURSE | 100,000 |
| FACILITY IMPROVEMENTS | 5,082,000 |
| LITTER CAN UPGRADES AND MONITORING | 290,000 |
| PARK RECONSTRUCTION | 1,177,500 |
| PLAY AREA IMPROVEMENTS | 430,000 |
| POOL REHABILITATION | 325,000 |
| RECREATION AND SENIOR CENTERS | 1,155,000 |
| SPLASH ZONES | 300,000 |
| SPORT FACILITY IMPROVEMENTS | 432,400 |
| Total: Facility Improvement | 9,591,900 |

Functional Area: Vehicles and Equipment

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|--------------------------------------|------------------|
| CAPITAL EQUIPMENT ACQUISITION | 5,000,000 |
| Total: Vehicles and Equipment | 5,000,000 |

Functional Area: Neighborhood and Community Development

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|--|------------------|
| CENTER FOR INNOVATION AND ENTREPRENEURSHIP | 300,000 |
| CHOICE NEIGHBORHOOD | 2,472,480 |
| CONSULTANTS FOR PLANS AND STUDIES | 100,000 |
| ECONOMIC DEVELOPMENT AND HOUSING | 2,100,000 |
| MAJOR DEVELOPMENTS | 1,000,000 |
| SIGNAGE AND WAYFINDING | 614,600 |
| URBAN REDEVELOPMENT AUTHORITY PROPERTY MAINTENANCE | 200,000 |
| Total: Neighborhood and Community Development | 6,787,080 |

Functional Area: Public Safety

| | |
|-----------------------------------|------------------|
| DEMOLITION OF CONDEMNED BUILDINGS | 2,000,000 |
| Total: Public Safety | 2,000,000 |

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|------------------------------------|-------------------|
| Total: All Functional Areas | 70,226,718 |
|------------------------------------|-------------------|

STRENGTHENING FINANCIAL MANAGEMENT

Since taking office in 2014, Mayor Peduto and his administration have worked to provide a solid foundation for future generations by developing fiscally responsible and transparent budgets while also working towards achieving the primary objectives of the Act 47 Recovery Plan, which are as follows:

- Eliminate the operating deficits in the baseline multi-year financial projection while preserving core municipal services.
- Gradually reduce the City's debt burden to provide more resources to support daily operations.
- Keep the City's fund balance at an appropriate level to avoid the need for cash flow borrowings and provide an adequate buffer against unanticipated revenue shortfalls or expenditure increases.
- Gradually increase the City's pension fund contributions to the levels recommended by its actuary.
- Direct more funding to the City's capital budget, with the priority to invest more in the City's roads, bridges, public safety facilities, and other core infrastructure.

After adopting the Recovery Plan in June 2014, the City has made significant progress in implementing the Plan's key initiatives and recommendations and will continue these efforts in 2016 and beyond.

ACHIEVEMENTS TO DATE

In addition to the implementation of the Recovery Plan, the City has launched a multi-year effort to strengthen the City's financial management functions. While not an exhaustive list, the following initiatives demonstrate the City's commitment to developing a long-term financial sustainability plan, improving the efficiency and effectiveness of government operations, and strengthening financial management practices.

Organization & Talent

- Reorganized the City's finance functions to include the Department of Finance and the Office of Management and Budget (OMB) to strengthen financial management and operations.
- Created the Department of Innovation and Performance to apply performance measurements to increase efficiency, accountability, and data-driven decisions.
- Established a centralized grants team in OMB to enhance the City's capabilities and capacity to secure and administer federal, state, foundation, and private grants.
- Established a new centralized procurement function within OMB that will be responsible for driving improvements in procurement processes, policies, and use of technologies.
- Issued a financial reforms executive order as part of a multi-year effort and commitment to the transformation of the City's financial management functions.

