

New Issue—Book Entry Only

This Official Statement has been prepared by the City of Pittsburgh to provide information on the Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

\$194,995,000
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
\$116,860,000 General Obligation Bonds, Series A of 2005
\$78,135,000 General Obligation Bonds, Series B of 2005

Dated: Dates of Delivery
Maturity Dates and Prices — See Inside Front Cover

Due: September 1, as shown on inside front cover

Bond Ratings

Insured:

“AAA” Fitch, Inc.
“Aaa” Moody’s Investors Service
“AAA” Standard & Poor’s
See “**BOND RATINGS**” herein.

Underlying:

“BBB” Fitch, Inc.
“Baa3” Moody’s Investors Service
“BBB-” Standard & Poor’s

Tax Matters

In the opinion of Bond Counsel, under existing law, and subject to continuing compliance by the City with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, (as corporations are defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania corporate net income tax and from personal income taxation by the Commonwealth of Pennsylvania (See “**TAX MATTERS**” herein).

Redemption

The Bonds are subject to redemption prior to maturity. See “**THE BONDS – Redemption**” herein.

Security

The Bonds are general obligations of the City of Pittsburgh payable from its tax and other general revenues and to which the full faith, credit and taxing power of the City are pledged. See “**THE BONDS – Security**” herein.

Bond Insurance

A municipal bond insurance policy will be issued simultaneously with the delivery of the Bonds by



Purpose

Proceeds from the issuance of the Series A Bonds will be used (1) to advance refund a portion of the City’s outstanding General Obligation Bonds, including bonds from Series A of 1995 and Series A, B and C of 1997 and (2) for the costs and expenses of issuing the Series A Bonds. Proceeds from the issuance of the Series B Bonds will be used (1) to currently refund a portion of the City’s outstanding General Obligation Bonds, including bonds from Series B of 1995 and Series D of 1998 and (2) for the costs and expenses of issuing the Series B Bonds. See “**THE BONDS – Purpose of the Issue**” and “**THE REFUNDING PROJECTS**” herein.

Interest Payment Dates

March 1 and September 1

First Interest Payment Date

September 1, 2005

Denominations

\$5,000 and integral multiples thereof

Book-Entry-Only Form

The Depository Trust Company

Deliveries

Series A: on or about May 10, 2005 and Series B: on or about June 7, 2005 in New York, New York

Bond Counsel

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Underwriters’ Counsel

Kirkpatrick & Lockhart Nicholson Graham LLP

Disclosure Counsel

Grogan Graffam, P.C.

Paying Agent, Sinking Fund

Depository and Escrow Agent

J. P. Morgan Trust Company, National Association

LEHMAN BROTHERS

NatCity® Investments, Inc.
An Affiliate of **National City® Corporation**

This Official Statement is dated April 6, 2005.

MATURITY SCHEDULE

\$194,995,000
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)

\$116,860,000 General Obligation Bonds, Series A of 2005

<u>Maturity</u> <u>(September 1)</u>	<u>Series A</u> <u>Principal</u> <u>Amounts</u>	<u>Rate</u> <u>of</u> <u>Interest</u>	<u>Yield</u>	<u>Price</u>	<u>Cusip</u>
2008	3,470,000	5.000%	3.220%	105.539	725209ED8
2009	5,015,000	5.000%	3.390%	106.398	725209EE6
2010	35,635,000	5.000%	3.540%	107.004	725209EF3
2011	37,385,000	5.000%	3.690%	107.307	725209EG1
2012	6,415,000	5.000%	3.840%	107.325	725209EH9
2013	4,255,000	5.000%	3.940%	107.443	725209EJ5
2014	4,465,000	5.000%	4.040%	107.380	725209EK2
2015	4,690,000	5.000%	4.140%	107.150	725209EL0
2016	4,930,000	5.000%	4.210%*	106.545	725209EM8
2017	5,170,000	5.000%	4.240%*	106.287	725209EN6
2018	5,430,000	5.000%	4.280%*	105.944	725209EP1

\$78,135,000 General Obligation Bonds, Series B of 2005

<u>Maturity</u> <u>(September 1)</u>	<u>Series B</u> <u>Principal</u> <u>Amounts</u>	<u>Rate</u> <u>of</u> <u>Interest</u>	<u>Yield</u> <u>to</u> <u>Maturity</u>	<u>Price</u>	<u>Cusip</u>
2006	\$ 7,045,000	5.000%	2.900%	102.521	725209EQ9
2007	13,200,000	5.000%	3.100%	104.064	725209ER7
2008	28,925,000	5.000%	3.270%	105.262	725209ES5
2009	28,965,000	5.000%	3.450%	106.051	725209ET3

*Yield to call.

CITY OF PITTSBURGH, PENNSYLVANIA

MAYOR
Tom Murphy

MEMBERS OF CITY COUNCIL

Eugene Ricciardi, President

Leonard Bodack, Jr.	Bill Peduto
Twanda Carlisle	Luke Ravenstahl
James Motznik	Doug Shields
Sala Udin	

CONTROLLER
Tom Flaherty

**ACTING DIRECTOR OF FINANCE AND
CITY TREASURER**
Richard M. Fees

CITY SOLICITOR
Jacqueline Morrow, Esquire

BOND COUNSEL
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Pittsburgh, Pennsylvania

BOND UNDERWRITERS
Lehman Brothers
Philadelphia, Pennsylvania

NatCity Investments, Inc., An Affiliate of National City Corporation
Pittsburgh, Pennsylvania

UNDERWRITERS' COUNSEL
Kirkpatrick & Lockhart Nicholson Graham LLP
Pittsburgh, Pennsylvania

DISCLOSURE COUNSEL
Grogan Graffam, P.C.
Pittsburgh, Pennsylvania

PAYING AGENT AND ESCROW AGENT
J. P. Morgan Trust Company, National Association
Pittsburgh, Pennsylvania

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

TABLE OF CONTENTS

<u>INTRODUCTORY STATEMENT</u>	1
<u>THE BONDS</u>	1
SECURITY	1
AUTHORITY TO ISSUE	2
PURPOSE OF THE ISSUE	2
DESCRIPTION OF THE BONDS.....	3
SINKING FUND	3
REDEMPTION.....	3
BOOK-ENTRY-ONLY SYSTEM.....	4
<u>FINANCIAL GUARANTY INSURANCE POLICY</u>	6
PAYMENT PURSUANT TO FINANCIAL GUARANTY INSURANCE POLICY.....	6
<u>APPLICATION OF PROCEEDS OF THE BONDS</u>	8
<u>THE REFUNDING PROJECTS</u>	8
<u>OVERVIEW OF CITY FINANCES</u>	9
BASIS OF ACCOUNTING	9
FINANCIAL STATEMENTS – INDEPENDENT AUDIT.....	9
STATE FISCAL OVERSIGHT – ACT 47 & ACT 11	9
COMPARISON OF KEY PROVISIONS OF ACT 47 & ACT 11	10
<u>FURTHER DESCRIPTION OF ACT 47 & ACT 11</u>	14
BACKGROUND.....	14
ACT 47 PROCESS	15
HIGHLIGHTS OF 2005 OPERATING BUDGET	16
FISCAL DEVELOPMENTS: 2005	16
NEW FIREFIGHTER CONTRACT.....	17
<u>DISCUSSION OF FINANCIAL OPERATIONS</u>	18
GENERAL FUND	18
CURRENT FINANCIAL SITUATION.....	18
<u>REVENUE SOURCES OF THE CITY</u>	18
GENERAL	18
REAL ESTATE ASSESSMENTS, TAXES AND COLLECTIONS.....	20
NON-REAL ESTATE TAXES.....	22
REGIONAL ASSET DISTRICT	23
MUNICIPAL SERVICE PAYMENTS.....	23
OTHER REVENUES.....	23

<u>EXPENDITURES (CASH BASIS)</u>	24
EMPLOYEES	24
EMPLOYEE RETIREMENT SYSTEMS.....	25
<u>DEBT OF THE CITY</u>	26
<u>THE GOVERNMENT OF PITTSBURGH</u>	27
CITY OFFICIALS	28
MEMBERS OF CITY COUNCIL	28
CITY DEPARTMENTS AND SERVICES	29
<u>OTHER GOVERNMENTAL ENTITIES</u>	30
SELF-SUPPORTING AUTHORITIES	30
OTHER JURISDICTIONS	32
<u>LITIGATION</u>	33
<u>MUNICIPAL BANKRUPTCY</u>	34
<u>TAX MATTERS</u>	34
FEDERAL TAX EXEMPTION.....	34
ORIGINAL ISSUE PREMIUM.....	35
PENNSYLVANIA TAX EXEMPTION.....	35
<u>NON-ARBITRAGE BONDS</u>	35
<u>CONTINUING DISCLOSURE</u>	35
<u>LEGALITY FOR INVESTMENT</u>	36
<u>FINANCIAL STATEMENTS</u>	36
<u>UNDERWRITING</u>	36
<u>BOND RATINGS</u>	37
<u>LEGAL OPINIONS</u>	37
<u>FURTHER INFORMATION</u>	37
APPENDIX A – Audited Financial Statements	
APPENDIX B – Financial and Operating Data	
APPENDIX C – Certain Demographic and Economic Information Pertaining to the City	
APPENDIX D – Form of Bond Counsel Opinion	
APPENDIX E – Specimen Municipal Bond Insurance Policy	

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OFFICIAL STATEMENT

\$194,995,000
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
\$116,860,000 General Obligation Bonds, Series A of 2005
\$78,135,000 General Obligation Bonds, Series B of 2005

INTRODUCTORY STATEMENT

This Official Statement, including the Cover Page and Appendices, relates to the offering by the City of Pittsburgh, Pennsylvania (the "City") of its \$116,860,000 principal amount, General Obligation Bonds, Series A of 2005 (the "Series A Bonds"), and its \$78,135,000 principal amount General Obligation Bonds, Series B of 2005 (the "Series B Bonds") (collectively the "Bonds").

The Bonds will be issued pursuant to a Resolution adopted by City Council on April 6, 2005 (the "Resolution") and the Pennsylvania Local Government Unit Debt Act, Act of December 19, 1996, P.L. 1158, No. 177, as amended, as codified at 53 PA C.S.A. § 8001 *et seq.* (the "Act"). Approximately \$123,535,389.19 of the proceeds from the issuance of the Series A Bonds will be used to advance refund a portion of the City's General Obligation Bonds, including bonds from Series A of 1995 and Series A, B and C of 1997 and approximately \$81,196,283.64 of the proceeds of the Series B Bonds will be used to currently refund a portion of the City's General Obligation Bonds, including bonds from Series B of 1995 and Series D of 1998 (collectively, the "Refunded Bonds") (the "Refunding Projects").

THE BONDS

Security

The obligations to pay principal of and interest and premium, if any, on the Bonds will be a direct and general obligation of the City. The full faith, credit and taxing power of the City (including the power to levy ad valorem taxes on all taxable real estate within its boundaries) have been pledged for the payment of the principal of and interest and premium, if any, on the Bonds.

The City has covenanted in the Resolution, as required by the Act (1) to include in its budget for each fiscal year the amount of debt service on the Bonds payable that year, (2) to appropriate such amount from its general revenues for the payment of debt service on the Bonds, and (3) to duly and punctually pay or cause to be paid the principal of and interest and premium, if any, on the Bonds. The Act provides that such covenant of the City shall be specifically enforceable. As required by the Act, the City has, in the Resolution, pledged its full faith, credit and taxing power for such budgeting, appropriation and payment in respect of the Bonds. The City, pursuant to the Act, the Pittsburgh Home Rule Charter, effective January 5, 1976, adopted pursuant to Article IX, Section 2 of the Constitution of the Commonwealth of Pennsylvania and the Home Rule Charter and Optional Plans Law, Act of April 13, 1972, P.L. 184 No. 162, together with the Second Class City Code, Act of March 7, 1901, P.L. 20, as amended, has the power to levy ad valorem taxes on all taxable real estate within its boundaries without limitation as to rate or amount for the payment of legally incurred debt service, and, by the Resolution has agreed to exercise this power for the benefit of the Bondholders.

The City is required by the Act to create, and has created, a separate sinking fund (the “Sinking Fund”) for the payment of the Bonds. (See “**THE BONDS** – Sinking Fund” herein.) All moneys for the payment of principal of and interest and premium, if any, on the Bonds are required by the Act to be deposited in the Sinking Fund prior to or at the time when such payments become due and payable. Under the Act, all moneys in the Sinking Fund, including proceeds of investments, are subject to a perfected security interest for the equal benefit of the holders of the Bonds.

Under the Act, it is the duty of the City Treasurer (the “Treasurer”) to deposit into the Sinking Fund moneys required to be deposited therein pursuant to the Resolution. If no appropriation is made for any such deposit, or if the funds appropriated are insufficient, it is the duty of the Treasurer under the Act to pay into the Sinking Fund that portion of each receipt of tax moneys and other available revenues of the City as will result in the deposit of sufficient moneys to pay when due the principal of and interest and premium, if any, on the Bonds.

Under the Act, if the City fails to pay the principal of or interest or premium, if any, on the Bonds when due, and such failure continues for thirty days, any holder of Bonds has the right to bring suit to recover the amount due. Upon such a default, or if the City otherwise fails to comply with any provision of the Bonds or the Resolution, the holders of 25 percent in aggregate principal amount of the Bonds then outstanding may appoint a trustee to represent all holders of the Bonds. The trustee will have the power to take various actions, including petitioning the court to levy upon all taxable property subject to ad valorem taxation in the City a tax sufficient to pay the amount due and, after thirty (30) days prior written notice to the City, declaring the unpaid principal of the Bonds due and payable. The taking of any such action will preclude similar action, whether previously or subsequently initiated, by individual holders. The rights of the holders of the Bonds are subject to the provisions of the Act with respect to priorities.

No specific revenues of the City are pledged for the payment of principal, interest or premium, if any, on the Bonds.

The payment of principal of and interest on the Bonds will be insured by a municipal bond insurance policy to be delivered by MBIA Insurance Corporation simultaneously with the issuance of the Bonds. For additional information regarding the terms and provisions of such policy, including the limitations thereof, see “**Financial Guaranty Insurance Policy**” herein and Appendix E – “Specimen Municipal Bond Insurance Policy”.

Authority to Issue

The City is authorized to issue the Bonds pursuant to the Act. In the Act, the General Assembly of the Commonwealth of Pennsylvania (the “Commonwealth”) has granted full power and authority to issue bonds to certain local government units in the Commonwealth, including the City, subject to certain limitations, restrictions and conditions set forth in the Act. The City authorized the issuance of the Bonds by adopting the Resolution in accordance with the provisions of the Act. The Bonds will be issued without the approval of the electorate. For a discussion of the debt limitations applicable to the City under the Act, see “**DEBT OF THE CITY**” herein.

As required by the Act, the City will, prior to the delivery of the Bonds, notify the Department of Community and Economic Development (“DCED”) of the Commonwealth of its intent to incur the debt evidenced by the Bonds and seek the approval of DCED for such issuance. Such approval will indicate that the amount of such debt and all other presently outstanding debt of the City are within the debt limitations of the Act.

Oversight of City finances by two oversight bodies under provisions of State law poses additional pre-conditions to the City’s power to incur debt. See “Comparison of Key Provisions of Act 47 and Act 11 – Scope of Authority”, “Recovery Plan/Financial Plan” and “Extraordinary Contracts” herein.

Purpose of the Issue

Proceeds from the issuance of the Series A Bonds will be used (1) to advance refund a portion of the City’s outstanding General Obligation Bonds, including bonds from Series A of 1995 and Series A, B and C of 1997 and (2) to pay the costs and expenses of issuing the Series A Bonds. Proceeds from the issuance of the Series B Bonds will be used (1) to currently refund a portion of the City’s outstanding General Obligation Bonds, including bonds from Series B of 1995 and Series D of 1998 and (2) to pay the costs and expenses of issuing the Series B Bonds.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on the dates and in the aggregate principal amounts set forth on the inside front cover of this Official Statement. The Bonds will be dated initially as of their respective dates of delivery (the "Dated Date"). Thereafter each Bond shall be dated as of the date of its authentication and shall bear interest until the principal sum of the Bonds is paid in full at the rates set forth on the inside front cover of this Official Statement (computed on the basis of a 360 day year comprised of twelve months of 30 days) from the Interest Payment Date next preceding next preceding the date of such Bond to which interest has been paid, unless the date of such Bond is a date to which interest has been paid, in which case from the date of such Bond, or if the date of such Bond is prior to September 1, 2005, in which case from the Dated Date. However, if the City fails to pay the interest due on any interest payment date, then any such Bond shall bear interest from the March 1 or September 1, as the case may be, next preceding the date to which interest has been paid on such Bond, or if no interest has been paid, from the Dated Date.

The principal of and premium, if any, on the Bonds shall be payable to the Registered Owners thereof or their transferees upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent in lawful money of the United States of America and under the terms and conditions set forth in the Bonds. Payment of interest on the Bonds shall be made by check or draft mailed by the Paying Agent to the registered owners thereof whose names and addresses appear at the close of business on the February 15 or August 15 (whether or not a business day) next preceding each Interest Payment Date (the "Regular Record Date") on the Bond Register (hereinafter defined), irrespective of any transfer or exchange of any Bonds subsequent to the Record Date and prior to such Interest Payment Date, unless the City shall be in default in payment of interest due on such Interest Payment Date. In the case of an interest payment to any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, such payment may be made by wire transfer to any designated account in a member bank of the Federal Reserve System as of the close of business on such Interest Payment Date upon written request from such registered owner, which written request is received by the Paying Agent not less than five days prior to such payment date.

In the event of any default in payment of interest due on an Interest Payment Date, such defaulted interest shall be payable to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent on behalf of the City to the registered owners of the Bonds not less than ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of, premium, if any, or interest on the Bonds occurs on a day which is not a Business Day (a "**Business Day**" is any day other than a Saturday, Sunday or a day on which financial institutions in the Commonwealth of Pennsylvania (the "**Commonwealth**") are authorized by law to be closed), the interest and/or principal due on such date shall be payable on the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Sinking Fund

In connection with the issuance of the Bonds, the City has established with J. P. Morgan Trust Company, National Association, the Sinking Fund Depository, a sinking fund known as "City of Pittsburgh Series A and B of 2005 Bonds Sinking Fund" (the "Series A and B of 2005 Bonds Sinking Fund") into which the City has covenanted to deposit, and into which the City Treasurer is authorized and directed to deposit, on or before March 1 and September 1 of each year, commencing September 1, 2005, amounts sufficient to pay (i) the interest due on such date on the Bonds then outstanding, and (ii) the principal due on such date on the Bonds then outstanding.

Redemption

The Bonds maturing after September 1, 2015 are subject to redemption at the option of the City prior to their stated Maturity Dates, as a whole or in part from time to time, in such order of maturity as is selected by the City, and within a maturity by lot, on September 1, 2015 and on any date thereafter, upon payment of the Redemption Price of 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption. If less than all Bonds maturing on any date are to be redeemed at any time, the Bonds to be called for redemption at such time shall be chosen by the Paying Agent.

Notice of redemption of any Bond shall be given to the registered owner of such Bond by first class mail, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. A portion of a Bond of a denomination larger than \$5,000 may be redeemed, and in such case, upon the surrender of such Bond, there shall be issued to the Registered Owner thereof, without charge therefor, a Bond or Bonds for the unredeemed balance of the principal amount of such Bond. If notice of redemption shall have been duly given, the Bonds or portions thereof specified in that notice shall become due and payable at the applicable redemption price on the redemption date designated in that notice, and if, on that redemption date, moneys are held by the Paying Agent or the Sinking Fund Depository for the payment of the redemption price of the Bonds to be redeemed, together with interest to the redemption date, then from and after the redemption date interest on such Bonds shall cease to accrue.

If at the time of mailing of any notice of optional redemption the City shall not have deposited with the Paying Agent monies sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption monies with the Paying Agent not later than the opening of business on the redemption date and shall be of no effect unless such monies are so deposited.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The

Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE DESCRIPTIONS IN THIS OFFICIAL STATEMENT OF THE DEPOSITORY TRUST COMPANY, THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS TO PARTICIPANTS IN DTC, OR TO EACH ACTUAL PURCHASER OF EACH BOND, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS OR OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS ARE BASED SOLELY ON

INFORMATION FURNISHED BY DTC TO THE CITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE CITY DOES NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS AND NEITHER THE DTC PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON SUCH INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE DTC PARTICIPANTS, AS THE CASE MAY BE. THE CITY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR BANKS, BROKERS, DEALERS, TRUST COMPANIES AND OTHERS THAT CLEAR THROUGH OR MAINTAIN A CUSTODIAL RELATION WITH A DTC PARTICIPANT, EITHER DIRECTLY OR INDIRECTLY, WILL DISTRIBUTE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS, OR ANY REDEMPTION OR OTHER NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL SERVE AND ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

FINANCIAL GUARANTY INSURANCE POLICY

Payment Pursuant to Financial Guaranty Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's policy.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading “Financial Guaranty Insurance Policy”. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following document filed by the Company with the Securities and Exchange Commission (the “SEC”) is incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company’s most recent Quarterly Report on form 10-Q, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company’s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, MBIA had admitted assets of \$9.9 billion (audited), total liabilities of \$6.2 billion (audited), and total capital and surplus of \$3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2004 MBIA had admitted assets of \$10.3 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$3.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

APPLICATION OF PROCEEDS OF THE BONDS

The proceeds to be received from the sale of the Bonds are expected to be applied as shown below:

Estimated Sources and Uses of Funds

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total Bonds</u>
Sources			
Par Amount of the Bonds	\$116,860,000.00	\$78,135,000.00	\$194,995,000.00
Net Original Issue Premium	<u>8,162,576.35</u>	<u>3,998,758.10</u>	<u>12,151,334.45</u>
Total Sources of Funds	<u>\$125,022,576.35</u>	<u>\$82,123,758.10</u>	<u>\$207,146,334.45</u>
Uses			
Escrow Fund Deposits			
Cash Deposit	\$ 0.19	\$ 206.88	\$ 207.07
SLG Purchases	123,535,389.00		123,535,389.00
Open Market Purchases		81,196,076.76	81,196,076.76
Costs of Issuance*	1,483,525.53	923,148.17	2,406,673.70
Additional Proceeds	<u>3,661.63</u>	<u>4,326.29</u>	<u>7,987.92</u>
Total Uses of Funds	<u>\$125,022,576.35</u>	<u>\$82,123,758.10</u>	<u>\$207,146,334.45</u>

*Includes Underwriters' Discount, Bond Insurance, Rating Agency Fees, Verification Agent, Bond Counsel, Underwriters' Counsel, Disclosure Counsel, Paying Agent, printing and miscellaneous expenses.

THE REFUNDING PROJECTS

The Series A Bonds are being issued to refund a portion of the City's outstanding General Obligation Bonds, including bonds from Series A of 1995 and Series A, B and C of 1997. The Series B Bonds are being issued to currently refund a portion of the City's outstanding General Obligation Bonds, including bonds from Series B of 1995 and Series D of 1998 (collectively, the "Refunded Bonds"). The aggregate principal amount of the Refunded Bonds that will be refunded through the issuance of the Bonds will be approximately \$200,130,000.

The City, simultaneously with the delivery of the Bonds to the purchasers thereof, shall enter into one or more escrow agreements (the "Escrow Agreements") with J. P. Morgan Trust Company, National Association (successor to Chase Manhattan Trust Company, National Association), as escrow agent (the "Escrow Agent"), establishing funds (the "Escrow Funds") to be held in trust for the benefit of the owners of the Refunded Bonds identified in the Escrow Agreements, into which shall be deposited that portion of the proceeds of the Bonds necessary to effect the refunding of the Refunded Bonds.

OVERVIEW OF CITY FINANCES

Basis of Accounting

The City's operating fund is the General Fund. The accounts of the City are maintained on a modified accrual basis as further described in Appendix A. For further information on the basis of accounting of the General Fund and other funds, see Appendix A.

Financial Statements - Independent Audit

The City's general purpose financial statements for the fiscal year ended December 31, 2003 are presented in Appendix A. In March of 2005 the City engaged Maher Duessel to act as auditor for the City's December 31, 2004 Audited Financial Statements.

State Fiscal Oversight -- Act 47 and Act 11

The fiscal affairs of the City of Pittsburgh are subject to supervision by two oversight bodies created by State law: the Act 47 Coordinators appointed by the State under Act 47 and the Intergovernmental Cooperation Authority Board established by Act 11. Their statutory powers and responsibilities are summarized below.

Act 47. Under the Municipalities Financial Recovery Act, Act of July 10, 1987 (P.L. 246, No. 47) ("Act 47"), a municipality can petition the Pennsylvania Department of Community and Economic Development (the "Department") to designate the municipality as being "financially distressed". Act 47 is intended to enable municipalities to develop financial plans and to operate under them while implementing measures to restore their fiscal integrity. A total of 19 municipalities in the Commonwealth of Pennsylvania had been granted relief under Act 47 prior to its use for the City of Pittsburgh.

In the City's case, the Department approved the City's petition in December 2003 having determined that the City was financially distressed based on specific statutory criteria, principally the City's structurally imbalanced budgets for the years 2001, 2002 and 2003. Following a determination of "financial distress", the Department is required pursuant to Act 47 to appoint a coordinator who becomes responsible for preparing and administering "a plan designed to relieve the financial distress" of the financially distressed municipality. In January 2004, the Department made the dual appointment of the law firm of Eckert Seamans Cherin & Mellot, LLC and Public Financial Management, Inc. as Act 47 Coordinators (collectively, the "Act 47 Coordinators").

Act 11. Following this appointment of coordinators under Act 47, the Intergovernmental Cooperation Authority Act for Cities of the Second Class (Act 11 of February 12, 2004) (the "ICA Act") was enacted by the State legislature in February 2004. The ICA Act established the Intergovernmental Cooperation Authority for Cities of the Second Class (the "Authority") as a public authority and instrumentality of the Commonwealth of Pennsylvania. Inasmuch as the City of Pittsburgh is the only City of the Second Class in Pennsylvania, the ICA Act applies only to the City.

The Authority has a governing board comprised of five members: one member is selected by each of the President pro tem and the Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives, and the Governor. The Pennsylvania Secretary of Administration and Budget and the City's Finance Director are *ex officio*, nonvoting members of the Authority's board.

The ICA Act directed the Authority to enter into an intergovernmental cooperation agreement with the City to establish their respective roles with respect to the fiscal oversight process consistent with Act 11, and the parties entered into the Intergovernmental Cooperation Agreement dated September 7, 2004 (the "Cooperation Agreement"). The purpose of the Cooperation Agreement is to establish the procedures and the standards for the development and implementation of the financial plans required by the ICA Act. An intergovernmental cooperation

agreement, together with an approved financial plan, must be in place to enable the City as well as City-related municipal authorities to borrow funds.

Comparison of Key Provisions of Act 47 and Act 11

Scope of Authority. The ICA Act provides that it is intended to operate “concurrently and equally” with Act 47. In the Cooperation Agreement, the City and the Authority agreed to be bound by the Recovery Plan adopted by the Act 47 Coordinators relating to City expenses and operations. The Recovery Plan was amended and approved by the Act 47 Coordinators, the Authority Board, the Mayor and City Council in December 2004.

The processes established by Act 47 and the ICA Act (collectively, the “Acts”) differ in certain respects. Under Act 47, for example, a state appointed coordinator develops a fiscal recovery plan for adoption by the municipality. The ICA Act, on the other hand, provides that the City will develop a financial plan and submit it to the Authority for its approval. The central feature of each of the Acts is, however, a requirement for the preparation of a financial plan designed to address the financially distressed status of the municipality by providing for measures intended to improve its fiscal condition. Act 47 establishes a range of factors which may be included in a financial plan in contrast to the ICA Act which has very specific requirements described below under “Recovery Plan/ Financial Plan.” The City originally submitted a comprehensive five year financial plan for the years 2004 to 2009 conforming to Act 47 and to Act 11 to both the Act 47 Coordinators and the Authority Board in May 2004.

There are, moreover, a number of other provisions common to both Act 47 and the ICA Act on key issues. In both cases, a consequence of the failure to adopt a financial plan in accordance with the Acts’ requirements is the withholding of state funds, subject to the exemption of certain types of state funds from this sanction. In addition, the adoption of a financial plan meeting the requirements of the Acts is required to permit the City to borrow funds. Act 47 requires that the City have in place an adopted financial plan before it can obtain approval from the Department under the Local Government Unit Debt Act for the incurring of long-term debt. Act 11 includes this requirement and provides in addition that an intergovernmental cooperation agreement between the City and the Authority must be in effect. The adoption of the requisite Financial Plan and the execution of the Cooperation Agreement satisfied these conditions to the City’s ability to borrow funds. See “Recovery Plan/Financial Plan” and “Extraordinary Contracts” herein for discussion of other provisions regarding authority to issue the Bonds.

Term. The duration of the oversight by the Act 47 Coordinators and the Authority are substantially different. Act 47 provides that if an Act 47 Coordinator’s plan is adopted by the municipal governing body the Coordinator shall initiate plan implementation and continue its implementation for at least four months. The termination of the distressed municipality status is treated separately. Act 47 provides for the termination of municipal financial distress status through a process which may be initiated either by the Secretary of the Department or by the municipality. This process is designed to determine whether or not the conditions which led to the earlier determination of distressed status have been addressed adequately, including the elimination of accrued deficits and municipal operations for a period of at least one year under a positive current operating fund balance.

The Authority, on the other hand, was established for a minimum term of seven years. If after seven years an “assisted city”, as defined in the ICA Act, has had annual operating budgets and financial plans which satisfy the Act’s standards, the ICA Act provides a process for the termination of the Authority’s existence and the status of the City as an “assisted city” under the ICA Act. It is, therefore, possible that the City’s Act 47 distressed municipality status could terminate prior to the termination of the Authority and its oversight function.

The core functions and management of the City, however, remain the responsibility of the Mayor and City Council. As confirmed in the Cooperation Agreement, the City retains all of its powers and authority granted under the Home Rule Charter of the City of Pittsburgh, except as specifically set forth in the Cooperation Agreement. Contracts and collective bargaining agreements and their terms, whether or not subject to binding arbitration, are not subject to approval by the Authority Board or the Act 47 Coordinators. The Cooperation Agreement provides, however, that the financial terms of contracts entered into by the City after the adoption of a Financial Plan shall comply with such Financial Plan. Contracts which are not in compliance are not void or voidable, but the City is required in this event to submit to the Authority a proposed revision to the Financial Plan to demonstrate that revenues sufficient to pay the cost of the contract will be available in the affected fiscal years of the Financial Plan. This provision of the Cooperation Agreement appears to be applicable both to Extraordinary Contracts discussed under “Comparison of

Key Provisions of Act 47 and Act 11 – Extraordinary Contracts”, and to other contracts which do not fall within this defined term.

Recovery Plan/Financial Plan. The Act 47 Coordinators issued a recovery plan on June 11, 2004. The Recovery Plan was adopted by Pittsburgh City Council on June 29, 2004, making the Plan an ordinance of the City. A complete copy of the Act 47 Recovery Plan is available at the City of Pittsburgh website: www.city.pittsburgh.pa.us under the “City Council” heading therein.

Subsequently, in accordance with the requirements of the ICA Act, the City prepared its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. This Plan (the “Financial Plan”) which included the elements set forth above was submitted by the City to the Authority on November 5, 2004 and subsequently approved. The Financial Plan in the form approved by the Authority was approved by Pittsburgh City Council in December 2004.

The Financial Plan includes those elements required by the ICA Act as follows:

- (1) Projected revenues and expenditures of the principal operating fund or funds of the assisted city for five fiscal years consisting of the current fiscal year and the next four fiscal years.
- (2) Plan components that will:
 - (i) eliminate any deficit for the current fiscal year and for subsequent fiscal years;
 - (ii) restore to special fund accounts money from those accounts used for purposes other than those specifically authorized;
 - (iii) balance the current fiscal year budget and subsequent budgets in the financial plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of these steps;
 - (iv) provide procedures to avoid a fiscal emergency condition in the future; and
 - (v) enhance the ability of the City to regain access to the short-term and long-term credit markets.

The Financial Plan which consisted of projected revenues and expenditures of the principal operating funds for five fiscal years consisting of fiscal year 2005 and the next four fiscal years mandated spending cuts and levied new and broader based taxes, as approved by the State legislature in December 2004. Appendix B, Table B-6 and Table B-7 contain the Financial Plan projections for fiscal years 2005 through 2009.

The Financial Plan included discussion of projected refinancing opportunities with respect to existing City debt and established goals for such refinancings. Under Section 3.04 of the Cooperation Agreement, the City agreed not to incur any indebtedness unless such indebtedness had been included in the Financial Plan approved by the Authority Board or the incurrence of such indebtedness had been approved in advance and in writing by the Authority Board. Accordingly, the Authority Board has, by virtue of its approval of the Financial Plan, approved the issuance of the Bonds. (See: “**Comparison of Key Provisions of Act 47 and Act 11 - Extraordinary Contracts**” below for a discussion of another precondition for issuance of the Bonds.)

Although each of Act 47 and the ICA Act contains separate provisions regarding financial plans, the City is operating under a single financial plan which has been approved under the processes established under each of the Acts.

The ICA Act provides that during each subsequent fiscal year, at least 100 days prior to the beginning of such fiscal year, the City will prepare and submit its updated rolling five-year financial plan. The Cooperation Agreement

provides that each subsequent five-year financial plan shall include, without limitation, the same plan elements described above.

At the time of the submission of each new five-year financial plan, the Mayor of the City of Pittsburgh will also be required to submit to the Authority a proposed annual operating budget and capital budget which is consistent with the first year of the proposed financial plan. These budgets must be balanced without the inclusion of projected revenues that would require either the enactment of new taxing powers by the General Assembly or the approval of the Court of Common Pleas of Allegheny County. The ICA Act provides that the Commonwealth of Pennsylvania shall withhold certain state funds unless the annual budgets are balanced. The 2005-2009 Financial Plan and the 2005 operating budget comply with these requirements by virtue of the State legislative actions to authorize the City to levy new and broad-based taxes, such as the gross payroll tax and a higher occupational privilege tax, and the inclusion of anticipated revenues from casino "slots" operations to be located in the City.

New Revenue. The Cooperation Agreement also established an additional power which the Authority can invoke in the event of a Variance or noncompliance with a Financial Plan. Under the Cooperation Agreement, the Authority is authorized to intercept certain funds defined as "New Revenue" and to deposit such funds in a dedicated account for the benefit of the City, under the circumstances described below. See "Reporting Requirements" herein. "New Revenue" is defined in the Cooperation Agreement to mean revenues received by the City from any new taxes or fees which are not solely derived by virtue of taxing or legislative power of its Home Rule Charter or otherwise under applicable law existing at the time of the execution of the Cooperation Agreement, i.e., September 7, 2004. The tax measures enacted subsequent to that date which yield New Revenue as defined in the Cooperation Agreement are the Payroll Preparation Tax and the EMS Tax, each of which is discussed below. See "**IMPACT OF ACT 47 AND ACT 11 – Act 47 Process**" herein.

Extraordinary Contracts. The Cooperation Agreement established a new requirement that the City provide notice to the Authority of the intention to enter into any "Extraordinary Contract." The term Extraordinary Contract is defined to mean, among other things, any agreement which relates to the borrowing of money by the City. Prior to entering into any Extraordinary Contract, the City must deliver to the Authority: (i) a summary of the terms of such Extraordinary Contract; and (ii) a written statement by the City's Director of Finance stating whether or not in the opinion of said officer the performance of the Extraordinary Contract would be consistent with the Financial Plan of the City then in effect. In the case of a bond purchase agreement, the City is required to provide such information regarding the agreement not less than three days prior to the execution of the agreement. The Cooperation Agreement provides that the Authority may make comments and suggestions with respect to such Extraordinary Contracts, which comments and suggestions the City is obligated to consider prior to its execution of the Extraordinary Contract. The Cooperation Agreement does not, however, grant the Authority the power to approve or disapprove Extraordinary Contracts.

The City has delivered to the Authority on a timely basis the documents required by the Extraordinary Contracts provisions of the Cooperation Agreement. The Authority's Counsel, acting on behalf of the Authority, notified the City that the Authority does not object to the City's issuance of the Bonds but included written comments and suggestions regarding the structure of the financing. The City considered the Authority's suggestions in developing the plan of finance.

Reporting Requirements. On an ongoing basis, the City will be subject to the financial reporting requirements described in this Section and to the continuing financial oversight of the Authority Board. The financial reporting requirements now in effect provide that within 45 days after the end of each fiscal quarter, the City will provide reports to the Authority Board describing actual or current estimates of revenues and expenditures compared to budgeted revenues and expenditures for the quarter as reflected in its cash flow forecast.

If the Authority Board determines that the City's actual revenues and expenditures vary from those in the Financial Plan, the City will be required to submit monthly reports with the same information previously included in the quarterly reports. The Cooperation Agreement provides that a "Variance" for this purpose, which would change the reporting requirement from quarterly to monthly, shall be deemed to have occurred as of the end of a reporting period based on the reports submitted for such period if: (i) a net adverse change of more than one percent (1%) of the revenues or expenses for such fiscal year is reasonably projected to occur; or (ii) the actual net cash flows of the City for that fiscal year are reasonably projected to be less than ninety-eight percent (98%) of the net cash flows

originally forecast at the time of the adoption of the budget. If the Authority Board determines that the City's actual revenues and expenditures vary from those estimated in the Financial Plan, the Authority Board is also authorized to require such additional information as is deemed necessary to explain the variation. Under these circumstances, the ICA Act provides that the City would have the opportunity to explain the discrepancy and to propose remedial action and the Authority may also provide recommendations on the means to achieve compliance with the Financial Plan.

The Cooperation Agreement provides that in the event that the Authority determines by majority vote that the City's explanation of a Variance is unsatisfactory or that the remedial action proposed by the City to address a Variance is insufficient, the Authority shall notify the Pennsylvania Secretary of the Budget and the City to that effect. Upon receipt of this notification from the Authority, the City's Director of Finance and the Controller are required to certify to the Authority the amount of the New Revenue and to cause the said certified amount to be deposited as directed by the Authority in trust for the exclusive benefit of the City in an account established for that purpose. New Revenue received after the notification would also be deposited in the New Revenue Account. During the period when New Revenues are being held in a New Revenue Account, the Authority may consent to the disbursement to the City of any or all amounts on deposit in the New Revenue Account as may be requested by the City.

In the event that the Authority determines that the City has not adhered to the Financial Plan and has not taken acceptable remedial action during the next fiscal quarter after it is failed to adhere to the Financial Plan, the Authority shall so notify the Pennsylvania Secretary of the Budget. In this event, the Authority may suspend disbursements from the New Revenue Account pending compliance with an Approved Financial Plan. When the Authority determines that the conditions which caused the City to be certified as being out of compliance with the Financial Plan have been cured, it is obligated to notify the Secretary of the Budget. Upon this notification, disbursements to the City of amounts from the New Revenue Account would resume pursuant to the Cooperation Agreement.

At a meeting of the Authority held on March 29, 2005, the Authority Board authorized its Chairman to initiate the provisions in the Cooperation Agreement empowering the Authority to intercept New Revenue and suspend disbursements to the City of New Revenue pending receipt by the Authority of information requested from the City regarding the achievement of a balanced budget for the City Fire Department during budget year 2005. At this time the Authority has not specified the circumstances under which it would act to suspend disbursement of New Revenue to the City pursuant to the Cooperation Agreement.

At the same Authority meeting held on March 29, 2005, the Authority Board authorized its counsel to file suit against the City claiming that the City's approval of the new firefighter collective bargaining agreement (the "Firefighters' Contract") violated the provisions of the Act 47 Recovery Plan previously adopted by the City which provisions set parameters for expenditure cuts and service reductions in the City Fire Bureau. On April 8, 2005 the Authority filed a lawsuit captioned *The Intergovernmental Cooperation Authority for Cities of the Second Class, Petitioner, vs. The City of Pittsburgh, The Act 47 Coordinator for the City of Pittsburgh, and the International Association of Firefighters Local #1, Respondents*, (No. 175 MD 2005) in the Commonwealth Court of Pennsylvania. In its Petition for Review (the "Petition"), the Authority alleges that the City violated both the Financial Plan and the Recovery Plan by entering into the Firefighters' Contract. See "Fiscal Developments: 2005 – New Firefighter Contract." The Authority alleges also that Act 47 was violated by the passage of an ordinance by the City ("Ordinance No. 6") amending the Act 47 Plan "to adopt the five (5) year agreement reached between the City and IAFF Local #1. . . ." Specifically, the Authority alleges that the Firefighters' Contract violates certain of the workforce reduction requirements set forth in the Recovery Plan and, as a result, violates the Financial Plan. The Authority alleges also that the Act 47 Coordinator violated Act 47 by failing to enforce certain terms of Act 47, thereby causing direct injury to the Authority and its ability to perform its obligations under Act 11. In its Petition, the Authority petitioned the Commonwealth Court, among other things, to declare (i) the Firefighters' Contract to be in violation of the Recovery Plan and therefore invalid, and (ii) Ordinance No. 6 to be invalid because it is alleged to be in violation of Act 47. The Authority also requested injunctive relief to enjoin the implementation of the Firefighters' Contract. It is expected that the City and the Act 47 Coordinators will oppose the Authority's Petition and will contend that the terms of the new Firefighter's Contract are consistent with the Recovery Plan and the Financial Plan and that Act 47 was not violated.