Operating Budget

- Redesigned budget processes and policies as part of a multi-year effort to implement a process more focused on performance, financial accountability, and transparency.
- Redesigned the format and content of the operating budget document.
- Instituted a “zero-based budgeting” approach to evaluate actual spending, improve budget vs. actual reporting, and align expenditures with programmatic needs.
- Aligned all personnel costs, including salaries and benefits, within each department to provide a more accurate depiction of the cost of providing municipal services and programs.
- Implemented an encumbrance review process for all obligated expenses which reduced the amount re-appropriated by \$1.5M or 40%.
- Worked with the Department of Personnel to identify areas for improvement for payroll coding, accounting, and reporting as part of the new workforce management system project.
- Developed a standard monthly reporting framework to provide departments with a consistent viewpoint regarding their financial position, year-to-date expenditures, and related issues.
- Implemented truth in budgeting and other transparent financial practices.

Grants Management

- Developed the City’s first comprehensive grants management manual.
- Implemented a process to conduct regular financial reviews of existing grants.
- Developed a process to require a grants implementation plan for all new grant awards.
- Integrated the foundation-liaison function within the OMB grants team.
- Initiated a process to improve coordination with departments to align strategic initiatives with the research and identification of grant opportunities.

Capital & Asset Management

- Completed the redesign of the capital budget document to align with leading practices and the Mayor’s commitment to transparency.
- Finalized amendments to Chapter 218 of the City Code as part of a multi-year effort to improve capital budgeting processes and policies.
- Collaborated with the Center for Deliberative Democracy to improve the capital budget public hearing format and increase participation.
- Increased capital spending on existing infrastructure as part of a “fix-it-first” strategy.
- Developed a new asset management policy to improve the manner in which assets are managed throughout the asset lifecycle from procurement through disposition.
- Issued an executive order related to strategic investment and maintenance for the City’s facilities.
- Identified \$1.6M in capital funds for critical facility improvements.
- Developed and issued a request for proposals to engage a firm to develop a facility optimization and long-term maintenance plan for city facilities.
- Improved the process for lease of City property.

- Issued executive orders banning elected officials' names on city property, revoking nearly 300 unrestricted parking passes, and reducing the number of take-home vehicles by 33%.
- Completed installation of the automated fuel project which will provide data to improve planning and operations.
- Developed a five-year vehicle acquisition plan that will be updated annually.
- Prepared and executed a \$6.2M vehicle acquisition and disposition plan for city departments.
- Monitored and conducted a review of the fleet maintenance contract to evaluate contractor compliance, improve coordination with fleet users, and identify opportunities for improvement.
- Outfitted twenty refuse trucks with biodiesel tanks.
- Developed and issued a request for proposals to engage design experts to analyze options for the re-location of the City's refuse/recycling fleet, municipal fleet maintenance operations, and public safety training and administration functions.

Procurement

- Retained the National Institute of Governmental Purchasing (NIGP) to conduct an operational review of the procurement function and identify opportunities for improvement in terms of organization, talent, policy, process, and technology.
 - The NIGP Consulting report has identified 45 major recommendations (with many having sub-components). The recommendations reflect best practices in public sector procurement practices and will entail a number of changes to key enablers of leading practice procurement function, including organization, talent, policies, processes, and technology.
 - OMB is in the process of reviewing the recommendations and will be developing an implementation roadmap in conjunction with the rollout of the Code for America applications.
- Worked with the JD Edwards Service Center to identify opportunities to better leverage existing functionality to adopt leading practices, improve efficiency, and strengthen financial controls.
- Centralized responsibility for all request for proposals within the OMB procurement team.
- Collaborated with the City Controller to initiate efforts to move towards a more standardized, automated, and streamlined accounts payable process.

Tax / Revenue Collections

- Established a new Revenue Manager position to enhance the City's revenue forecasting, analysis, and collections capabilities.
- Created tracking and accountability for meeting revenue goals.
- Instituted a biweekly reporting of revenue performance that is available on the website.
- Conducted an analysis of municipal fees and permits to identify opportunities to generate non-tax revenue.
- Secured a new financial cooperation agreement with the Parking Authority.

- Began the process of unifying financial and data software within the department.
- Began the process of speeding property sales through the Land Bank and closer cooperation with the URA.