The Authority Board's continuing oversight role also includes a periodic review of the City's reports concerning debt service requirements. The Authority Board is obligated to review the City's quarterly financial reports, or monthly reports if they are required, regarding debt service requirements. The City's reports must be issued no later than 60 days prior to the beginning of the quarter to which they pertain; these reports are to be updated immediately upon each issuance of debt by the City to reflect any change of debt service requirements as a result of such issuance.

Investigative Powers. In addition to its specified oversight authority regarding the City's financial plans, the ICA Act granted the Authority Board certain investigative and advisory powers including the following: (i) to investigate the financial condition of the City; (ii) to make recommendations to the City and the Pennsylvania legislature on numerous aspects of the City's finances and financial practices; and (iii) to make recommendations to the Governor and the Pennsylvania legislature concerning legislation or resolutions related to the City's fiscal stability.

Both Act 47 and the ICA Act provide for the withholding of state funds as the sanction for noncompliance with their respective requirements concerning financial plans and reporting. As discussed previously, the Authority is also empowered to direct New Revenues under such circumstances pursuant to the Cooperation Agreement. Under the ICA Act, state funds which are not exempted will be withheld if the Authority certifies to the Secretary of the Budget that the City has either (i) not adhered to the Financial Plan, that is, a variance has occurred or the City has otherwise failed to operate under the Financial Plan and has not taken acceptable remedial action in the prescribed time period, or (ii) the City has no financial plan approved by the Authority or has failed to file mandatory revisions to its plan or required reports. In these events, each grant, loan entitlement or payment to the City by the Commonwealth shall be suspended and placed in escrow pending compliance with the Act's requirements.

State funds exempted in the ICA Act from the withholding penalty include: (i) federal or state funds provided after a declaration of a disaster resulting from a catastrophe; (ii) funds for capital projects under contract in progress; (iii) pension fund payments required by law; and (iv) funds the assisted city has pledged to repay notes or bonds. No state funds which are currently received by the City, such as pension aid, are subject to withholding under Act 47 or the ICA Act.

Act 47's exceptions to the withholding of state funds are similar to those provided in the ICA Act and include each ICA category with the exception of funds the assisted city has pledged to repay notes or bonds. Escrowed funds would be released upon notification by the Authority Board to the Secretary of Administration and Budget that the City has come into compliance with the financial planning requirements which are then in effect.

Municipal Bankruptcy. The ICA Act alters the general right of a municipality to seek relief under the Bankruptcy Code. See "MUNICIPAL BANKRUPTCY." The ICA Act provides that no "assisted city", that is, a city subject to the oversight of the Authority Board, shall be authorized to file a bankruptcy petition under the provisions of the Bankruptcy Code applicable to municipal corporations such as the City.

FURTHER DESCRIPTION OF ACT 47 AND ACT 11

Background.

Changes in the economic geography of the City, its population and demographics, that have occurred over several decades have eroded the existing tax base that supports necessary municipal services, while significant growth has occurred in sectors wholly or substantially exempt from local tax, such as hospitals and universities, financial institutions and utilities. In addition, although the City's major economic and physical transformation continues, the translation of various economic development initiatives into higher tax revenues (real estate, earned income, business privilege, and parking) has not yet been fully realized.

As a matter of Administration policy, since 1994 there had been no increase in the rate of earned income tax on residents or in the tax rate on real estate, although the rate was modified in 2001 as a unitary tax rate structure was adopted. Debt refinancings and other one-time revenue and cost cutting measures were used to balance the annual operating budgets. The working capital fund of \$109 million created by the 1995 capital lease agreement between the City and the Pittsburgh Water and Sewer Authority and the sale of tax liens provided a fiscal cushion through 2003.

Notwithstanding workforce reductions and efficiencies in service delivery, structural deficits persisted and grew over time as recurring revenues, growing at a 1-2% annual rate, were outpaced by expenditure increases averaging 3-4% per year. Many of these annual cost increases were beyond the fiscal control of the City as they related to legacy costs, such as pension, retiree health care and workers' compensation, and to historic debt service costs even as the City sought to constrain debt service costs through the Administration's "debt diet" policy of limiting the issuance of new debt for capital needs.

In order to develop a consensus with respect to an acceptable legislative tax package to present to the State Assembly, the Administration enlisted the aid of four civic committees during the period 2001 to 2003. These panels separately studied the City's fiscal position and concluded that new broad-based revenues were necessary as part of a reform of the local tax structure. In addition, significant reductions in the City's expenditure levels and changes in service delivery were also recommended.

In order to improve liquidity and reduce expenditures, in August 2003 substantial cost-cutting steps were taken by the City, with layoffs and the elimination of 580 positions resulting in savings of \$8.6 million in the remaining months of 2003. Cost-sharing with the Pittsburgh School District for school crossing guards provided \$1.38 million reimbursement on 195 positions through December 2003. Restructuring within environmental services, a division of the City's Department of Public Works, resulted in the elimination of 22 positions as the City gained efficiencies in refuse collection. Annualized, these savings totaled \$18.9 million. These actions permitted the City to emerge with a positive cash balance of \$32.5 million at year end 2003.

Act 47 Process.

In the absence of State legislative action in 2003 to grant the City adequate new taxing authority and to increase State aid, the City sought municipal self-help under State Act 47 as a "financially distressed" municipality in November 2003. The Pennsylvania Department of Community and Economic Development (DCED) determined that the City met the statutory criteria and granted the City's request for distressed status in late December 2003.

Concurrent with the Act 47 process, the State legislature in February 2004 passed Act 11 establishing the Intergovernmental Cooperation Authority (the "ICA"), or fiscal oversight board for the City of Pittsburgh, but authorized no new revenues. Under the terms of Act 11, the City was required to submit for approval a five year financial plan and enter into a cooperation agreement with the Authority Board. Under Act 11 the Authority Board was also charged with recommending new revenues. The law provided that Act 11 is to operate "concurrently and equally" with Act 47.

During 2004 the Authority Board and the Act 47 Coordinators engaged in a parallel review of the City's fiscal condition. To assist the Act 47 Coordinators and comply with the mandate of the ICA Act, on May 12, 2004 the City submitted a comprehensive five-year financial plan for the years 2004 to 2009 reflecting the Administration's judgment about the right size of City government and services to be delivered, the detailed performance standards to govern future spending levels by each department, and the revenues needed to balance these budgets.

On June 11, 2004, following five months of review and analysis, the Act 47 Coordinators—Public Financial Management and Eckert Seamans Cherin & Mellot, LLC – filed a Recovery Plan with the City Clerk. On June 29, 2004 the City adopted the Act 47 Recovery Plan. On June 15, 2004 the City submitted the Act 47 Recovery Plan to the ICA as the City's Five-Year Financial Plan pursuant to the requirements of Act 11 and, with the agreement of the board of the ICA, the Mayor amended the City's plan on August 6, 2004.

On November 5, 2004, the City submitted its *2005 Operating and Capital Budgets and 2006-2009 Forecast* which followed both the terms of its Financial Plan in revenue estimates and in funding expenditures for services and obligations of the City in 2005 through 2009 and incorporated revisions made in response to the stated concerns of the Authority board. Service levels both in scope and quality provided in the Act 47 Recovery Plan were outlined. To assure the effective delivery of these services, management initiatives and performance measures were detailed by department. The Plan also reflected the City's legal obligations to pay debt service, pension and retiree healthcare, and worker's compensation, amounts which represent legacy costs.

The City's proposed 2005 operating and capital budgets also contemplated the adoption of a new revenue package, either through State legislative approval of a package of new taxes or through a combination of existing revenues and a new commuter tax, to close the fiscal gap and permit the City to operate under a balanced budget in 2005 and in later years. Under Act 47, a commuter tax could be imposed upon approval of the Court of Common Pleas of Allegheny County; no State legislative action or approval would be required. Under consideration at that time by the Authority Board for recommendation to the State legislature, as contemplated by Act 11, were new revenues, including a gross payroll tax (the "Payroll Preparation Tax") and an increased occupational privilege tax renamed the Emergency and Municipal Services ("EMS") tax. These would not only permit a necessary increase in overall revenues for the City but would redistribute the tax burden among businesses and individuals more equitably. In addition, the revised Plan reflected anticipated revenues, beginning in 2006, from state funds resulting from casino "slots" gambling revenues approved by the State legislature earlier in 2004 and payments in lieu of taxes from hospitals, universities and other tax exempt entities.

On November 21, 2004, the State legislature passed legislation approving an increase in the occupational privilege tax payable by residents and nonresident employees from \$10 per year to the \$52 per year EMS tax and authorized the City to levy a gross payroll tax at the rate of 0.55% on all businesses. Previously, a significant portion of businesses located in the City had been exempt from paying any business tax. The State legislature also required the City to reduce the City's business privilege tax from 6 mills to 2 mills and to eliminate the 2 mill mercantile tax. The Governor signed the legislation in December, 2004, and on December 14, 2005 City Council approved the City's 2005 Operating Budget reflecting these new revenues as well as the expenditure levels set forth in the November 5, 2004 budget submitted by the Administration.

Highlights of 2005 Operating Budget

The Financial Plan (2005-2009) provides expenditure and revenue projections, each department's mission, service levels, key performance measures, key objectives, and initiatives to contain costs, while providing quality services. Department objectives, planned initiatives, and related performance measures are subject to change based on annual budget approval. Non-departmental categories provide detail on debt service, utilities, judgments, health benefits, workers' compensation and pension.

Projections for capital needs in 2005 through 2009 are treated separately and include projected infrastructure needs, such as road reconstruction, bridges, guide rails, traffic signals; transportation improvement projects; demolition of structures; and vehicles and equipment. The Plan does not contemplate issuance of bonds for capital needs in 2005, but anticipates \$25 million in borrowings in 2006 and forward. Because the Financial Plan did not provide for capital expenditures during fiscal year 2005 related to basic infrastructure needs, the savings generated from the Bonds will largely be dedicated to this purpose.

Fiscal Developments: 2005

Short Term 2005 Borrowing Repaid - The City received the legislative authority to implement its new tax structure late in 2004. As a result, the collection of new taxes could not begin until the beginning of the 2005 fiscal year. Consequently, the City opened its 2005 fiscal year on January 1 with a general fund cash balance of \$8.3 million, of which only \$4 million was considered to be unencumbered. Although the City is scheduled to receive real estate taxes during the first quarter of each year as a result of the initial installment for such taxes being due on or before the last day of February, its modest 2004 year end unencumbered cash position created the necessity for a \$20 million short term borrowing in January of 2005, of which \$10 million was repaid in February and the remaining \$10 million was repaid on March 31, 2005. The borrowing was executed through a draw on a short term line of credit available in the amount of \$40 million, provided by the following consortium of banks located in the City of Pittsburgh: Citizens Bank, National City Bank of Pennsylvania and PNC Bank.

New Tax Collections - The newly created EMS tax (previously known as the Occupation Tax) paid by both City residents and non-residents who earn wages in the City, was budgeted to produce a total of \$13.3 million in fiscal year 2005. As of March 17, 2005, slightly more than \$10 million had been received, exceeding the City's expectations for the period by approximately \$60,000. The newly created Payroll Preparation Tax paid by all for-profit companies in an amount equal to .55% of the total wages of all employees who work in the City of Pittsburgh, regardless of the employee's residence, was budgeted to produce a total of \$44.5 million in fiscal year 2005. As of March 17, 2005, nearly \$8 million had been received. Because some of the companies who must pay this tax are in

the process of altering their payroll systems to accommodate this new tax, the City expects to receive a greater portion of the budgeted amount for this tax during the second half of 2005 compared to the first half of the year. Collections of the Payroll Preparation Tax as of March 17, 2005 represent 18% of the total budgeted amount collected during the first 21% of 2005.

Summary of Key Taxes

The following is a brief summary of the changes to the City's tax structure following the enactment of the legislation passed by the Commonwealth of Pennsylvania in late 2004:

<u>TAX</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Business Privilege	6 mills	2 mills	2 mills	1 mill	1 mill	1 mill
Mercantile ⁽¹⁾	2/1	0	0	0	0	0
Parking ⁽²⁾	50%	50%	50%	45%	37.5%	35%
Payroll Preparation ⁽³⁾	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%
Emergency & Municipal Services ⁽⁴⁾	\$10	\$52	\$52	\$52	\$52	\$52
Facility Usage Fee ⁽⁵⁾	0%	3%	3%	3%	3%	3%

(1) Retail = 2 mills, wholesale = 1 mill

(2) Percentage of total parking charge

(3) New tax, based upon a percentage of each employee's total annual earnings

(4) Paid annually by each wage earner within City limits

(5) Percentage of performance income at public facilities

New Firefighter Contract

On March 16, 2005, the Pittsburgh City Council voted to approve the Firefighter's Contract that will result in the closure of six fire stations, beginning March 21, 2005. The Firefighter's Contract is projected to save \$10.7 million in fiscal year 2005. The City Administration and the Act 47 Coordinators have supported the passage of this contract. The five-year contract was initially reached as a result of negotiations between the Mayor and the Firefighters' Union. The passage of the Firefighter's Contract will help to curb the approximately \$1.3 million per month overtime payments experienced by the City as a result of staffing 35 stations, soon to be reduced to 29. Additionally, the Firefighter's Contract will hold firefighter salaries in place for two (2) years, require both currently employed and retired firefighters to contribute more for health care benefits, and permanently eliminate 108 firefighter positions which are currently vacant.

At an Authority meeting held on March 29, 2005, the Authority Board authorized its counsel to file suit against the City claiming that the City's approval of the new Firefighter's Contract violated the provisions of the Act 47 Recovery Plan previously adopted by the City which provisions set parameters for expenditure cuts and service reductions in the City Fire Bureau. On April 8, 2005 the Authority filed a lawsuit captioned *The Intergovernmental Cooperation Authority for Cities of the Second Class, Petitioner, vs. The City of Pittsburgh, The Act 47 Coordinator for the City of Pittsburgh, and the International Association of Firefighters Local #1, Respondents*, (No. 175 MD 2005) in the Commonwealth Court of Pennsylvania. In its Petition for Review (the "Petition"), the Authority alleges that the City violated both the Financial Plan and the Recovery Plan by entering into the Firefighters' Contract. The Authority alleges also that Act 47 was violated by the passage of an ordinance by the City ("Ordinance No. 6") amending the Act 47 Plan "to adopt the five (5) year agreement reached between the City and IAFF Local #1. . . ."

Specifically, the Authority alleges that the Firefighters' Contract violates certain of the workforce reduction requirements set forth in the Recovery Plan and, as a result, violates the Financial Plan. The Authority alleges also that the Act 47 Coordinator violated Act 47 by failing to enforce certain terms of Act 47, thereby causing direct injury to the Authority and its ability to perform its obligations under Act 11. In its Petition, the Authority petitioned the Commonwealth Court, among other things, to declare (i) the Firefighters' Contract to be in violation of the Recovery Plan and therefore invalid, and (ii) Ordinance No. 6 to be invalid because it is alleged to be in violation of Act 47. The Authority also requested injunctive relief to enjoin the implementation of the Firefighters' Contract. **It is expected that the City and the Act 47 Coordinators will oppose the Authority's Petition and will contend that the terms of the new Firefighter's Contract are consistent with the Recovery Plan and the Financial Plan and that Act 47 was not violated. .**

DISCUSSION OF FINANCIAL OPERATIONS

General Fund

Under the current administration, the City has made a commitment to use generally accepted accounting principles (GAAP) to evaluate financial results. GAAP has been adopted to increase the level of accountability and improve methods of financial reporting.

In 2003, total revenues reported in the City's Basic Financial Statements for the fiscal year ending December 31, 2003 were \$ 440,000,000, compared to revenues at fiscal year end on December 31, 2002 which were \$424,000,000. Real Estate Property, Business Privilege and Mercantile Taxes experienced increases in 2003 over 2002, while there were decreases in all other tax categories.

The City ended fiscal year 2003 with a year-end General Fund balance of \$77.3 million, a decrease of \$53.8 million from the 2002 fiscal year. Of the \$77.3 million on December 31, 2003, \$42.1 million was unencumbered.

On an unaudited basis, the City ended fiscal year 2004 with a cash balance of \$8.3 million. This modest cash balance created a need to obtain a line of credit, approved in the amount of \$40 million by a consortium of banks: Citizens Bank, National City Bank of Pennsylvania, and PNC Bank. In January the City drew \$20 million for short term needs, in anticipation of first quarter revenues largely composed of real estate taxes. In February 2005 the City repaid \$10 million and on March 31, 2005 the City repaid the remaining \$10 million.

Current Financial Situation

Pursuant to the Cooperation Agreement between the City and the ICA, an approved financial plan emerged (see "State Fiscal Oversight - Act 47 and Act 11" herein.)

In view of the need for a restructured tax program and as a result of the passage of critical legislation in December of 2004 which permits the City to implement specific new taxes, two primary taxes in particular have been authorized, in fiscal year 2005, which enable the City to tax certain businesses which were previously exempt from any business related taxes and to increase the tax which is paid by wage earners who labor within the City, regardless of residence. See "New Tax Collections" and "Summary of Key Taxes" herein.

REVENUE SOURCES OF THE CITY

General

In 2003, Real Estate Taxes accounted for approximately 42% of the receipts of the General Fund, Earned Income Tax accounted for 15%, Business Privilege Tax, 14% and other taxes 22% of receipts. The remaining 7% of receipts was from miscellaneous non-tax revenue. In 2004, Real Estate Taxes accounted for approximately 31.5% of the receipts of the General Fund, Earned Income Tax accounted for 12%, Business Privilege Tax, 11.1% and other taxes 21.2% of receipts. The remaining 24.2% of receipts was from miscellaneous non-tax revenue. With the new tax structure beginning in 2005, Real Estate Taxes will continue to be the City's most significant source of revenue, followed by Earned Income Tax receipts, Parking Taxes, and the newly established Payroll Preparation Tax. The EMS tax will generate more than four times the revenue of the former Occupation Tax which it replaced.

The Regional Asset District Tax (the “RAD Tax”) changed the City’s tax structure in 1995. The legislation governing the RAD Tax rescinded the Personal Property Tax, which both the City and the School District of Pittsburgh (the “School District”) had collected, and forced the City to reduce its Amusement Tax to no more than 5%. The rescinding of the Personal Property Tax caused the School District to incur a loss of revenue. The same legislation mandated that the City must replace this revenue to the School District from its share of RAD Tax proceeds. (See “**REVENUE SOURCES OF THE CITY** - Regional Asset District” herein.) The City paid the School District an annual amount of \$4 million, however, beginning in 2005, such payment is no longer required to be made by the City.

The City shares several tax bases with the County of Allegheny (the “County”) and with the School District, a separate taxing body. Table 1 below presents historical data on the relative real estate tax rates levied by these overlapping jurisdictions and Table 3 presents data on the two other shared tax bases: earned income tax and deed transfer tax.

TABLE 1
CITY OF PITTSBURGH
REAL ESTATE TAX RATES OF THE CITY
AND ITS OVERLAPPING JURISDICTIONS
(mills)

<u>Year</u>	<u>Land</u>	<u>Building</u>	<u>Total City ⁽¹⁾</u>	<u>School District</u>	<u>County ⁽²⁾</u>	<u>Total</u>
1985	151.5	27.00	52.067	40.000	29.000	121.067
1986	151.5	27.00	51.802	40.000	31.250	123.052
1987	151.5	27.00	51.298	46.000	31.250	128.548
1988	151.5	27.00	49.883	46.000	31.250	127.133
1989	151.5	27.00	50.086	46.000	35.000	131.086
1990	184.5	32.00	59.070	46.000	36.500	141.570
1991	184.5	32.00	58.995	46.000	36.500	141.495
1992	184.5	32.00	58.626	59.700	36.500	154.826
1993	184.5	32.00	58.870	59.700	36.500	155.070
1994	184.5	32.00	58.573	59.700	36.500	154.773
1995	184.5	32.00	58.421	59.700	36.500	154.621
1996	184.5	32.00	58.568	59.700	25.200	143.469
1997	184.5	32.00	58.569	59.700	25.500	143.769
1998	184.5	32.00	58.569	59.700	25.500	143.769
1999	184.5	32.00	58.569	59.700	25.500	143.769
2000	184.5	32.00	59.000	59.700	25.500	144.200
2001 ⁽³⁾	10.8	10.8	10.8	13.92	4.72	29.44
2002	10.8	10.8	10.8	13.92	4.72	29.44
2003	10.8	10.8	10.8	13.92	4.72	29.44
2004	10.8	10.8	10.8	13.61	4.72	29.13
2005	10.8	10.8	10.8	13.92	4.72	29.44

(1) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.

(2) Includes levy by Allegheny County Institution District (the “Institution District”).

(3) Four changes took place that affected the 2001 real estate tax rates: (i) the County conducted a property revaluation program that resulted in an approximate 57% increase in taxable property values for the City; (ii) the County changed the ratio of assessed value to market value from 25% to 100%; (iii) the City changed from a bifurcated (land and building) tax rate to a single, unified tax rate for both land and buildings; and (iv) the School District raised its effective millage rate by approximately 27%.

Sources: City; School District; County.

Real Estate Assessments, Taxes and Collections

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. The City does not have a statutory limit on real estate taxes.

In Allegheny County, real estate is assessed by the Office of Property Assessments, which is part of the executive branch of County government. The Chief Assessment Official heads the Office and reports to the County Manager.

Certain significant changes have occurred in the governance structure of the County which affect the system by which the County assesses real estate taxes. Further, the City has made significant changes in the manner in which it assesses real estate taxes. The changes do not compromise the City's power to levy and collect ad valorem taxes on all taxable real estate within its boundaries.

As an exercise of its home rule powers, on June 20, 2000, Allegheny County Council enacted the Administrative Code of Allegheny County. Pursuant to the Code, the County Council established a Property Assessment Oversight Board (to ensure professional assessment processes), a new Board of Property Assessment Appeals and Review (to oversee assessment appeals and to certify valuations of real property and applications for exemption), and the Office of Property Assessments (to make and supervise the making of all assessments and valuations of all subjects of real property taxation and to make initial recommendations to the Board of Property Assessment Appeals and Review as to the tax-exempt status of real property).

Beginning in 1998 the County conducted a mass revaluation of all of the parcels of real property with the County including all real property in the City. The mass revaluation project was initiated in response to a 1997 court ruling which held that the County's then existing property assessment system resulted in non-uniform and, therefore, inequitable assessments. The assessment was completed in 2000 and the new property values were used to calculate the 2001 real estate tax bills for the County and the City. In connection with the revaluation program, the County changed the ratio of assessed value to market value to 100% from 25% beginning in 2001.

As a result of the County's reassessment, land values in the City significantly increased. The City of Pittsburgh had a bifurcated system of tax assessment which had been applied since 1913 in which land was taxed at a different rate than buildings. Because the City taxed land at a millage rate six times the rate at which buildings were taxed, the significant increase in land values gave rise to the potential for significant increases in property taxes for a significant portion of Pittsburgh's residential properties. The City determined that to lessen the burden on residential property owners while maintaining an adequate tax base, a change from a bifurcated system of taxation to a unified system was prudent. Thus in February of 2001, the City of Pittsburgh amended its City Code to provide for a unified tax rate of 10.8 Mills.

While the change to a unified system eased the burden of the dramatic increase in land values in many neighborhoods, it created a burden in other neighborhoods where land values did not significantly increase. To lessen the burden of the change in these neighborhoods, the City enacted a Homestead Exemption for 2001 which allows qualifying owners to exempt the first \$10,000 property value from taxation. The City estimated the maximum reduction in real estate tax receipts as a result of the exemption would be approximately \$7.1 million which would be funded through the City's fund balance. The full impact of the reduction is approximately \$5.1 million.

From 2002 to 2005, no countywide reassessments were undertaken. During 2005, countywide reassessments were performed under a timetable whereby reassessments made during 2005 would not be put into effect until calendar year 2006. Early in 2005 preliminary reassessment figures were made available which indicated that approximately 80 percent of properties in the County would experience assessment increases over 2002 levels with many properties experiencing dramatic increases.

In response to the preliminary 2006 figures, in March of 2005 County Executive Dan Onorato proposed and County Council approved an assessment ceiling formula whereby all County properties would be assessed for property tax purposes in one of six categories: a lower assessment from 2002 levels, no change or a 1 percent, 2 percent, 3 percent or 4 percent increase from the prior assessment. Legal challenges to the adopted ceilings are anticipated and no conclusion can be reached at this time as to the likelihood that such challenges would prevail. The anticipated impact of such assessment ceilings on City assessed values is a lower assessment from 2004 levels. The

anticipated impact of such assessment ceilings on City assessed values is \$1.7 million less in anticipated tax collections from that proposed in the City's five year plan.

Appendix B, Table B-2, sets forth information regarding assessed values, tax rates and budgeted and actual levies and collections for real property taxes in the City from 1994 to 2003. Table 2 below shows the ten largest real estate taxpayers in the City.

**TABLE 2
CITY OF PITTSBURGH
TEN LARGEST REAL ESTATE TAXPAYERS
DECEMBER 31, 2004**

<u>TAXPAYER</u>	<u>LAND ASSESSMENT</u>	<u>BUILDING ASSESSMENT</u>	<u>TOTAL ASSESSMENT</u>	<u>PERCENTAGE OF TOTAL TAX LEVIED</u>
1) 500 Grant St. Associates One Mellon Bank Center	\$14,709,900	\$415,676,200	\$430,386,100	3.25%
2) Market Associates Limited Partnership (PPG)	14,590,400	170,409,600	185,000,000	1.40%
3) 600 Grant Street Associates	10,000,000	150,000,000	160,000,000	1.21%
4) Buncher Company	14,099,700	125,030,700	139,103,400	1.05%
5) PNC Corporation	10,629,400	115,358,400	125,987,800	0.95%
6) Oxford Development	4,186,800	107,813,200	112,000,000	0.85%
7) Grant Liberty Development Group	9,020,600	100,979,400	110,000,000	0.83%
8) Gateway Trizec, Inc.	20,903,700	72,096,300	93,000,000	0.70%
9) Penn Liberty Holding Company	3,248,600	81,721,200	84,969,800	0.64%
10) Harrah's Forest City Associates	19,638,600	26,159,100	54,797,700	0.41%

Source: City Finance Department.

Since 1980, the City has made tax abatements available for commercial and industrial properties for the assessment increase attributable to new construction or rehabilitation. In 1986, the abatement period was changed to a period of five years from the date of issuance of the building permit and a limit of \$50,000 per year for each project. A residential abatement program is available which provides for the abatement of taxes for a period of three years on the increased assessment attributable to new construction or rehabilitation up to an annually indexed average housing construction cost ceiling. Currently, abatements are available for up to \$33,000 of housing rehabilitation costs and up to \$86,750 for new residential construction. The abatements have not had a substantial impact on the City's revenues.

Properties with delinquent taxes or sewage treatment charge of one year or more are subject to Treasurer's sales.

Non-Real Estate Taxes

In addition to ad valorem taxes on land and buildings, the City is empowered by the Local Tax Enabling Act and the Home Rule Charter and the Optional Plans Law to levy taxes for general revenue purposes, on persons, transactions, occupations, privilege, and upon the transfer of real property or interest therein. All non-real estate taxes, except the Deed Transfer Tax, which is payable at the time of transfer, are payable annually, by April 15, quarterly or monthly.

Currently, the City levies the following non-real estate taxes:

Earned Income Tax - The Earned Income Tax or “Wage-Tax” is levied at the rate of 1.00% on the wages or net profits earned by residents of the City. The majority of the payments are deducted from payrolls and remitted to the City.

Business Privilege Tax - Under the new legislative tax package, the Business Privilege Tax is reduced in 2005 and 2006 to a 2 mill levy on the gross receipts of businesses operating in the City. That levy is reduced further to 1 mill in 2007 through 2009. Prior to 2005, the levy was 6 mills on gross receipts with the first \$20,000 of receipts exempted since 1996. The new Payroll Preparation Tax (described below) is designed to offset the reduced revenue from the Business Privilege Tax.

Parking Tax - A tax equal to 50% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City. There is a planned reduction of this tax to 45% in 2007, 37.5% in 2008 and 35% in 2009, where it is expected to remain.

Amusement Tax - This tax is levied at the rate of 5% on the admission price paid by patrons of all manner and forms of amusement. In 1995, this rate was reduced from 10% to comply with the Regional Asset District requirements.

Deed Transfer Tax - The Deed Transfer Tax is levied on real property sales within the City. Beginning in 2005, the Deed Transfer Tax is raised 0.05% to 2.0% of gross sales price.

Emergency and Municipal Services Tax - This \$52 annual tax is levied upon each individual whose principal place of employment is located in the City, regardless of residence.

Facility Usage Fee - The Facility Usage Fee is levied on all non-resident individuals who use the City’s sport stadiums or arena to engage in an athletic event or otherwise render a performance for which they receive remuneration. The fee is new and assessed at 3% of payroll amounts generated as a result of the business activity.

Mercantile License Tax - Through 2004, the Mercantile Tax was a 1 mill levy on the gross receipts of wholesale dealers of goods, wares, and merchandise and a 2 mill levy on retail vendors of goods, wares, and merchandise. Beginning in 2005, this tax is eliminated with lost revenue replaced by the Payroll Preparation Tax.

Institution Service Privilege - This 6 mill tax is levied on certain receipts of non-profit, non-charitable organizations conducting or operating a service within a service institution in the City.

Payroll Preparation Tax - This new tax is imposed on all for-profit companies in an amount equal to .55% of the total wages of all employees who work in the City of Pittsburgh.

See Appendix B, Table B-3 for a history of non-real estate tax receipts of the City.

TABLE 3
CITY OF PITTSBURGH
NON-REAL ESTATE TAX BASES
SHARED WITH OVERLAPPING JURISDICTIONS

<u>Tax Base</u>	<u>2005 Tax Rates</u>			
	<u>City</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
Earned Income Tax	1.000%	2.000%	None	3.000%
Deed Transfer Tax.....	2.000%	1.000%	None	3.000%

Source: City of Pittsburgh - Department of Finance

Regional Asset District

State legislation signed into law in December 1993 created a Regional Asset District (the "RAD") in the County. Effective July 1, 1994, the County began collecting a 1% regional sales tax imposed on all sales of products and services in the County that are subject to sales tax. The RAD Tax was expected to generate \$106 million annually, but sales tax revenues have actually been higher than expected. Half of the funds collected are distributed to the RAD with the balance distributed to the County and its municipalities.

The RAD is governed by a citizen board and is responsible for the oversight, coordination and support of regional, civic, cultural and recreational facilities such as the Pittsburgh Zoo, the Phipps Conservatory, the National Aviary, the David L. Lawrence Convention Center, sports facilities, the Carnegie Library and regional park facilities. The RAD's support of these assets is intended to relieve the local governments of their direct support for these facilities. The approximate annual savings to the City is \$17 million.

In total, the City, which is home to the National Aviary, the Pittsburgh Zoo, Phipps Conservatory, Carnegie Library and Museums, and Frick, Highland, Riverview, and Schenley Parks, received \$26.9 million from that portion of the RAD Tax distributed to the County and its municipalities in 2004. The City has pledged \$7.5 million annually of its 2005-2014 RAD Tax proceeds to a sinking fund for debt service on Urban Redevelopment Authority of Pittsburgh (URA) bonds issued to establish a \$60 million development fund. Beginning in 2006, projected state gaming revenues will be applied to support debt service on these bonds in place of RAD Tax proceeds. Reimbursements from the RAD for regional parks located within the City and for debt service on General Obligation Debt used for capital improvements to the Pittsburgh Zoo, Phipps Conservatory, and the Aviary are part of the City's receipts. For 2004 this additional support totaled \$5.9 million. In 2004, the City also received \$14.2 million in RAD tax receipts which were classified as General Fund revenues.

Total estimated 2005 RAD tax dollars across all categories is \$19.6 million. Of that total \$1.6 million is earmarked for Civic Arena debt service and \$5.1 million for regional parks and debt service for capital improvements to the Pittsburgh Zoo, Phipps Conservatory and the Aviary. General Fund revenues from RAD taxes were budgeted at \$12.9 million in 2005.

Municipal Service Payments

Negotiations with local non-profit institutions are expected to result in payments of approximately \$6.0 million to offset the cost of police, fire, emergency medical, and other municipal services which these institutions receive.

Other Revenues

Locally generated non-tax revenues primarily include federal and state grants, licenses and fees, charges for the provision of services, fines and forfeits, investment earnings and revenues from City self-supporting trust funds. These revenues generated \$55.1 million in 2004 and are projected to produce \$83.5 million in 2005. The increase in 2005 revenues over 2004 is a result of the changes in reporting requirements under Act 47. Prior to 2005 state pension aid was not recorded as revenue as well as the liquid fuels reimbursement, which was part of a trust fund and used as an offset against salaries. In addition, in 2005 all licenses and fees were increased in accordance with the Act 47 Recovery Plan recommendations.

EXPENDITURES (CASH BASIS)

In 2004, approximately 45.7% of City operating funds were expended for employee wages with an additional 23.2% expended for employee benefits including both healthcare and pension benefits. The balance of expenditures from operating funds in 2004 included 23.1% for debt service, 5.5% for non-salary departmental expenditures (contractual services, supplies and materials, equipment, repairs and utilities) and miscellaneous expenditures estimated at 2.5%.

Employees

The City has approximately 3,294 employees, more than 99% of whom are represented by a labor organization under Act 195 of 1970 ("Act 195") or Act 111 of 1968 ("Act 111") of the Commonwealth.

As shown in Table 4 below, the City has reduced the number of actual employees from 1986 to 2005 by nearly 1,780 positions. The reductions occurred in many departments, including Environmental Services, Police, Parks and Water.

**TABLE 4
CITY OF PITTSBURGH
CITY EMPLOYMENT**

<u>Year</u>	<u>Actual January Payroll</u>
1986	5,074
1987	4,886
1988	4,849
1989	4,896
1990	4,933
1991	4,886
1992	4,734
1993	4,698
1994	4,961
1995	4,564
1996	4,321
1997	4,131
1998	4,133
1999	4,314
2000	4,098
2001	4,212
2002	4,142
2003	4,232
2004	3,632
2005	3,294

Source: City of Pittsburgh - Department of Finance

The City's other unionized employees are represented by five collective bargaining units and two "meet and discuss" representatives:

Blue Collar Employees - Pittsburgh Joint Collective Bargaining Committee;

Refuse Employees - General Teamsters, Chauffeurs and Helpers, Local Union No. 249;

White Collar Employees - American Federation of State, County and Municipal Employees (AFSCME), Local No. 2719;

Paramedics - Fraternal Association of Professional Paramedics;

School Crossing Guards - Service Employees International Union, Local No. 192-B;

First Level Blue Collar Supervisors - American Federation of State, County, and Municipal Employees (AFSCME), Local No. 2037; and

Recreation Employees - Pittsburgh Recreation Teachers Union, Local No. 192, Service Employees International Union.

Employee Retirement Systems

The City is responsible for funding three pension systems: the Policemen's Relief and Pension Fund, the Firemen's Relief and Pension Fund, and the Municipal Pension Fund which covers all nonuniformed City employees (collectively, the "Funds"). The Police and Fire Pension Funds cover all sworn Police and Fire employees. These Funds are supported by contributions from member employees. Employees hired on or before December 31, 1987 contribute 5% of salary, and employees hired after January 1, 1988 contribute 4% of salary. Employees of the Police and Fire Plans contribute 6% of their compensation plus \$1 per month. Members who elect the surviving spouse benefit contribute an additional 0.5% of compensation. The Commonwealth of Pennsylvania (the "Commonwealth") contributes an amount based on a formula which distributes the proceeds of a 2% tax on premiums on non-Commonwealth casualty insurance and fire insurance companies. The City contributes any additional amounts required to satisfy the Commonwealth-mandated minimum municipal obligation.

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act", as amended ("Act 205"), which significantly improved the administration and funding of all municipal pension plans. Act 205 made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities. Additionally, Act 205 changed the basis for distribution of state pension aid.

Act 205 contains both mandatory and optional remedies for municipalities to design a program for dealing with their unfunded pension liability. The mandatory remedies implemented by the City were the development and adoption of an administrative improvement plan for its pension plans, the establishment of lower cost pension plans for new hires, and the aggregation of all of the City's pension assets for investment purposes under the guidance of a new oversight board, the Comprehensive Municipal Pension Trust Fund Board (the "Comprehensive Board"). The Comprehensive Board, which is comprised of members from the individual pension boards, manages the investment of all pension assets and provides a monthly distribution of funds to the individual pension plans for payment of benefits and administrative expenses. The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level principal amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

In 1988, the City opted out of the 15-year phase-in optional remedy since its pension contributions had begun to exceed the amount required by Act 205.

The City also established the Pittsburgh Pension Trust Fund, as a reserve fund, to assist in funding the City's pension liability. It was terminated in 1991, and the proceeds were used over a two-year period to fund pensions. Approximately \$10.8 million was transferred in 1992 to satisfy the City's Minimum Municipal Obligation, and the remaining \$7 million was transferred in January 1993 to fund a portion of the City's 1993 Minimum Municipal Obligation. Minimum Municipal Obligation is the amount that must be contributed to a pension plan by a municipality for a given year. The calculation of this amount uses the normal cost, anticipated administrative expenses, amortization payment or funding adjustment, and anticipated employee contributions to determine a municipality's contribution requirement. General Municipal Pension System State Aid may be used to reduce the contribution.

In December 1996, the City issued \$37,710,000 Taxable General Obligation Pension Bonds for the purpose of reducing the City's unfunded prior service liability by approximately \$36,500,000. The combined Unfunded Actuarial Accrued Liability for the three Funds as of January 1, 1997 was \$510,778,634.

In February 1998, the City issued an additional \$255,865,000 Taxable General Obligation Pension Bonds bringing the Funds' total assets to \$425 million. With the addition of new money, the pension funds were 65% funded at January 1, 2000, with an unfunded liability of approximately \$250 million. The most recent actuarial report for the Funds as of December 31, 2003 reports the Funds' funding level at 40.8%.

In June 1998, the City was able to obtain budgetary relief from the escalating schedule of payments on the remaining unfunded actuarial accrued liability with the passage of Act 82 by the Pennsylvania General Assembly ("Act 82"). Act 82 allows the City to extend payments on the remaining unfunded liability to 40 years from 26 years. As a result, in 1999 the City's pension obligation was reduced almost \$16 million from 1998. In 2003 the City's pension obligation was \$9,177,507 net of state aid and in 2004 it was \$17,195,300 net of state aid.

See Appendix B, Table B-4 for a history of the City's pension contributions.

DEBT OF THE CITY

Article IX, Section 10, of the Constitution of the Commonwealth requires the General Assembly to prescribe the debt limits of units of local government in the Commonwealth, including the City, based on a percentage of total revenues of such units over a period immediately preceding the borrowing. Self-liquidating or subsidized debt and all debt approved by referendum are not treated as debt to which the Constitutional debt limits apply. The Act implements Article IX, Section 10 of the Constitution.

"Electoral debt" includes all debt incurred, or transferred to that category, with the assent of the electors. "Lease rental debt" includes all debt, other than electoral debt, secured by payments made from tax or other general revenues of the City, pursuant to leases, guarantees, subsidy contracts or other forms of agreement. "Nonelectoral debt" includes all debt except electoral debt or lease rental debt. The Act requires the City to classify its debt as electoral, nonelectoral or lease rental. Electoral and nonelectoral debt constitute general obligations for which the full faith and credit of the City is pledged, while lease rental debt represents obligations of duly incorporated governmental authorities for which the City has agreed to make certain payments, either absolutely or upon the event of certain contingencies, usually in the form of lease agreements or guaranties. The City may pledge its full faith and credit for the payment of lease rental debt.

The Act also permits each category of debt to be classified as "self-liquidating" to the extent user charges imposed by the City or any of the contracting agencies are sufficient to pay all or a portion of such debt, or as "subsidized" to the extent that payments from another governmental body will be used to pay the debt. Self-liquidating and subsidized debt are not subject to any debt limitations under the Act. Debt incurred to fund an unfunded actuarial accrued liability in a pension plan is also not subject to any debt limitations under the Act.

Under the Act, the City may not incur any new nonelectoral debt if, following the issuance thereof, the aggregate net principal amount of outstanding nonelectoral debt of the City will exceed 250% of its borrowing base. In addition, the City may not incur any new lease rental debt or nonelectoral debt if, following the issuance thereof, the aggregate net principal amount of outstanding nonelectoral and lease rental debt of the City will exceed 350% of its borrowing base. The borrowing base of the City is defined in the Act as the arithmetic average of the total revenues of the City for the three full fiscal years of the City immediately preceding the date on which the new nonelectoral debt or new lease rental debt is incurred. Total revenues generally include all revenues of the City, but exclude certain revenues set forth in the Act.

The Bonds will be issued as nonelectoral debt of the City, without the approval of the electorate, subject to the limitations on the incurring of non-electoral debt under the Act.

Appendix B, Table B-5, presents a composite summary of the City's direct and overlapping debt as of March 1, 2005. Table 5 below shows the most recent calculation of the debt-incurring margin of the City.

TABLE 5
CITY OF PITTSBURGH, PENNSYLVANIA
NET DEBT AND REMAINING DEBT INCURRING MARGIN
IN ACCORDANCE WITH LOCAL GOVERNMENT UNIT DEBT ACT

DEBT INCURRING MARGIN	FISCAL YEAR		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Net Revenue of City	\$359,250,987	\$358,510,299	\$363,815,277
Borrowing Base			<u>\$360,525,521</u>
	Net Nonelectoral Debt (Borrowing Base x 250%)	Net Nonelectoral and Lease Rental Debt (Borrowing Base x 350%)	
Debt Limitations	\$901,313,803	\$1,261,839,324	
Less: Existing Net Debt*	(516,677,089)	<u>(619,655,365)</u>	
Remaining Debt Incurring Margin	<u>\$384,636,714</u>	<u>\$642,183,959</u>	

*To be outstanding after the issuance of the Bonds. Does not include the Refunded Bonds.

Source: City of Pittsburgh - Office of City Controller

THE GOVERNMENT OF PITTSBURGH

Three principal government entities provide services in the Pittsburgh area: the City, the County and the School District. Information relating to the County and the School District may be found in the “**OTHER GOVERNMENTAL ENTITIES**” section below.

The City was incorporated in 1816, and became a home rule community on January 5, 1976. Its powers are set forth in the Charter which became effective January 5, 1976. The Charter was adopted by the electorate pursuant to Article IX, Section 2 of the Constitution of the Commonwealth and the Home Rule Charter and Optional Plans Law, Act of April 13, 1972, P.L. 184, No. 162. Under the Charter, the City has all home rule powers and may perform any function and exercise any power not denied by the Constitution of the Commonwealth, the laws of the Commonwealth or the Charter. The Charter provides, among other things, for the election of the Mayor and the powers and duties of the executive and administrative branch; the election, organization, powers and duties of the legislative branch; the method by which the City’s capital and operating budgets are adopted; the rules which govern City personnel; and the financial disclosure requirements for elected officials.

Under the Charter, the executive, administrative and law enforcement powers of the City are vested in the Mayor, who is directed to control and be accountable for the executive branch of the City government. The Charter establishes a “strong mayor” form of government in which the Mayor controls and has wide powers of appointment over the units of the City government, and has the power to initiate and veto legislation and to propose the City’s operating and capital budgets, to which proposals the City’s legislative body, the City Council, must react within a definite time period. The Mayor is elected to a four-year term and may be re-elected for subsequent consecutive terms without limitation.

The Controller of the City is elected to a four-year term in a different municipal election year from the mayoral election, and may be re-elected for subsequent consecutive terms without limitation. As provided in the Charter, the Controller audits all units of City government, countersigns all City contracts, controls all City disbursements and prepares reports on revenues, expenditures, debt and the financial condition of the City. The Controller serves ex-officio as controller of the School District.

The City's financial management functions are carried out by the Department of Finance, headed by the Director of Finance who is appointed by the Mayor, subject to confirmation by City Council, and the Office of Management and Budget, which is part of the Mayor's Office and under the supervision of the Director of Finance. The Department of Finance is responsible for the treasury functions of revenue and tax collection, certain real estate functions, the investment of City funds, and debt management. The Office of Management and Budget is responsible for preparing and monitoring the operating and capital budgets. The Deputy Director of Finance also serves as City Treasurer and as ex-officio treasurer of the School District where his sole responsibility is the collection of taxes.

The legislative power of the City is vested by the Charter in the City Council, which consists of nine members, all of whom are elected by district to four-year terms that are staggered so that four members are elected at the same time as the Mayor. Members may be re-elected for subsequent and consecutive terms without limitation. Under the Charter, the members of the City Council elect, by majority vote, one member to serve as President. The President of Council presides at meetings of City Council, appoints all committees, and refers proposed legislation to the proper committee. (See "State Fiscal Oversight – Act 47 and Act 11" herein)

City Officials

TOM MURPHY, Mayor - Mr. Murphy began his third term as Mayor in January 2002 which is scheduled to conclude in January of 2006. He served for fifteen years as a state legislator prior to becoming the City's Mayor in January 1994. While in the Pennsylvania House of Representatives, Murphy authored the Ben Franklin Partnership legislation that is used as a model nationwide for creating jobs and economic opportunity by leveraging research activity. Prior to his serving as a Representative, Mr. Murphy was the Executive Director of the North Side Civic Development Corporation (1976-78), and Executive Director of the Perry Hilltop Citizens Council (1973-76). Mr. Murphy has a master's degree in urban studies from Hunter College, a Bachelor's Degree from John Carroll University and is a Peace Corps veteran (1970-72).

TOM FLAHERTY, Controller - Mr. Flaherty was first elected City Controller in 1983 and was reelected in 1987, 1991, 1995, 1999 and 2003. Previously, he was a member of City Council beginning in 1979 and earlier served two terms as a member of the Pennsylvania House of Representatives.

RICHARD M. FEES, Acting Director of Finance and City Treasurer - Mr. Fees was appointed Acting Director of Finance upon the departure of the previous Director, Ellen McLean. Mr. Fees is responsible for tax collection, cash management and the City's annual operating and capital budgets. He serves as the Executive Director of the City's Comprehensive Municipal Pension Trust Fund, Treasurer of the School District of the City of Pittsburgh and Treasurer of the Pittsburgh Water and Sewer Authority.

JACQUELINE MORROW, Esquire, City Solicitor - Ms. Morrow serves as attorney for the City of Pittsburgh. She is responsible for rendering legal opinions and advice to the Mayor, other City officials, City Council, and the administrative units of the City's government. Ms. Morrow graduated from Clark University, Worcester, Massachusetts and the University of Pittsburgh School of Law. Following law school she served as staff counsel to the Pennsylvania Housing Finance Agency, as an associate at the law firm of Rose, Schmidt, Hasley & DiSalle, and as corporate counsel to Giant Eagle, Inc.

Members of City Council

President of City Council -

EUGENE RICCIARDI - Mr. Ricciardi was elected to City Council in November 1989 and serves on the Parks, Recreation and Youth Policy Committee. Mr. Ricciardi is also a member of the Pittsburgh Water & Sewer Authority. Prior to being elected to Council, he worked as Urban Planner for the Allegheny County Department of Planning for ten years. Mr. Ricciardi is on the Board of Directors of the Brashear Association, the Southside Community Council and the Three Rivers Rotary Club.

Members of Council -

LEONARD BODACK, JR. - Mr. Bodack was elected to City Council in February of 2003 in a special election to fill the seat that was left vacant by former Councilman Jim Ferlo, who was elected to the Commonwealth of Pennsylvania State Senate. Mr. Bodack is the Chair of the Public Safety Services Committee. Prior to serving on City Council, Mr. Bodack was the Director of Operations for the County of Allegheny Democratic Party.

TWANDA CARLISLE – Ms. Carlisle was elected to City Council in March of 2002 in a special election to fill the seat that was left vacant by former Councilwoman Valarie McDonald, who was elected to be the Recorder of Deeds for the County of Allegheny. Ms. Carlisle is the Chair of the Housing, Economic Development and Promotion Committee and is also a member of the board of the Pittsburgh Housing Authority.

JIM MOTZNIK - Mr. Motznik was elected to City Council in February 2001 in a special election to fill the vacant seat left by Michael Diven who was elected to the Pennsylvania State House of Representatives. He serves as Chairman of the Committee on Parks, Recreation and Youth Policy.

WILLIAM PEDUTO – Mr. Peduto was elected to City Council in 2001, after having served on the staff of former Councilman Dan Cohen, He is the Chair of the General Services, Technology and the Arts Committee.

LUKE RAVENSTAHL – Mr. Ravenstahl was elected to Pittsburgh City Council on November 4, 2003 and took office on January 5, 2004. Immediately following his election, Councilman Ravenstahl was appointed as the Chairman of the Public Works and Environmental Services Committee. He is the youngest member ever elected to Pittsburgh City Council.

DOUG SHIELDS – Mr. Shields was elected to Pittsburgh City Council in 2003. Mr. Shields assumed the position of Chair of the Finance and Budget Committee in 2005.

SALA UDIN - Mr. Udin was elected to City Council in May 1995. Mr. Udin is Chair of the Housing, Economic Development and Promotion Committee, a former Chair of the Finance and Budget Committee, and is a member of the Housing Authority of the City of Pittsburgh.

City Council presently has one vacancy which will be filled at a May 17, 2005 special election.

City Departments and Services

The Charter provides that all units of the City government, except those mandated by the Charter as described below, may be established, revised, or abolished by ordinance, which may be introduced by the Mayor or City Council. Under the Charter, the Mayor appoints the heads of all major administrative units, subject to the approval of City Council. The Charter also provides that the Mayor shall, subject to the approval of City Council, appoint the City Solicitor, the members of all boards and commissions, and, except as otherwise required by law, all members of authorities. Under the Charter, a member of City Council must serve on each authority board, but no member may serve on more than one board concurrently.

The Charter mandates the establishment of a 15-member Human Relations Commission, which is directed to investigate, report, hold hearings and otherwise enforce the rights of citizens, in connection with unlawful discrimination. The Charter also mandates the appointment by the Mayor, subject to the approval of City Council, of City Magistrates who preside in the City's Magistrate Courts, which are part of the Commonwealth's unified judiciary system. The Mayor is required to designate a Chief Magistrate to administer the Magistrate Courts.

The City Solicitor acts as counsel for the City and its officials, although the City Controller, City Council and the Human Relations Commission are empowered to retain their own counsel. The Department of Personnel and the Civil Service Commission administer all the City's personnel policies, civil service requirements and the City's Workforce Investment Act (formerly JTPA) WIA Program. The Department of Personnel and Civil Service is also responsible for City payroll, benefits, and workers' compensation issues. The Department of City Planning makes recommendations to the Mayor and City Council regarding the allocation of resources for the orderly development and redevelopment of the City. It also assists the Office of Management and Budget in formulating the City's Capital Improvement Program, undertakes planning studies and administers zoning requirements.

The Department of Public Safety, created in 1985, carries out the traditional police, fire and emergency medical service functions, as well as the enforcement of building codes. The Department of Public Works exercises responsibility for the maintenance of all the City's streets, sewers, parks, bridges and steps, for the construction of minor public works capital improvements, and maintains sanitation services. The Department of Engineering and Construction is responsible for engineering and the design of projects in the City's Capital Improvement Program. The Department of Parks and Recreation provides recreational opportunities to the City's residents.

OTHER GOVERNMENTAL ENTITIES

Self-Supporting Authorities

Sports and Exhibition Authority of Pittsburgh and Allegheny County. The Sports and Exhibition Authority of Pittsburgh and Allegheny County (the “Sports and Exhibition Authority”) was incorporated on February 3, 1954 under the name Public Auditorium Authority of Pittsburgh and Allegheny County pursuant to the Public Auditorium Authorities Law (Act of July 29, 1953, P.L. 1034), as a joint authority organized by the City and the County for the purpose of benefiting the public by, among other things, increasing its educational, cultural, physical, civic, social and moral welfare. Effective as of November 24, 1999, the name of the Public Auditorium Authority was changed to Sports and Exhibition Authority of Pittsburgh and Allegheny County. The Public Auditorium Authority Law was codified and continued as the Act pursuant to the Act of October 30, 2000, P.L. 616. The Sports and Exhibition Authority is authorized under the Act to construct, improve, maintain and operate public auditoriums and exhibit halls, including structures for conventions, athletic contests, and exhibitions and all facilities necessary or incident thereto, to borrow money, to issue bonds therefor, and to secure the payment of such bonds, to enter into contracts, leases and licenses with, and to accept grants from, private sources, the federal government, the Commonwealth, its agencies or any political subdivisions thereof, and to collect rentals, admissions and license fees for the use of its projects. The Sports and Exhibition Authority’s term of existence extends until the year 2049.

The Sports and Exhibition Authority operates the David L. Lawrence Convention Center and the Mellon Arena (formerly called the Civic Arena), PNC Park, and Heinz Field, all of which are described below.

David L. Lawrence Convention Center. The David L. Lawrence Convention Center (the “Convention Center”), located in the downtown area of the City, is leased by the Commonwealth to the City, the County and the Sports and Exhibition Authority and is operated by the Sports and Exhibition Authority under an agreement with the City and the County dating from the time of the initial opening of the Convention Center. Operating and maintenance expenses of the Convention Center are paid from operating revenues and form part of the proceeds of a County hotel room excise tax. Any operating deficits are the joint responsibility of the City and the County. In April 2000, the Sports and Exhibition Authority began construction of additions and renovations to the Convention Center which cost approximately \$328 million and which increased exhibit space to approximately 340,000 square feet. The expanded facility opened in 2003.

Mellon Arena. The Sports and Exhibition Authority owns Mellon Arena, a 17,008-seat facility located in the downtown area of the City, which is used for Pittsburgh Penguins hockey games, concerts, basketball and other events. The day-to-day operations of Mellon Arena are managed by Pittsburgh Arena, L.P. under a sublease with the Sports and Exhibition Authority having a term that expires on June 30, 2007.

PNC Park. Pittsburgh’s new 38,000-seat baseball park (“PNC Park”) located along the Allegheny River within walking distance of downtown Pittsburgh was opened in April of 2001. The Sports and Exhibition Authority leases PNC Park to Pittsburgh Associates, the holder of the Pittsburgh Pirates Major League Baseball franchise. The cost of the facility was approximately \$260 million.

Heinz Field. Pittsburgh’s new 65,000-seat football stadium (“Heinz Field”) for use primarily by Pittsburgh Steelers Sports, Inc., the owner of the Pittsburgh Steelers National Football League franchise, was opened in August of 2001. The football stadium is also located along the Allegheny River within walking distance of downtown Pittsburgh. The cost of the facility was approximately \$279 million.

Supporting Parking Facilities. In order to provide adequate off-street parking for users of its facilities, the Sports and Exhibition Authority operates various open-air parking lots. The Sports and Exhibition Authority also constructed and operates the North Shore Garage near the new stadium facilities.

The Sports and Exhibition Authority has issued and outstanding (a) \$176,625,000 aggregate principal amount of Regional Asset District Sales Tax Revenue Bonds, Series of 1999 (the “RAD Tax Bonds”), (b) \$192,880,000 aggregate principal amount of Hotel Room Excise Tax Revenue Bonds, Series of 1999 (the “Hotel Tax Bonds”), (c) \$19,885,000 aggregate principal amount of Auditorium Bonds, Series of 1999 (the “Arena Bonds”), (d) \$16,700,000

aggregate principal amount of Taxable Ticket Surcharge Revenue Bonds, Series of 2000 (the "Ticket Surcharge Bonds") and (e) \$26,460,000 aggregate principal amount of Parking Revenue Bonds, Series A of 2001 (the "Parking Revenue Bonds"). On January 13, 2005 \$13,250,000 aggregate principal amount of Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2005 (the "Refunding Bonds") were issued.

The RAD Tax Bonds were issued to fund, in part, the construction of PNC Park, Heinz Field and, at the discretion of the Sports and Exhibition Authority, additions and renovations to the Convention Center. The RAD Tax Bonds are payable from certain sales tax revenues of the Allegheny Regional Asset District which have been assigned to the Sports and Exhibition Authority.

The Hotel Tax Bonds were issued to finance additions and renovations to the Convention Center and related facilities and are payable from a portion of certain hotel tax revenues collected by the County and assigned to the Sports and Exhibition Authority.

The Arena Bonds refinanced outstanding debt related to Mellon Arena and provided funds for certain Mellon Arena improvements. The Arena Bonds are payable from payments to be made by the City and the County under a support agreement with the Sports and Exhibition Authority.

The Ticket Surcharge Bonds were issued to fund a portion of the construction costs of Heinz Field. The Ticket Surcharge Bonds are limited obligations of the Sports and Exhibition Authority. The Ticket Surcharge Bonds are payable from certain of the revenues from a 5% surcharge imposed by the Sports and Exhibition Authority on all tickets sold for all National Football League exhibition and regular season games played at Heinz Field where the Pittsburgh Steelers are designated the "home team" under the rules of the National Football League.

The Refunding Bonds were issued to currently refund a portion of the Arena Bonds and to fund certain operating expenses of the Convention Center with savings effected through the refunding.

Urban Redevelopment Authority of Pittsburgh. The Urban Redevelopment Authority of Pittsburgh (the "URA") administers Federal and Commonwealth grants designed to provide a broad range of urban renewal and maintenance programs within the City. The URA also coordinates efforts to improve the economic vitality, the housing stock and overall living conditions within the City. The URA board has five-members, each of whom is appointed by the Mayor.

In 1995, the URA issued taxable bonds, the proceeds of which were used to create an economic development fund to make loans to companies wishing to expand within the City of Pittsburgh. The City has committed a portion of its RAD funds to support debt service payments associated with such taxable bonds. Beginning in 2006, projected gaming revenues will be used to support such debt service so that the City may retain the RAD funds previously allocated to such debt service. Gaming revenues to support such taxable bonds are projected to be approximately \$3,815,000 in 2006, \$7,658,000 in 2007, \$7,675,000 in 2008 and \$7,690,000 in 2009, permitting the City to utilize previously pledged RAD funds for other City purposes.

Housing Authority of the City of Pittsburgh. The Housing Authority of the City of Pittsburgh (the "Housing Authority") was established to acquire and maintain properties to provide low-income housing for residents of the City. Rental charges and subsidies from Federal Department of Housing and Urban Redevelopment grants are the principal revenue sources. Neither operating deficiencies nor debt service are guaranteed by the City. The Housing Authority has a seven-member board, each appointed by the Mayor. The City Council confirms five of the seven appointments.

Public Parking Authority of Pittsburgh. The Authority possesses a large and diverse parking system. These operations presently consist of: (a) 10 parking garages (8 Authority managed and 2 privately managed); (b) 3 parking plazas (all Authority managed); (c) 34 neighborhood metered surface parking lots with nearly 2000 spaces; and (d) approximately 6,000 on-street parking meters. Collectively, these various components comprise almost 17,000 parking spaces. Each year, the Authority provides parking for more than 4 million vehicles. The Authority's diverse revenue stream is funded entirely through its own operations; it receives no appropriation from the City or any other public source. In fiscal years 2004 and 2003, the Authority's parking supply generated roughly 98.7% and 98.3% of the Authority's total gross operating revenues, respectively.

The Pittsburgh Water and Sewer Authority. The PWSA was created in February 1984 by the City pursuant to the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the City-owned water distribution and wastewater collection systems. Pursuant to a lease and management agreement dated March 29, 1984 between the PWSA and the City (the “1984 Lease”), the Water and Sewer System was leased to the PWSA. The 1984 Lease appointed the City as the PWSA’s agent to manage, operate and maintain the systems for the term of the lease, subject to the general supervision, direction and control of the PWSA.

The City entered into a new lease agreement dated July 15, 1995 (the “Capital Lease Agreement”), and the PWSA and the City terminated the 1984 Lease. The Capital Lease Agreement, which has a term of 30 years, provides for cash payments totaling approximately \$95 million made to the City during the initial three years and further provides that on September 1, 2025, upon payment of one dollar (\$1.00), the PWSA will acquire title to the Water and Sewer System. In accordance with the Capital Lease Agreement, PWSA provided the City’s General Fund approximately \$5.3 million in 2002 and \$5.3 million in 2003.

Concurrently with entering into the Capital Lease Agreement, the City and the PWSA entered into a Cooperation Agreement, dated as of June 15, 1995, pursuant to which the City will provide certain specified engineering, communications, vehicle maintenance, legal, information and financial services to the PWSA on a fee-for-services basis. The PWSA continues to make an annual payment to the City, part of which reimburses it for indirect costs incurred by the City in regard to the operation and maintenance of the Water and Sewer System.

Other Jurisdictions

School District

The School District is organized under the Public School Code of 1949, as amended. The School District is within the boundaries of the City and Mt. Oliver Borough and is administered by the Board of Public Education, which consists of nine elected members, each representing one of nine districts. The Board of Public Education operates a public school system serving a total pupil enrollment of 32,661 as of the 2004-2005 school year.

The School District is a governmental entity separate from the City. Under Commonwealth law, the Board of Public Education levies taxes on behalf of the School District.

Revenues of the School District are derived primarily from Commonwealth subsidies and from real estate and earned income taxes levied. In 1980, reimbursements from the Commonwealth were approximately 36.4% of the total School District revenues. In 1990, Commonwealth school reimbursements were 33.54% of estimated total School District receipts. Budget projections for 2005 call for 39.1% of the District’s receipts to be from Commonwealth reimbursements.

The total appropriation for the General Fund operating budget adopted for the 2005 calendar year is \$527,591,036. The School District’s financial statements are examined by independent auditors in conformance with the Single Audit Act of 1984.

The earned income tax rate is 2.000%, and the real estate rate is 13.92 mills. In 2004, the School District had a reduction in its real estate tax rate in accordance with an order of court. The School District also levies a mercantile license tax on one-half mill for wholesale and 1 mill for retail establishments, and a deed transfer tax of 1.00% on sales of real estate. Effective 1995 the School District is no longer authorized to levy a personal property tax. In its place the State Legislature had directed the City to pay the School District a sum equal to the projected loss of revenue from the State’s share of the RAD Tax, approximately \$4 million. The \$4 million reimbursement by the City is no longer in effect starting in 2005.

In 2004, the School District operated 86 schools, the Board of Public Education headquarters building, a service center/warehouse, a food center, three (3) regional administrative offices and occupational vocational training centers. The School District had \$434,081,483 of gross outstanding debt as of January 18, 2005. Approximately 9.47% of the School District’s 2004 operating budget was applied to debt service.

The School District's approximately 3,802 professional, paraprofessional and technical/clerical personnel are represented by the Pittsburgh Federation of Teachers. In addition, the School District employs approximately 922 operation and maintenance employees and food service and clerical employees who are members of the American Federation of State, County and Municipal Employees. Approximately 77 skilled trade employees are members of the Pittsburgh Building and Construction Trades Council. The School District also employs 255 administrative personnel.

Allegheny County

The City is located entirely within the boundaries of the County and comprises 7.5% of the area within the County. The 2000 Census reflected a County population of 1,281,666 residents, of whom 334,563 (26.1%) resided within the City.

The County is governed by a County Executive, Dan Onorato, and a 15 member County Council.

The County provides the following services to City residents: a system of civil and criminal courts; welfare services, including assistance to the indigent, aged and infirm; the prison system; and that portion of the highway and bridge system not under the jurisdiction of the federal government, the Commonwealth, the City or other County or municipal entities.

The County provides health and welfare services to the residents of the City and County including care of the aged, the dependent and the indigent ill, and dependent neglected children. To provide these services, the County operates the John J. Kane Regional Hospitals, the Department of Children, Youth and Family Services, the Department of Aging and the Health Department.

In addition, the Port Authority of Allegheny County (the "Port Authority") operates and maintains an integrated rail and bus transportation system in the City and the County and in portions of adjacent counties. Board members of the Port Authority are appointed by the Chief Executive of Allegheny County, subject to confirmation by a majority of the members of the County Council.

The Pittsburgh International Airport and the Allegheny County Airport are managed by the Allegheny County Airport Authority (the "Airport Authority"). Board members of the Airport Authority are appointed by the Chief Executive of Allegheny County, subject to confirmation by a majority of the County Council.

The County is the legal sponsor for the Community College of Allegheny County, which is the largest community college in the Commonwealth, with four campuses and a full-time equivalent enrollment of over 29,000.

The City has no legislative or administrative control over, or financial responsibility for either the services described above or the Pittsburgh International Airport, the Allegheny County Airport, the Port Authority or the Community College.

Allegheny County Sanitary Authority

The Allegheny County Sanitary Authority ("Alcosan") was created by the County in 1946, to provide sewage collection and treatment service throughout the County. In 1955, the City became a member of Alcosan. In 1959, it completed consolidation of a sewer system which now serves the City and 82 other municipalities in the County. The consolidated system encompasses approximately 225 square miles with a population of 1,015,000. Appointments to the Alcosan seven-member board are made by the City (three members) and the County (three members) and by the City and County jointly (one member). The PWSA guarantees payment of any delinquent sewage accounts of City residents.

LITIGATION

The City is a defendant in litigation incidental to the performance of its governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract, condemnation proceedings and other violations of law. In many cases, the City's liability exposure is limited by the Tort Claims Act, described below.

Under the Political Subdivision Tort Claims Act (the "Tort Claims Act") the City is immune from liability for negligence unless a claim arises within eight enumerated areas of activity described in the Tort Claims Act. Liability for such claims is subject to an aggregate limit of \$500,000 per claim. Verdicts in excess of the statutory limit are reduced to \$500,000. There are no statutory limits on verdicts involving claims that are not covered by the Tort Claims Act. The City may also be subject to delay damages which are calculated on the entire verdict. Delay damages are calculated at the prime rate listed in the first edition of the Wall Street Journal published for each calendar year for which damages are awarded, plus one percent, not compounded and are not subject to any monetary limit.

It is not anticipated that any of the lawsuits pending against the City, if decided adversely to the City, would impair the ability of the City to operate or to meet its obligations in the ordinary course.

MUNICIPAL BANKRUPTCY

Under Chapter 9 of the Federal Bankruptcy Code, a municipality may file a petition for relief if it is authorized to do so under applicable state law. The Commonwealth has enacted the Municipalities Financial Recovery Act, Act No. 69, June 30, 1987, as amended ("Act 69") which among other debt relief measures, sets forth procedures by which a municipality (including the City) may file a municipal debt adjustment action pursuant to the Federal Bankruptcy Code. A municipality seeking relief under Chapter 9 would have to meet the requirements of Act 69 and establish that it: (1) is insolvent or unable to meet its debts as they mature, (2) desires to effect a plan to adjust its debts, and (3) has satisfied certain other requirements primarily relating to negotiations with creditors.

The filing of a petition for relief under Chapter 9 generally operates to stay proceedings to enforce claims against the municipality. Under certain conditions the Federal bankruptcy court may authorize the municipality to borrow money and to issue certificates of indebtedness with priority over existing creditors and which under certain circumstances may be given senior secured status.

Under Chapter 9, the debtor is required to file a plan. If the plan is confirmed by the Court, the plan may modify or alter the rights of creditors. For a plan to be confirmed, it must first be approved by the requisite majority of creditors. A confirmed plan would be binding upon all creditors affected by it.

The ICA Act alters the general right of a municipality to seek relief under the Bankruptcy Code. The ICA Act provides that no "assisted city", that is, a city subject to the oversight of the ICA Board, shall be authorized to file a bankruptcy petition under the provisions of the Bankruptcy Code applicable to municipal corporations such as the City.

TAX MATTERS

Federal Tax Exemption

Bond Counsel is expected to issue its opinion that under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

Ownership of the Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel expresses

no opinion as to any such collateral federal income tax consequences. Purchasers of Bonds should consult their own tax advisors as to such collateral federal income tax consequences.

Original Issue Premium

The initial public offering price of the Bonds as shown on the inside front cover page includes an original issue premium (the "OIP Bonds"). The original issue premium for an OIP Bond will be equal to the excess of a holder's tax basis in the OIP Bonds over the amount payable at maturity, or in the case of an OIP Bond subject to redemption, the amount payable on the redemption date. Under current law, the original issue premium for an OIP Bond must be amortized on an annual basis by the holder thereof. The amount of original issue premium amortized each year will not be deductible for federal income tax purposes. Further, Section 1016 of the Code requires that the amount of annual amortization for the OIP Bond reduce the holder's tax basis in such OIP Bond. This reduction in a holder's tax basis will affect the amount of capital gain or loss to be recognized by the holder when the OIP Bond is sold or redeemed. Holders of OIP Bonds should consult their tax advisors with respect to the determination and treatment of amortizable original issue premium for federal income tax purposes, and with respect to the state and local tax consequences of owning such OIP Bonds.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under existing law, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

NON-ARBITRAGE BONDS

The City has covenanted in the Resolution and with the registered owners, from time to time, of the Bonds that no part of the proceeds of the Bonds will be used, at any time, directly or indirectly, in a manner which, if such use had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and the regulations thereunder proposed or in effect at the time of such use and applicable to the Bonds, and that it will comply with the requirements of that section and the regulations throughout the term of the Bonds. Officers of the City have executed a certificate concerning the use of the proceeds of the Bonds in conformity with regulations issued under Section 148 of the Code.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 the City will agree pursuant to the Resolution and a Continuing Disclosure Agreement to be delivered on the date of delivery of the Bonds, to provide in a timely manner, to each nationally recognized municipal securities information repository ("NRMSIR") or to the Municipal Securities Rulemaking Board ("MSRB"), and to the state information depository ("SID"), if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinion or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls, except for mandatory scheduled redemptions not otherwise dependent upon the occurrence of an event;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

The Securities and Exchange Commission requires the listing of (1) through (11) although some of such events may not be applicable to the Bonds.

The Resolution or the Continuing Disclosure Agreement will provide Bondholders with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement does not constitute a default under the Resolution. The Resolution and the Continuing Disclosure Agreement may be revised from time to time as permitted or required by applicable law, without the consent of the Bondholders, and may be terminated upon the economic defeasance of all outstanding Bonds, or other arrangement, whereby the City is released from any further obligation with respect to the Bonds. Covenants in the Resolution and the Continuing Disclosure Agreement may also be terminated, without the consent of the Bondholders, at such time as continuing disclosure is no longer required by applicable law. The City shall promptly notify each NRMSIR, the MSRB and SID, if any, of any revision or termination of the disclosure covenants. The sole remedy for a breach by the City of its covenants to provide notices of material events shall be an action to compel performance of such covenants. Under no circumstances may monetary damage be assessed or recovered, nor shall any such breach constitute a default under the Bonds or a failure to comply with any provision of the Bonds for purposes of the Act.

Bondholders are advised that the Resolution and the Continuing Disclosure Agreement, copies of which are available at the office of the City, should be read in their entirety for more complete information regarding their contents.

Pursuant to the issuance of its \$75,000,000 General Obligation Bonds, Series A of 1995, \$104,705,000 General Obligation Refunding Bonds, Series B of 1995, \$162,535,000 General Obligation Refunding Bonds, Series A of 1996, \$37,710,000 Taxable General Obligation Pension Bonds, Series B of 1996, \$20,295,000 General Obligation Bonds, Series A of 1997, \$29,735,000 General Obligation Bonds, Series B of 1997, \$20,120,000 General Obligation Bonds, Series C of 1997, \$24,860,000 Taxable General Obligation Pension Bonds, Series A of 1998, \$43,280,000 Taxable General Obligation Pension Bonds, Series B of 1998, \$187,725,000 Taxable General Obligation Pension Bonds, Series C of 1998, \$129,490,000 General Obligation Refunding Bonds, Series D of 1998, \$18,355,000 General Obligation Refunding Bonds, Taxable Series E of 1998, \$57,140,000 General Obligations, Series A of 1999, \$126,585,000 General Obligation Bonds, Series A of 2002 and its \$13,575,000 General Obligation Bonds, Series A of 2003, the City, in its Resolutions and Continuing Disclosure Certificates, covenanted in undertakings pursuant to Rule 15c2-12, to convey to each NRMSIR and SID (if one came into existence) by August 1 of each year "annual financial information" to include audited financial statements. The City did, in a timely manner, convey all of the "annual financial information", including the audited financial statements, except that the 1996 audited financial statements were forwarded to the NRMSIRs on September 16, 1997 since they were not available by August 1, 1997.

LEGALITY FOR INVESTMENT

Under the Probate, Estates and Fiduciaries Code of the Commonwealth, the Bonds are authorized investments or fiduciaries and personal representatives (as defined in that Code) in the Commonwealth and the Bonds are legal investments for Commonwealth banks and trust companies, savings banks and insurance companies and are acceptable security for deposits of the funds of the Commonwealth.

FINANCIAL STATEMENTS

Attached hereto as Appendix A are the audited general purpose financial statements of the City for the fiscal year ended December 31, 2003. In March of 2005, the City engaged Maher Duessel to act as the City's auditor for the City's December 31, 2004 Audited Financial Statements.

UNDERWRITING

The Bonds are being purchased by Lehman Brothers and NatCity Investments, Inc. (the "Underwriters") at an aggregate purchase price equal to \$206,171,359.45, which represents the principal amount of the Bonds, plus an original issue premium of \$12,151,334.45 and less an underwriter's discount of \$974,975.00. The Purchase Contract provides that the Underwriters will purchase all the Bonds, if any are purchased, in accordance with the terms of the Purchase Contract. The initial public offering prices of the Bonds may be changed by the Underwriters from time to time from the levels set forth on the inside front cover hereof without any requirement of prior notice.

The Underwriters reserve the right to join with other dealers in offering the Bonds to the public, and Bonds may be offered to such other dealers in connection therewith at prices lower than the prices at which such Bonds are offered to the public. Also, the Underwriters may effect transactions that stabilize or maintain the market price of the Bonds above that which might otherwise prevail in the open market and may discontinue such stabilizing transactions at any time.

BOND RATINGS

The Bonds will be assigned a rating of “AAA” by Fitch, Inc. (“Fitch”), “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by Standard & Poor’s Ratings Group, a Division of The McGraw-Hill Companies (“S&P”) with the understanding that upon delivery of the Bonds, the municipal bond insurance policy insuring payment when due of principal of and interest and premium, if any, on the Bonds will be issued by the Insurer.

Fitch, Moody’s and S&P have also assigned underlying municipal bond ratings of “BBB”, “Baa3”, and “BBB-” respectively to the Bonds.

Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that such rating will be maintained for any given period of time or that it may not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any downward change in or the withdrawal of such rating may have an adverse effect on the price at which the Bonds may be resold by the holder of such Bonds.

LEGAL OPINIONS

Purchase of the Bonds by the Underwriters is subject to the receipt of the approving legal opinion of Klett Rooney Lieber & Schorling, a Professional Corporation, Pittsburgh, Pennsylvania, Bond Counsel. The approving opinion of Bond Counsel will be printed on the Bonds in substantially the form attached to this Official Statement as Appendix D.

Certain legal matters relating to the City will be passed upon by Jacqueline Morrow, City Solicitor. Certain other legal matters will be passed upon by Kirkpatrick & Lockhart Nicholson Graham LLP, Pittsburgh, Pennsylvania, Underwriters’ Counsel and by Grogan Graffam, P.C., Pittsburgh, Pennsylvania, Disclosure Counsel.

FURTHER INFORMATION

The references herein to and summaries of Federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Act, the Charter and the Resolution, and documents, agreements and court decisions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the Director of Finance.

Any statement in this Official Statement involving a matter of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. This Official Statement is not to be construed as a contract among the City and the purchasers or holders of any of the Bonds.

* * * * *

This Official Statement has been duly executed and delivered on behalf of the City by the City Controller and the Acting Director of Finance.

CITY OF PITTSBURGH

By: Tom Flaherty
Controller

By: Richard M. Fees
Acting Director of Finance

APPENDIX A
CITY OF PITTSBURGH
Audited Financial Statements

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CITY OF PITTSBURGH, PENNSYLVANIA

Basic Financial Statements

December 31, 2003

(With Independent Auditors' Report Thereon)

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CITY OF PITTSBURGH, PENNSYLVANIA

Table of Contents

	Page
I. Taxpayer Assessed Taxes Receivable	47
J. Assets Held for Sale	47
K. Loans Receivable	48
L. Other Receivables	48
M. Capital Assets	48
N. Workers' Compensation	48
O. Compensated Absences	49
P. Pensions	49
Q. Long-Term Obligations	49
R. Interfund Transactions	49
S. Encumbrances	50
T. Net Assets	50
U. Use of Estimates	50
2. Budgets and Budgetary Accounting	50
3. Deposits and Investments	51
A. Governmental Funds and Agency Funds	55
B. Pension Trust	55
C. Water and Sewer Authority	57
D. Stadium Authority	57
E. Public Parking Authority	57
F. Urban Redevelopment Authority and PDF Trust	57
4. Transactions With the Pittsburgh Water and Sewer Authority	58
A. Cooperation Agreement	58
B. System Lease	58
5. Real Estate Taxes	59
6. Capital Assets	60
7. Pension Plans	61
A. Organization and Description of Plans	61
B. Funding Status and Progress	66
8. Other Postemployment Benefits	70

CITY OF PITTSBURGH, PENNSYLVANIA

Table of Contents

	Page
I. Introductory Section:	
Table of Contents	I-1
Certificate of Achievement	I-5
City Officials	I-7
II. Financial Section:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets/(Deficit)	15-16
Statement of Activities	17-18
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Budgetary Comparison Statement – General Fund	23
Budgetary Comparison Statement – Community Development Fund	31
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	33
Statement of Changes in Fiduciary Net Assets	34
Combining Statements of Component Units:	
Statement of Net Assets	35
Statement of Activities	36-37
Notes to Basic Financial Statements:	
1. Organization and Summary of Significant Accounting Policies	38
A. The Financial Reporting Entity	38
B. Net Asset Deficit and Liquidity	39
C. Individual Component Unit Disclosures	39
D. Financial Statement Presentation	44
E. Basis of Accounting	46
F. Cash and Cash Equivalents	47
G. Investments	47
H. Due To/From Other Governments	47

CITY OF PITTSBURGH, PENNSYLVANIA

Table of Contents

	Page
9. Long-Term Liabilities	72
A. Council and Public Election General Obligation Bonds	88
B. Stadium Authority	89
C. Pittsburgh Water and Sewer Authority	90
D. Urban Redevelopment Authority of Pittsburgh	90
E. Urban Redevelopment Authority of Pittsburgh	92
F. Other Long-Term Obligations	95
10. Due From/To Other Governments	96
11. Interfund Receivable and Payable Balances	97
12. Operating Transfers	97
13. Fund Deficits	98
14. Related Party Transactions	98
15. Construction and Lease Commitments	99
16. Regional Asset District Revenues	100
17. Contingencies	100
18. Risk Management	101
Required Supplementary Information:	
Pension Trust Funds Schedule of Funding Progress	102
Supplementary Information:	
Combining Statement of Fiduciary Net Assets – Agency Funds	103
Combining Balance Sheet – Other Governmental Funds	104
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	105
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Data on the Budgetary Basis – Capital Projects	106
Budgetary Comparison Statement – Capital Projects Funds	107

CITY OF PITTSBURGH, PENNSYLVANIA

Table of Contents

	Page
III. Statistical Section	
Table 1 – General Governmental Revenues	108-109
Table 1A – General Fund Tax Revenues by Source	110-111
Table 2 – General Governmental Expenditures	112-113
Table 3 – Assessed Value, Tax Rate, Levy, and Collections	114-115
Table 4 – Assessed and Estimated Actual Value of Property	116
Table 5 – Property Tax Rates – Direct and Overlapping Governments	117
Table 6 – Principal Real Estate Taxpayers	118
Table 7 – Net Debt and Remaining Debt Incurring Margin in Accordance With Act No. 52, Approved April 28, 1978	119-120
Table 8 – Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	121
Table 9 – Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	122
Table 10 – Computation of Direct and Overlapping Debt	123
Table 11 – Revenue Bond Coverage – Pittsburgh Water and Sewer Authority	124
Table 11A – Revenue Bond Coverage – The Stadium Authority of the City of Pittsburgh	125
Table 12 – Demographic Statistics	126
Table 13 – Property Value, Construction, and Bank Deposits	127
Table 14 – City Employment	128
IV. Other Information	
Salaries and Surety Bonds of Principal Officials	129
Schedule of Bonds and Notes Payable	130-167

**FINANCIAL
SECTION**

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Independent Auditors' Report

The Honorable Members of Council
City of Pittsburgh, Pennsylvania:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Urban Redevelopment Authority of Pittsburgh (the URA), the Public Parking Authority of Pittsburgh (the Parking Authority), the Pittsburgh Water and Sewer Authority (the PWSA), and the Stadium Authority of the City of Pittsburgh (the Stadium Authority), which represent 99% of the assets and 97% of the revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the City of Pittsburgh Pension Trust Fund (the Pension Fund), which represents 94% and 81%, respectively, of the assets and revenues (including pension additions) of the aggregate remaining fund information. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the URA, the Parking Authority, the PWSA, the Stadium Authority, and the Pension Fund, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2003 and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and community development



fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 9(D)(2) to the financial statements, the City changed its method of presentation of the URA-PDF trust.

The Management's Discussion and Analysis on pages 3 through 14 and schedule of funding progress on page 102 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, and express no opinion on it. However, we and the other auditors did not audit such information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Pittsburgh's basic financial statements. The introductory section, supplementary information, statistical section, and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical section, and other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we express no opinion on them.

KPMG LLP

Pittsburgh, Pennsylvania
July 16, 2004, except Footnote 1B and
Management's Discussion and Analysis,
which is as of December 20, 2004.