Treasury, Cash, Pensions, and Debt Management

- Completed the sale of \$50M in bonds to fund capital projects for 2015-2016.
- Completing a refunding of existing debt to generate savings of \$3M for the current five-year plan.
- Achieved an improved outlook from Moody's in August 2014 in advance of the \$50M bond issuance.
- Endorsed bipartisan efforts for statewide municipal pension reform.
- Developed and issued a new cash management policy.
- Replaced cashiering software to allow customer service at more stations.
- Began expansion of depositories across more local institutions.
- Created an evaluation system for depository RFPs that considers Community Reinvestment Act compliance as a qualifying factor.

Technology

- Implemented the JD Edwards Workforce Management System to improve the management of human resources, benefits, and payroll functions.
- Implemented the Questica Budgeting System to enhance the development of the operating and capital budgets.
- Implemented the eCivis Grants Management system to enhance the City's ability to identify grant opportunities, submit and manage proposals, manage awards, and comply with grantor requirements.
- Implemented the GovDeals System to conduct on-line auctions of surplus equipment and vehicles.
- Partnered with Allegheny County, local universities, foundations, and other stakeholders to launch the Regional Data Center.
- Collaborated with the Code for America fellows to support the development of several new applications to enhance the efficiency, effectiveness, and transparency of the procurement function.
- Developed a plan to automate core human resource processes through the upgrade of the NeoGov Talent Management System.
- Continued enhancements to the Accela permitting and licensing system, which will include the ability to initiate and process transactions on-line.
- Initiated the process to replace the existing cashiering system to improve integration with the JD Edwards financial management system.
- Implemented the Fiscal Focus Pittsburgh site to provide the public with additional information regarding municipal finances.
- Redesigned contents of the Finance Department website to make it usable by taxpayers, property purchasers, and people looking for information.

2016 STRATEGIC PRIORITIES

In 2016 the City will continue its efforts to strengthen the City's finances, adopt leading practices, and pursue opportunities to operate more efficiently and effectively. Some of the key initiatives planned for 2016 include the following:

- Update the OMB website to establish a centralized repository for all financial management policies, capital projects and asset management.
- Implement the procurement transformation plan based on the NIGP best practices
- Centralize the issuance of all procurement documents (e.g., RFP's).
- Rollout Questica to departments, bureaus and offices; departments will begin to submit their budgets electronically through the system.
- Use Questica allocation feature to efficiently allocate resources throughout departments.
- Identify other expenditures that can be budgeted by department (workers' compensation, utilities).
- Continue efforts to formalize leading practices in budgeting and financial management.
- Implement a performance module that will be used to track key performance indicators in support of the City's performance budgeting and management initiatives.
- Work with the Department of Personnel to automate the personnel requisition process and establish a new position control policy to provide stronger oversight of the creation, maintenance and monitoring of positions.
- Review all trust funds and identify trust funds which can be closed.
- Work with the City Controller and City Council's Budget Office to develop a formal policy for the establishment and management of encumbrances.
- Examine programs and services delivered by city government and review to improve service delivery and reduce costs.
- Finalize and distribute financial policies related to legislation submission and analysis, employee travel, capital asset management and inventory.
- Incorporate innovative green alternative fuels and vehicles to align fleet acquisition and operation with the Mayor's sustainability initiatives.
- Evaluate opportunities to refund existing bonds at lower interest rates.
- Reorganize the Finance Department staff to improve collections processes.
- Implement a new cash management system.
- Identify opportunities to improve property management processes.
- Complete the final implementation of Questica for the capital budget, work with departments for 2017 submissions and establish an approval process.
- Select a vendor for the Facilities Optimization Plan; finalize 40-year budget and strategic investment plan.
- Finalize feasibility analysis for the City's garage and Public Safety Training facilities.
- Develop quarterly meetings with departments to ensure that capital budget deliverables and objectives are being met.
- Work with the Department of Public Works to finalize Cartegraph data; create 40-year maintenance plan and budget.
- Eliminate contingency budgeting in the Capital Budget.