Management's Discussion and Analysis

As management of the City of Pittsburgh, we offer readers of the City of Pittsburgh's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

Financial Highlights

- In November 2003, the City sought municipal self-help as a "financially distressed" municipality under Pennsylvania law. As a result, a Five-Year Financial Plan has been adopted mandating spending cuts and levying new and broader based taxes. The recovery plan will be monitored by both the Act 47 coordinators and the Intergovernmental Cooperation Authority, an oversight board appointed by the Governor and the State legislature.
- The liabilities of the City of Pittsburgh exceeded its assets at the close of the most recent fiscal year by \$713 million. As of December 31, 2003, the City, in its statement of net assets, has an unrestricted net asset unrestricted deficit of \$728.1 million. The accumulated deficit results principally from the City's outstanding general obligation bonds being issued over the years to finance projects that don't result in recording assets; specifically to fund the payments to the Pension Trust Fund (\$280 million outstanding as of December 31, 2003), the City's borrowings to finance economic development efforts (including projects of the City's Authorities, principally the URA), and maintenance expenditures on city infrastructure, and equipment needs.
- The City's total net assets decreased by \$13 million in 2003.
- As of the close of the current fiscal year, the City of Pittsburgh's governmental funds reported combined ending fund balances of \$77.3 million, a decrease of \$53.8 million from the previous year. Approximately 54% of this total amount, \$42.1 million, is available for spending at the government's discretion (unreserved fund balance).
- The City's general fund has reduced its fund balance by \$27 million in 2003, \$11 million in 2002, and \$11 million in 2001 as a result of tax structure and expenditure issues discussed later in this document.
- At the end of the 2003 fiscal year, unreserved fund balance for the general fund was \$31.1 million (compared to \$58 million in 2002), or 7.8 % of total general fund expenditures and debt service transfers, which totaled \$397.3 million in 2003. This measure of financial health declined from 15% in 2002.

The City of Pittsburgh's net bonded debt amounted to \$860.4 million at the end of the fiscal year. \$13.8 million in new debt was issued in 2003, and \$13.6 million of this amount was paid to escrow agents to refund debt. In 2003, \$30.9 million in principal payments were made for a net decrease in outstanding debt of \$19.1 million from 2002 when considering bonds defeased and discount amortization.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pittsburgh's basic financial statements. For only the second year, the City's financial statements present two types of

statements. Each with a different snapshot of the City's finances. The focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the City's overall financial status. The fund financials focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements, which present a longer-term view. The City of Pittsburgh's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Pittsburgh's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Pittsburgh's assets and liabilities, with the difference between the two reported as net assets (deficit). Over time, increases or decreases in net assets (deficit) may serve as a useful indicator of whether the financial position of the City of Pittsburgh is improving or deteriorating.

The statements of activities presents information showing how the government's net assets (deficit) changed during the most recent fiscal year. All changes in net assets (deficit) are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include not only the City of Pittsburgh itself (known as the primary government), but also component units of the Urban Redevelopment Authority (URA), Pittsburgh Water and Sewer Authority, Public Parking Authority, Stadium Authority. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in the financial section of this report.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Pittsburgh, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Pittsburgh can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Pittsburgh maintains individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Debt Service fund, the Community Development Block Grant (CDBG) Fund, and the Capital Projects fund, all of which are considered to be major funds. Data from the other six governmental funds (non-major funds) are combined into a single, aggregated presentation (Other governmental funds).

The City of Pittsburgh adopts an annual appropriated budget for its General, Capital Projects and Community Development funds. A budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with these budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The largest fiduciary fund is the City's pension fund. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Pittsburgh's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Pittsburgh's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the City of Pittsburgh, liabilities exceeded assets by \$712.6 million at the close of the most recent fiscal year.

By far the largest portion of the City of Pittsburgh's deficit in net assets of \$712.6 million is its unrestricted deficit of \$(728.1) million. This deficit is partially offset by investments in capital assets, net of related debt of \$14.0 million. The City of Pittsburgh uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and the assets have been financed with certain debt.

Although the City of Pittsburgh's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Condensed Net Assets:

The following table presents a condensed summary of net assets as of December 31, 2003 and 2002:

CITY OF PITTSBURGH'S NET ASSETS

(\$ millions)	<u>Governmental</u> <u>Activities</u>	
	<u>2003</u>	<u>2002</u>
<u>Current assets</u> (\$45.7 restricted in 2003)	117	170
<u>Noncurrent restricted assets</u>	0	1
<u>Capital assets</u>	<u>193</u>	<u>175</u>
<u>Total assets</u>	<u>310</u>	<u>346</u>
<u>Long-term liabilities outstanding</u>	895	921
<u>Current liabilities</u>	128	124
<u>Total liabilities</u>	<u>1,023</u>	<u>1,045</u>
<u>Net assets:</u>	<u>(713)</u>	<u>(699)</u>
<u>Invested in capital assets, net of related debt</u>	14	(8)
<u>Restricted</u>	1	1
<u>Unrestricted</u>	<u>(728)</u>	<u>(692)</u>
<u>Total net assets</u>	<u>(713)</u>	<u>(699)</u>

As of December 31, 2003, the City has an unrestricted deficit of \$728.1 million, which represents 2.3 years of primary government general revenues. This is principally a result of general obligation debt to finance projects that do not result in recording assets including; using approximately \$280 million in debt to finance an accumulated unfunded pension obligation (which was only 25.6% funded in 1998 prior to the pension financing and at 12/31/03 is 40.8% funded), payments to City authorities for capital projects and economic development efforts (including projects of the City's Authorities, principally the URA), and infrastructure related expenditures principally maintenance to City streets. Capital assets increased from the State's contribution of a constructed roadway to the City and other miscellaneous construction.

Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the primary government.

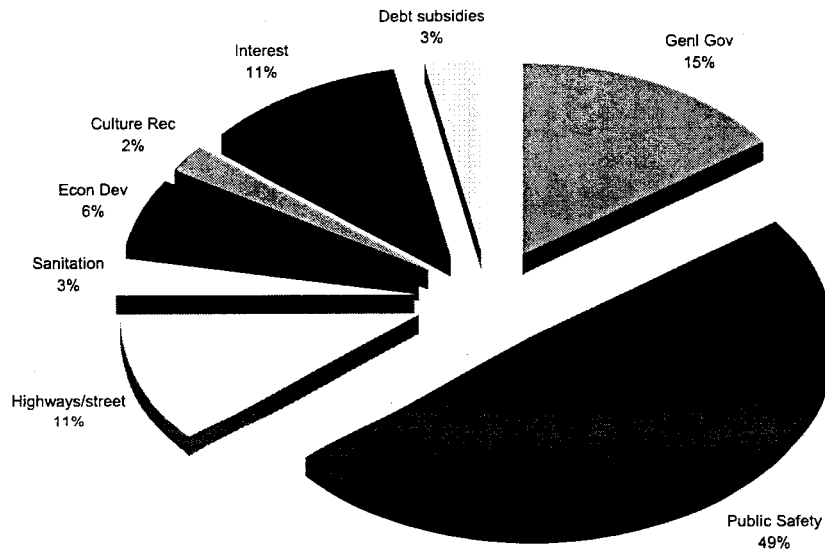
Governmental activities. Governmental activities increased the City of Pittsburgh's net deficit by \$14 million in 2003. A key element mitigating this decrease was the increase in Capital Grants and Contributions by \$9.6 million due to a state roadway contribution, and the remaining amounts are as follows:

CITY OF PITTSBURGH'S ACTIVITIES

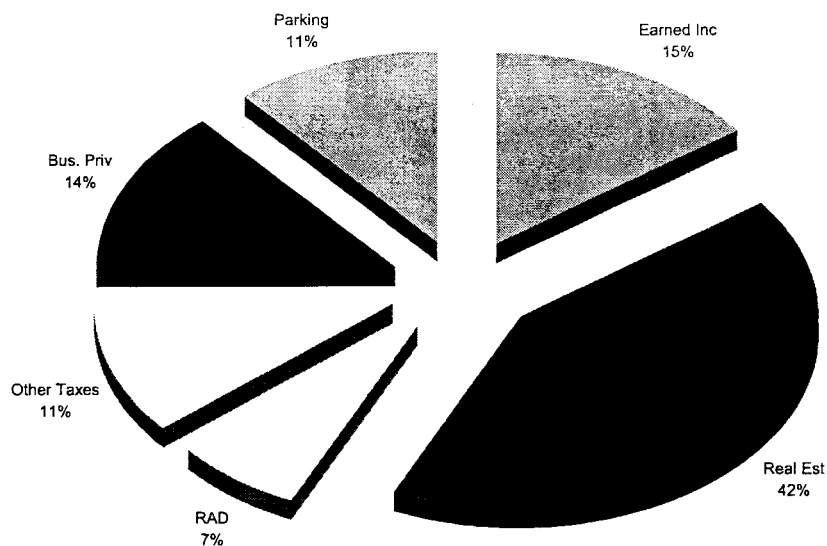
(\$ millions)	<u>Governmental</u> <u>activities</u>	
	<u>2003</u>	<u>2002</u>
<u>Revenues:</u>		
<u>Program Revenues:</u>		
<u>Charges for services</u>	44	42
<u>Operating grants & contributions</u>	49	45
<u>Capital grants & contributions</u>	39	29
<u>General revenues:</u>		
<u>Real Estate Property taxes</u>	128	122
<u>Earned Income taxes</u>	46	48
<u>Business Privilege taxes</u>	44	43
<u>Parking taxes</u>	32	32
<u>RAD sales taxes</u>	20	21
<u>Deed Transfer taxes</u>	9	10
<u>Amusement taxes</u>	9	10
<u>Mercantile taxes</u>	8	7
<u>Other taxes</u>	8	8
<u>Other</u>	4	7
<u>Total taxes – subtotal</u>	<u>308</u>	<u>308</u>
<u>Total Revenue</u>	<u>440</u>	<u>424</u>
<u>Expenses:</u>		
<u>General government</u>	69	78
<u>Public safety</u>	222	203
<u>Highways/streets</u>	50	53
<u>Sanitation</u>	12	13
<u>Economic development</u>	25	20
<u>Culture recreation</u>	11	12
<u>Interest</u>	50	47
<u>Debt subsidies to Authorities and Component Units</u>	<u>15</u>	<u>15</u>
<u>Total expenses</u>	<u>454</u>	<u>441</u>
<u>(Decrease) in net assets</u>	<u>(14)</u>	<u>(17)</u>
<u>(Net assets) – January 01, 2002</u>	<u>(699)</u>	<u>(682)</u>
<u>(Net assets) – December 31, 2002</u>	<u>(713)</u>	<u>(699)</u>

Public Safety accounted for half of the expenditures, increasing by \$19 million while other departments cut costs. Efforts to merger the Fire and EMS departments failed in 2003.

Expenses of the governmental Statement of Activities are shown below by functional area:



General fund Tax Revenues are presented below by type of tax:



Governmental Funds

Government funds. The focus of the City of Pittsburgh's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Pittsburgh's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues for the General fund totaled \$370.3 million in 2003, an increase of \$1.5 million, compared to 2002, or by 0.4%. The net increase of \$1.6 million in tax revenue was due an increase of \$3.4 million (2.7%) during the year in real estate tax and \$0.6 million in Mercantile taxes offset by a 4% decline of \$1.7 million in Earned Income and other tax revenue declines. Real estate taxes increased because of increases in collections and less refunds and Earned Income taxes decreased due to lower taxable revenues earned by city residents.

In addition to the above General fund tax revenues, the City collected \$21.8 million in the Community Development fund, \$16.9 million in Capital Projects, and \$19.1 million in Other Governmental funds related to pass-thru federal and state monies.

At the end of the current fiscal year the City of Pittsburgh's governmental funds reported combined ending fund balances of \$77.3 million, a decrease of \$53.8 million from 2002. Approximately 54% of this total fund balance, or \$42 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved or not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period. Such commitments included \$17.5 million for encumbrances, \$.2 million for debt service, \$16.2 million restricted for capital projects, and \$1.2 million for other.

The General Fund is the chief operating fund of the City of Pittsburgh. At the end of the current fiscal year, unreserved fund balance of the general fund was \$31.1 million, while total fund balance for the General Fund \$35.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.8% of total general fund expenditures and operating transfers of \$397.3 million, while total fund balance represents 7.8% of General Fund expenditures and operating transfers.

The fund balance of the City of Pittsburgh's general fund decreased by \$27 million during the current fiscal year.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2003 increased to \$397.3 million, compared to \$380.1 million in 2002 representing an increase of 4.6% or \$17.2 million overall. This increase occurred despite the City's efforts to hold the line on expenses. The expenditures, which drove the increase, were higher costs associated with health care, pension, and debt service. Contractual obligations due under collective bargaining agreements also resulted in higher costs during 2003.

The largest dollar increase in expenditures and transfers was a \$10 million increase in transfers to debt service. Transfers to debt service of \$70.8 million combined with debt subsidies of \$14.2 million

totaled \$85 million. The debt subsidies are for the Urban Redevelopment Authority and Auditorium Authority and are commitments made by the City over the life of the bonds. The increase of \$10 million was due to the deferral of principal payments in 2002. Debt and debt subsidies accounted for 21.2% of the expenditures illustrating the magnitude of the City of Pittsburgh's annual debt service, constituting over one out of every 5 dollars spent out of the General Fund.

The debt service fund has a total fund balance of \$172,000, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$312,000.

The Community Development fund had intergovernmental revenues of \$21.8 million and expenditures of \$21.8 million. The Capital Projects fund had \$20.4 million of revenues, \$24.2 million in maintenance costs, \$18.3 million of capital related expenditures, received \$13.8 million in bond proceeds, paid \$13.6 million to escrow agents for refunded debt, and paid \$3.5 million of operating transfers. The Capital Projects fund, fund balance decreased by \$25.3 million in 2003. The fund balance was \$30.7 million as of December 31, 2003.

General Fund Budgetary Highlights

Actual General Fund revenues were below the budgeted revenues by \$37.1 million or 9.6%. Real Estate taxes (\$2.3 million shortfall), Earned Income taxes (\$3.0 million shortfall), Parking taxes (\$1.6 million shortfall), and Amusement taxes (\$1.0 million shortfall) all contributed to about \$7.9 million of the shortfall. The Deed Transfer Tax exceeded budgeted revenue by \$0.7 million. \$29 million of the gap was due to the budgeting of new tax revenue -- a retail drink tax (\$5.0 million), and a payroll preparation tax (\$24.0 million)—anticipated as a result of state legislative action expanding the City's taxing authority. Such authority was not granted in 2003. In addition, the final budgeted expenses exceeded the final budgeted revenues by \$11.7 million when expense reductions, anticipated through an EMS and Fire merger, were not realized. As a result, fund balance cash was used to fill the gap.

During fiscal year 2003, City Council amended the budget primarily for the following reasons:

- To appropriate funds to pay commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2002 totaled \$9.4 million of which \$1.7 million was due to employee benefits carryovers.

Capital Asset and Debt Administration

Capital assets. The City of Pittsburgh's investment in capital assets for its governmental-type activities as of December 31, 2003, amounts to \$192.5 million, net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure and construction-in-progress.

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects in new residential developments and widening and expansion projects for existing streets and bridges began; construction in progress as of the end of the current fiscal year was \$4.8 million.

CITY OF PITTSBURGH'S CHANGES IN CAPITAL ASSETS

(\$ millions)	<u>Governmental</u> <u>Activities</u>	
	<u>2003</u>	<u>2002</u>
<u>Land & land improvements</u>	46	46
<u>Construction in progress</u>	5	16
<u>Buildings and building improvements</u>	93	91
<u>Infrastructure</u>	172	136
<u>Vehicles</u>	41	40
<u>Furniture & fixtures</u>	7	7
<u>Machinery & equipment</u>	2	2
<u>Total capital assets</u>	<u>366</u>	<u>338</u>
<u>Less accumulated depreciation for:</u>		
<u>Buildings</u>	(72)	(70)
<u>Infrastructure</u>	(62)	(54)
<u>Vehicles</u>	(30)	(30)
<u>Furniture & other equipment</u>	(7)	(7)
<u>Machinery & equipment</u>	(2)	(2)
<u>Total accumulated depreciation</u>	<u>(173)</u>	<u>(163)</u>
<u>Net Assets</u>	<u>193</u>	<u>175</u>

The largest increase in infrastructure assets was due to completion of roadway construction projects primarily contributed by the State. Additional information on the City of Pittsburgh's capital assets can be found in note 6 of this report.

Long-term debt. At the end of the current fiscal year, the City of Pittsburgh had total debt outstanding of \$860,352,623, which comprises debt backed by the full faith and credit of the government.

CITY OF PITTSBURGH'S OUTSTANDING DEBT

(\$ millions)	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2003</u>	<u>2002</u>
<u>General obligation bonds</u>		
Beginning balance at January 1	879	866
<u>Debt Issued</u>	15	129
<u>Refinanced Bonds</u>	(8)	(66)
<u>Principal Payments</u>	(26)	(50)
<u>Ending Balance at December 31</u>	<u>860</u>	<u>879</u>

During the current fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates. In June 2003 the City of Pittsburgh issued \$13,575,000 in General Obligation bonds to refund principal and interest on bonds due in September 2003.

The City's bond ratings were lowered to non-investment grade in fall 2003 as a result of bankruptcy discussion, a "going concern" audit opinion and the failure of the State to approve a viable restructuring of the City of Pittsburgh's tax structure. Moody's dropped Baa1; Fitch, BB; Standard & Poor's, BB. On December 7, 2004, Standard & Poor's raised the City of Pittsburgh's rating to BBB-, one notch above junk status.

Pittsburgh's 2004 Fiscal Position

The State legislature did not act in 2003 to grant Pittsburgh adequate new taxing authority and to increase State aid. As a result, in November 2003 the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47). The PA Department of Community and Economic Development (DCED), after review of the City's application and on the advice of its legal and financial experts, agreed. The Act 47 coordinators issued their Recovery Plan on June 11, 2004, which was adopted by Pittsburgh City Council on June 29, 2004, making the Plan an ordinance of the City.

Subsequent to the City's designation as financially distressed under Act 47, the State legislature under Act 11 established an Intergovernmental Cooperation Authority (the "ICA") to provide fiscal oversight for the City for a period of seven years. Act 11 stipulated that only the Governor of the Commonwealth has the power to approve or disapprove any filing for relief under 11 U.S.C. Ch. 9 and that the ICA is to operate concurrently and equally with the Act 47 coordinators. In accordance with Act 11, the City was prohibited from any borrowings unless the City's Five Year Financial Plan was

approved by the ICA board and the City and the ICA enter into an intergovernmental cooperation agreement consistent with the Act. Both have been achieved.

In accordance with the requirements of Act 11, the City submitted on November 5, 2004 its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. The ICA approved the Plan. The Plan calls for reductions to expenditures and a new tax structure discussed below. The expenditure reductions include a commitment to reduce Public Safety cost, primarily with a cut to the Fire Department, and other costs included a reduction to all elected officials' budgets (Mayor, Controller and Council).

On November 21, 2004 the State legislature approved legislation providing Pittsburgh with new taxing authority that is intended to balance its 2005 and subsequent operating budgets allowing for a surplus each year to build a fund balance of \$21.9 million by 2009. Taxes include: a 0.55% tax on the gross payroll of all for-profit businesses, \$52 on individuals working in the City, 3% tax on wages earned by non-resident sports players and performers using the stadium and arena, a shift in earned income away from the school district and to the city beginning in 2007, elimination of the \$4 million payment of regional asset district sales tax to the school district and a gradual reduction in the City's parking tax beginning in 2007. The tax package provides for the elimination of business taxes paid by only 55% of the businesses and the implementation of a new tax on gross payroll of all for-profit businesses. This restructuring of business taxes and increase in taxes paid by individuals, particularly commuter, will result in a broader based tax structure going forward.

Cash Position

Cash balances held as "rainy day" reserves were largely used to meet current obligations beginning the latter half of 2003. Efforts by the City throughout 2003 to reserve cash were successful and permitted the City to continue operations without executing a planned \$40 million bank borrowing in January 2004. An early 2003 hiring freeze, layoffs in August, increased police retirements in the Fourth Quarter 2003, and the elimination of all non-discretionary spending such as travel, education, supplies, and secondary contracts improved year-end 2003 cash balance from October 2003 projections of \$18 million to \$29 million. While only adequate to fund a month's expense, the City's cash position at year end 2003, together with acceleration of real estate tax payments by mortgage companies in January 2004, reflect financial management efforts to keep the City solvent.

The City is currently projecting a cash balance as of December 31, 2004 of negative \$1.2 million. Increased employee retirements and continued cost controls are in place to hold spending. If necessary, the City will defer payment of its \$4 million RAD reimbursement obligation to the School District until a short term line-of-credit is exercised. The School District is in agreement with this deferral. In order to meet financial obligations until new tax revenues are collected in February 2005, the City has obtained a commitment from a consortium of local banks to provide a \$40 million Non-Revolving Tax-Exempt Tax and Revenue Anticipation Credit Facility to provide liquidity effective January 4, 2005. New and current tax revenues in the first quarter of 2005 are expected to be sufficient to allow for a repayment of the line-of-credit in the second quarter of the year.

Requests For Information

This financial report is designed to provide a general overview of the City of Pittsburgh's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, First Floor City County Building, 414 Grant Street, Pittsburgh, PA 15219.

**BASIC
FINANCIAL STATEMENTS**

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**CITY OF PITTSBURGH,
PENNSYLVANIA**

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets/(Deficit)

December 31, 2003

	<u>Primary government Governmental activities</u>	<u>Component units</u>
Current assets:		
Cash, cash equivalents, and investments	\$ 45,650,580	206,609,342
Restricted cash	35,804,579	58,660,038
Investments - restricted	—	13,131,970
Real estate taxes (net of allowance for uncollectible accounts of \$6,915,951)	7,773,378	—
Accounts receivable, net	—	15,450,214
Accrued interest receivable	63,276	599,561
Due from other governments	12,147,708	4,049,664
Due from component unit	894,993	—
Due from fiduciary funds	269,083	—
Taxpayer-assessed taxes receivable	10,098,818	—
Inventory	—	1,462,000
Notes receivable	—	279,806
Other receivables	4,540,574	7,941,959
Other receivables - restricted	—	316,320
Grant receivable	—	2,591,876
Prepaid expenses	—	180,000
Total current assets	<u>117,242,989</u>	<u>311,272,750</u>
Noncurrent assets:		
Trusteed and restricted funds:		
Cash and cash equivalents	—	8,311,000
Accounts receivable - parking	—	79,570
Accrued interest receivable	—	168,000
Investments	—	74,261,477
Total restricted assets	<u>—</u>	<u>82,820,047</u>
Capital assets:		
Buildings and building improvements	92,994,657	30,403,219
Land and land improvement	45,602,091	34,003,352
Parking facilities	—	116,085,378
Machinery and equipment	1,769,314	106,594,517
Utility plant	—	394,370,000
Non-utility plant	—	14,067,000
Furniture and fixtures	7,356,392	—
Vehicles	41,403,612	—
Infrastructure	171,855,213	—
Construction-in-progress	4,794,603	23,891,786
Less accumulated depreciation	<u>(173,259,538)</u>	<u>(162,350,141)</u>
Net capital assets	192,516,344	557,065,111
Leasehold improvements	—	8,465
Other assets	—	2,114,738
Other assets - restricted	—	164,910
Bond issuance costs, net of amortization	—	7,788,052
Loans/notes receivable	—	57,709,467
Loans/notes receivable - restricted	—	110,290,946
Assets held for sale	—	21,176,160
Assets held for sale - restricted	—	4,121,707
Development fund	—	1,090,733
Total noncurrent assets	<u>192,516,344</u>	<u>844,350,336</u>
Total assets	\$ <u>309,759,333</u>	<u>1,155,623,086</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets/(Deficit)

December 31, 2003

	<u>Primary government Governmental activities</u>	<u>Component units</u>
Current liabilities:		
Accounts payable – wastewater treatment	\$ —	8,537,000
Accrued expenses and deferred income	—	886,060
Accounts and retainage payable	16,647,438	31,417,678
Accrued payroll and related obligation:	10,033,122	743,000
Accrued interest payable	16,190,533	7,282,458
Accrued workers' compensation	19,026,283	—
Accrued compensated absence:	16,926,064	—
Accrued claims and judgment:	2,067,500	—
Deferred revenue	—	16,314,227
Due to other government:	3,931,790	—
Due to fiduciary fund:	778,372	—
Note due to City of Pittsburgh, current portion	—	1,415,000
Bonds and loans payable, current portion	41,885,000	18,535,000
Total current liabilities	127,486,102	85,130,423
Noncurrent liabilities:		
Deferred revenue	—	551,000
Accrued payroll-related obligation:	—	1,209,000
Note due to the City of Pittsburgh	—	11,755,000
Bonds and loans payable, net of unamortized premiums/discounts and bond issuance cost:	818,467,623	868,896,575
Accrued workers' compensation	60,334,143	—
Accrued compensated absence:	15,108,870	—
Accrued claims and judgment:	1,000,000	—
Advance from the City of Pittsburgh	—	22,775,168
Total noncurrent liabilities	894,910,636	905,186,743
Total liabilities	1,022,396,738	990,317,166
Net assets:		
Investments in capital assets, net of related debt	14,047,401	(10,803,010)
Restricted for:		
Capital projects	—	11,134,909
Debt service	172,122	5,422,117
Employee benefits	1,207,105	—
Endowments	7,270	—
Public Parking Authority	—	12,484,150
Urban development	—	26,139,389
Lending programs	—	144,795,207
Multi-family Housing Program	—	684,196
Unrestricted (deficit)/net asset:	(728,071,303)	(24,551,038)
Total net assets/(deficit)	\$ (712,637,405)	165,305,920

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2003

	<u>Expenses</u>
Primary government	
Governmental activities:	
General government	\$ 68,571,952
Public safety	221,439,681
Highways and streets	50,089,338
Sanitation	12,080,381
Economic development (includes debt subsidies to URA of \$11,295,958)	36,577,174
Culture and recreation (includes debt service subsidies to Sports and Exhibition and Public Auditorium Authorities of \$4,067,943)	14,717,879
Interest on long-term debt plus bond issuance costs and amortization of premiums and discounts	50,274,609
Total primary government	<u>453,751,014</u>
Component units	<u>\$ 202,455,645</u>

See accompanying notes to financial statements.

2003				
Net (expense) revenue and changes in net assets/(deficits)				
Program revenues			Primary government	
Charges for <u>services</u>	Operating grants and <u>contributions</u>	Capital grants and <u>contributions</u>	Governmental activities	Component units
19,328,547	24,945,762	9,369,851	(14,927,792)	
20,171,829	16,451,679	1,005,079	(183,811,094)	
1,373,276	5,632,101	19,125,896	(23,958,065)	
1,063,853	629,849	—	(10,386,679)	
—	—	8,342,979	(28,234,195)	
1,809,203	1,033,637	837,941	(11,037,098)	
—	—	—	(50,274,609)	
43,746,708	48,693,028	38,681,746	(322,629,532)	
110,903,632	47,511,407	11,425,556		(32,615,050)
General revenues:				
Real estate taxes			127,941,152	
Earned income taxes			45,924,358	
Business privilege taxes			43,964,837	
Parking tax			31,892,770	
Sales taxes from the Regional				
Asset District			20,035,967	
Deed transfer tax			9,172,513	
Amusement tax			9,455,537	
Mercantile tax			7,909,099	
Other taxes			8,573,064	
Unrestricted investment				
earnings			1,061,600	3,534,160
Donations and endowments			546,387	
Loss on sale of assets at URA				(225,380)
Miscellaneous			2,699,982	4,760,715
Total general revenues			309,177,266	8,069,495
Change in net assets			(13,452,266)	(24,545,555)
Net assets (deficit) – beginning of year			(699,185,139)	189,851,475
Net assets (deficit) – end of year			(712,637,405)	165,305,920

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CITY OF PITTSBURGH, PENNSYLVANIA

Balance Sheet
Governmental Funds
December 31, 2003

Assets	General	Debt service	Special revenue CDBG	Capital projects	Other governmental funds	Total governmental funds
Cash and short-term investments, at cost which approximates market	\$ 32,500,073	—	1,547,139	—	11,603,368	45,650,580
Cash and cash equivalents-restricted	304,653	144,735	—	35,355,191	—	35,804,579
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of \$9,646,456)	7,773,378	—	—	—	—	7,773,378
Taxpayer-assessed taxes receivable	10,098,818	—	—	—	—	10,098,818
Other receivables	3,690,832	—	—	—	849,742	4,540,574
Due from component units	894,993	—	—	—	—	894,993
Accrued interest	33,866	27,387	—	—	2,023	63,276
Due from other governments	4,734,157	—	3,570,349	996,534	2,846,668	12,147,708
Due from other funds	4,133,305	—	—	1,364,874	1,122,782	6,620,961
Total assets	\$ 64,164,075	172,122	5,117,488	37,716,599	16,424,583	123,594,867
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 8,821,258	—	2,721,687	2,002,241	1,699,294	15,244,480
Accrued liabilities	9,123,201	—	24,205	129,935	755,781	10,033,122
Retainage payable	—	—	125,043	1,277,909	—	1,402,952
Due to other funds	1,766	—	2,123,772	2,841,966	1,384,374	6,351,878
Due to agency funds	664,701	—	38,164	—	75,513	778,378
Due to other governments	1,808,988	—	—	800,000	1,322,802	3,931,790
Accrued claims and judgments	2,067,500	—	—	—	—	2,067,500
Deferred revenue, principally real estate taxes	6,483,323	—	—	—	—	6,483,323
Total liabilities	28,970,737	—	5,032,871	7,052,051	5,237,764	46,293,423
Fund balance:						
Reserved:						
Encumbrances	2,838,000	—	—	14,439,324	263,760	17,541,084
Reserved for endowments	7,270	—	—	—	—	7,270
Reserved for employee benefits	1,207,105	—	—	—	—	1,207,105
Unreserved:						
Undesignated	31,140,963	—	84,617	—	10,923,059	42,148,639
Designated for subsequent years expense	—	172,122	—	16,225,224	—	16,397,346
Total fund balances	35,193,338	172,122	84,617	30,664,548	11,186,819	77,301,444
Total liabilities and fund balances	\$ 64,164,075	172,122	5,117,488	37,716,599	16,424,583	123,594,867

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Reconciliation of the Balance Sheet to the Statement of Net Assets

Governmental Funds

December 31, 2003

Total fund balances – governmental funds		\$	77,301,444
Amounts reported for governmental activities in the statement of net assets are different due to:			
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported as assets in the governmental funds:			
Governmental capital assets, at cost	\$	365,775,882	
Less accumulated depreciation		<u>(173,259,538)</u>	192,516,344
Property taxes receivable that are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds			6,483,323
Long-term liabilities, including bonds payable with related accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:			
Bonds payable, net of unamortized premiums/discounts and bond issuance costs		(860,352,623)	
Accrued compensated absences (short-term and long-term)		(32,034,934)	
Accrued workers' compensation (short-term and long-term)		(79,360,426)	
Accrued interest payable		(16,190,533)	
Accrued claims and judgments		<u>(1,000,000)</u>	(988,938,516)
Total net assets of governmental activities			<u>\$ (712,637,405)</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2003

	General	Debt service	Special revenue CDBG	Capital projects	Other governmental funds	Total governmental funds
Revenues:						
Taxes, including penalty and interest	\$ 301,779,203	—	—	1,212,237	—	302,991,440
Payment in lieu of taxes	509,773	—	—	—	—	509,773
Interest and dividends	472,093	518,305	—	—	71,202	1,061,600
Fines and forfeits	7,665,761	—	—	—	26,929	7,692,690
Intergovernmental revenues	29,568,773	3,240,000	21,808,903	16,872,842	19,124,256	90,614,774
Charge for user services	29,416,989	—	—	544,099	6,092,929	36,054,017
Donations and endowments	486,387	—	—	60,000	—	546,387
Miscellaneous	376,147	—	—	1,726,000	642,640	2,744,787
Total revenues	370,275,126	3,758,305	21,808,903	20,415,178	25,957,956	442,215,468
Expenditures:						
Current operating:						
General government	51,227,705	5,621	6,135,458	3,615,598	1,009,423	61,993,805
Public safety	212,771,697	—	1,159,044	1,519,928	6,495,366	221,946,035
Public works	26,630,417	—	4,532,450	13,073,706	7,417,762	51,654,335
Sanitation	10,723,182	—	—	—	218,241	10,941,423
Community, recreational, and cultural	7,530,508	—	855,781	116,145	2,128,783	10,631,217
Economic and physical development	—	—	9,126,170	5,615,585	10,539,457	25,281,212
Claims and judgments	1,112,822	—	—	—	—	1,112,822
Miscellaneous	3,024,035	—	—	—	—	3,024,035
Debt service:						
Principal retirement of bonds	—	30,850,000	—	—	—	30,850,000
Interest on bonds	3,434	43,278,441	—	—	—	43,281,875
Bond issuance costs	—	—	—	200,290	—	200,290
Pittsburgh Sports and Exhibition Authority subsidy	537,585	—	—	—	—	537,585
Public Auditorium Authority subsidy	2,405,358	—	—	—	—	2,405,358
Urban Redevelopment Authority subsidy	11,295,958	—	—	—	—	11,295,958
Capital outlay:						
Highways, streets, and other construction projects	—	—	—	18,265,361	2,842,267	21,107,628
Total expenditures	327,262,701	74,134,062	21,808,903	42,406,613	30,651,299	496,263,578
Excess (deficiency) of revenues over expenditures	43,012,425	(70,375,757)	—	(21,991,435)	(4,693,343)	(54,048,110)
Other financing sources (uses):						
Bond proceeds	—	—	—	13,765,856	—	13,765,856
Transfers from other funds	755,000	70,064,134	—	—	4,416,526	75,235,660
Payments to escrow agents for refunded debt	—	—	—	(13,550,157)	—	(13,550,157)
Transfer to other funds	(70,826,725)	—	—	(3,490,390)	(918,545)	(75,235,660)
Total other financing sources (uses)	(70,071,725)	70,064,134	—	(3,274,691)	3,497,981	215,699
Net change in fund balance	(27,059,300)	(311,623)	—	(25,266,126)	(1,195,362)	(53,832,411)
Fund balance at the beginning of year	62,252,638	483,745	84,617	55,930,674	12,382,181	131,133,855
Fund balance at end of year	\$ 35,193,338	172,122	84,617	30,664,548	11,186,819	77,301,444

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**

Year ended December 31, 2003

Net change in fund balances – governmental funds	\$ (53,832,411)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$(28,724,533) and net deletions \$(44,800) exceeded depreciation \$(11,408,792) in the current period.	17,360,531
Revenues in statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	
Net change in deferred revenue related to real estate taxes.	1,368,086
The issuance of long-term debt (e.g., bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	19,109,461
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Net decrease in December 31, 2003 compared to December 31, 2002 long-term accruals (i.e., compensated absences, workers' compensation, claims and judgments, and interest).	<u>2,542,067</u>
Change in net assets of governmental activities	\$ <u><u>(13,452,266)</u></u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

Year ended December 31, 2003

(Amounts expressed in thousands)

2003				
	Budgeted amounts		Actual (budgetary basis)	Variance from final budget over/(under)
	Original	Final		
Taxes:				
Real estate	\$ 126,271	126,271	124,000	(2,271)
Nonprofit payment for services	700	700	620	(80)
Mercantile	7,241	7,241	7,814	573
Amusement	10,459	10,459	9,462	(997)
Earned income	49,039	49,039	46,018	(3,021)
Deed transfer	8,452	8,452	9,154	702
Parking	32,514	32,514	30,879	(1,635)
Occupation privilege	3,157	3,157	3,224	67
Business privilege	42,110	42,110	42,573	463
Institution and service privilege	474	474	433	(41)
Public service	950	950	981	31
Penalties and interest	2,742	2,742	3,176	434
Act 77-tax relief	13,943	13,943	13,452	(491)
Total taxes, including penalty and interest	298,052	298,052	291,786	(6,266)
Interest earnings	1,382	1,382	505	(877)
Fines and forfeits	7,325	7,325	7,160	(165)
Licenses and fees:				
Liquor and malt beverage	415	415	419	4
Business	50	50	66	16
General government	767	767	663	(104)
Rentals and charges	4,474	4,474	4,696	222
Total licenses and fees	5,706	5,706	5,844	138
Federal and state grants	3,088	3,088	2,186	(902)
Reimbursement, CDBG	935	935	482	(453)
Public Parking Authority	1,900	1,900	1,900	—
PWSA Reimbursement	5,300	5,300	5,300	—
Sports and Exhibition Authority	87	87	87	—
State utility tax	500	500	500	—
Act 77-operations	5,859	5,859	5,859	—
Act 77-civic arena	1,600	1,600	1,600	—
Miscellaneous	268	268	298	30
Breakeven centers	17,370	17,370	17,979	609
Joint operations	175	175	38	(137)
Provisions of services	7,299	7,299	7,147	(152)
Sale of public property	50	50	—	(50)
Delinquent receivables-				
Magistrates court	500	500	658	158
Retail drink tax	5,000	5,000	—	(5,000)
Payroll preparation tax	24,000	24,000	—	(24,000)
Total general fund revenues	\$ 386,396	386,396	349,329	(37,067)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

2003							
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	Variance favorable (unfavorable)
Current Operating-General Government:							
City Council and City Clerk's Office:							
City Council:							
Salaries	\$ 1,378	(19)	1,359	1,282	—	1,282	77
Council service, supplies, and equipment	16	—	16	2	2	4	12
Education and Training	20	—	20	9	—	9	11
Miscellaneous services	115	43	158	142	—	142	16
Total City Council	1,529	24	1,553	1,435	2	1,437	116
City Clerk's Office:							
Salaries	703	3	706	504	—	504	202
Premium pay	4	4	8	8	—	8	—
Miscellaneous services	617	(338)	279	128	1	129	150
Supplies	15	—	15	15	—	15	—
Equipment	7	1	8	1	—	1	7
Rentals	60	—	60	48	—	48	12
Transfers	181	(175)	6	—	—	—	6
Total City Clerk's Office	1,587	(505)	1,082	704	1	705	377
Mayor's Office:							
Office of the Mayor:							
Salaries	1,655	(96)	1,559	1,559	—	1,559	—
Premium pay	2	—	2	2	—	2	—
Miscellaneous services	60	6	66	39	—	39	27
Education and training	90	—	90	51	—	51	39
Supplies	31	1	32	16	1	17	15
Equipment	4	—	4	2	—	2	2
Rentals	5	—	5	5	—	5	—
	1,847	(89)	1,758	1,674	1	1,675	83
City Information Systems:							
Salaries	2,777	(367)	2,410	2,410	—	2,410	—
Premium pay	40	—	40	29	—	29	11
Miscellaneous services	1,243	260	1,503	1,451	—	1,451	52
Education and travel expense	40	—	40	24	—	24	16
Supplies	188	—	188	169	—	169	19
Equipment	35	11	46	32	—	32	14
Rentals	734	—	734	734	—	734	—
Utilities	641	—	641	638	—	638	3
Total City Information Systems	5,698	(96)	5,602	5,487	—	5,487	115
Magistrates Court							
Salaries	1,239	(30)	1,209	1,158	—	1,158	51
Premium pay	10	9	19	18	—	18	1
Miscellaneous services	50	21	71	14	—	14	57
Education and training	3	—	3	—	—	—	3
Supplies	11	1	12	11	—	11	1
Equipment	2	—	2	—	—	—	2
Rentals	12	—	12	10	—	10	2
Total Magistrates Court	1,327	1	1,328	1,211	—	1,211	117
Commission on Human Relations							
Salaries	178	—	178	164	—	164	14
Miscellaneous services	25	31	56	9	20	29	27
Education and training	1	—	1	—	—	—	1
Supplies	2	—	2	1	—	1	1
Equipment	2	—	2	—	—	—	2
Total Human Relations	208	31	239	174	20	194	45

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

2003							
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	Variance favorable (unfavorable)
Department of Finance:							
Salaries	\$ 3,012	(40)	2,972	2,966	—	2,966	6
Premium pay	31	—	31	25	—	25	6
Miscellaneous services	1,573	230	1,803	745	79	824	979
Education and training	27	—	27	9	—	9	18
Supplies	426	13	439	344	—	344	95
Materials	7	2	9	—	—	—	9
Equipment	78	7	85	31	—	31	54
Repairs	2	—	2	1	—	1	1
Rentals	31	—	31	29	—	29	2
Total Department of Finance	5,187	212	5,399	4,150	79	4,229	1,170
Office of City Controller:							
Salaries	3,060	(64)	2,996	2,821	—	2,821	175
Premium pay	10	—	10	7	—	7	3
Miscellaneous services	113	77	190	130	8	138	52
Education and training	25	—	25	22	—	22	3
Supplies	13	6	19	11	2	13	6
Equipment	20	27	47	47	—	47	—
Rentals	15	1	16	12	1	13	3
Total Office of City Controller	3,256	47	3,303	3,050	11	3,061	242
Department of Law:							
Salaries	1,538	—	1,538	1,488	—	1,488	50
Miscellaneous services	440	705	1,145	396	7	403	742
Education and training	21	—	21	15	—	15	6
Supplies	20	4	24	20	—	20	4
Judgments	2	—	2	1	—	1	1
Equipment	42	—	42	19	—	19	23
Rentals	10	—	10	10	—	10	—
Total Law	2,073	709	2,782	1,949	7	1,956	826
Department of Law-OBEO							
Salaries	245	(100)	145	131	—	131	14
Miscellaneous services	300	(275)	25	4	—	4	21
Education and training	4	—	4	1	—	1	3
Supplies	3	—	3	1	—	1	2
Equipment	13	—	13	—	—	—	13
Total Law OBEO	565	(375)	190	137	—	137	53
Department of Law-OMI							
Salaries	356	—	356	312	—	312	44
Premium pay	—	1	1	—	—	—	1
Miscellaneous services	300	112	412	293	—	293	119
Education and training	4	—	4	—	—	—	4
Supplies	5	1	6	4	—	4	2
Equipment	1	1	2	1	—	1	1
Rentals	—	3	3	—	—	—	3
Total Law OMI	666	118	784	610	—	610	174
Department of Personnel and Civil Service Commission:							
Salaries	1,367	(125)	1,242	1,242	—	1,242	—
Premium pay	4	—	4	2	—	2	2
Miscellaneous services	361	310	671	115	11	126	545
Education and training	22	—	22	9	—	9	13
Supplies	26	9	35	14	3	17	18
Equipment	63	6	69	18	28	46	23
Materials	3	—	3	2	—	2	1
Rentals	4	—	4	3	—	3	1
Total Personnel and Civil Service Commission	1,850	200	2,050	1,405	42	1,447	603

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

	2003						
	<u>Original adopted budget</u>	<u>Transfers and prior year carryover</u>	<u>Final budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total actual</u>	<u>Variance favorable (unfavorable)</u>
Department of City Planning							
Salaries	\$ 1,192	—	1,192	1,142	—	1,142	50
Premium pay	4	—	4	1	—	1	3
Miscellaneous services	23	5	28	18	—	18	10
Education and training	10	—	10	4	—	4	6
Supplies	28	—	28	21	—	21	7
Rentals	7	(2)	5	6	—	6	(1)
Equipment	24	2	26	3	—	3	23
Grants	—	765	765	271	153	424	341
Utilities	3	—	3	1	—	1	2
Total Department of City Planning	1,291	770	2,061	1,467	153	1,620	441
Total General Government	27,084	1,047	28,131	23,453	316	23,769	4,362
Public Safety-Department of Public Safety:							
Bureau of Administration:							
Salaries and wages	506	—	506	437	—	437	69
Premium pay	10	—	10	7	—	7	3
Miscellaneous services	512	463	975	539	142	681	294
Education and training	4	—	4	1	—	1	3
Supplies and materials	7	1	8	7	—	7	1
Equipment	206	15	221	206	—	206	15
Repairs	1	—	1	—	—	—	1
Total Bureau of Administration	1,246	479	1,725	1,197	142	1,339	386
Bureau of Emergency Medical Services:							
Salaries and wages	7,641	1,184	8,825	8,825	—	8,825	—
Premium pay	2,274	(22)	2,252	2,236	—	2,236	16
Miscellaneous services	96	1	97	90	—	90	7
Education and training	14	8	22	22	—	22	—
Supplies and materials	217	(2)	215	194	12	206	9
Equipment	56	1	57	39	5	44	13
Rentals	4	—	4	3	—	3	1
Repairs	65	—	65	54	—	54	11
Uniforms	133	—	133	131	—	131	2
Total Bureau of Emergency Medical Services	10,500	1,170	11,670	11,594	17	11,611	59
Bureau of Police:							
Salaries	59,023	(2,569)	56,454	56,075	—	56,075	379
Premium pay	9,146	(1,756)	7,390	7,079	—	7,079	311
Transfers	778	—	778	778	—	778	—
Miscellaneous services	1,832	(10)	1,822	1,725	—	1,725	97
Education and training	111	(65)	46	35	—	35	11
Supplies and materials	293	99	392	345	8	353	39
Equipment	160	221	381	150	19	169	212
Repairs	8	—	8	2	—	2	6
Rentals	115	98	213	117	1	118	95
Uniforms	975	169	1,144	914	58	972	172
Total Bureau of Police	72,441	(3,813)	68,628	67,220	86	67,306	1,322
Bureau of Fire:							
Salaries and wages	43,581	5,161	48,742	48,739	—	48,739	3
Premium pay	7,660	1,070	8,730	8,730	—	8,730	—
Miscellaneous services	238	(100)	138	98	—	98	40
Education and training	25	(19)	6	3	—	3	3
Supplies	203	(33)	170	142	—	142	28
Repairs	40	(10)	30	14	—	14	16
Equipment	62	(10)	52	28	—	28	24
Uniforms	989	(300)	689	578	—	578	111
Total Bureau of Fire	52,798	5,759	58,557	58,332	—	58,332	225

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

2003							
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	Variance favorable (unfavorable)
Bureau of Building Inspection:							
Salaries	\$ 2,425	—	2,425	2,406	—	2,406	19
Premium pay	5	—	5	(2)	—	(2)	7
Miscellaneous services	118	3	121	93	—	93	28
Education and training	16	—	16	4	—	4	12
Supplies	19	—	19	13	—	13	6
Repairs	—	—	—	—	—	—	—
Rentals	6	—	6	3	—	3	3
Equipment	18	—	18	9	—	9	9
Uniforms	15	—	15	13	—	13	2
Total Building Inspection	2,622	3	2,625	2,539	—	2,539	86
Total Public Safety-Department of Public Safety	139,607	3,598	143,205	140,882	245	141,127	2,078
Department of General Services:							
Administration:							
Salaries	1,076	(100)	976	905	—	905	71
Premium pay	12	—	12	10	—	10	2
Miscellaneous services	241	41	282	245	—	245	37
Education and training	12	—	12	1	—	1	11
Supplies	14	—	14	11	3	14	—
Equipment	5	—	5	3	—	3	2
Repairs	2	—	2	2	—	2	—
Rentals	549	9	558	545	9	554	4
Total Administration	1,911	(50)	1,861	1,722	12	1,734	127
Facilities Management:							
Salaries	2,109	(25)	2,084	2,062	—	2,062	22
Premium pay	53	—	53	41	—	41	12
Miscellaneous services	920	1	921	875	—	875	46
Education and training	2	—	2	1	—	1	1
Supplies	24	2	26	23	1	24	2
Equipment	9	—	9	7	—	7	2
Repairs	19	—	19	19	—	19	—
Materials	131	7	138	115	8	123	15
Uniforms	26	—	26	25	—	25	1
Total Facilities Management	3,293	(15)	3,278	3,168	9	3,177	101
Fleet Management:							
Salaries	2,594	(150)	2,444	2,417	—	2,417	27
Premium pay	215	—	215	178	—	178	37
Miscellaneous services	251	37	288	281	—	281	7
Education and training	12	—	12	2	—	2	10
Supplies	2,795	11	2,806	2,737	—	2,737	69
Materials	38	—	38	35	3	38	—
Equipment	339	—	339	320	7	327	12
Uniforms	49	—	49	46	—	46	3
Repairs	910	—	910	910	—	910	—
Rentals	12	—	12	12	—	12	—
Utilities	—	21	21	—	—	—	21
Total Fleet Management	7,215	(81)	7,134	6,938	10	6,948	186
Community Communications:							
Salaries	491	29	520	506	—	506	14
Premium pay	35	(15)	20	17	—	17	3
Miscellaneous services	66	—	66	63	3	66	—
Education and training	21	(14)	7	3	—	3	4
Supplies	45	4	49	26	3	29	20
Equipment	165	101	266	153	5	158	108
Total Community Communications	823	105	928	768	11	779	149

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

	2003						
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	Variance favorable (unfavorable)
Department of Engineering and Construction:							
Operations:							
Salaries	\$ 2,940	(40)	2,900	2,838	—	2,838	62
Premium pay	—	40	40	29	—	29	11
Miscellaneous services	16	—	16	15	—	15	1
Education and training	1	—	1	—	—	—	1
Supplies	36	1	37	20	2	22	15
Equipment	17	—	17	1	—	1	16
Rentals	26	—	26	24	—	24	2
Repairs	3	—	3	2	—	2	1
Materials	10	—	10	5	1	6	4
Total Engineering and Construction	3,049	1	3,050	2,934	3	2,937	113
Total General Services	16,291	(40)	16,251	15,530	45	15,575	676
Public Works-Department of Public Works:							
Administration:							
Salaries	902	(20)	882	862	—	862	20
Premium pay	45	(30)	15	3	—	3	12
Miscellaneous services	125	—	125	123	—	123	2
Education and training	25	—	25	9	—	9	16
Supplies	25	—	25	15	—	15	10
Equipment	50	3	53	15	—	15	38
Rentals	15	—	15	13	—	13	2
Total Administration	1,187	(47)	1,140	1,040	—	1,040	100
Operations:							
Salaries	10,849	(1,538)	9,311	9,311	—	9,311	—
Premium pay	773	(66)	707	518	—	518	189
Miscellaneous services	430	232	662	496	—	496	166
Supplies	150	12	162	97	1	98	64
Equipment	215	27	242	51	—	51	191
Uniforms	90	—	90	90	—	90	—
Materials	1,300	12	1,312	751	2	753	559
Repairs	395	—	395	296	—	296	99
Rentals	525	70	595	581	—	581	14
Total Operations	14,727	(1,251)	13,476	12,191	3	12,194	1,282
Environmental Services:							
Salaries	7,512	(710)	6,802	6,802	—	6,802	—
Premium pay	600	300	900	771	—	771	129
Miscellaneous services	3,000	—	3,000	2,923	—	2,923	77
Supplies	121	—	121	72	—	72	49
Equipment	32	2	34	32	—	32	2
Uniforms	90	—	90	89	—	89	1
Materials	8	—	8	1	—	1	7
Rentals	8	—	8	8	—	8	—
Total Environmental Services	11,371	(408)	10,963	10,698	—	10,698	265
Total Public Works	27,285	(1,706)	25,579	23,929	3	23,932	1,647
Community, Recreational and Cultural-							
Department of Parks and Recreation:							
Administration:							
Salaries	4,118	(520)	3,598	3,547	—	3,547	51
Premium pay	83	1	84	83	—	83	1
Miscellaneous services	671	121	792	589	149	738	54
Education and training	15	—	15	7	—	7	8
Supplies	319	(1)	318	307	—	307	11
Utilities	160	—	160	159	—	159	1
Repairs	9	—	9	7	—	7	2
Rentals	42	—	42	42	—	42	—
Equipment	52	(9)	43	34	—	34	9
Grants	—	227	227	166	40	206	21
Total Administration	5,469	(181)	5,288	4,941	189	5,130	158
Total Community, Recreational and Cultural-Department of Parks and Recreation	5,469	(181)	5,288	4,941	189	5,130	158

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

	2003						
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	Variance favorable (unfavorable)
Employee Benefits:							
Salaries	\$ 315	—	315	207	—	207	108
Pension	4,540	4,785	9,325	9,160	—	9,160	165
Fringe benefits	73,683	910	74,593	72,452	1,665	74,117	476
Total Employee Benefits	78,538	5,695	84,233	81,819	1,665	83,484	749
Claims and Judgments-Citywide	750	657	1,407	1,475	9	1,484	(77)
Citizens Review Board:							
Salaries	281	—	281	270	—	270	11
Miscellaneous services	99	5	104	74	5	79	25
Education and training	12	—	12	6	—	6	6
Supplies	11	—	11	6	1	7	4
Equipment	3	—	3	2	—	2	1
Repairs	1	—	1	—	—	—	1
Rentals	50	3	53	46	5	51	2
Total Citizens Review Board	457	8	465	404	11	415	50
Utilities-Citywide	7,427	91	7,518	7,419	1	7,420	98
GF Grants-Citywide	—	128	128	55	—	55	73
GF Grants-Other	4,040	—	4,040	4,040	—	4,040	—
Miscellaneous (Postage/Refunds)-Citywide	4,598	72	4,670	3,619	354	3,973	697
Debt Service:							
Debt service	71,231	—	71,231	70,052	—	70,052	1,179
Debt service subsidy	3,619	—	3,619	3,617	—	3,617	2
Total Debt Service	74,850	—	74,850	73,669	—	73,669	1,181
Total Nondepartmental	170,660	6,651	177,311	172,500	2,040	174,540	2,771
Total General Fund Expenditures	386,396	9,369	395,765	381,235	2,838	384,073	11,692
Deficiency of revenues over expenditures	\$ —		(9,369)			(34,744)	

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

Year ended December 31, 2003

(Amounts expressed in thousands)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement	\$	349,329
State pension aid not included in budgetary basis but included as revenue on a GAAP basis		18,214
The adjustments to convert to GAAP basis, recording of receivables and revenues not included in budget		<u>2,732</u>
Total general fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	\$	<u><u>370,275</u></u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$	384,073
State pension aid not included in budgetary basis but included as expenditures on a GAAP basis		18,214
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget		<u>(4,953)</u>
Total general fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances	\$	<u><u>397,334</u></u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Community Development Fund

Year ended December 31, 2003

(Amounts expressed in thousands)

	<u>Original/final budget</u>	<u>Actual (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Intergovernmental	\$ 50,009,751	18,941,827	(31,067,924)
Total revenues	50,009,751	18,941,827	(31,067,924)
Expenditures:			
General government:			
Council and City Clerk's office	5,500,491	1,621,839	3,878,652
Finance	77,000	25,145	51,855
Department of Personnel and Human Relations	1,741,815	930,688	811,127
Department of City Planning	5,835,326	2,661,896	3,173,430
General services	70,849	—	70,849
Public safety	2,023,075	1,150,069	873,006
Public works:			
Public works	6,982,538	3,049,562	3,932,976
Engineering and construction	2,684,056	912,294	1,771,762
Community, recreational, and cultural programs	2,573,594	837,048	1,736,546
Intergovernmental programs	22,521,007	8,342,979	14,178,028
Total expenditures	50,009,751	19,531,520	30,478,231
Deficiency of revenues under expenditures	—	(589,693)	(589,693)
Fund balances - budgetary basis, beginning of year	—	1,564,134	1,564,134
Fund balances - budgetary basis, end of year	\$ —	974,441	974,441

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Community Development Fund

Year ended December 31, 2003

(Amounts expressed in thousands)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement	\$ 18,942
The adjustments to convert to GAAP basis, recording of receivables and revenues not included in budget	<u>2,867</u>
Total general fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 21,809</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 19,532
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget	<u>2,277</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 21,809</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2003

	<u>Pension trust fund</u>	<u>Agency funds</u>
Assets		
Cash and cash equivalents	\$ 34,724,644	6,005,776
Investments:		
Equity	129,984,117	—
Fixed income	86,623,332	—
Mutual funds	109,969,819	—
Other receivables	—	14,340
Accrued interest and dividends receivable	952,571	—
Due from general fund	—	507,139
Due from other funds	—	271,239
Due from pension trust fund	—	116,631
Due from component units	—	949,274
Total assets	<u>362,254,483</u>	<u>7,864,399</u>
Liabilities		
Accrued liabilities and other payables	247,619	5,578,347
Due to general fund	—	269,083
Due to agency funds	116,631	—
Due to other governments	—	18,884
Deposits held in trust	—	1,998,085
Benefits and related withholdings payable	<u>2,471,727</u>	—
Total liabilities	<u>2,835,977</u>	<u>7,864,399</u>
Net assets		
Held in trust for pension benefits	<u>\$ 359,418,506</u>	

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Fiscal Year ended December 31, 2003

	<u>Pension trust fund</u>
Additions (reductions):	
Contributions:	
Employer	\$ 9,735,146
Plan members	10,852,041
State	<u>18,214,489</u>
Total contributions	38,801,676
Investment income:	
Net appreciation in fair value of investments	62,513,423
Interest and dividends	<u>9,341,287</u>
	71,854,710
Less investment expenses	<u>(1,016,836)</u>
Net investment income	70,837,874
Miscellaneous:	
Other	<u>147,661</u>
	<u>147,661</u>
Total additions	<u>109,787,211</u>
Deductions:	
Benefit payments	60,525,683
Refund of employee contributions	1,095,538
Administrative expenses	<u>1,218,449</u>
	<u>62,839,670</u>
Net increase in plan net assets	46,947,541
Plan net assets, beginning of year	<u>312,470,965</u>
Plan net assets, end of year	<u><u>\$ 359,418,506</u></u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets

Component Units

December 31, 2003

Assets	URA	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Current assets:						
Cash and cash equivalents	\$ 177,671,981	-	20,895,000	2,656,654	2,814,646	204,038,281
Cash and cash equivalents - restricted	56,302,640	2,357,398	-	-	-	58,660,038
Investments - unrestricted	-	-	-	-	2,571,061	2,571,061
Investments - restricted	422,269	3,822,140	-	-	8,887,561	13,131,970
Accounts receivable	-	-	14,893,000	-	557,214	15,450,214
Due from other governments	4,049,664	-	-	-	-	4,049,664
Grant receivable	-	-	-	2,591,876	-	2,591,876
Notes receivable	-	-	-	70,840	208,966	279,806
Inventory	-	-	1,462,000	-	-	1,462,000
Accrued interest	-	1,424	-	-	598,137	599,561
Other receivables	6,583,959	-	1,358,000	-	-	7,941,959
Other receivables - restricted	316,320	-	-	-	-	316,320
Prepaid expenses	-	-	180,000	-	-	180,000
Total current assets	245,346,833	6,180,962	38,788,000	5,319,370	15,637,585	311,272,750
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	-	8,311,000	-	-	8,311,000
Investments	-	-	56,774,000	-	17,487,477	74,261,477
Accrued interest receivable	-	-	168,000	-	-	168,000
Accounts receivable - parking	-	-	-	79,570	-	79,570
Total restricted assets	-	-	65,253,000	79,570	17,487,477	82,820,047
Capital assets:						
Buildings and building improvements	30,403,219	-	-	-	-	30,403,219
Land and land improvements	15,077,285	-	-	-	18,926,067	34,003,352
Parking facilities	-	-	-	-	116,085,378	116,085,378
Machinery and equipment	-	-	102,167,000	-	4,427,517	106,594,517
Utility plant	-	-	394,370,000	-	-	394,370,000
Non-utility plant	-	-	14,067,000	-	-	14,067,000
Construction-in-progress	814,279	-	21,655,000	-	1,422,507	23,891,786
Less: accumulated depreciation	(7,660,450)	-	(106,808,000)	-	(47,881,691)	(162,350,141)
Net capital assets	38,634,333	-	425,451,000	-	92,979,778	557,065,111
Leasehold improvements	-	-	-	-	8,465	8,465
Other assets	2,114,738	-	-	-	-	2,114,738
Other assets - restricted	164,910	-	-	-	-	164,910
Assets held for sale	21,176,160	-	-	-	-	21,176,160
Assets held for sale - restricted	4,121,707	-	-	-	-	4,121,707
Loans/notes receivable	51,039,531	-	-	2,185,000	4,484,936	57,709,467
Loans/notes receivable - restricted	110,290,946	-	-	-	-	110,290,946
Deposits held for development fund	-	-	-	1,090,733	-	1,090,733
Bond issue costs, net of depreciation	-	-	6,384,000	20,834	1,383,218	7,788,052
Total noncurrent assets	227,542,325	-	497,088,000	3,376,137	116,343,874	844,350,336
Total assets	\$ 472,889,153	6,180,962	535,876,000	8,695,507	131,981,459	1,155,623,086
Liabilities and Net Assets						
Current liabilities:						
Bonds and loans payable, current portion	\$ -	1,570,000	11,975,000	1,860,000	3,130,000	18,535,000
Note due to City of Pittsburgh, current portion	-	-	-	1,415,000	-	1,415,000
Accrued payroll and related obligations	-	-	743,000	-	-	743,000
Accounts payable - City of Pittsburgh	-	-	-	-	216,771	216,771
Accounts payable - wastewater treatment	-	-	8,537,000	-	-	8,537,000
Deferred revenue	16,314,227	-	-	-	-	16,314,227
Accrued expenses and deferred income	-	-	-	-	886,060	886,060
Accounts payable and other accrued expenses	20,685,071	-	6,900,000	313,765	3,302,071	31,200,907
Accrued interest payable	-	-	6,230,000	98,333	954,125	7,282,458
Total current liabilities	36,999,298	1,570,000	34,385,000	3,687,098	8,489,027	85,130,423
Noncurrent liabilities:						
Deferred revenue	-	-	551,000	-	-	551,000
Accrued payroll and related obligations	-	-	1,209,000	-	-	1,209,000
Note due to City of Pittsburgh	-	-	-	11,755,000	-	11,755,000
Bonds and loans payable, net of current portion	201,904,811	51,055,000	533,863,000	3,929,994	78,143,770	868,896,575
Advances from the City of Pittsburgh	-	-	-	22,775,168	-	22,775,168
Total noncurrent liabilities	201,904,811	51,055,000	535,623,000	38,460,162	78,143,770	905,186,743
Total liabilities	238,904,109	52,625,000	570,008,000	42,147,260	86,632,797	990,317,166
Net assets:						
Invested in capital assets, net of related debt	17,985,178	-	(44,789,000)	-	16,000,812	(10,803,010)
Restricted for:						
Capital projects	-	-	9,254,000	-	1,880,909	11,134,909
Debt service	-	-	-	-	5,422,117	5,422,117
Public Parking Authority	-	-	-	-	12,484,150	12,484,150
Urban Development	26,139,389	-	-	-	-	26,139,389
Lending programs	144,795,207	-	-	-	-	144,795,207
Multi-family Housing Program	684,196	-	-	-	-	684,196
Unrestricted	44,381,079	(46,444,038)	1,403,000	(33,451,753)	9,560,674	(24,551,038)
Total net assets/(deficit)	\$ 233,985,049	(46,444,038)	(34,132,000)	(33,451,753)	45,348,662	165,305,920

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Activities

Component Units

For the Year Ended December 31, 2003

		Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
	Expenses			
Urban Redevelopment Authority				
Governmental activities:				
Urban development	\$ 38,531,132	-	37,385,477	4,730,587
General government	10,650,010	3,974,431	2,805,000	-
Interest on long-term debt	351,950	-	-	-
Total governmental activities	<u>49,533,092</u>	<u>3,974,431</u>	<u>40,190,477</u>	<u>4,730,587</u>
Business-type activities:				
Lending programs	26,152,936	9,757,015	264,658	-
Property management	2,912,966	2,836,650	-	-
Total business-type activities	<u>29,065,902</u>	<u>12,593,665</u>	<u>264,658</u>	<u>-</u>
Component units	<u>3,871,785</u>	<u>107,500</u>	<u>1,130,477</u>	<u>1,061,740</u>
Total URA	82,470,779	16,675,596	41,585,612	5,792,327
Urban Redevelopment Authority - PDF Trust				
General government	18,549	-	5,925,795	-
Interest on debt, net	<u>4,757,128</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total PDF Trust	4,775,677	-	5,925,795	-
Pittsburgh Water & Sewer Authority	83,635,000	65,187,000	-	-
Stadium Authority	2,373,166	1,338,567	-	5,410,749
Public Parking Authority	<u>29,201,023</u>	<u>27,702,469</u>	<u>-</u>	<u>222,480</u>
Total Component Units	202,455,645	110,903,632	47,511,407	11,425,556
General revenues:				
Unrestricted investment earnings				
Gain (loss) on sale of assets				
Miscellaneous				
Transfers within URA				
Total general revenues				
Change in net assets				
Net assets-beginning				
Net assets-ending				

See accompanying notes to financial statements.

Net (expense) revenue and
changes in net assets

Urban Redevelopment Authority		URA component units	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Governmental activities	Business-type activities						
3,584,932							3,584,932
(3,870,579)							(3,870,579)
(351,950)							(351,950)
(637,597)	-	-					(637,597)
	(16,131,263)						(16,131,263)
	(76,316)						(76,316)
-	(16,207,579)	-					(16,207,579)
		(1,572,068)					(1,572,068)
(637,597)	(16,207,579)	(1,572,068)					(18,417,244)
			5,907,246				5,907,246
			(4,757,128)				(4,757,128)
			1,150,118				1,150,118
				(18,448,000)			(18,448,000)
					4,376,150		4,376,150
						(1,276,074)	(1,276,074)
						(1,276,074)	(32,615,050)
1,186,026	190,928	58,829	-	1,322,000	-	776,377	3,534,160
(2,094,036)	-	1,868,656	-	-	-	-	(225,380)
3,721,428	718,033	104,299	-	-	(144,160)	361,115	4,760,715
1,500,000	(1,500,000)	-	-	-	-	-	-
4,313,418	(591,039)	2,031,784	-	1,322,000	(144,160)	1,137,492	8,069,495
3,675,821	(16,798,618)	459,716	1,150,118	(17,126,000)	4,231,990	(138,582)	(24,545,555)
144,067,491	98,158,756	4,421,883	(47,594,156)	(17,006,000)	(37,683,743)	45,487,244	189,851,475
\$ 147,743,312	81,360,138	4,881,599	(46,444,038)	(34,132,000)	(33,451,753)	45,348,662	165,305,920

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**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(1) Organization and Summary of Significant Accounting Policies

Description of City

The City of Pittsburgh, Pennsylvania (the City or primary government) was incorporated on July 20, 1816 and chartered as a home-rule municipality on January 5, 1976. The City operates under a strong mayor form of government and provides the following services as authorized by its charter: public safety (police, fire, and emergency medical services), highways and streets, sanitation, economic development, cultural and recreational, public improvements, planning and zoning, and general administrative services.

The major accounting principles and practices followed by the City are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

(A) The Financial Reporting Entity

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) No. 14, *The Financial Reporting Entity*, the criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) outside of the legal City entity within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

1. Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
2. Legally separate organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the legally separate-government entities for which the City is financially accountable or for which there is a significant relationship (component units). Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such organizations in the City's financial statements are provided in the following paragraphs. Audited financial statements for all of the component units are available for public inspection in the City Controller's office.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(B) *Net Asset Deficit and Liquidity*

As of December 31, 2003, the City, in its statement of net assets, has an unrestricted net asset unrestricted deficit of \$728.1 million. The deficit represents 2.3 years of primary government general revenue. This is principally the result of using general obligation debt over the years to finance projects that don't result in recording assets; specifically to fund the payments to the Pension Trust Fund (\$280 million outstanding as of December 31, 2003), the City's borrowings to finance economic development efforts (including projects of the City's Authorities, related principally to the URA), maintenance expenditures on city infrastructure, and equipment needs. As a result, the City's debt service related expenditures in its governmental funds were 21% of its total expenditures; and the City used 28% of its current tax revenues to finance the required debt service payments.

In November 2003, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47) of the Commonwealth of Pennsylvania. The Commonwealth legislature also established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. The Act 47 coordinators appointed by the Commonwealth issued their five-year Recovery Plan, which was adopted by the City Council on June 29, 2004, making it a City ordinance. The Plan provides for a package of new revenues and significant expenditure reductions. On November 5, 2004 the City submitted for approval "The 2005 Operating and Capital Budgets and Five-Year Financial Forecast & Performance Plan" based on the approved Act 47 Recovery Plan. The ICA approved the City's submission enabling the City to move forward with City Council approval of the final 2005 budget. On November 21, 2004 the Commonwealth legislators approved a new package of revenue options. The City has incorporated these new taxes into its financial plan and 2005 operating budget, which were approved on December 20, 2004. Going forward, the Act 47 coordinators and the ICA will provide continued oversight to ensure compliance with the 2005 operating budget and approved five-year plan.

The City is projecting a cash balance at December 31, 2004 of negative \$1.2 million. In order to meet financial obligations until new tax revenues are collected in February 2005, the City has taken two steps. First, with the approval of the ICA, the City has obtained a commitment from a consortium of local banks to provide a \$40 million line of credit effective January 4, 2005, which was contingent upon final approval of the 2005 operating budget. Second, if necessary, the City will defer payment of its \$4 million RAD reimbursement obligation to the School District until the line-of-credit is exercised. The School District is in agreement with this deferral. New and current tax revenues in the first quarter of 2005 will allow for a repayment of the line-of-credit in the second quarter of the year.

(C) *Individual Component Unit Disclosures*

Blended Component Units

Some component units, despite being legally separate from the City government, are so intertwined with the City government, either through sharing common governing boards with the City or through providing services solely to the City, that they are, in substance, the same as the City government and are reported as part of the City government. The blended component units reported in this way are the following:

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

City of Pittsburgh Equipment Leasing Authority Employee Pension Plans

City of Pittsburgh Equipment Leasing Authority (Equipment Leasing Authority)

The Equipment Leasing Authority (ELA) was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of a Deputy Mayor, Directors of the Department of General Services and the Department of Finance, one member of City Council, and one individual designated by City Council.

Although it is legally separate from the City, the ELA is reported as if it were part of the City government, because its sole purpose is to finance the City equipment needs. Its operations are included within other governmental funds. It operates on a December 31 fiscal year.

Employee Pension Funds

The City has three defined benefit pension funds: the Municipal Pension Fund (Municipal); the Policemen's Relief and Pension Fund (Police); and the Firemen's Relief and Pension Fund (Fire), which together cover substantially all City employees. As required by Pennsylvania Law, a comprehensive board oversees funding and investing activities. This Board consists of seven members, four of whom are appointed by the Mayor.

Fund benefit matters are administered by separate boards which include, for all funds, the president of the City Council and the City Controller and, additionally, in the case of the Municipal and Fire plans, the Mayor.

The pension funds operate on a fiscal year ending December 31. Their operations are included as fiduciary funds financial statements.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but for which the primary government is financially accountable or whose relationship with the primary government is such the exclusion would cause the primary government's financial statements to be misleading or incomplete. As these component units do not meet the criteria for blended presentation, they are reported separately from the primary government. The component units presented in this manner are the following:

Pittsburgh Water and Sewer Authority
Stadium Authority of the City of Pittsburgh
Public Parking Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh – PDF Trust

Pittsburgh Water and Sewer Authority

The Pittsburgh Water and Sewer Authority (PWSA) was incorporated in February 1984 under the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the City's water distribution and wastewater collection systems. In 1984, pursuant to a Lease and Management Agreement, the Authority leased the entire City water supply, distribution, and

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

wastewater collection system (the System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for the Authority subject to the general supervision of the Authority.

The City and the Authority agreed to terminate the Lease and Management Agreement in July 1995 and concurrently entered into an Agreement and a Capital Lease Agreement (collectively referred to as the Agreements). The effect of these Agreements, as more fully described in Footnote 4, was to substantially transfer financial and management responsibility for the System to the Authority.

The Authority is legally separate from the City and is reported as a component unit. The Authority Board consists of one City Council member, the City Treasurer, the City Finance Director, and four members chosen by the Mayor, which allows the City to impose its will on the PWSA. The PWSA operates on a fiscal year ending December 31.

The Stadium Authority of the City of Pittsburgh (Stadium Authority)

The Stadium Authority of the City of Pittsburgh (Authority) was organized on July 1, 1965 to provide increased commerce and prosperity and to promote educational, cultural, physical, civic, social, and moral welfare to the general public.

The Authority was responsible for the management of the former Three Rivers Stadium (Stadium) located in the City. The Stadium was home to the Pittsburgh Pirates (Pirates) and Pittsburgh Steelers (Steelers) professional sports teams and was also utilized for various concerts and other events. Subsequent to the razing of the Stadium, the Authority is responsible for the development of the land between two newly constructed stadiums.

The board of directors (Board) of the Authority, a five-member group, is appointed by the Mayor of the City. The Board is responsible for all the activities and operations of the Authority. The City is the guarantor of the Authority's debt. The Stadium Authority operates on a fiscal year ending March 31.

Public Parking Authority of Pittsburgh (Parking Authority)

The Parking Authority was created for the purpose of acquiring, developing, and maintaining a coordinated system of public parking facilities. The Parking Authority is administered by a five-member board, all of whom are appointed by the Mayor. The Parking Authority obtains its revenue from user charges and from street parking meter revenues. Under an agreement between the Parking Authority and the City, street parking revenues are allocated 93.5% to the Parking Authority and 6.5% to the City. Accordingly, the City derives a financial benefit from the Parking Authority. The Parking Authority operates on a fiscal year ending September 30.

Urban Redevelopment Authority of Pittsburgh

The Urban Redevelopment Authority of Pittsburgh (the URA) was established in 1946 under the Pennsylvania Urban Redevelopment Law. The URA acquires and clears blighted property; initiates rebuilding with the private sector; negotiates with the federal, state, county, and local governments for public funds and facilities; and works to maintain and improve Pittsburgh neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

intergovernmental grants. Additionally, the Authority has incurred note and bond indebtedness to finance specific programs.

The URA is considered to be a component unit of the City as the Mayor of Pittsburgh appoints the board of directors of the URA, and a financial benefit/burden relationship exists between the City and the URA. See Footnote 9(E) for further discussion of financial benefit/burden relationship. In addition, the City guarantees approximately 30% of the URA's debt.

The reporting entity of the URA includes the accounts of all URA operations as well as two entities, which qualify as component units of the URA under the provisions of GASB Statement No. 14. The component units of the URA are the URA Housing Corporation, the Pittsburgh Economic and Industrial Development Corporation, and the Pittsburgh Housing Development Corporation.

The URA and all its component units operate on a fiscal year ending December 31. Separate financial statements for these component units can be obtained through the Finance Department of the URA.

Urban Redevelopment Authority – PDF Trust

The URA created through a bond issue a separate legal trust to capitalize the URA's Pittsburgh Development Fund. The Trust's debt service is paid with an allocation of the City's Regional Asset District revenues on an annual basis. The Trust is not consolidated with the URA because the URA has no obligation to repay the debt with their resources. No separately issued financial statements are available for the Trust.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

City of Pittsburgh
Equipment Leasing Authority
City-County Building, 5th Floor
414 Grant Street
Pittsburgh, PA 15219

City of Pittsburgh Finance Department
Combined Pension Trust Funds
City-County Building
414 Grant Street
Pittsburgh, PA 15219

Stadium Authority of the City of Pittsburgh
503 Martindale Street
4th Floor
Pittsburgh, PA 15212

Pittsburgh Water and Sewer Authority
441 Smithfield Street
Pittsburgh, PA 15222

Pittsburgh Parking Authority
232 Boulevard of the Allies
Pittsburgh, PA 15219

Urban Redevelopment Authority of
Pittsburgh
200 Ross Street
Pittsburgh, PA 15219

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Joint Venture

The Sports and Exhibition Authority of Pittsburgh and Allegheny County (formerly the Public Auditorium Authority)

The Public Auditorium Authority of Pittsburgh and Allegheny County (the Authority) was incorporated on February 3, 1954 pursuant to the Public Auditorium Law Act of July 29, 1953 as a joint authority organized by the City of Pittsburgh (the City) and Allegheny County (the County) to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports and Exhibition Authority of Pittsburgh and Allegheny County. The Authority is currently responsible for the management of the David L. Lawrence Convention Center (the Convention Center) and the Mellon Arena (formerly the Civic Arena) and leases the Benedum Center and the John Heinz History Center to other entities located in the City of Pittsburgh. The Authority is also responsible for the construction of the new Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium (H.J. Heinz Field), the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project, and various associated infrastructure improvements herein referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2003, the Sports and Exhibition Authority's operating loss was \$40,735,976, and the change in net assets was a decline of \$19,243,209 and had total net assets of \$573,206,199.

The board of directors (the Board) of the Authority, a five-member group, is appointed by the City and County. The Board is responsible for the overall activities and operations of the Authority. The Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

On April 22, 2004, the SEA closed on a \$20 million loan from local banks to be used for both operating and capital needs. The following revenues are pledged for repayment of this loan: parking revenues generated at the Convention Center parking garage, sponsorship revenues, and discretionary hotel tax receipts. Additionally, as part of the transaction, the City and County reaffirmed their responsibilities under a 1978 Cooperation Agreement to finance the Convention Center's operating deficits, including principal and interest on this loan.

The Sports and Exhibition Authority operates on a fiscal year ending December 31. Complete financial statements for the Sports and Exhibition Authority can be obtained from its administrative office at 425 Sixth Avenue, Regional Enterprise Tower, Suite 1410, Pittsburgh, PA 15219.

The City's portion of debt subsidies for the Sports and Exhibition Authority for the year ended December 31, 2003 was \$537,585. The City does not collect any material tax amounts on behalf of the Sports and Exhibition Authority; and, there are no other related party transactions.

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

The Housing Authority was established to acquire and maintain properties for the purpose of providing low-income housing for residents of the City. Rental charges and subsidies from Federal Housing and Urban Development grants are the principal revenue sources.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

The Housing Authority is administered by a seven-member board, all of whom are appointed by the Mayor. City Council approves five of the seven appointments. The City does not subsidize the operations of the Housing Authority and does not guarantee its debt service.

The Housing Authority operates on a fiscal year ending December 31.

Jointly Governed Organization

The Allegheny County Sanitary Authority (ALCOSAN) was organized under the Municipality Authorities Act of 1945 to collect, transport, and treat wastewater for the City of Pittsburgh and seventy-seven (77) other Allegheny County municipalities. ALCOSAN's board has seven members: three are appointed by the City, three are appointed by the County, and one is appointed jointly by the County and City. The City has no direct ongoing financial interest or responsibility for ALCOSAN. See Footnote 4 for transactions with the Pittsburgh Water and Sewer Authority.

(D) Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. The basic financial statements and required supplementary information under GASB Statement No. 34 include:

Management's Discussion and Analysis (MD&A) – MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities in a narrative format. An analysis of the government's overall financial position and results of operations is included to assist users in assessing whether financial position has improved or deteriorated as a result of the year's activities. This is considered required supplementary information and is not a part of the basic financial statements.

Government-Wide Financial Statements – Financial statements prepared using the economic resources measurement focus and full accrual basis of accounting for all of the government's activities are required. These statements include all assets, liabilities, revenues, and expenses of the primary government and its component units, excluding fiduciary activities.

The effect of interfund activity has been eliminated from these statements. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, if any, which rely on user fees and charges for support. Component units, which are legally separate and discretely presented, are also segregated.

Statement of Net Assets – presents both governmental and business-type activities, if any, on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

Statement of Activities – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

Fund Financial Statements – These statements are very similar to financial statements presented in the previous model. However, the emphasis is now on major funds.

The City's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements in this report into two broad fund categories as follows.

Governmental Funds account for expendable financial resources. Governmental fund types use the flow of current financial resources measurement focus. The major governmental funds are:

General Fund – The general fund is the general operating fund of the City. It finances the regular day-to-day operations of the City. It is used to account for all financial revenues and expenditures, except those required to be accounted for in another fund.

Special Revenue Community Development Block Grant Fund – Community Development Fund is used to account for the cost of neighborhood development and improvement projects. These programs are financed primarily by the U.S. Department of Housing and Urban Development (HUD) under the Community Development Block Grant (CDBG) program. A substantive portion of the funds received under the program have been allocated to the Urban Redevelopment Authority of Pittsburgh.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Fund – A capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Other governmental funds – This fund includes all other nonmajor governmental funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The fiduciary funds are:

Pension Trust Fund – Accounts for the operations of the City's pension funds. It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial position.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Agency Funds – Accounts for assets held for, and due to, employee benefits, payroll withholding, deposits, and other. These funds are custodial in nature and do not involve measurement of results of operations.

The basic financial statements also include the statement of net assets (deficit) and statement of activities of the following component units:

Pittsburgh Water and Sewer Authority
Stadium Authority of the City of Pittsburgh
Public Parking Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh – PDF Trust

Budgetary Comparison Statements – The statements are presented to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget for the general fund and the Community Development fund. The City revises the original budget over the course of the year for various reasons. Under the new reporting model, budgetary information continues to be provided and now includes a comparison of the government's original adopted budget to the current comparison of final budget and actual results.

(E) Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the current resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, the real estate taxes must be collected within the City's period of availability of 60 days. Uncollected real estate taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. The City considers all non-real estate taxes and other revenues reported in the governmental fund to be available if the revenues are collected within 90 days. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures and other long-term liabilities, such as workers' compensation, accrued claims and judgments, and both short- and long-term compensated absences, are recorded only when payment is due and payable.

The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific situation.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Page 20 presents a reconciliation of the net assets as reported on the Statement of Net Assets (pages 15 and 16) to total governmental fund balance as reported on the Balance Sheet – Governmental Funds (page 19). Page 22 presents a reconciliation of change in net assets as reported on the Statement of Activities (pages 17 and 18) and the total changes in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (page 21).

Non-exchange transactions, in which the City receives value without directly giving value in return, include real estate and other taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

(F) *Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid investments, including trustee and restricted assets, with an original maturity of three months or less. Footnote 3, Deposits and Investments, provides a detailed disclosure regarding cash equivalents and investments held by the City.

(G) *Investments*

Investments in all funds are carried at fair value. Investments consist of direct obligations of the U.S. government, money market funds, corporate and other obligations, guaranteed investments, money market trust funds, and repurchase agreements. Footnote 3, Deposits and Investments, provides a detailed disclosure regarding cash equivalents and investments held by the City.

(H) *Due To/From Other Governments*

Outstanding balances between the City and other governments are reported as due to/from other governments.

(I) *Taxpayer Assessed Taxes Receivable*

Local wage taxes and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. Taxes for which there is an enforceable legal claim as of December 31, 2003 but which were levied to finance fiscal year 2004 operations have been recorded as deferred revenue until such time as the taxes become due.

(J) *Assets Held for Sale*

Assets held for sale relate mainly to land held by the URA with the intention of selling it to a third party for development. These assets are held at estimated net realizable value.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(K) Loans Receivable

In the governmental funds, loans receivable are recognized when the loan is established for loans with terms of 30 years or less. In the governmental funds, the loan balances are fully offset by deferred revenue, as loan repayments are not considered to be available as current resources. Loans with amortization terms greater than 30 years or which are repayable on a contingent basis, such as the sale of the property or completion of development, are treated as grants for accounting purposes and are recorded as expenditures when disbursed.

In the proprietary funds, amortizing loans are recorded at their principal balance due less an allowance for uncollectible accounts.

It is the URA's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the URA's judgment, may impact collectibility.

(L) Other Receivables

Other City accounts receivable are recorded in the City's accounts as other receivables when billed, less an allowance for uncollectible accounts.

(M) Capital Assets

Capital assets acquired or constructed by the City are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land and construction-in-progress. The estimated useful lives for capital assets are as follows:

Furniture and fixtures	3-5 years
Buildings and structures	25-50 years
Equipment	2-10 years
Infrastructure	20-50 years
Vehicles	2-10 years

(N) Workers' Compensation

The City is self-insured for purposes of workers' compensation benefits. Provisions are recorded in the governmental fund financial statements as a current liability for benefits estimated to be due, mature, and payable from current financial resources as of December 31, 2003. Both short- and long-term amounts payable are reported within the government-wide financial statements only.

In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth of Pennsylvania requirements. The requirements for 2003 are as follows:

Maintain an irrevocable trust fund. The City's contribution to the fund is determined annually in negotiations with the Commonwealth of Pennsylvania Department of Labor.

Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of any fiscal year.

Presently, the irrevocable trust may be used by the State of Pennsylvania only in the event of default by the City under the self-insurance regulations. No risk financing activity is currently being recorded in this trust fund.

The Water and Sewer Authority is also self-insured for general liability coverage and has established a Self-Insured Escrow Fund (general liability) to cover potential liability claims.

(O) *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered, and employees have earned the right to receive compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are due and payable. Current and noncurrent portions of compensated absences totaling \$32,034,934 are recorded in the governmental activities, in the government-wide statements, and represent a reconciling item between the government-wide and fund presentations.

An additional amount for employer FICA that is directly associated with the payment of compensated absences is accrued.

(P) *Pensions*

Because the City has had no prior excess contributions or contribution deficiencies, its annual pension cost on the accrual basis is equivalent to its actuarially determined annual required contributions (see Footnote 7). Pension expenditures are recognized under the modified accrual basis within governmental funds to the extent of City contributions. Contributions made to the plans represent 100% of the minimum municipal obligation as well as other postemployment benefits.

(Q) *Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in governmental activities in the Statement of Net Assets in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements. Bond premiums, discount, and issuance costs are recorded as current period costs in the governmental funds.

(R) *Interfund Transactions*

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the Statement of Net Assets. Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(S) *Encumbrances*

The City uses encumbrance accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end, and reappropriation is required by the City Council with the exception of capital fund project encumbrances.

(T) *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation, and related debt used in the acquisition or construction of capital assets. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(U) *Use of Estimates*

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) Budgets and Budgetary Accounting

1. **General Budget Policies** – As required by the Home Rule Charter, the City follows these procedures in establishing the budgetary data reflected in the financial statements:
 - a. On the second Monday of November preceding the fiscal year, the Mayor presents to City Council a general fund and Community Development Fund operating budget and a capital budget for the succeeding fiscal year.
 - b. Public hearings are conducted to obtain the advice of other officials and citizens as part of the preparation of these budgets.
 - c. Before the beginning of the fiscal year, City Council adopts, by resolution, these budgets.
 - d. The adoption of the operating and capital budgets constitutes an appropriation or setting apart of funds from general resources of the City for purposes set forth in the budgets.
 - e. City Council may amend, by resolution, the operating budget within five weeks after the beginning of the fiscal year, but not thereafter except with the approval of the Mayor. The capital budget may, by resolution, be amended by Council at any time.
 - f. City Council at all times may, by resolution, transfer funds from one account to another if the total operating budget amount is not exceeded. No revision to the budget may be made without City Council approval. The operating budget shall, in any event, remain balanced at all times.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

- g. The capital budget is generally based on a proposed six-year capital program, which must be updated each year and submitted to City Council by the Mayor at least 30 days prior to the day the operating budget is submitted. The capital budget also includes appropriations for the Community Development Fund. Budget and actual data for the Community Development Fund is reflected in the Community Development Fund. The remainder of the capital budget is reflected in the capital projects fund.
 - h. Formal budgetary integration is employed as a management control device for the general, the Community Development, and the capital projects funds. Formal budgetary integration is not employed for the debt service fund since effective budgetary control is alternatively achieved through general obligation bond indenture provisions, nor for the other governmental funds since control is achieved through grant provisions or legislative action. Budgets for the Community Development and the capital projects funds are prepared on a project basis. The general, Community Development, and capital projects funds have legally adopted annual budgets.
 - i. All budgets are prepared and controlled at the department level on a line item basis (i.e., salaries, supplies, equipment, miscellaneous services). Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office. The general fund budget to actual comparison at the legal level of appropriation is located within the basic financial statements.
 - j. Operating appropriations lapse at year-end. City Council can, however, authorize, by resolution, the carryover of appropriations to the following year. The Community Development and capital projects funds appropriations carryover to subsequent years without formal reappropriation.
 - k. Operating budget figures are as amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditure accounts and carryover of appropriations from the previous year. The original approved general fund budget included revenues and expenditures of \$386.4 million and \$395.8 million in 2003, respectively. The differences between budgeted revenues and expenditures is the authorized use of beginning year fund balance of \$9.4 million. The budgetary expenditures, as amended, include carryover appropriations and other changes approved by City Council during 2003.
2. **Budget Basis of Accounting** – The general fund budget is adopted on a cash basis. Budgeted encumbrances for purchase commitments are treated as restrictions of available cash and as expenditures. Budgets in capital projects funds are also adopted on a cash basis, except that budgets for each project are adopted on a project basis, which may encompass a period longer than one year. Accordingly, budget figures, as amended, for Community Development and capital projects reflect current year appropriations and unexpended prior year's appropriations.

(3) Deposits and Investments

The bank balances of cash and cash equivalents of the City and its component units are classified into three categories to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes deposits insured or collateralized with securities held by a City entity or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the counterparty's trust

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

department or agent in the City's name. Category 3 deposits are those which are uncollateralized or which are collateralized with securities held by the counterparty or by the trust department or agent but not in the City's name. Deposits classified as Category 3 are secured by pooled collateral held by an agent of the City's banks in the bank's name as permitted by Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971 (Act 72).

Investments of the City and its component units are classified into three categories to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments insured or registered or securities held by a City entity or its agent in the City's name. Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with the securities held by the counterparty or by its trust department or agent but not in the City's name.

The Trust's investments in mutual funds have not been categorized because the mutual funds are open-end funds not evidenced by securities held by either the Trust, the individual plans, or the counterparty.

The City's cash and investments are subject to varying investment policies and custodial arrangements. Deposits and investments as of December 31, 2003, except the Stadium Authority, which is as of March 31, 2003, and the Public Parking Authority, which is as of September 30, 2003, are as follows:

Primary Government	Category			Non-categorized	Cost	Fair value
	1	2	3			
City of Pittsburgh:						
Certificate of deposit	\$ 4,900,000	—	—	—	4,900,000	4,900,000
Short-term institutional funds	—	—	10,700,000	—	10,700,000	10,700,000
U.S. government and agency obligations	—	—	62,011,013	—	62,011,013	62,336,082
Total investments	4,900,000	—	72,711,013	—	77,611,013	77,936,082
Total deposits	3,519,077	—	—	—	3,519,077	3,519,077
Total deposits and investments	\$ 8,419,077	—	72,711,013	—	81,130,090	81,455,159

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Component Units - Unrestricted	Category			Non-categorized	Cost	Fair value
	1	2	3			
Stadium Authority:						
Money market pooled investments	\$ 57,763	—	4,733	—	62,496	62,496
Investments not subject to categorization						
Money market pooled investments	—	—	—	2,838,420	2,594,158	2,594,158
Total	\$ 57,763	—	4,733	2,838,420	2,656,654	2,656,654
PWSA:						
Deposits	\$ 588,000	—	20,712,000	—	21,300,000	20,895,000
Public Parking Authority:						
Investments not subject to categorization						
Mutual funds	\$ —	—	—	5,292,211	5,292,211	5,292,211
Deposits	93,496	—	—	—	93,496	93,496
Total	\$ 93,496	—	—	5,292,211	5,385,707	5,385,707
URA:						
U.S. government and agency obligations	\$ 4,371,339	—	78,453,546	—	82,824,885	79,315,819
Investments not subject to categorization						
Guaranteed investment agreements	—	—	—	37,064,096	37,064,096	37,064,096
Pooled Investment Fund	—	—	—	20,876,760	20,876,760	20,876,760
Total investments	4,371,339	—	78,453,546	57,940,856	140,765,741	137,256,675
Total deposits	755,342	—	40,728,163	—	41,483,505	40,415,306
Total deposits and investments	\$ 5,126,681	—	119,181,709	57,940,856	182,249,246	177,671,981
Total investments - unrestricted component units	\$ 4,429,102	—	78,458,279	66,071,487	148,714,606	145,205,540
Total deposits - unrestricted component units	\$ 1,436,838	—	61,440,163	—	62,877,001	61,403,802
Total deposits and investments - unrestricted component units	\$ 5,865,940	—	139,898,442	66,071,487	211,591,607	206,609,342

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Component Units - Restricted		Category			Non-categorized	Cost	Fair value
		1	2	3			
PWSA:							
Repurchase agreements	\$	—	—	8,309,000	—	8,309,000	8,309,000
U.S. government and agency obligations		—	—	1,816,000	—	1,816,000	1,816,000
Investment agreements		—	—	—	46,262,000	46,262,000	46,262,000
Money market funds		—	—	—	2,000	2,000	2,000
Local government securities		—	—	8,696,000	—	8,696,000	8,696,000
Total investments		—	—	18,821,000	46,264,000	65,085,000	65,085,000
Total deposits		—	—	—	—	—	—
Total deposits and investments	\$	—	—	18,821,000	46,264,000	65,085,000	65,085,000
Public Parking Authority:							
Mutual fund	\$	—	—	—	23,653,888	23,653,888	23,653,888
Total investments		—	—	—	23,653,888	23,653,888	23,653,888
Total deposits		2,597,273	—	—	—	2,597,273	2,721,150
Total deposits and investments	\$	2,597,273	—	—	23,653,888	26,251,161	26,375,038
URA:							
Investment not subject to categorization							
Pooled Investment Fund	\$	—	—	—	56,724,909	56,724,909	56,724,909
Total investments		—	—	—	56,724,909	56,724,909	56,724,909
Total deposits		—	—	—	—	—	—
Total deposits and investments	\$	—	—	—	56,724,909	56,724,909	56,724,909
URA PDF Trust:							
Short-term institutional funds	\$	—	—	3,822,140	—	3,822,140	3,822,140
Total investments		—	—	3,822,140	—	3,822,140	3,822,140
Deposits		—	—	—	2,357,398	2,357,398	2,357,398
Total deposits and investments	\$	—	—	3,822,140	2,357,398	6,179,538	6,179,538
Total investments - component units - restricted	\$	—	—	22,643,140	126,642,797	149,285,937	149,285,937
Total deposits - component units - restricted	\$	2,597,273	—	—	2,357,398	4,954,671	5,078,548
Total deposits and investments - component units - restricted	\$	2,597,273	—	22,643,140	129,000,195	154,240,608	154,364,485
Pension Trust - Unrestricted		Category			Non-categorized	Cost	Fair value
		1	2	3			
City of Pittsburgh:							
Preferred and common stocks	\$	—	107,512,804	—	—	107,512,804	129,984,117
U.S. government and agency obligations		—	34,389,893	—	—	34,389,893	34,286,666
Corporate and other obligations		—	47,790,999	—	—	47,790,999	52,336,666
Investments not subject to categorization							
Mutual funds		—	—	—	119,038,806	119,038,806	109,969,819
Total investments		—	189,693,696	—	119,038,806	308,732,502	326,577,268
Cash		193,634	2,577,582	—	—	2,771,216	2,771,216
Short-term institutional funds		—	—	31,953,338	—	31,953,338	31,953,338
Total deposits and investments	\$	193,634	192,271,278	31,953,338	119,038,806	343,457,056	361,301,822
Agency Funds		Category			Non-categorized	Cost	Fair value
		1	2	3			
Employee benefits:							
Deposits	\$	200,000	—	771,028	—	971,028	971,028
Payroll withholdings:							
Deposits		148,746	—	1,000,000	—	1,148,746	1,148,746
Deposits:							
Deposits		100,000	—	3,171,726	—	3,271,726	3,271,726
Other:							
Deposits		100,000	—	514,276	—	614,276	614,276
Total deposits in agency funds	\$	548,746	—	5,457,030	—	6,005,776	6,005,776

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(A) Governmental Funds and Agency Funds

Cash balances available for investment by most City funds are maintained in pooled bank and investment accounts to improve investment opportunities. Income from investment of pooled cash is recorded in the general fund. Certain unrestricted and restricted cash and short-term investment balances in the accompanying balance sheet represent the undivided interest of each respective fund in the pooled accounts.

Under the Pittsburgh City Code, the Director of Finance is responsible for the overall management of the investment program. Policies established by the Director of Finance permit the City to invest in the following:

1. U.S. Treasury Securities (bills, notes, bonds).
2. Obligations of specific agencies of the federal government where principal and interest is guaranteed by the U.S. government.
3. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations accepted as depository institutions under the Pittsburgh City Code.
4. Money market mutual funds authorized by City Council whose portfolio consists of government securities issued by the U.S. government and that are fully guaranteed as to principal and interest.
5. Local government investment pools and or trusts as approved by the state legislature or City Council from time to time.
6. Repurchase agreements collateralized by the U.S. Treasury securities and marked to market. In order to participate in the repurchase agreement market, a depository must execute a master repurchase agreement contract with the City.

To ensure adequate liquidity, at least 10% but no more than 40% of the portfolio shall be in overnight repurchase agreements, money market funds, or other secure and liquid forms of acceptable investments. Unless specifically matched to a cash flow, at least 20% of the portfolio shall mature within 91 days with the maximum maturity of any investment to be no longer than one year from the date of purchase unless specifically approved in writing by the Director of Finance.

The City maintains compensating balances with some of its depository banks to offset specific charges for check clearing and other services.

(B) Pension Trust

Investments:

Some of the Trust's investments are in investment pools that are managed by professional asset managers. By participating in the pooling of assets with other large investors, the costs associated with asset management; and, therefore, the costs passed on to each individual investor are reduced. The Trust's Board perceives this to be an appropriate way to reduce investment management fees and administrative expenses while continuing to adhere to the established investment guidelines.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

The pension trust funds, whose deposits and investments are held separately from those of the City, are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize.

The City of Pittsburgh is responsible for funding of the retirement benefits for the three pension funds described in Footnote 7. Investments of the funds are held by the Comprehensive Municipal Trust Fund ("Comprehensive Trust"). The assets of the Comprehensive Trust are invested under the direction of the Board with the assistance of the Executive Director and an outside investment consultant. The investment consultant serves as a manager of the 12 to 18 independent money managers of the fund.

The assets of the fund consist of two components: (1) the Operating Fund and (2) the Long-Term Assets Fund. The Operating Fund's purpose is to provide the general cash flow requirements of the fund and to fund the benefits/operating payments of the three plans. The Long-Term Assets Fund is designed to achieve growth in terms of both capital appreciation and income toward funding the unfunded pension liability.

Operating Fund investments are limited to U.S. Treasuries with maturities less than ten years; federal agencies, commercial paper, bank acceptances, and certificates of deposit (CD) with maturities less than 270 days and approved by PNC Fixed-Income Research; repurchase agreements with maturities less than 91 days; asset-backed securities rated "AAA" by Standard & Poor's or Moody's; collateralized mortgage obligations (CMO) backed by U.S. federal agencies with average life and prepayment restrictions; corporate and municipal bonds rated "AA" or better by Standard & Poor's or Moody's.

Except for issues guaranteed directly or indirectly by the U.S. government, the combined holdings of securities from one issuer may not constitute more than 10% of the Operating Fund at the time of purchase. Except for direct U.S. government treasury issues, a maximum of 30% of the market value of the holdings may be invested in any one government agency; also no more than 10% of the market value may be invested in any single bank issue at time of purchase.

The Long-Term Assets Fund requires an asset mix of 65% (\pm 10%) equities and 35% (\pm 10%) fixed income securities or other investments specifically authorized by the Board. Each class is to have a minimal cash reserve allocation. Acceptable investments include: equities – high quality common stocks or convertible securities; fixed income securities – including U.S. Treasury and agency issues, U.S. corporate bonds, mortgage related securities, Yankee Notes/Bonds; and cash equivalents – U.S. Treasury bills and repurchase agreements, money market funds, commercial paper, and CDs of the custodian bank.

The Trust invests in asset-backed securities to maximize yields. Such securities market values may be affected by the cash flows from principal and/or interest payments received on the underlying assets. Thus the market values could be sensitive to prepayments, delinquencies, and interest rate changes.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

The following summarizes pension trust fund investments as of December 31, 2003, which individually are 5% or more of net assets available for benefits, at fair value:

Hirtle Callaghan Trust International Equity Portfolio Fund #8	\$ 41,717,063
SSGA Russell 1000 Growth Fund	23,563,813
Hirtle Callaghan High Yield Bank Portfolio, Fund #12	23,798,266

(C) *Water and Sewer Authority*

The Water and Sewer Authority (the Authority) is authorized to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities and highly rated bank promissory notes or investment funds or trusts; and, as to trustee assets, as otherwise permitted by the trust indenture as supplemented and amended in 1998. Throughout the year ended December 31, 2003, the Authority invested its funds in such authorized investments.

(D) *Stadium Authority*

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2003.

(E) *Public Parking Authority*

Investments include principally U.S. government obligations, corporate notes, municipal bonds, money market funds, and certificates of deposit. These investments are stated at fair value and amortized cost, as applicable. If an investment has face value different from the original cost, the Authority records the investment at amortized cost. Terms and agreements of the Authority restrict the majority of the investments.

(F) *Urban Redevelopment Authority and PDF Trust*

The URA is authorized to make investments of the following types pursuant to the Redevelopment Act, which requires investments meet a "reasonable man" standard. Under the URA's policy, authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria of (1) through (4) above.

The deposit and investment practices of the URA and its component units adhere to statutory and contractually required and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts and certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the trust indentures.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(4) Transactions With the Pittsburgh Water and Sewer Authority

In July 1995, the City entered into a Cooperation Agreement and a Capital Lease Agreement (collectively referred to as the Agreements with the Water and Sewer Authority (the Authority)).

(A) Cooperation Agreement

On January 1, 1995, the City water department employees became employees of the Authority. The Authority assumed workers' compensation and compensated absence liabilities, which had accrued during the era of the City's Water Department.

Direct costs of the System's water operations are now generally paid directly by the Authority under the Cooperation Agreement. The City continues to provide the Authority with various services in accordance with the Cooperation Agreement, and the Authority reimburses the City for direct and indirect costs attributed by the City to the operation and maintenance of the System. Such reimbursements were approximately \$1.9 million in 2003.

Under the Agreements, the Authority provides up to 600 million gallons of water annually for the City's use without charge. The Authority also continues to reimburse the City for the cost of subsidizing water service to those residents of the City situated beyond the Authority's service area so that those water users pay charges, which mirror the rates of the Authority. In 2003, the Authority reimbursed \$3,186,000 to other City water companies on behalf of the City.

(B) System Lease

The City and Authority entered into a Capital Lease Agreement (the Capital Lease), effective July 27, 1995, with a term of thirty years, commencing as of July 15, 1995, and ending on September 1, 2025. The Capital Lease stipulates minimum lease payments of approximately \$101,000,000, including interest, all of which have been paid. The Authority has the option to purchase the System in 2025 for \$1.

As of December 31, 2003, the City has retained the pension obligation for the Authority's employees who participate in the City's Municipal Pension Plan. The extent of the Authority's participation in such obligation with respect to these employees whose membership continued upon becoming employees of the Authority is determined by the shared interpretation of the City and the Authority of the intent of the Cooperation Agreement.

Uncertainty exists about the future obligation of the Authority and its employees to make contributions to the Plan. Such contributions are contingent upon the continuing eligibility of the Authority's employees to participate in the City's Plan. Eligibility for ongoing employee participation in the City's Plan could end if the Authority were to introduce another pension plan. At this time, the Authority and City have no definite plans to establish another pension plan for the Authority, other than an agreement in principle that the Authority should have its own plan in the future. Future obligations of the Authority to make contributions to the Plan may also be subject to other amendments of the existing arrangement agreed upon by the Authority and the City.

See additional related party transaction disclosures for the Urban Redevelopment Authority, Stadium Authority, and Public Parking Authority in Footnote 9.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(5) Real Estate Taxes

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by the Allegheny County Office of Property Assessment pursuant to the terms of the General County Assessment Law and the Second Class County Assessment Law, which require property to be assessed at actual market value. Property is assessed by the board at 100% of fair market value. All real property in the County is required to be reassessed every three years.

A unified tax levy for land and buildings is made annually on January 1 and collected by the City. Taxes are payable annually or in three installments, at the taxpayers' option, normally due the last day of February, April 30, and July 31. A 2% discount is allowed on either the first installment or the full year tax payment, normally if paid by February 10. If no payment is received by the last day of February, the installment payment privilege is forfeited, and the entire tax for the year is considered delinquent. Penalty and interest is imposed on delinquent payments.

Delinquent taxes are liened every three years after the levy date. The City provides programs of tax abatement, administered by the County, for new construction and rehabilitation of residential and commercial/industrial properties pursuant to Commonwealth legislative authority. The residential abatement program provides for the abatement of taxes for a period of three years on the increased assessment attributable to new construction or rehabilitation up to an annually indexed average housing construction cost ceiling. The City makes tax abatements available for commercial/industrial properties for the assessment increase attributable to new construction.

Property Tax Reassessments

The City of Pittsburgh, as part of Allegheny County, had all property reassessed for the year 2001. Assessments are now based on 100% of market value. Due to the magnitude of the changes from the previous assessments, particularly in the ratio of land to building values, the City of Pittsburgh was forced to abandon its two-tiered or bifurcated tax, which had been in existence since 1913. The City of Pittsburgh now taxes land and building at the same unified rate and plans to maintain a unified rate unless land values are reassessed in the future.

City and School Real Estate Taxes (property taxes) are based on the assessed value of the property as determined by the Allegheny County Board of Assessors. The assessed value of a property is broken down by land value and building value. The City of Pittsburgh's tax rate is 10.8 mills on the assessed value of the property. The School District of Pittsburgh's tax rate is 13.92 mills assessed value. A mill is 1/10 of a cent. For example, on a property assessed at \$1,000, the City of Pittsburgh Real Estate tax would be \$10.80. The School District of Pittsburgh Real Estate tax would be \$13.92.

Taxes are billed on a calendar year. There are three tax relief programs in the City of Pittsburgh. They are: Homestead, Senior tax relief, and Gentrification.

Over 180,000, or over 36%, of property owners out of approximately one-half million in Allegheny County have filed property tax appeals contesting their new assessments for the three years beginning January 1, 2004.

The City has accrued for tax refunds and tax credits within accounts payable on the statements of net assets and governmental funds (general) balance sheet for payments received that are subject to refund.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(6) Capital Assets

A summary of capital asset activity for the year ended December 31, 2003 is as follows:

	Balances January 1, 2003	Additions	Deletions	Balances December 31, 2003
Governmental activities:				
Non-depreciable assets:				
Land	\$ 45,602,091	—	—	45,602,091
Construction-in-progress	16,247,142	11,981,142	(23,433,681)	4,794,603
Total	61,849,233	11,981,142	(23,433,681)	50,396,694
Depreciable assets:				
Buildings and systems	90,522,829	2,471,828	—	92,994,657
Accumulated depreciation	(69,755,698)	(1,918,690)	—	(71,674,388)
Net buildings and systems	20,767,131	553,138	—	21,320,269
Furniture and fixtures	7,027,018	329,374	—	7,356,392
Accumulated depreciation	(6,631,177)	(309,384)	—	(6,940,561)
Net furniture and fixtures	395,841	19,990	—	415,831
Machinery and equipment	1,765,220	4,094	—	1,769,314
Accumulated depreciation	(1,706,451)	(16,257)	—	(1,722,708)
Net machinery and equipment	58,769	(12,163)	—	46,606
Vehicles	39,999,445	3,560,711	(2,156,544)	41,403,612
Accumulated depreciation	(29,790,214)	(3,422,099)	2,111,744	(31,100,569)
Net vehicles	10,209,231	138,612	(44,800)	10,303,043
Infrastructure	136,339,628	35,515,585	—	171,855,213
Accumulated depreciation	(54,464,020)	(7,357,292)	—	(61,821,312)
Net infrastructure	81,875,608	28,158,293	—	110,033,901
Total depreciable assets	275,654,140	41,881,592	(2,156,544)	315,379,188
Total accumulated depreciation	(162,347,560)	(13,023,722)	2,111,744	(173,259,538)
Net total depreciable assets	113,306,580	28,857,870	(44,800)	142,119,650
Governmental activities capital assets, net	\$ 175,155,813	40,839,012	(23,478,481)	192,516,344

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 2,467,047
Public safety	2,073,937
Highways, streets, and other capital improvements	5,822,864
Public works	857,410
Culture and recreation	187,534
Total depreciation expense - governmental activities	<u>\$ 11,408,792</u>

Component unit's capital asset activity for the year ended December 31, 2003 was as follows:

	Balances		Deletions/	Balances
	January 1, 2003	Additions	transfers	December 31, 2003
Component Units:				
Non-depreciable assets:				
Land	\$ 39,798,147	688,086	(6,482,881)	34,003,352
Construction-in-progress	15,392,910	17,685,924	(9,187,048)	23,891,786
Depreciable assets:				
Buildings and building improvements	20,310,599	10,092,620	—	30,403,219
Parking facilities	114,770,892	1,341,719	(27,233)	116,085,378
Machinery and equipment	106,682,966	329,607	(418,056)	106,594,517
Utility plant	375,390,000	18,980,000	—	394,370,000
Non-utility plant	10,525,000	3,542,000	—	14,067,000
Total depreciable assets	627,679,457	34,285,946	(445,289)	661,520,114
Less accumulated depreciation	(142,751,674)	(19,724,698)	126,231	(162,350,141)
Net component units capital assets	<u>\$ 540,118,840</u>	<u>32,935,258</u>	<u>(15,988,987)</u>	<u>557,065,111</u>

(7) Pension Plans

(A) Organization and Description of Plans

The City of Pittsburgh is responsible for the funding of retirement benefits for the three pension funds described below. Investments of the funds are held by the Comprehensive Municipal Pension Trust Fund (Comprehensive Trust), in accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), and are administered under the direction of that fund's board.

In accordance with Act 205 and the Acts under which the Municipal Pension Fund of the City of Pittsburgh, the Policemen's Relief and Pension Fund of the City of Pittsburgh, and the Firemen's Relief and Pension Fund of the City of Pittsburgh were established; a separate accounting for the activities of these three funds is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Fund's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

performed annually for each fund. However, the individual funds do not record the undivided interest in the investments in their individual funds since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension funds without limitations. Therefore, in accordance with Government Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension trust funds plus the Comprehensive Trust constitute the City's Pension Plan.

The retirement funds issue a publicly available combined financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling the following:

City of Pittsburgh
Combined Pension Trust Funds
C/O Department of Finance
City/County Building
Pittsburgh, PA 15219

The Municipal Pension Fund

The Municipal Pension Fund of the City of Pittsburgh (the Fund) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City of Pittsburgh and the Pittsburgh Water and Sewer Authority (PWSA) who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Plan after serving a 90-day probationary period. The Fund is a single employer defined benefit plan, and its purpose is to provide retirement, disability, and other benefits to its members. The City of Pittsburgh and members of the Fund are required to make contributions to the Fund for the purpose of paying benefits and administrative expenses. At January 1, 2003, the date of the most recent actuarial valuation, the Fund has 3,967 total members of which 2,352 are active members; 1,590 retirees, disabled, and survivors; and 25 terminated but vested members.

Effective January 1, 1995, the City terminated employment of the 255 employees of its Water Department. As part of a Cooperation agreement with PWSA, the 255 terminated employees became employees of PWSA. The new PWSA employees' membership in the Municipal Plan continues with no break in service, as provided for by the Municipal Pension Act, because PWSA has no retirement plan. The City considers PWSA a part of the reporting entity and thus believes the plan continues to be a single employer plan. As of the date of these financial statements, no separate allocations of contributions to the Plan, Plan assets, or Plan liabilities have been allocated to the employees of PWSA, nor have any actuarial determinations been made. PWSA reimburses the City's general fund for its portion of employer contributions in an amount which is not actuarially determined.

Retirement benefits are available at the employee's option upon attainment of age 60, and completion of 20 years of service, normal retirement. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age, or paid immediately at reduced amounts, as defined by the Plan. Upon completion of eight years of service and attainment of age 40, an employee may terminate and remain eligible to receive benefits by continuing to make contributions to age 50. An employee who was a member prior to January 1, 1975 may terminate at any age after 15 years of service and be vested by continuing contributions to age 50.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Employees who become permanently disabled during the performance of their duties and who are unable to continue to perform those duties are eligible to receive a disability pension. Employees who become otherwise disabled are eligible for a disability pension if eight years of service have been completed.

Retirement benefits for employees, who were members of the Plan prior to January 1, 1975, equal 60% of three-years average pay, but no less than \$130 monthly if such pay is less than \$450; or 55% of the first \$650 of three-years average pay and 30% of the excess but not less than \$270 if such pay is greater than \$450. Prior to January 1, 2002, the benefits for employees, who became members after December 31, 1974 and those hired after December 31, 1987, were reduced by 50% of the Social Security benefit. Beginning January 1, 2002, such benefits for certain classes of employees are no longer reduced by the Social Security benefit. The aforementioned benefits are prorated for employees with less than 20 years of service. All members receive a service increment of 1% of three-year average pay if hired after December 31, 1987, for each year of service in excess of 20, to a maximum of \$100 per month.

A member who meets the disability requirements, but who is not eligible to retire, is entitled to a disability benefit based upon his earnings at the date of disability without proration for service less than 20 years. For eligible employees hired on or after January 1, 1988, the following rules apply:

- a. If an employee is age 60 or older with eight years of service, he will receive his normal retirement benefit.
- b. If an employee becomes disabled before attaining age 60, but with at least eight years of service, his benefit will be calculated as though he was age 60 with his service being the greater of 1) his service at disablement or 2) the lesser of 20 years and his completed service assuming he had continued to work until age 60.
- c. The above benefit will be reduced so that the combination of this benefit and the employee's monthly workers' compensation benefit shall not exceed the employee's regular salary level at the time of disablement.

A survivor benefit is available to the surviving spouse upon the death of an active member eligible for early retirement. The benefit amount is equal to 50% of the member's pension had the member retired at the date of death. A survivor benefit equal to the excess of the member's contributions over the retirement benefits paid is provided to the beneficiary of a member whose death occurs after the retirement date. The member's contributions are returned to the beneficiary of a member whose death occurs prior to eligibility for early retirement.

Normal retirement is upon attainment of age 60 and completion of 20 years of service. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age or paid immediately at reduced amounts.

Prior to January 1, 2002, upon termination and prior to vesting, a member's contributions were refundable without interest to the member. Beginning January 1, 2002, contributions were refundable with 5% interest for certain classes of employees. Employee contributions to the Plan are 5% of pre-tax pay for employees hired prior to January 1, 1988 and 4% of pre-tax pay for those hired thereafter.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

In May 1995, the City offered its employees, who are covered by the Municipal Pension Fund and who had attained the age of 50 with a minimum of eight (8) years of service an Early Retirement Incentive Program (the Program). The Program became effective July 1, 1995, for those employees who elected to participate by June 30, 1995, who had become members of the Fund prior to January 1, 1988.

The retirement benefit for employees who became members of the Fund before January 1, 1975 is 55% of the first \$650 of average monthly compensation plus 30% of the amount in excess of \$650. Prior to January 1, 2002, the benefits for employees who became members after December 31, 1974 were reduced by 50% of the Social Security benefit. Beginning January 1, 2002, such benefits are no longer reduced by the Social Security benefit for certain classes of employees. Employees with 20 years of service receive an additional benefit of 1% of average monthly compensation for each complete year in excess of 20. The retirement benefit for employees with less than 20 years of service will be reduced by 5% for each year of service less than 20. In addition, for employees electing the program who have not attained the age of 60, the retirement benefit is reduced by 1/2% for each month that the payments commence prior to age 60, except for those hired before January 1, 1975 with 25 years of service. Average monthly compensation is defined as the average of salaries and wages during the highest 36 months of the final 60 months preceding retirement, excluding overtime.

The Policemen's Relief and Pension Fund

The Policemen's Relief and Pension Fund of the City of Pittsburgh (the Fund) was established by Act 99 of May 25, 1935, P.L. 233. The Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability, and other benefits to its members. P.L. 233 requires the City of Pittsburgh and members of the Fund to make contributions to the Fund for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Fund. At January 1, 2003, the Fund has 2,618 total members of which 1,070 are active members; 1,545 retirees, disabled, and survivors; and three terminated members not yet receiving benefits.

Retirement benefits are available at the employee's option upon completion of 20 years of service and attainment of age 50. Employees who become permanently disabled in the line of duty, and who are unable to perform the duties of their position, are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

The regular pension benefit is equal to 50% of the highest 12 consecutive months' pay at the time of retirement. Employees hired after December 31, 1991 receive a pension benefit based on a 36-month average pay. An arbitration award dated March 30, 1992 changed the method used to calculate pension benefits for employees. Under the new method, pension benefits are determined on the basis of the last 36 months average pay instead of the last 48 months average pay for employees hired on or after January 1, 1992. Employees hired prior to January 1, 1992 receive pension benefits on the basis of the highest 12 consecutive months' pay at the time of retirement.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Service increments of \$20 per month for each year of service between 20 and 25 years and \$25 per month for each year in excess of 25 years are included in the retirement benefit. A death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit, which is applicable to deaths not in the line of duty, may also be elected by plan participants.

Effective January 1, 1989, regular pensioners receiving benefits prior to January 1, 1984 and disabled pensioners receiving benefits prior to January 1, 1985 received an increase in benefits based upon retirement year.

An employee who terminates employment after 20 years of service, and before age 50, is considered fully vested in the plan. The accrued benefit is payable at age 50 and is based on average pay at the time of termination. A terminated member may elect to continue making contributions to the plan, equal to the contribution rate in effect at the time of termination. In this event, the monthly benefit payable at age 50 will be based on the rate of pay which would have been in effect had the employee continued to work until age 50. If a member terminates employment before completing 20 years of service, accumulated employee contributions are refundable.

Employee contributions to the Fund are 6% of pay plus \$1 per month. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

The Firemen's Relief and Pension Fund

The Firemen's Relief and Pension Fund of the City of Pittsburgh (the Fund) was established by Act of May 25, 1933, P.L. 1050. The Fund is a single employer defined benefit plan. Its purpose is to provide retirement, disability and other benefits to its members. P.L. 1050 requires the City of Pittsburgh and members of the Fund to make contributions to the Fund for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the Fund. At January 1, 2003, the Fund had 1,841 total members of which 867 are active members; 973 retirees, disabled, and survivors; and one terminated member not yet receiving benefits.

Retirement benefits are available at the employee's option upon completion of 20 years of service for any participant employed before January 1, 1976, or for those years employed thereafter, completion of 20 years service and attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

The regular pension benefit is equal to 50% of the wages earned during any three calendar years of service or the last 36 months average pay immediately preceding retirement. A service increment of \$20 per month in 1991 and thereafter is paid each member for each year of service in excess of 20. A death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit may also be elected by plan participants, which is applicable to deaths not in the line of duty. A lump-sum death benefit of \$1,200 is paid to the beneficiary of any deceased member.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Normal vesting occurs upon attainment of age 50 and 20 years of service. Upon termination of employment a member's contributions, without accumulation of interest, are refundable.

Employee contributions to the Fund are 6% of pay plus \$1 per month. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

(B) *Funding Status and Progress*

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (Recovery Act), which has improved the administration and funding of all municipal pension plans. The Recovery Act made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities.

In accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), the City established the Comprehensive Municipal Pension Trust Fund Board (Comprehensive Trust) in August 1987. The Board's purpose is to oversee the activities of the City's pension plans and to receive and invest the City's pension assets.

The City has three defined benefit pension plans (Municipal, Policemen's, and Firemen's), which are administered by the respective pension boards, the majority of whose members are elected by the employees. The Police and Fire Plans cover all employees of the Bureau of Police and the Bureau of Fire, respectively. Each full-time employee not covered under either the Policemen's or Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period.

Commonwealth of Pennsylvania pension contributions are determined under Act 205. The City is eligible for the maximum remedies available under Act 205. To qualify, the City is required to fund an amount equal to normal cost and the amortization payment required to eliminate the unfunded liability over a 40-year period less any member contributions.

Act 205 contains both mandatory and optional remedies for municipalities to design a program for dealing with unfunded pension liabilities. The mandatory remedies implemented by the City were the development and adoption of an administrative improvement plan for its pension funds, the establishment of lower cost pension plans for new hires, and the aggregation of all the City's pension assets for investment purposes under the guidance of a new oversight board (the Comprehensive Municipal Pension Trust Fund Board). The Comprehensive Trust, which is comprised of seven members, four appointed by the Mayor and approved by Council and one elected from each plan, manages the investments of all pension assets and provides funds for each plan's monthly payment of benefits and administrative expenses from plan net assets. The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

In 1988, the City opted out of the 15-year phase-in optional remedy since its pension contributions were already exceeding the amount required by Act 205. In its place, the City adopted a planned schedule of pension contributions, which began in 1989 at a level of \$12 million and increases by \$500,000 every other year or the City can fund the actuarially determined minimum municipal obligation, as defined, whichever is less.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMO's developed and adopted for budgeting purposes subsequent to 1991. Additionally, the provisions for payment of the MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year.

Annual Pension Cost

The City's annual pension cost for the past three years was as follows:

<u>Fiscal year ended</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
	(Amounts in thousands)		
December 31, 2003			
Annual required contribution	\$ 4,325	12,926	6,624
Contributions made	(4,944) *	(15,355) *	(7,650) *
December 31, 2002			
Annual required contribution	2,829	10,565	5,032
Contributions made	(4,458) *	(12,137) *	(5,781) *
December 31, 2001			
Annual required contribution	3,865	10,502	5,783
Contributions made	(5,148) *	(11,370) *	(7,477) *

* Contributions made represent 100% of the Minimum Municipal Obligation as well as other postemployment benefits.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Significant assumptions underlying the actuarial computations include mortality, termination, vesting, marital status, and retirement estimates, as well as the following:

	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
Valuation date	1/1/03	1/1/03	1/1/03
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	36 years	36 years	36 years
Asset valuation method	Market related	Market related	Market related
Actuarial assumptions:			
Investment return	% 8.75	8.75	8.75
Projected salary increases	4.00	5.75	5.75
Cost-of-living adjustments	3.50	3.50	3.50

Required contributions have been reduced as a result of the City's 1998 general obligation bond issue, which was used to make a \$250,000,000 contribution to the plan and reduce an accumulated unfunded actuarial liability.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Three Year Trend Information

Fiscal year ending	Pension plan	Pension cost (ARC) *	Total contributions as a percentage of annual required contributions
December 31, 2001	Municipal	\$ 3,865	% 133.2
	Police	10,502	108.3
	Fire	5,783	129.3
	Total	20,150	119.1
December 31, 2002	Municipal	2,829	157.6
	Police	10,565	114.9
	Fire	5,032	114.9
	Total	18,426	121.4
December 31, 2003	Municipal	4,325	114.3
	Police	12,926	118.8
	Fire	6,624	115.5
	Total	23,875	114.7

* Contributions made represent 100% of the Minimum Municipal Obligation as well as other postemployment benefits.

At January 1, 2003, the membership of the three pension plans consisted of:

Status	Municipal	Police	Fire	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,590	1,545	973	4,108
Terminated employees – vested	25	3	1	29
Total	1,615	1,548	974	4,137
Active members	2,352	1,070	867	4,289
Total membership	3,967	2,618	1,841	8,426

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(8) Other Postemployment Benefits

In addition to the pension benefits disclosed in Footnote 7, resolutions of City Council, State statutes, and labor agreements have provided for certain postemployment benefits, other than pension benefits, to be provided to retirees or their beneficiaries. The City accounts for all City contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the City's General Fund and trusts designated for those purposes. A brief summary of such benefits follows:

Municipal Pension Fund:

The 1995 Early Incentive Retirement Program (the Program) provided for a lump sum severance payment equal to 2.5 times each electing employee's gross monthly salary. The Program also provides each of the 200 employees who elected to retire under its provisions a monthly benefit of \$350 until attainment of 65 years of age.

Policeman's Pension Fund:

Police officers retiring in 1979 are eligible at age 65 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. Police officers retiring in 1980 and 1981 are eligible at age 60 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. As of December 31, 2003, the Policemen's Fund has 54 retirees receiving the \$50 per month and 4 retirees eligible to receive such benefit in the future through January 2007. Surviving spouses of deceased retirees who do not otherwise receive survivors benefits under the plan received \$350 per month. The monthly cost of surviving spouse benefits of deceased retirees not otherwise receiving benefits is approximately \$11,700.

The City of Pittsburgh also provides funds to the Comprehensive Trust for cost of living adjustments and hospitalization benefits. Combined payments received from the City by the Comprehensive Trust to fund such costs for the Firemen's and Policemen's Plans totaled \$2,406,737 for 2003.

In June of 2002, the General Assembly of the Commonwealth of Pennsylvania passed House Bill No. 1360, which amended Public Law No. 1192. As a result, Police and Firemen pension plans are required to pay increased special ad hoc postretirement adjustments to retirees based on years of service. For the year ended December 31, 2003, the additional payments to retirees that were attributable to House Bill No. 1360 were \$45,387 for the Firemen's Plan and \$60,708 for the Policemen's Plan.

Firemen's Pension Fund:

Retirees who retired between January 1, 1979 and December 31, 1986 receive up to \$70 per month as an allowance for health insurance.

Retirees who have retired since January 1, 1987 are paid the cost of health insurance at the time of retirement. Any increases in premiums subsequent to retirement are paid by the retiree.

Surviving spouses of deceased retirees who do not otherwise receive survivors' benefits under the plan receive \$350 per month.

As of December 31, 2003, the Firemen's Pension Plan incurs a monthly expense of approximately \$6,990 for healthcare benefits and \$7,350 for surviving spouse benefits of deceased retirees.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Nonunion Fund:

The City provides healthcare benefits to 1,232 retired nonunion municipal, fire, and police employees. In 1993, the City added a new retiree medical plan that provides healthcare benefits to police and fire retirees and their spouses that are over age 65. Prior to 1993, only those municipal, fire, and police retirees under age 65 received benefits. The benefit is funded by partial contributions from the retirees receiving coverage and the remainder by the City on a pay-as-you-go basis. During 2003, postretirement healthcare benefits expense paid by the City was \$9,862,990.

In addition, in 1995, the City offered postretirement healthcare benefits to all municipal employees that were age 50 or older with 20 years of service as a retirement incentive. Each retiree is to receive up to \$350 per month until age 65. There are 62 retirees in this group with a total cost to the City in 2003 of \$280,350.

The City also provides life insurance benefits to retired police and fire employees. The amount of life insurance coverage varies from \$4,000 to \$15,000 depending upon the bargaining unit and the year of retirement. This benefit is paid entirely by the City. Life insurance benefits for this group are paid on a pay-as-you-go basis from the general fund operating budget. There are 1,762 retirees in this group with a total cost during 2003 of \$200,088.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(9) Long-Term Liabilities

The maximum amount payable for future maturities of bond and interest on general long-term debt at December 31, 2003 and changes in bond principal for the year then ended are summarized below:

	Principal	
	Outstanding at December 31, 2002	Bonds paid or defeased and discount amortized during 2003
Council and Public Election General Obligation bonds:		
Sixteen general obligation bond issues with rates ranging from 4.0% to 7.0%. The bonds are payable from general revenues.		
2003	\$ 38,425,000	38,425,000
2004	40,755,000	—
2005	44,035,000	—
2006	47,440,000	—
2007	49,910,000	—
2008	52,360,000	—
2009 – 2013	253,080,000	—
2014 – 2018	197,980,000	—
2019 – 2023	145,000,000	—
2024 – 2026	43,625,000	—
Subtotal	912,610,000	38,425,000
Plus: URA debt guaranteed by the City	—	—
Less: Unamortized discount on zero coupon bonds	(4,436,006)	(1,131,412)
Unamortized bond issuance costs	(6,895,298)	(640,857)
Unamortized bond discounts/premiums	1,741,079	(286,744)
Prepaid interest on debt refinancing	(6,806,708)	(283,613)
Less bonds funded by Stadium Authority	(16,750,983)	(2,282,348)
Total	\$ 879,462,084	33,800,026

Bonds issued or transferred during 2003	Outstanding at December 31, 2003	Interest
—	—	—
5,000	40,760,000	50,081,726
5,000	44,040,000	47,503,245
5,000	47,445,000	45,246,216
5,000	49,915,000	42,844,241
5,000	52,365,000	40,410,086
13,550,000	266,630,000	157,024,182
—	197,980,000	89,255,420
—	145,000,000	37,936,317
—	43,625,000	2,434,763
13,575,000	887,760,000	512,736,196
1,125,000	1,125,000	90,000
—	(3,304,594)	—
(296,316)	(6,550,757)	—
286,881	2,314,704	—
—	(6,523,095)	—
—	(14,468,635)	(12,440,714)
14,690,565	860,352,623	500,385,482

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Discretely Presented Component Units

Debt related to URA supported by the City (debt not recorded in URA amounts)

Future maturities of bond principal on Urban Redevelopment Authority related indebtedness supported by the City as of December 31, 2003 are as follows:

		Principal	
		Outstanding at December 31, 2002	Bonds paid during 2003
Urban Redevelopment Authority			
Taxable Revenue Bonds:			
One taxable revenue bond with an interest rate of 8.0%. The bond is payable from general resources from the General Fund.			
	2003	\$ 1,040,000	1,040,000
	2004	1,125,000	—
	Total	2,165,000	1,040,000
Urban Redevelopment Authority			
Taxable Revenue Bonds:			
One Special Tax Development Bond with interest rates ranging from 8.55% to 9.07%. The bonds are payable solely from City's assignment to URA of certain Allegheny Regional Asset District revenues.			
	2003	1,440,000	1,440,000
	2004	1,570,000	—
	2005	3,070,000	—
	2006	3,345,000	—
	2007	3,650,000	—
	2008	3,985,000	—
	2009 – 2013	26,245,000	—
	2014	10,760,000	—
	Total	54,065,000	1,440,000

<u>Bonds issued during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	—
—	1,125,000	90,000
—	1,125,000	90,000
—	—	—
—	1,570,000	4,695,478
—	3,070,000	4,561,244
—	3,345,000	4,297,224
—	3,650,000	4,007,882
—	3,985,000	3,690,332
—	26,245,000	12,425,194
—	10,760,000	975,932
—	52,625,000	34,653,286

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

		Principal	
		Outstanding at	Bonds paid
		December 31, 2002	during 2003
Urban Redevelopment Authority			
Revenue Bonds:			
Nine tax increment financing (TIF) bonds with interest rates ranging from 4.65% to 10.5% and one TIF note with variable interest rates. Terms of the TIF require repayments of principal and interest solely from tax increments generated in tax increment districts and related agreements.			
	2003	\$ 924,337	924,337
	2004	963,313	104,088
	2005	1,037,570	111,657
	2006	1,117,715	119,228
	2007	1,202,106	126,798
	2008	1,288,156	134,365
	2009 – 2013	7,811,416	836,485
	2014 – 2018	6,947,240	—
	2019 – 2023	682,071	—
	2024 – 2028	3,447,104	—
	Total	25,421,028	2,356,958
	Subtotal	81,651,028	4,836,958
Less:	Debt guaranteed and recorded by the City	(2,165,000)	(1,040,000)
Portion of Urban Redevelopment Authority related debt supported by the City		\$ <u>79,486,028</u>	<u>3,796,958</u>

<u>Bonds issued during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	—
23,849	883,074	6,651,478
66,043	991,956	6,365,987
80,719	1,079,206	6,033,245
110,071	1,185,379	5,667,274
119,243	1,273,034	5,265,341
915,420	7,890,351	18,716,717
1,588,681	8,535,921	4,194,627
1,188,758	1,870,829	1,086,632
—	3,447,104	845,402
<u>4,092,784</u>	<u>27,156,854</u>	<u>54,826,703</u>
4,092,784	80,906,854	89,569,989
—	(1,125,000)	(90,000)
<u>4,092,784</u>	<u>79,781,854</u>	<u>89,479,989</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

URA debt recorded by URA and not supported by City

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2003:

	Balance at December 31, 2002	Additions
Primary Government:		
Mortgage Revenue Bond Program	\$ 162,680,000	9,115,000
Home Improvement Loan Program	18,200,000	—
Single Family Mortgage Revenue Draw Down Bonds	34,837,000	11,901,000
Bank loan	4,294,857	—
Total Proprietary Fund Debt	<u>220,011,857</u>	<u>21,016,000</u>
Bank loans and line of credit	3,950,718	2,345,478
HUD Section 108 loans	—	11,000,000
Compensated absences	578,146	—
Total Debt and Other Long-Term Obligations	<u>224,540,721</u>	<u>34,361,478</u>
Component Units:		
URA Housing Corporation:		
Bonds payable	3,780,000	—
Pittsburgh Housing Development Corporation:		
Bank construction loans	634,795	1,109,844
Total Component Unit Debt	<u>4,414,795</u>	<u>1,109,844</u>
Total Debt and Other Long-Term Obligations – Reporting Entity	\$ <u><u>228,955,516</u></u>	<u><u>35,471,322</u></u>

Retirements	Balance at December 31, 2003
47,770,000	124,025,000
1,370,000	16,830,000
11,738,000	35,000,000
277,804	4,017,053
61,155,804	179,872,053
—	6,296,196
—	11,000,000
9,143	569,003
61,164,947	197,737,252
110,000	3,670,000
1,247,080	497,559
1,357,080	4,167,559
62,522,027	201,904,811

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Future maturities of bond principal on Stadium Authority indebtedness at March 31, 2003 are as follows:

	Principal	
	Outstanding at March 31, 2002	Bonds paid or defeased and discount amortized during 2003
Stadium Authority Revenue Bonds and Note:		
One revenue refunding bond issue with interest rates ranging from 4.7% to 5.0%. The bonds are payable from revenue from the RAD tax:		
2003	\$ 1,780,000	1,780,000
2004	1,860,000	—
2005	1,945,000	—
2006	2,040,000	—
	<u>7,625,000</u>	<u>1,780,000</u>
Unamortized bond discount	(77,008)	22,002
	<u>7,547,992</u>	<u>1,802,002</u>
Plus: General Obligation Bonds funded by Stadium Authority. (Note due to City of Pittsburgh)	15,140,000	1,970,000
Total	\$ <u>22,687,992</u>	<u>3,772,002</u>

Bonds and notes issued during 2003	Outstanding at March 31, 2003	Interest
—	—	—
—	1,860,000	283,752
—	1,945,000	196,333
—	2,040,000	102,000
—	5,845,000	582,085
—	(55,006)	—
—	5,789,994	582,085
—	13,170,000	—
—	18,959,994	582,085

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Future maturities of bond and note principal on Parking Authority indebtedness at September 30, 2003 are as follows:

		Principal	
		Outstanding at September 30, 2002	Bonds and notes paid during 2003
Parking Authority Revenue Bonds and Notes:			
Three revenue bond issues with interest rates ranging from 2.00% to 6.0%. These bonds are payable from revenue from Parking Authority operations.			
2003	\$	3,720,000	3,720,000
2004		3,920,000	2,940,000
2005		4,135,000	3,105,000
2006		4,360,000	3,285,000
2007		4,605,000	3,475,000
2008		4,875,000	3,680,000
2009 – 2013		28,935,000	21,905,000
2014 – 2018		9,235,000	—
2019 – 2023		12,295,000	—
2024 – 2028		8,815,000	—
		<u>84,895,000</u>	<u>42,110,000</u>
Plus bond premium		57,934	2,585
Less unamortized discount		(973,563)	(807,649)
Less deferred amount on refinancing		—	—
Total	\$	<u><u>83,979,371</u></u>	<u><u>41,304,936</u></u>

<u>Bonds and notes issued during 2003</u>	<u>Outstanding at September 30, 2003</u>	<u>Interest</u>
—	—	—
2,150,000	3,130,000	3,253,965
3,525,000	4,555,000	3,811,348
3,625,000	4,700,000	3,685,873
3,720,000	4,850,000	3,525,585
3,845,000	5,040,000	3,362,922
21,730,000	28,760,000	13,460,149
—	9,235,000	7,659,466
—	12,295,000	4,494,725
—	8,815,000	1,019,782
38,595,000	81,380,000	44,273,815
2,172,683	2,228,032	—
—	(165,914)	—
(2,168,348)	(2,168,348)	—
38,599,335	81,273,770	44,273,815

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Future maturities of bond principal on Water and Sewer Authority indebtedness at December 31, 2003 are as follows:

		<u>Principal</u>	
		<u>Outstanding at December 31, 2002</u>	<u>Bonds paid, defeased, or discount amortized during 2003</u>
Water and Sewer Authority Revenue Bonds:			
Four revenue bond issues with interest rates ranging from 4.0% to 5.3125% and two revenue refunding bonds with interest rates ranging from 4.6% to 6.5%. The bonds are payable from revenue from Water and Sewer operations.			
2003	\$	10,704,000	10,704,000
2004		13,144,000	11,000,000
2005		13,741,000	11,515,000
2006		14,369,000	12,060,000
2007		15,029,000	12,640,000
2008		15,724,000	13,260,000
2009 – 2013		91,572,000	28,540,000
2014 – 2018		119,365,000	61,450,000
2019 – 2023		149,300,000	11,190,000
2024 – 2028		181,950,000	—
2029 – 2031		66,235,000	—
Subtotal		691,133,000	172,359,000
Less net bond discount		(2,936,000)	—
Less unamortized discount on 1998 bonds		(119,244,000)	—
Less deferred refunding loss:			
1991 Series		(15,526,000)	—
1998 Series		(4,333,000)	—
2003 Series		—	—
Total	\$	<u>549,094,000</u>	<u>172,359,000</u>

Bonds issued discount and refunding loss amortized during 2003	Outstanding at December 31, 2003	Interest
—	—	
9,894,000	12,038,000	23,301,872
13,661,000	15,887,000	23,272,670
13,856,000	16,165,000	23,034,290
14,122,000	16,511,000	22,685,625
14,459,000	16,923,000	22,275,325
31,540,000	94,572,000	101,410,106
62,435,000	120,350,000	78,138,651
8,373,000	146,483,000	54,711,767
—	181,950,000	94,369,498
—	66,235,000	39,635,913
168,340,000	687,114,000	482,835,717
(628,000)	(3,564,000)	—
2,506,000	(116,738,000)	—
1,732,000	(13,794,000)	—
315,000	(4,018,000)	—
(3,162,000)	(3,162,000)	—
169,103,000	545,838,000	482,835,717

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Guaranteed Debt of Non-Component Unit

The Public Auditorium Authority is now a part of the Sports and Exhibition Authority, which is not a component unit of the City. The following debt was guaranteed by the City when the Public Auditorium Authority was a component unit of the City.

		Principal	
		Outstanding at December 31, 2002	Bonds paid or defeased during 2003
Public Auditorium Authority Revenue Bonds:			
One bond issue with interest rates ranging from 4.6% to 5.85%. The City's share of debt service on these bonds is payable from general revenues.			
	2003	\$ 1,727,500	1,727,500
	2004	1,797,500	—
	2005	1,800,000	—
	2006	1,490,000	—
	2007	1,125,000	—
	2008	455,000	—
	2009 – 2013	2,447,500	—
	2014 – 2018	2,625,000	—
	Total	\$ 13,467,500	1,727,500

<u>Bonds issued during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	600,612
—	1,797,500	517,928
—	1,800,000	432,427
—	1,490,000	359,418
—	1,125,000	303,167
—	455,000	1,152,423
—	2,447,500	446,932
—	2,625,000	—
<u>—</u>	<u>11,740,000</u>	<u>3,812,907</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(A) Council and Public Election General Obligation Bonds

General Obligation Bonds – Series of 2003A

On June 1, 2003, the City issued \$13,575,000 of General Obligation Bonds, Series 2003A, with an average interest rate of 3.81%. The bonds consisted of serial bonds bearing various fixed rates ranging from 2.0% to 4.0% with maturities commencing on September 1, 2004 and continuing annually through September 2028.

The net proceeds of \$13,550,157 (after issuance cost of \$200,290, plus premium of \$190,856) were used to advance refund various series of bonds with an average interest rate of 5.69%.

The proceeds of \$13,550,157 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds will be considered to be defeased, and the related liability for the bonds will be removed from the City's liabilities.

Principal payments refunded were:

<u>Issue/series</u>		<u>Rate</u>		<u>Amount</u>
1993 A	%	4.90	\$	2,310,000
1997 C		4.75		2,580,000
1998 D		4.50		2,430,000
1999 A		4.35		255,000
			\$	<u>7,575,000</u>

The City's advanced refunding increased its total debt service payments over the next 11 years by approximately \$5 million. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of approximately \$300,000. This was done to reduce short-term debt payments. A summary of the City's debt by bond offering follows.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Below is a schedule of General Obligation Bonds as of December 31, 2003.

Serial bonds	Coupon or Ceiling Rate of Interest	Amount Outstanding
1992A*	% 6.40 - 6.75	\$ 14,468,636
1992C*	6.35 - 6.35	1,371,770
1993A	5.00 - 5.50	41,505,000
1994A	5.30 - 5.30	1,690,000
1995A	4.60 - 5.25	73,050,000
1995B	4.60 - 5.13	87,130,000
1996A	4.50 - 6.00	70,170,000
1996B	6.40 - 7.00	18,905,000
1997A	4.75 - 5.00	8,500,000
1997B	4.60 - 5.50	29,735,000
1997C	5.12 - 5.25	20,120,000
1998A,B,C	5.93 - 7.00	250,865,000
1998D	4.00 - 5.25	124,750,000
1999A	4.50 - 5.15	2,040,000
2002A	4.00 - 5.50	126,580,000
2003A	4.00 - 5.50	13,575,000
Subtotal		884,455,406
Plus: URA debt guaranteed by the City		1,125,000
Less: Unamortized bond issuance costs		(6,454,731)
Unamortized bond discounts/premiums		2,218,678
Prepaid interest on debt refinancing		(6,523,095)
Less bonds funded by Stadium Authority		(14,468,635)
Total general obligation bonds payable		\$ 860,352,623

* Zero Coupon Bonds

(B) Stadium Authority

In October 1993, the Authority issued \$15,945,000 Guaranteed Stadium Refunding Bonds, Series 1993 at an average interest rate of 4.43%. These serial bonds still outstanding bear various fixed interest rates ranging from 4.05% to 5.0% and mature annually through October 1, 2005.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(C) *Pittsburgh Water and Sewer Authority*

On September 23, 2003, the Authority issued \$167,390,000 of Water and Sewer System Revenue Refunding Bonds (2003 Bonds). The proceeds of the 2003 Bonds were used to provide funds for the current refunding of a portion of the 1993 Bond Series. This refunding resulted in an economic gain to the Authority of approximately \$4 million and a decrease to the debt service payments of approximately \$4 million. In connection with the 2003 debt refundings, the Authority recorded a deferred refunding adjustment of \$3,162,000 which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2003 Bonds were issued at a bond discount of \$830,000, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2003 Bonds bear interest at rates ranging from 1.150% to 4.75%. Interest is payable in semiannual installments on March 1 and September 1 until maturity. Stated maturities for the 2003 Bonds are at various face amounts on September 1 of each year beginning September 1, 2004 through 2023. The 2003 Bonds, which mature after September 1, 2014, are subject to redemption prior to maturity at the option of the Authority.

(D) *Debt Related to Urban Redevelopment Authority of Pittsburgh (URA) supported by the City (Debt not recorded in URA Amounts)*

(1) *Urban Redevelopment Authority of Pittsburgh Taxable Guaranteed Revenue Bonds – Series 1994B*

In June 1994, the URA issued \$8,245,000 of Taxable Guaranteed Revenue Bonds, Series 1994B with an average interest rate of 7.48%. The remaining bonds outstanding bear a fixed rate of 8.0%.

The net bond proceeds of \$8,183,162 were used to fund the Business Reinvestment fund to provide a working capital loan to Pittsburgh Baseball, Inc. as the sole general partner of Pittsburgh Associates. The loan was given to them over a period of years. As of December 31, 2001, the full amount of the bond proceeds has been given to Pittsburgh Baseball, Inc.

The URA, the City of Pittsburgh and the trustee have entered into a Cooperation and Guaranty Agreement under which the payment of the principal and interest on the Bonds is paid and guaranteed when due by the City. Pursuant to the Agreement, the full faith, credit, and taxing power of the City is pledged for the payment of the principal and interest.

(2) *URA - PDF - Special Tax Development Bonds, Taxable Series of 1995A*

Effective March 1, 1995, the City entered into a Cooperation Agreement (the Agreement) which allocates a portion of the City's Allegheny Regional Asset District (RAD) revenues to pay the debt service on the Authority's Special Tax Development Bonds, Taxable Series of 1995 (Bonds), the proceeds of which were used to fund the Pittsburgh Development Fund.

The Agreement irrevocably assigns to the URA the right to receive (a) the first \$6,200,000 of the City's allocation of Allegheny Regional Asset District (RAD) revenues for each of the ten years beginning March 1, 1995 and (b) the first \$7,500,000 of the City's allocation of Regional Asset District revenues for each of the ten years beginning March 1, 2005.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Although these bonds are not guaranteed by the full faith and credit of the City, the City has pledged its future RAD revenues and has recorded the bonds with the other component unit debt. These bonds are all insured by a municipal bond insurer.

The proceeds of the Bonds, issued February 1, 1995 in the amount of \$61,390,000, were used to create the Pittsburgh Development Fund in the URA, along with satisfying certain bond issuance expenses. The Bonds, with maturities occurring in 1996 through 2014, are limited obligations of the URA and are payable solely from the City's portion of the Allegheny Regional Asset District tax revenues and irrevocably allocated to the URA. The Pittsburgh Development Fund is an economic development fund administered by the URA for targeted and strategic developments which meet the following broad development objectives: business attraction; expansion and retention; land procurement and development, and loans to and investment in certain projects. The Pittsburgh Development Fund will also consider providing venture capital to promising upstart companies in order to encourage economic development within the City and will utilize the existing knowledge base of existing venture firms in the region.

In the prior year, this liability was considered as conduit debt by the URA and the City. Effective in 2003, the City recorded the activity of the URA PDF Trust as an additional legal entity within its discretely presented component units which it believes is a preferable treatment.

(3) Urban Redevelopment Authority of Pittsburgh (URA) Tax Increment Financing Bonds and Notes – Noncommitment Debt

Tax Increment financing bonds are used to finance economic development within the City. The bond proceeds are used to fund various construction projects within the City. Real estate value is thus increased and will provide increased future tax revenue to the City. Under a Tax Increment Financing Cooperative Agreement (the TIF Agreement) with the City, County, and the School District of Pittsburgh, each entity agrees to assign its respective rights to the incremental taxed derived from the TIF project to the URA for the term of the bonds. The difference in the amount of real estate taxes attributable to the TIF property prior to and subsequent to the development of the property constitutes the "increment" that is available to pay debt service on the bonds.

The bonds are not guaranteed by the full faith and credit of the City, and as a result of being jointly funded are not recorded in the City financial statements.

In the event that real estate tax revenues generated under the TIF Agreements are insufficient at any time to pay debt service on the bonds, the respective parties under the Minimum Payment Agreements have agreed to make payments sufficient to remedy such shortfalls. Amounts payable under the Minimum Payment Agreements correspond to debt service requirements on the respective Bonds. Pursuant to the Tenant Agreement, each tenant has agreed to guarantee the full and punctual payment when due of all obligations. During 2003, the City's share of the TIF revenue was \$3,884,322, whereas the City's share of the principal and interest paid on the TIF bonds and note were \$2,663,051.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

As of December 31, 2003, the following is a list of the TIF bonds and notes outstanding:

Serial bonds	Coupon rate of interest	Total outstanding	City portion
1995A (Penn Avenue Place)	% 5.75 - 6.00	\$ 5,240,000	1,983,342
1995B (Lazarus)	5.75 - 6.25	3,700,000	1,400,452
1996 (Alcoa)	7.31 - 8.01	6,740,000	2,546,372
1997 (Oliver Garage)	4.65 - 5.45	14,115,000	5,754,686
1999 (PNC Bank)	6.10 - 7.85	10,650,000	4,342,005
2000 (Mellon)	7.39 - 8.05	13,940,000	5,683,338
2001 (Heinz)	5.89 - 7.16	3,690,000	1,353,861
2003A (Station Square)	8.25 - 8.50	3,750,000	1,375,875
2003B (Station Square)	10.5	3,275,000	1,201,598
2003 Note (Panther Hollow)	6.50 - variable	4,130,000	1,515,297
Total		\$ 69,230,000	27,156,826

The City has forgiven approximately \$3 million in incremental real estate tax revenues to finance the debt service on these bonds during 2003.

(E) *Urban Redevelopment Authority of Pittsburgh (URA) Debt Recorded by URA and not Supported by City*

The Urban Redevelopment Authority of Pittsburgh (URA) has various bonds and loans, which are the obligation of the URA and are not guaranteed or financed by the City of Pittsburgh. The proceeds of these bonds and notes are used to provide mortgages, loans, or grants to individuals or companies within the City of Pittsburgh to be used for urban redevelopment. The bonds and loans are payable from repayment of mortgages and loans and from other revenue and grants received by the URA. Debt issued for the URA as of December 31, 2003 are as follows:

Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City of Pittsburgh. The bonds, including various series and term bonds, bear interest at rates from 1.90% to 7.00% and mature through 2033.

Home Improvement Loan Program Bonds

The URA issued various series of bonds over the life of the program to finance the rehabilitation of residential housing for persons and families of low to middle income throughout the City of Pittsburgh and without regard to income in designated redevelopment areas within the City of Pittsburgh. Serial bonds of \$6,730,000 are currently outstanding. They bear interest at rates varying from 4.20% to 7.20% and mature through 2010. There are also term bonds outstanding of \$10,100,000 with stated interest rates from 5.15% to 6.375% and maturity dates ranging from 2004 through 2021.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Single Family Mortgage Revenue Draw Down Bonds

The purpose of the program is to preserve tax-exempt private activity volume cap by warehousing note proceeds resulting from prepayment redemptions, maturing principal or other special redemptions of the URA until the issuance of long-term bonds. Merrill Lynch has committed to purchase over a three-year period beginning on June 1, 2001 and ending June 1, 2004 up to \$35,000,000 of tax-exempt short-term notes at a variable interest rate of 85% of LIBOR. The note proceeds are invested in a guaranteed investment agreement at a rate higher than the note rate. Upon the issuance of long-term bonds, the notes are refunded. No principal payments are due until 2031.

Bank Loans

The URA received a loan to finance renovations to the Lexington Technology Park buildings. Monthly interest payments are currently being made at an effective rate between 5.62% and 8.30%. Lease rental payments are pledged as collateral for this loan. Final maturity is April 1, 2009.

In 2002, the URA received a loan to finance construction costs incurred to build a garage located at the South Side Works. Interest payments are at an effective rate of 7%, which is the 3-year FHLB rate plus 2.75%. Rental payments and a mortgage are pledged as collateral for this loan. At December 31, 2003, \$3.8 million is outstanding. Final maturity is February 28, 2019.

In 2003, the URA received a second loan to finance construction costs incurred to build garage #2 at the South Side Works. Interest payments are at an effective rate of 7.28%, which is the 5-year FHLB rate plus 2.75%. A mortgage is pledged as collateral for this loan. At December 31, 2003, \$2,236,196 is outstanding. Final maturity is April 1, 2018.

Revolving Line of Credit

During 2000, the URA entered into a \$4 million line of credit agreement with Fannie Mae for the acquisition, construction, development, and rehabilitation of for-sale single-family housing and multi-family rental housing within the City of Pittsburgh. The line carries a term of five years, and each advance will bear interest ranging from LIBOR plus 92 basis points to LIBOR plus 141 basis points, depending on whether a first mortgage is available as a security. As a condition of the line, the URA has provided Fannie Mae with a bank letter of credit backed by \$1 million of the URA's General Fund. There were no draws or payments associated with this loan during 2002. In addition, no balance was outstanding as of December 31, 2003.

During 2002, the URA entered into a \$5 million line of credit agreement with Fannie Mae to finance site improvements related to the Summerset at Frick Park project. This line carries a term of 45 months, and each advance will bear interest of LIBOR plus 141 basis points. The loan is secured by a non-recourse promissory note and a \$1 million pledge from the general fund. There is a balance outstanding of \$260,000 as of December 31, 2003, which was drawn during 2002.

HUD Section 108 Loans

During 2003, the URA received two HUD Section 108 loans to provide funding for the construction of garages at South Side Works. The first loan, in the amount of \$4.5 million is for an 850-space parking garage. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

URA's interest in the tax increment from certain properties located in the South Side. No principal payments are due in 2004.

The second loan, in the amount of \$6.5 million is for the construction of a 367-space parking garage and site improvements in the South Side. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side as well as future Community Development Block Grants. \$275,000 is due in 2004.

Annual debt service requirements of the URA are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2004	\$ 6,167,059	9,251,775	15,418,834
2005	6,243,314	8,966,646	15,209,960
2006	6,081,110	8,671,924	14,753,034
2007	6,080,365	8,375,625	14,455,990
2008	6,637,412	8,071,881	14,709,293
2009-2013	33,055,100	34,655,124	67,710,224
2014-2018	36,498,889	25,155,970	61,654,859
2019-2023	25,885,000	16,216,247	42,101,247
2024-2028	24,155,000	9,037,312	33,192,312
2029-2033	46,365,000	2,290,594	48,655,594
	<u>\$ 197,168,249</u>	<u>130,693,098</u>	<u>327,861,347</u>

URA Component Unit Debt consists of the following:

URA Housing Corporation – Bonds Payable

The URA Housing Corporation issued Multi-Family Refunding Bonds Series 1998 to refund the outstanding Series 1982 Bonds. The bonds bear interest at 5.40%, per annum and mature on July 1, 2022. Interest is payable semi-annually on January 1 and July 1 each year. The outstanding balance at December 31, 2003 was \$3,670,000. A deferred refunding loss of \$249,268 is offset against the liability.

PHDC-URA Loans

PHDC had outstanding construction loans payable to the URA of \$2,174,623. The loans are non-interest bearing. The loans mature through 2005, and are secured by a third lien position on real property and improvement.

PHDC-Bank Loans

The PHDC had outstanding construction loans payable to banks of \$497,559. Interest accrues on the loans at rates between 0% and 8.5%. Loans are due on demand or through 2005.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

Future Maturities

Annual payments of principal required of the component units are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2004	\$ 2,744,726	196,560	2,941,286
2005	167,456	190,215	357,671
2006	130,000	183,465	313,465
2007	135,000	176,310	311,310
2008	150,000	168,885	318,885
2009-2013	860,000	714,825	1,574,825
2014-2018	1,145,000	449,280	1,594,280
2019-2023	1,010,000	112,050	1,122,050
	<u>\$ 6,342,182</u>	<u>2,191,590</u>	<u>8,533,772</u>

All interest expense on loans of the primary government and its component units is reported as program expense as the borrowings are essential to the programs and the financial statements would be misleading to exclude these charges as direct expenses.

(F) Other Long-Term Obligations

The following is a summary of transactions affecting all other long-term obligations of the City during 2003:

	<u>Accrued workers' compensation</u>	<u>Accrued compensated absences</u>	<u>Accrued claims and judgments</u>
Balance, January 1, 2003	\$ 80,816,573	33,000,043	3,410,000
Additions	19,973,215	16,849,134	1,132,505
Reductions/payments	<u>(21,429,362)</u>	<u>(17,814,243)</u>	<u>(1,475,005)</u>
Balance, December 31, 2003	79,360,426	32,034,934	3,067,500
Less amounts accrued within short-term	<u>(19,026,283)</u>	<u>(16,926,064)</u>	<u>(2,067,500)</u>
Long-term portion, December 31, 2003	<u>\$ 60,334,143</u>	<u>15,108,870</u>	<u>1,000,000</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(10) Due From/To Other Governments

(A) Due From Other Governments

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 2003:

General fund:	
Pennsylvania Department of Transportation	\$ 1,423,452
Commonwealth of Pennsylvania	422,459
Regional Asset District (RAD)	2,888,246
	<hr/>
	4,734,157
Special revenue CDBG:	
Housing and Urban Development	3,570,349
Other governmental funds:	
Job Training Partnership Program	1,179,294
Allegheny County – Public Safety	392,910
Allegheny County - Parks	170,092
PA Department of Transportation - LFT	1,104,372
	<hr/>
	2,846,668
Capital projects:	
Commonwealth of Pennsylvania – Highway Fund	200,559
Federal Government – Highway Funds	795,975
	<hr/>
	996,534
	<hr/>
Total due from other governments – governmental funds	\$ <u>12,147,708</u>

(B) Due To Other Governments

Funds collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2003:

General fund:	
Pittsburgh Board of Education	\$ 1,606,362
Commonwealth of Pennsylvania	110,091
Sports and Exhibition Authority	92,535
	<hr/>
	1,808,988
Capital projects:	
Commonwealth of Pennsylvania	800,000
Other governmental funds:	
Federal government	1,322,802
	<hr/>
Total due to other governments	\$ <u>3,931,790</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(11) Interfund Receivable and Payable Balances

DUE TO (FUND)	DUE FROM (FUND)					
		General	Other governmental	Capital projects	Community development	Total
General fund	\$	—	1,384,374	2,000,000	479,848	3,864,222
Other governmental		1,766	—	841,966	279,050	1,122,782
Capital projects		—	—	—	1,364,874	1,364,874
TOTAL	\$	1,766	1,384,374	2,841,966	2,123,772	6,351,878

All interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made.

The due from other funds amount for the general fund on the governmental funds balance sheet also includes \$269,083 due to the general fund from the agency fund. All amounts above, except fiduciary (Pension and Agency funds), eliminate at the government-wide financial statement level.

Discrete component unit interfund receivable and payable balances:

	Receivables	Payables
Agency funds	\$ 949,274	—
Pittsburgh Water and Sewer Authority	—	949,274
Total balances between governmental funds and component units	\$ 949,274	949,274

(12) Operating Transfers

Transfers between primary government funds:

TRANSFER TO (FUND)	TRANSFER FROM (FUND)			
		Other	Community	
	General	governmental	projects	Total
General fund	\$ —	755,000	—	755,000
Debt service	70,048,725	—	15,409	70,064,134
Other governmental	778,000	163,545	3,474,981	4,416,526
TOTAL	\$ 70,826,725	918,545	3,490,390	75,235,660

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(13) Fund Deficits

(A) *Stadium Authority Deficit*

The deficit of the Stadium Authority will be subsidized through future revenues from the Regional Asset District. The Stadium Authority will receive decreasing amounts of support through the year 2010 sufficient enough to pay off all bond obligations that they currently owe.

(B) *Pittsburgh Water and Sewer Authority*

Net assets have been reduced by \$17,126,000 in 2003, which has resulted in a net asset deficit of \$34,132,000 as of December 31, 2003. The Authority has extended its contract with a nationally known service company to improve operations, has placed delinquent accounts with a collection agency to improve collections, and has approved rate increases in an effort to cover increased debt service and to reduce the deficit position. Water usage rates increased by 19% effective February 1, 2004.

(14) Related Party Transactions

- (A) Under the terms of agreements dated July 1, 1965, December 1, 1985, and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the stadium complex and debt service on the stadium bonds over the total funds available to the Stadium Authority for those purposes. The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the stadium complex and debt service on the stadium bonds. The Stadium Authority has this reflected as a long-term note due to the City of Pittsburgh. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

On June 17, 1992, the City and the Stadium Authority entered into an agreement to restructure the Stadium Authority's Series 1985 Bonds. Under the agreement, the City issued bonds, and certain of these bond proceeds were escrowed for repayment of the Authority's Series 1985 Bonds. Funds provided by the City were used to fully redeem the Series 1985 Bonds during the fiscal year ended March 31, 1994. The funds provided are reflected by the Stadium Authority as long-term payable to the City of Pittsburgh for a total of \$11,755,000. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection since the stadium assets were significantly eliminated when the stadium was demolished.

- (B) The URA, acting as the City's agent under a 1981 cooperation agreement, made two loans from prior years' Urban Redevelopment Action Grant (UDAG) funds to a development company to assist in the construction of the Parkway Center Mall in the City's West End, which was completed in November 1982. Neither of these loans are reflected as a receivable in the City's financial statements due to the contingent nature of repayments and unspecified terms when the loans were made.

The first loan of \$2,000,000 was made under an agreement dated October 30, 1981, as amended April 22, 1982 and April 2, 1984, the purpose of which was to assist in the construction costs of the mall; repayments are contingent upon positive cash flows and other factors. The loan, which has a 27-year term with varying interest rates, is to be repaid to the City by the URA at the City's discretion. The Parkway Center Mall asked for and received a deferral of their loan payment for

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

2003 and 2004. The balance of the receivable from the URA, should the city continue to exercise its option, at December 31, 2003 was \$1,106,650.

The second loan of \$6,819,972 was made under an agreement dated April 2, 1984 for the construction of highway ramps to connect the mall with I-279. This loan agreement was amended on July 13, 1992. Repayment of the loan was to commence on June 1, 1992. The term of the loan is 30 years with varying fixed interest rates. They also received a deferral in 2003 and 2004 for this loan. The remaining balance including accrued interest is \$5,373,786 at December 31, 2003.

- (C) In February 2000, the Public Parking Authority and the City of Pittsburgh amended the cooperation agreement between them dated February 5, 1995. Among other things, the amended cooperation agreement increased from \$1.4 million to \$1.9 million the Authority's annual payment in lieu of real estate taxes to the City. Under the terms of the agreement, however, the payment to the City is made only upon the Authority successfully meeting its annual debt service requirements, determined each year on December 15. This amendment effectively subordinates the Authority's annual payment in lieu of taxes, providing additional security for Authority bondholders. The Authority has reflected within their financial statements as accounts payable and other accrued expenses amounts owed to the City for miscellaneous items totaling \$216,771. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

(15) Construction and Lease Commitments

As of December 31, 2003, the City had the following commitments with respect to unfinished capital projects:

Capital project	Remaining construction commitment	Expected date of completion
Sixth floor City-County Building rehabilitation	\$ 187,655	January 2004
Edgebrook Avenue Bridge	305,740	May 2004
Highland Park Fountain	287,977	June 2004
P.J. McArdle Roadway	155,123	May 2004
Noblestown Road Retaining Wall	155,197	April 2004
West End Overlook	93,980	January 2004
Total	<u>\$ 1,185,672</u>	

Commencing on July 3, 2002, the City entered into a twenty year, noncancelable (unless there is a default of the terms by either party) lease for office space to be used by the Department of Public Safety, Police Bureau. The lease includes additional renewal options to extend the lease for four consecutive terms of five years each. The terms of the lease do not start until the Police Bureau takes possession of the property. The first lease payment was made for March 2004.

There is an option to purchase, but it is unknown at this time whether the City will exercise this option. Since the lease is not effective until 2004, the City will evaluate whether this will be treated as an operating or capital lease during 2004.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

The minimum future rental payments required by the lease are as follows:

		<u>Year ended December 31</u>
2004	\$	1,050,000
2005		1,260,000
2006		1,260,000
2007		1,260,000
2008		1,260,000
Thereafter		21,435,400

The City also has operating leases for copier rental and various other small office machines. The rental cost of the copier machines was \$221,226 for the year ending December 31, 2003.

(16) Regional Asset District Revenues

In December 1993, the Commonwealth of Pennsylvania legislature approved Act 77 of 1993 authorizing the creation of the Allegheny Regional Asset District (Regional Asset District) by Allegheny County. The Regional Asset District is a special purpose district whose primary purpose is to provide support and financing for regional community assets that were historically funded by the City, County, or local municipalities. The City does not include the Regional Asset District within its reporting entity since the City is not financially accountable for the Regional Asset District's operations. These community assets include regional parks of the City and County, municipal libraries, the Pittsburgh Zoo, the Pittsburgh Aviary, Phipps Conservatory, the old Three Rivers Stadium debt, PNC Park, Heinz Field, and community cultural facilities.

Regional Asset District revenue allocated to the City totaled approximately \$20.0 million in 2003. The City allocated approximately \$5.9 million to park operations, \$1.6 million to debt service, and \$4 million in grants to the school board.

The City has irrevocably allocated/pledged a portion of its future Regional Asset District revenues to the Urban Redevelopment Authority of Pittsburgh for the establishment of the Pittsburgh Housing Development Corporation. As further discussed in Footnote 9, the Pittsburgh Housing Development Corporation is an economic development fund that will be used for making loans to and investments in certain projects located within the City. The amounts are pledged for the next 19 years with \$6,200,000 annually allocated for the first nine years and \$7,500,000 annually thereafter.

(17) Contingencies

The City has been named as a defendant in a number of lawsuits arising in the ordinary course of its operations against which the City is not insured. In the opinion of the City Solicitor, adequate accrual has been made in the financial statements for such lawsuits.

There are currently a number of real estate appeals in process for which the outcome and possible further reduction in the real estate tax levy cannot be determined at this time. The City has accrued an estimate for tax refunds within accounts payable on the statements of net assets and governmental funds (general) balance sheet.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

The City receives federal and state grants under a number of programs. The expenditures of the City under such programs are subject to audit and possible disallowance. Historically, such audits have not resulted in significant disallowances of program costs, and City management believes that audits of existing programs will not result in significant liability to the City. Consequently, no provision for losses has been recorded in the accompanying financial statements for the legal action discussed in this and the preceding paragraphs.

(18) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The risk of loss to which the City is exposed for the above mentioned items is handled through various insurance coverages. As of December 31, 2003, there were no settlements exceeding coverage for the past three years. The City also covers certain claim settlements and judgments from its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Provisions are recorded within current liabilities for amounts payable within one year. Amounts not payable within one year are reported within long-term liabilities.

Changes in the accrued claims and judgments liability during the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Accrued claims and judgments, January 1	\$ 3,410,000	3,270,000
Current year claims	1,132,505	1,374,831
Claim payments	(1,475,005)	(1,234,831)
Accrued claims and judgments, December 31	<u>\$ 3,067,500</u>	<u>3,410,000</u>

These accruals are subject to potential losses in excess of the amount recorded at year end; it is unlikely that the amount for such potential losses would be material.

Also, the City is fully self-insured for workers' compensation benefits. These amounts were calculated by actuaries, based on industry standards and utilizing discount rates ranging between 1.08% and 5.43%. A self-insurance reserve fund in the amount of \$304,653 (classified as restricted within general fund) is maintained, due to a legal requirement under self-insurance regulations of the State of Pennsylvania, in the general fund.

Changes in the accrued workers' compensation liability during the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Accrued workers' compensation, January 1	\$ 80,816,573	91,592,415
Current year claims and development of prior year accruals	19,973,215	9,811,410
Claim payments	(21,429,362)	(20,587,252)
Accrued workers' compensation, December 31	<u>\$ 79,360,426</u>	<u>80,816,573</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Required Supplementary Information

Pension Trust Funds

Schedule of Funding Progress

(In Thousands)

Actuarial valuation date (January 1)	Pension plan	Actuarial value of plan assets	Actuarial accrued liability	Unfunded actuarial liability	Actuarial value of assets as a percentage of annual accrued liability	Annual covered payroll	Unfunded actuarial liability as a percentage of annual covered payroll
2001	Municipal	\$ 124,935	\$ 185,656	\$ 48,012	67.3%	\$ 64,621	74.3%
	Police	150,833	305,282	152,196	49.4%	51,345	296.4%
	Fire	<u>147,291</u>	<u>222,041</u>	<u>70,088</u>	<u>66.3%</u>	<u>50,326</u>	<u>139.3%</u>
	Total	<u>\$ 423,059</u>	<u>\$ 712,979</u>	<u>\$ 270,296</u>	<u>59.3%</u>	<u>\$ 166,292</u>	<u>162.5%</u>
2002	Municipal	\$ 111,528	\$ 205,300	\$ 93,772	54.3%	\$ 69,594	134.7%
	Police	133,280	314,033	180,753	42.4%	54,815	329.8%
	Fire	<u>136,442</u>	<u>233,373</u>	<u>96,931</u>	<u>58.5%</u>	<u>52,054</u>	<u>186.2%</u>
	Total	<u>\$ 381,250</u>	<u>\$ 752,706</u>	<u>\$ 371,456</u>	<u>50.7%</u>	<u>\$ 176,463</u>	<u>210.5%</u>
2003	Municipal	\$ 91,604	\$ 212,206	\$ 120,602	43.2%	\$ 69,034	174.7%
	Police	106,340	323,466	217,126	32.9%	54,308	399.8%
	Fire	<u>114,527</u>	<u>230,092</u>	<u>115,565</u>	<u>49.8%</u>	<u>54,006</u>	<u>214.0%</u>
	Total	<u>\$ 312,471</u>	<u>\$ 765,764</u>	<u>\$ 453,293</u>	<u>40.8%</u>	<u>\$ 177,348</u>	<u>255.6%</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Combining Statement of Fiduciary Net Assets

Agency Funds

December 31, 2003

Assets	Employee benefits	Payroll withholding	Deposits	Other	Total
Cash and short-term investment, at cost which approximates market	\$ 971,028	1,148,746	3,271,726	614,276	6,005,776
Due from general fund	—	—	—	507,139	507,139
Due from other funds	271,239	—	—	—	271,239
Due from Pension Trust Fund	116,631	—	—	—	116,631
Due from component units	949,274	—	—	—	949,274
Other receivables	—	—	—	14,340	14,340
Total assets	\$ 2,308,172	1,148,746	3,271,726	1,135,755	7,864,399
Liabilities					
Accrued liabilities	\$ 2,308,172	887,163	1,858,740	524,272	5,578,347
Due to other governments	—	—	—	18,884	18,884
Due to general fund	—	261,583	—	7,500	269,083
Deposits held in trust	—	—	1,412,986	585,099	1,998,085
Total liabilities	\$ 2,308,172	1,148,746	3,271,726	1,135,755	7,864,399

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Combining Balance Sheet

Other Governmental Funds

December 31, 2003

Assets	Equipment leasing authority	Liquid fuels tax	JTPA	Public safety	Civic and cultural	Total other governmental funds
Cash and short-term investments, at cost which approximates market	\$ 1,081,896	2,268,798	1,021,912	5,871,099	1,359,663	11,603,368
Receivables:						
Accrued interest	—	2,023	—	—	—	2,023
Other	—	—	—	775,897	73,845	849,742
Due from general fund	—	—	—	1,766	—	1,766
Due from other special revenue	—	—	152,341	—	126,709	279,050
Due from capital projects	841,966	—	—	—	—	841,966
Due from other governments	—	1,104,373	1,179,294	392,909	170,092	2,846,668
Total assets	\$ 1,923,862	3,375,194	2,353,547	7,041,671	1,730,309	16,424,583
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,952	545,696	936,313	41,313	174,020	1,699,294
Accrued liabilities	—	380,388	85,889	218,964	70,540	755,781
Due to general fund	—	—	1,231,261	101,109	52,004	1,384,374
Due to other special revenue	—	—	—	—	—	—
Due to capital projects	—	—	—	—	—	—
Due to trust	—	—	75,513	—	—	75,513
Due to other governments	—	—	—	1,322,802	—	1,322,802
Total liabilities	1,952	926,084	2,328,976	1,684,188	296,564	5,237,764
Fund balances:						
Reserve for encumbrances	—	2,963	—	202,166	58,631	263,760
Unreserved	1,921,910	2,446,147	24,570	5,155,318	1,375,114	10,923,059
Total fund balances	1,921,910	2,449,110	24,570	5,357,484	1,433,745	11,186,819
Total liabilities and fund balances	\$ 1,923,862	3,375,194	2,353,546	7,041,672	1,730,309	16,424,583

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

Fiscal Year ended December 31, 2003

	<u>Equipment leasing authority</u>	<u>Liquid fuels tax</u>	<u>JTPA</u>	<u>Public safety</u>	<u>Civic and cultural</u>	<u>Total other governmental funds</u>
Revenues:						
Interest earnings	\$ 234	52,023	—	18,945	—	71,202
Fines and forfeits	—	—	—	26,929	—	26,929
Intergovernmental revenues	—	5,632,102	10,535,457	1,930,052	1,026,645	19,124,256
Charges for user services	—	—	—	4,592,597	1,500,332	6,092,929
Miscellaneous revenue	471,678	—	—	124,948	46,014	642,640
Total revenues	471,912	5,684,125	10,535,457	6,693,471	2,572,991	25,957,956
Expenditures:						
General government	402,256	—	(4,000)	519,808	91,359	1,009,423
Public safety	—	—	—	6,495,366	—	6,495,366
Public works	—	7,400,121	—	—	17,641	7,417,762
Sanitation	—	—	—	—	218,241	218,241
Community, recreational, and cultural	—	—	—	—	2,128,783	2,128,783
Intergovernmental programs	—	—	10,539,457	—	—	10,539,457
Capital projects	2,842,267	—	—	—	—	2,842,267
Total expenditures	3,244,523	7,400,121	10,535,457	7,015,174	2,456,024	30,651,299
(Deficiency) excess of revenues (under) over expenditures	(2,772,611)	(1,715,996)	—	(321,703)	116,967	(4,693,343)
Other financing sources (uses):						
Operating transfers from other funds	3,638,526	—	—	778,000	—	4,416,526
Operating transfers to other funds	—	—	—	(863,545)	(55,000)	(918,545)
Total other financing sources	3,638,526	—	—	(85,545)	(55,000)	3,497,981
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	865,915	(1,715,996)	—	(407,248)	61,967	(1,195,362)
Fund balances at beginning of year	1,055,995	4,165,106	24,570	5,764,732	1,371,778	12,382,181
Fund balances at end of year	\$ 1,921,910	2,449,110	24,570	5,357,484	1,433,745	11,186,819

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Data on the Budgetary Basis – Capital Projects

Capital Projects Funds

Fiscal Year ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Sale of building	\$ —	1,726,000	1,726,000
Miscellaneous	—	60,000	60,000
Intergovernmental	5,700,000	7,221,407	1,521,407
Total revenues	<u>5,700,000</u>	<u>9,007,407</u>	<u>3,307,407</u>
Expenditures:			
Capital projects:			
Engineering and construction	44,131,403	9,404,421	34,726,982
Parks and recreation	1,096,365	126,037	970,328
Public works	6,074,213	3,807,285	2,266,928
General services	1,607,968	482,117	1,125,851
Urban Redevelopment Authority	6,667,085	5,615,585	1,051,500
Capital outlay	37,757,011	7,382,318	30,374,693
Other	20,715,851	7,496,514	13,219,337
Bond issuance costs	85,020	1,171	83,849
Total expenditures	<u>118,134,916</u>	<u>34,315,448</u>	<u>83,819,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(112,434,916)</u>	<u>(25,308,041)</u>	<u>87,126,875</u>
Other financing sources:			
Bond proceeds	—	—	—
Operating transfers in	—	25,900	25,900
Operating transfers out	—	—	—
Payment to refunded debt escrow agent	—	—	—
Total other financing sources	<u>—</u>	<u>25,900</u>	<u>25,900</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(112,434,916)</u>	<u>(25,282,141)</u>	<u>87,152,775</u>
Fund balances – budgetary basis, beginning of year	<u>112,434,916</u>	<u>103,278,782</u>	<u>9,156,134</u>
Fund balances – budgetary basis, end of year	<u>\$ —</u>	<u>77,996,641</u>	<u>77,996,641</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Capital Projects Funds

Year ended December 31, 2003

(Amounts expressed in thousands)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement	\$ 9,007
The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget	<u>11,408</u>
Total Capital Projects fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 20,415</u></u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement	\$ 34,315
The adjustments to convert to GAAP basis, recording of expenditures, and liabilities not included in budget	<u>8,092</u>
Total Capital Projects fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 42,407</u></u>

See accompanying notes to financial statements.

Table 1**CITY OF PITTSBURGH, PENNSYLVANIA****General Governmental Revenues (1)**

Last Ten Years

(GAAP Basis)

(Amounts in Thousands)

	2003	2002	2001	2000
Taxes (2)	\$ 302,991	301,371	292,943	283,277
Payment in lieu of taxes	510	837	1,612	1,966
Interest earnings	1,062	2,360	6,660	11,083
Fines and forfeits	7,693	8,556	7,739	8,048
Licenses and fees (4)	28,495	26,478	27,329	30,161
Intergovernmental	72,400	57,963	66,607	60,152
Charges for user services	7,559	7,057	5,583	4,519
Pension state aid	18,214	16,000	16,000	13,250
Miscellaneous	3,291	4,911	1,297	3,838
Total	\$ 442,215	425,533	425,770	416,294

(1) Includes general, special revenue, debt service, and capital projects funds.

(2) Includes penalty and interest.

(3) Restated for GASB No. 22 implementation.

(4) Includes BBI, EMS, Cable Bureau Trust Funds beginning in 1999.

1999	1998	1997	1996	1995	1994 (3)
275,291	269,472	263,767	269,213	253,528	248,829
1,821	2,313	2,171	3,583	4,981	4,644
9,166	10,321	8,432	8,942	5,263	3,673
8,565	8,031	7,351	6,861	5,782	6,471
16,050	6,995	11,171	8,323	7,447	9,511
66,217	62,401	64,055	59,152	52,478	46,663
15,690	21,025	22,279	18,457	17,922	17,071
13,258	14,632	—	—	—	—
3,080	2,987	1,722	1,141	2,095	2,379
409,138	398,177	380,948	375,672	349,496	339,241

Table 1A
CITY OF PITTSBURGH, PENNSYLVANIA

General Fund Tax Revenues by Source

Last Ten Years

(Amounts in Thousands)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Real estate tax	\$ 127,113	123,756	117,294	113,449
Mercantile tax	7,909	7,283	7,467	7,194
Amusement tax	9,456	9,554	8,809	8,256
Personal property tax	—	—	—	—
Earned income tax	45,924	47,642	46,684	48,707
Deed transfer tax	9,172	10,218	8,322	8,743
Sewage charges (1)	—	—	—	—
Parking tax	31,893	32,215	32,208	30,960
Occupation privilege tax	3,143	3,134	3,094	3,244
Business privilege tax	43,424	42,952	43,859	38,468
Institution/service tax	424	470	538	521
Penalties and interest	3,394	2,620	3,667	3,234
Public service privilege	1,103	967	1,016	936
Cable indirect cost	—	—	—	—
Regional Asset District	20,036	20,560	19,985	19,565
Total tax revenues	\$ <u>302,991</u>	<u>301,371</u>	<u>292,943</u>	<u>283,277</u>

(1) Sewage amount is in a nontax revenue category for years 1997 through 1999.

(2) Includes tax lien sales.

1999	1998	1997 (2)	1996 (2)	1995	1994
117,966	112,434	123,993	120,136	112,752	113,306
6,935	7,038	6,773	6,966	6,489	6,580
5,584	7,813	5,744	6,415	5,789	8,692
—	—	—	—	8	4,079
41,595	42,941	36,901	39,146	34,793	39,675
10,816	9,317	7,537	6,711	7,281	5,756
—	—	—	1,474	1,441	1,486
28,817	28,728	23,461	22,757	21,937	21,261
3,106	3,142	2,670	2,890	3,145	3,289
35,447	35,269	35,465	36,210	35,337	33,252
616	802	1,098	909	822	696
4,898	2,045	2,380	3,730	4,078	4,299
680	641	703	399	450	400
—	1,175	—	343	—	—
18,831	18,127	17,042	21,127	19,206	6,058
275,291	269,472	263,767	269,213	253,528	248,829

Table 2
CITY OF PITTSBURGH, PENNSYLVANIA

General Governmental Expenditures (1)

Last Ten Years

(Amounts in Thousands)

	<u>2003 (2)</u>	<u>2002 (2)</u>	<u>2001</u>	<u>2000</u>
General government	\$ 61,994	71,000	46,512	44,252
Public safety	221,946	207,966	157,684	150,360
Public works	51,655	53,624	27,121	27,619
Sanitation	10,942	12,684	10,600	10,640
Community, recreational, and cultural	10,631	11,978	9,220	7,286
Employee benefits, etc.	—	—	65,273	60,596
Claims and judgments	1,113	2,180	1,531	1,012
Miscellaneous	3,024	2,365	2,816	1,448
Intergovernmental programs	25,281	20,083	21,568	15,495
Capital outlay	21,108	7,893	33,572	38,212
Bond issue costs	200	991	321	—
Debt service/authorities	88,370	88,590	98,200	97,092
Total	\$ <u>496,264</u>	<u>479,354</u>	<u>474,418</u>	<u>454,012</u>

(1) Includes general, special revenue, debt service, and capital projects funds.

(2) Restated for GASB No. 34 implementation. Employee benefits are now distributed to the various departments/functions.

1999	1998	1997	1996	1995	1994
43,004	42,927	51,401	31,691	29,880	27,603
143,878	139,567	137,815	134,602	131,838	129,879
28,129	29,901	27,167	36,487	39,558	38,246
10,062	9,981	12,050	12,770	12,035	11,966
8,403	7,920	8,407	8,557	8,147	14,657
58,582	310,299	73,535	89,521	52,109	60,129
10,409	2,519	(3,854)	4,436	2,519	1,165
633	1,885	980	1,192	2,581	3,076
21,176	15,542	10,191	23,560	22,652	17,899
48,448	42,484	45,630	46,117	39,108	37,029
594	2,385	601	1,651	1,138	376
84,016	75,545	55,396	52,218	66,392	59,806
457,334	680,955	419,319	442,802	407,957	401,831

Table 3
CITY OF PITTSBURGH, PENNSYLVANIA
Assessed Value, Tax Rate, Levy, and Collections
Last Ten Years
(Amounts in Thousands)

Fiscal year	(2) Assessed valuation of land and buildings	Land millage	Building millage	Original net levy	Adjusted net levy (1)	Budgeted
1994	\$ 2,070,364	184.5	32.00	\$ 121,269	\$ 119,694	\$ 111,500
1995	2,047,583	184.5	32.00	121,976	117,959	112,117
1996	2,036,489	184.5	32.00	118,952	115,898	109,720
1997	2,047,441	184.5	32.00	119,741	111,066	109,180
1998	2,085,013	184.5	32.00	121,674	105,822	110,715
1999	2,096,829	184.5	32.00	122,053	117,382	113,715
2000	2,125,768	184.5	32.00	125,422	119,649	112,010
2001	13,346,238	10.8	10.80	144,139	127,784	115,900
2002	14,677,667	10.8	10.80	158,454	131,245	121,500
2003	13,578,918	10.8	10.80	146,652	129,355	123,132

(1) Represents net levy as of December 31 of the tax year (i.e., net of exonerations, discounts, and additions granted in that year).

(2) In 2001, assessed value percent of market value increased to 100%.

(3) 2001 and 2002 receipts are net of refunds.

Year of original levy							Delinquent taxes						
(3) Receipts		Percent of original net levy collected		Percent of adjusted net levy collected		Percent of budget collected		Collection		Percent of budget collected			
								Budget	Receipts				
\$	110,463	%	91.1	%	92.3	%	99.1	\$	4,850	\$	4,371	%	90.1
	110,166		90.3		93.4		98.3		4,938		4,733		95.8
	110,276		92.7		95.1		100.5		8,773		12,130		138.3
	113,251		94.6		101.9		103.7		13,675		13,018		95.2
	112,562		92.5		99.3		101.6		5,521		6,644		120.3
	112,569		92.2		95.9		99.0		5,686		5,397		94.9
	110,644		88.2		92.5		98.8		4,500		2,967		65.9
	118,500		81.9		92.9		101.9		3,500		2,689		76.8
	123,692		78.1		94.2		102.0		4,300		4,359		101.0
	125,311		85.4		96.9		101.8		3,139		2,084		66.4

Table 4
CITY OF PITTSBURGH, PENNSYLVANIA
Assessed and Estimated Actual Value of Property
Last Ten Years
(Amounts in Thousands)

Fiscal year	Real property		Personal property		Total		(2) Ratio of total assessed value to total estimated actual value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
1994	\$ 2,070,364	\$ 9,720,019	\$ 934,944	\$ 934,944	\$ 3,005,308	\$ 10,654,963	0.282
1995	2,047,583	9,658,410	(1)		2,047,583	9,658,410	0.212
1996	2,036,489	9,934,093	(1)		2,036,489	9,934,093	0.205
1997	2,047,441	10,085,916	(1)		2,047,441	10,085,916	0.203
1998	2,085,013	10,530,369	(1)		2,085,013	10,530,369	0.198
1999	2,096,829	10,978,162	(1)		2,096,829	10,978,162	0.191
2000	2,125,768	11,129,675	(1)		2,125,768	11,129,675	0.191
2001	13,346,238	13,346,238	(1)		13,346,238	13,346,238	1.000 (3)
2002	14,671,667	14,671,667	(1)		14,671,667	14,671,667	1.000
2003	13,578,918	13,578,918	(1)		13,578,918	13,578,918	1.000

(1) In 1995, as part of the Regional Asset District (RAD) Tax, the personal property tax was repealed.

(2) Source Pa. State Tax Equalization Board (www.steb.state.pa.us) Common Level Ratio.

(3) The 2001 reassessment went to 100% assessed to market value.

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

Property Tax Rates –
Direct and Overlapping Governments

Last Ten Years

Fiscal year	City of Pittsburgh			School district millage	County millage (2)	Total millage
	Land millage	Building millage	Average (1)			
1994	184.500	32.000	58.573	59.700	36.500	154.773
1995	184.500	32.000	58.421	59.700	31.500	154.621
1996	184.500	32.000	58.414	59.700	25.200	143.314
1997	184.500	32.000	58.483	59.700	25.200	143.383
1998	184.500	32.000	58.483	59.700	25.200	143.383
1999	184.500	32.000	58.483	59.700	25.200	143.383
2000	184.500	32.000	58.483	59.700	25.200	143.383
2001	10.800	10.800	10.800	13.920	4.720	29.440
2002	10.800	10.800	10.800	13.920	4.720	29.440
2003	10.800	10.800	10.800	13.920	4.720	29.440

- (1) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
- (2) As of January 1, 1998, the Institution District was dissolved and its 3.5 tax rate (millage) was included in County millage.

The basis for the property tax rates is per each \$1,000 of assessed valuation.

Table 6
CITY OF PITTSBURGH, PENNSYLVANIA

Principal Real Estate Taxpayers

December 31, 2003

(Amounts in Thousands)

Taxpayer	Principal type of business	2003 assessed valuation	Percentage of total assessed value
500 Grant Street Associates (One Mellon Center)	Real estate	\$ 430,386	3.17%
Market Associates (Subsidiary of PPG Industries)	Real estate	185,000	1.36%
600 Grant Street Associates (USX Building)	Real estate	160,000	1.18%
Buncher Company	Real estate	137,104	1.01%
Oxford Development	Real estate	133,653	0.98%
Pittsburgh National Corporation	Commercial banking	125,988	0.93%
Grant Liberty Development	Real estate	110,000	0.81%
Gateway Trizec, Inc. (previously known as Equitable Life Assurance Society of the United States)	Real estate	93,000	0.68%
Penn-Liberty Holding Co.	Real estate	84,970	0.63%
May Department Stores	Real estate	60,164	0.44%

Source: City of Pittsburgh – Department of Finance

Note: This reflects the change in the City's assessment process. (See Footnote 6.)

Total assessed value (in thousands) \$13,578,918

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA

Net Debt and Remaining Debt Incurring Margin
in Accordance With Act No. 52, Approved April 28, 1978

Local Government Unit Debt Act

December 31, 2003

	<u>Nonelectoral debt</u>	<u>Lease rental debt</u>
Gross debt (1):		
Principal amount of bonds issued and outstanding:		
General obligation	\$ 860,352,623	—
Auditorium Authority	—	11,740,000
Stadium Authority	—	18,959,994
Urban Redevelopment Authority	—	79,781,854
	<hr/>	<hr/>
Total gross debt	860,352,623	110,481,848
Items deductible from gross debt:		
Cash and legal investments held in sinking fund		
for payment of bonds and notes	144,735	—
Cash in bond fund applicable to debt	20,915,869	—
Delinquent real estate taxes	2,363,522	—
Self-liquidating and subsidized debt:		
Taxable General Obligation Pension Bonds, 1996B	18,905,000	—
Taxable General Obligation Pension Bonds, 1998ABC	250,865,000	—
	<hr/>	<hr/>
Total deductions	293,194,126	—
	<hr/>	<hr/>
Net debt	\$ <u>567,158,497</u>	<u>110,481,848</u>

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$545,838,000 are not considered debt of the City for purpose of this calculation.

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA

Net Debt and Remaining Debt Incurring Margin
in Accordance With Act No. 52, Approved April 28, 1978

December 31, 2003

Allocation of Total Net Debt

Net nonelectoral debt	\$ 567,158,497
Net lease rental debt	<u>110,481,848</u>
Net nonelectoral and lease rental debt	<u><u>\$ 677,640,345</u></u>

Debt Incurring Margin

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total net revenue of the City	\$ 357,012,350	359,250,987	<u>358,510,299</u>
Borrowing base (arithmetic average of total net revenue for said three fiscal years)			<u><u>\$ 358,257,879</u></u>

	<u>Net nonelectoral debt (borrowing base x 250%)</u>	<u>Net nonelectoral and lease rental debt (borrowing base x 350%)</u>
Debt limitations	\$ 895,644,697	1,253,902,575
Less existing net debt	<u>(567,158,497)</u>	<u>(677,640,345)</u>
Remaining debt incurring margin	<u><u>\$ 328,486,200</u></u>	<u><u>576,262,230</u></u>

Table 8

CITY OF PITTSBURGH, PENNSYLVANIA

Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita

Last Ten Years

(Amounts in Thousands)

Fiscal year	Population	Assessed value (1)	Gross bonded debt	Less debt service funds	Net general bonded debt	Ratio of net general bonded debt to assessed value	Net general bonded debt per capita
1994	370	\$ 2,070,364	\$ 472,642	\$ 635	\$ 472,007	% 22.80	\$ 1,276
1995	370	2,047,583	548,004	7,311	540,693	26.41	1,461
1996	370	2,036,489	579,210	21,747	557,463	27.37	1,507
1997	370	2,047,441	637,768	16,749	621,019	30.33	1,678
1998	370	2,085,013	879,185	12,512	866,673	41.57	2,342
1999	370	2,096,829	914,640	15,705	898,935	42.87	2,430
2000	335	2,125,768	884,428	14,798	869,630	40.91	2,596
2001	335	13,348,278	852,821	11,044	841,777	6.31	2,513
2002	335	14,669,013	891,423	510	890,913	6.08	2,659
2003	335	13,578,918	860,353	172	860,181	6.34	2,568

(1) Method of assessing real estate was changed in 2001. (See Footnote 5.)

Table 9**CITY OF PITTSBURGH, PENNSYLVANIA**

Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt (1) to Total General
Governmental Expenditures

Last Ten Years

Fiscal year	Principal	Interest (2)	Total debt service	Total general governmental expenditures	Ratio of debt to general governmental expenditures
1994	\$ 24,103	\$ 30,385	\$ 54,488	\$ 401,831	% 13.56
1995	25,040	29,947	54,987	407,957	13.48
1996	17,021	24,286	41,307	442,802	9.33
1997	13,739	31,526	45,265	419,319	10.79
1998	25,160	41,345	66,505	680,955	9.77
1999	24,178	48,100	72,278	457,334	15.80
2000	32,566	50,581	83,147	454,012	18.31
2001	33,843	50,881	84,724	474,419	17.86
2002	32,705	44,573	77,278	483,975	15.97
2003	30,850	43,278	74,128	496,264	14.94

(1) City of Pittsburgh bonds only.

(2) Excludes bond issuance and other costs.

Table 10
CITY OF PITTSBURGH, PENNSYLVANIA

Computation of Direct and Overlapping Debt

December 31, 2003

(Amounts in Thousands)

<u>Jurisdiction</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City</u>	<u>Amount applicable to City</u>
Direct debt:			
City of Pittsburgh:			
General obligation	\$ 860,181	% 100	\$ 860,181
Stadium Authority	18,960	100	18,960
Auditorium Authority	23,480	50	11,740
Urban Redevelopment Authority	121,855	65	79,782
Parking Authority	81,274	100	81,274
	<u>1,105,750</u>		<u>1,051,937</u>
Total direct debt	1,105,750		1,051,937
Overlapping debt:			
Pittsburgh Water and Sewer Authority	545,839	— (1)	—
The School District of Pittsburgh	422,123	100	422,123
Allegheny County	651,455	26	169,378
	<u>1,619,417</u>		<u>591,501</u>
Total overlapping debt	1,619,417		591,501
Total direct and overlapping debt	\$ <u>2,725,167</u>		\$ <u>1,643,438</u>

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$545,838,000 are not considered debt of the City for purpose of this calculation.

Table 11
CITY OF PITTSBURGH, PENNSYLVANIA

Revenue Bond Coverage -
Pittsburgh Water and Sewer Authority

Last Ten Years

(Amounts in Thousands)

Fiscal year	Gross revenues	(1) Operating expenses	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
1994	\$ 53,865	\$ 34,958	\$ 18,907	\$ 8,495	\$ 12,536	\$ 21,031	0.90
1995	59,254	31,045	28,209	4,355	13,908	18,263	1.54
1996	59,497	27,137	32,360	7,980	25,248	33,228	0.97
1997	53,244	25,790	27,454	9,440	23,657	33,097	0.83
1998	54,836	25,897	28,939	8,550	18,269	26,819	1.08
1999	59,319	28,728	30,591	8,885	22,953	31,838	0.96
2000	59,641	32,338	27,303	9,245	22,516	31,761	0.86
2001	60,401	38,378	22,023	9,635	22,123	31,758	0.69
2002	63,916	37,403	26,513	10,065	25,364	35,429	0.75
2003	65,187	40,347	24,840	14,055	26,631	40,686	0.61

(1) Total operating expenses exclusive of depreciation and amortization.

Table 11A
CITY OF PITTSBURGH, PENNSYLVANIA
Revenue Bond Coverage –
The Stadium Authority of the City of Pittsburgh (1)

Last Ten Years

(Amounts in Thousands)

Fiscal year	Gross revenues (2)		Operating expenses (3)		Net revenue available for debt service	Debt service requirements (4)			Coverage (5)
						Principal	Interest	Total	
1994	\$	7,661	\$	4,849	\$ 2,812	\$ 2,452	\$ 3,490	\$ 5,942	0.47
1995		8,661		5,411	3,250	2,829	4,007	6,836	0.48
1996		7,577		5,494	2,083	2,546	3,243	5,789	0.36
1997		5,772		7,210	(1,438)	2,547	3,889	6,436	—
1998		6,132		7,173	(1,041)	3,700	3,409	7,109	—
1999		5,326		7,485	(2,159)	7,101	2,854	9,955	—
2000		6,662		6,886	(224)	8,477	2,586	11,063	—
2001		6,997		8,468	(1,471)	4,817	2,218	7,035	—
2002 (6)		1,214		5,989	(4,775)	3,510	1,902	5,412	—
2003 (6)		1,339		678	661	3,750	1,679	5,429	—

(1) Figures presented are for the fiscal year end of March 31.

(2) Total revenues including interest.

(3) Total operating expenses exclusive of depreciation, interest, baseball lease credit adjustments, and loss on disposal of turf.

(4) Debt service payments on notes are excluded.

(5) The City guarantees the payment of Stadium Authority debt service and/or operating losses.

(6) Stadium was demolished in February, 2001 to make way for PNC Park and Heinz Field, both financed by the Sports and Exhibition Authority.

Table 12
CITY OF PITTSBURGH, PENNSYLVANIA
Demographic Statistics
Last Ten Years

Fiscal year	(1) Population	(2) Per capita income	(1) Median age	(3) School enrollment	(4) Unemployment rate percentage
1994	369,879	\$ 22,585	38.4	39,728	5.9
1995	369,879	23,290	38.2	39,761	5.5
1996	369,879	24,241	34.6	39,955	4.5
1997	369,879	25,422	34.6	40,181	4.6
1998	369,879	26,878	38.7	39,603	4.2
1999	369,879	28,014	40.0	38,846	4.0
2000	334,563	29,587	40.0	38,560	4.4
2001	334,563	30,644	40.0	37,612	4.2
2002	334,563	34,260	35.5	35,146	5.4
2003	334,563	32,381	36.0	34,619	4.9

Data sources:

- (1) Census Bureau
- (2) U.S. Department of Commerce, 17-month lag
- (3) School District of Pittsburgh
- (4) PA Department of Labor and Industry
- * Change in method of calculation

Table 13
CITY OF PITTSBURGH, PENNSYLVANIA
Property Value, Construction, and Bank Deposits
Last Ten Years
(Amounts in Thousands)

Fiscal year		Property value (1)	Construction (2)			Bank deposits (3)
			Number of permits issued	Dollar value		
1994	\$	2,070,364	3,148	\$ 201,982	\$	30,529,054
1995		2,047,583	3,019	158,575		37,372,876
1996		2,036,489	2,793	250,315		72,833,745
1997		2,047,441	2,490	193,471		76,412,827
1998		2,085,013	2,405	388,570		80,400,721
1999		2,096,829	2,271	414,860		88,576,149
2000		2,125,768	2,283	827,765		78,406,393
2001		13,346,238	2,239	531,131		68,345,238
2002		14,293,256	2,216	344,222		68,208,452
2003		13,578,918	2,022	596,463		62,631,246

(1) Assessed value from Table 4

Data sources:

(2) Bureau of Building Inspection, City of Pittsburgh

(3) Federal Reserve Bank, Cleveland branch

Table 14
CITY OF PITTSBURGH, PENNSYLVANIA
City Employment
Last Ten Years

<u>Fiscal year</u>	<u>Regular budgeted positions</u>		<u>Actual subsequent January payroll</u>
1994	4,984		\$ 4,961
1995	4,451	(1)	4,430
1996	4,319		4,217
1997	4,304		4,131
1998	4,285		4,044
1999	4,234		4,067
2000	4,365		4,236
2001	4,359		4,246
2002	4,305		4,099
2003	4,337		3,654

- (1) The Pittsburgh Water and Sewer Authority was sold by the City and numerous parks were privatized; thus, there was a reduction in City employees.

CITY OF PITTSBURGH, PENNSYLVANIA

Salaries and Surety Bonds of Principal Officials

Year ended December 31, 2003

Official	Budgeted annual salary	Amount of surety bond
Mayor	\$ 94,157	\$ 10,000
Director of Finance	92,285	200,000
Controller	59,468	10,000
Members of City Council (9)	53,687	—

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
General Obligation Bonds, 1992, Series A (zero coupon bond)	06/01/92	\$ 29,894,645	14,468,636
General Obligation Bonds, 1992, Series C (zero coupon bond)	10/15/92	4,440,559	1,371,770
General Obligation Bonds, 1993, Series A	04/01/93	60,745,000	41,505,000
General Obligation Bonds, 1994, Series A	08/01/94	37,000,000	1,690,000
Carried forward			<u>59,035,406</u>

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$2,535,000 in 2004	% 6.40	\$ 1,330,194	2,535,000
\$2,525,000 in 2005	6.50		
\$2,530,000 in 2006	6.55		
\$2,530,000 in 2007	6.60		
\$2,530,000 in 2008	6.65		
\$2,535,000 in 2009	6.70		
\$2,530,000 in 2010	6.75		
(\$3,246,364) unamortized bond discount			
\$1,430,000 in 2004	6.35	744,816	1,430,000
(\$58,230) unamortized bond discount			
\$2,880,000 in 2004	5.00	2,236,555	2,880,000
\$3,020,000 in 2005	5.10		
\$3,175,000 in 2006	5.20		
\$3,345,000 in 2007	5.30		
\$3,525,000 in 2008	5.40		
\$3,710,000 in 2009	5.50		
\$3,915,000 in 2010	5.50		
\$4,130,000 in 2011	5.50		
\$4,360,000 in 2012	5.50		
\$4,595,000 in 2013	5.50		
\$4,850,000 in 2014	5.50		
\$1,690,000 in 2004	5.30	89,570	1,690,000
		4,401,135	8,535,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 59,035,406
General Obligation Bonds, 1995, Series A	12/01/95	\$ 75,000,000	73,050,000
General Obligation Bonds, 1995, Series B	12/01/95	104,705,000	87,130,000
General Obligation Bonds, 1996, Series A	12/15/96	162,535,000	70,170,000
Carried forward			<hr/> 289,385,406

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 4,401,135	8,535,000
\$445,000 in 2004	% 4.60	3,797,605	445,000
\$465,000 in 2005	4.70		
\$485,000 in 2006	4.88		
\$510,000 in 2007	5.00		
\$530,000 in 2008	5.10		
\$1,325,000 in 2009	5.13		
\$32,580,000 in 2010	5.20		
\$34,295,000 in 2011	5.25		
\$2,415,000 in 2012	5.25		
\$4,610,000 in 2004	4.60	4,229,039	4,610,000
\$4,885,000 in 2005	4.70		
\$6,380,000 in 2006	4.80		
\$12,645,000 in 2007	4.90		
\$28,955,000 in 2008	5.00		
\$29,655,000 in 2009	5.13		
\$17,540,000 in 2004	4.50	3,552,450	17,540,000
\$18,425,000 in 2005	6.00		
\$19,485,000 in 2006	6.00		
\$14,720,000 in 2007	6.00		
		15,980,229	31,130,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 289,385,406
General Obligation Bonds, 1996, Series B	12/15/96	\$ 37,710,000	18,905,000
General Obligation Bonds, 1997, Series A	12/01/97	20,295,000	8,500,000
General Obligation Bonds, 1997, Series B	12/01/97	29,735,000	29,735,000
Carried forward			<hr/> 346,525,406

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 15,980,229	31,130,000
\$ 760,000 in 2004	% 6.40	1,259,765	760,000
\$ 810,000 in 2005	6.50		
\$ 865,000 in 2006	6.55		
\$ 925,000 in 2007	6.55		
\$ 985,000 in 2008	6.60		
\$1,055,000 in 2009	6.60		
\$1,125,000 in 2010	6.60		
\$1,200,000 in 2011	6.60		
\$1,285,000 in 2012	6.60		
\$1,375,000 in 2013	7.00		
\$1,475,000 in 2014	7.00		
\$1,580,000 in 2015	7.00		
\$1,695,000 in 2016	7.00		
\$1,820,000 in 2017	7.00		
\$1,950,000 in 2018	7.00		
\$2,700,000 in 2004	4.75	418,250	2,700,000
\$2,830,000 in 2005	5.00		
\$2,970,000 in 2006	5.00		
\$3,120,000 in 2007	4.60	1,533,780	—
\$3,265,000 in 2008	4.90		
\$3,425,000 in 2009	5.00		
\$3,595,000 in 2010	5.00		
\$3,775,000 in 2011	5.00		
\$3,965,000 in 2012	5.50		
\$4,180,000 in 2013	5.50		
\$4,410,000 in 2014	5.50		
		19,192,024	34,590,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 346,525,406
General Obligation Bonds, 1997, Series C	12/01/97	\$ 20,120,000	20,120,000
General Obligation Bonds, 1998, Series A,B,C	03/01/98	255,865,000	250,865,000
Carried forward			<hr/> 617,510,406

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 19,192,024	34,590,000
\$4,655,000 in 2015	% 5.12	1,050,481	—
\$4,895,000 in 2016	5.25		
\$5,150,000 in 2017	5.25		
\$5,420,000 in 2018	5.25		
\$1,000,000 in 2004	5.93	16,337,129	1,000,000
\$2,505,000 in 2005	6.00		
\$2,320,000 in 2006	6.05		
\$2,460,000 in 2007	6.10		
\$2,565,000 in 2008	6.13		
\$2,770,000 in 2009	7.00		
\$3,010,000 in 2010	6.25		
\$3,230,000 in 2011	6.25		
\$7,890,000 in 2012	6.30		
\$10,985,000 in 2013	6.35		
\$11,690,000 in 2014	6.50		
\$12,715,000 in 2015	6.50		
\$13,560,000 in 2016	6.50		
\$18,245,000 in 2017	6.50		
\$13,235,000 in 2018	6.50		
\$20,030,000 in 2019	6.60		
\$21,400,000 in 2020	6.60		
\$22,860,000 in 2021	6.60		
\$24,425,000 in 2022	6.60		
\$26,095,000 in 2023	6.60		
\$27,875,000 in 2024	6.60		
		36,579,634	35,590,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 617,510,406
General Obligation Bonds, 1998, Series D	03/01/98	\$ 129,490,000	124,750,000
General Obligation Bonds, 1999, Series A	12/15/99	57,140,000	2,040,000
Carried forward			<hr/> 744,300,406

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 36,579,634	35,590,000
\$2,365,000 in 2004	% 4.00	6,235,065	3,365,000
\$6,705,000 in 2005	5.00		
\$7,050,000 in 2006	5.00		
\$7,400,000 in 2007	5.00		
\$7,770,000 in 2008	5.25		
\$8,195,000 in 2009	4.35		
\$8,545,000 in 2010	5.00		
\$8,985,000 in 2011	5.25		
\$9,470,000 in 2012	4.60		
\$9,900,000 in 2013	5.25		
\$10,435,000 in 2014	5.13		
\$7,795,000 in 2015	5.13		
\$8,195,000 in 2016	5.25		
\$4,980,000 in 2017	5.25		
\$275,000 in 2018	5.00		
\$2,305,000 in 2019	5.00		
\$2,425,000 in 2020	5.00		
\$2,545,000 in 2021	5.00		
\$2,670,000 in 2022	5.00		
\$2,800,000 in 2023	5.00		
\$2,940,000 in 2024	5.00		
\$255,000 in 2004	4.50	98,685	255,000
\$255,000 in 2005	4.60		
\$255,000 in 2006	4.75		
\$255,000 in 2007	4.80		
\$255,000 in 2008	4.90		
\$255,000 in 2009	5.00		
\$255,000 in 2010	5.00		
\$255,000 in 2011	5.15		
		42,913,384	39,210,000

December 31, 2003

(Continued)

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 42,913,384	39,210,000
\$1,545,000 in 2004	% 4.00	6,650,873	1,545,000
\$1,610,000 in 2005	4.00		
\$1,925,000 in 2006	4.00		
\$2,000,000 in 2007	4.00		
\$1,980,000 in 2008	4.50		
\$2,105,000 in 2009	5.00		
\$2,275,000 in 2010	5.00		
\$2,526,000 in 2011	5.00		
\$10,500,000 in 2012	5.00		
\$11,015,000 in 2013	5.50		
\$11,545,000 in 2014	5.50		
\$14,140,000 in 2015	5.50		
\$14,570,000 in 2016	5.50		
\$15,205,000 in 2017	5.13		
\$3,495,000 in 2018	5.13		
\$3,145,000 in 2019	5.13		
\$3,310,000 in 2020	5.20		
\$3,480,000 in 2021	5.25		
\$3,660,000 in 2022	5.25		
\$3,850,000 in 2023	5.25		
\$4,055,000 in 2024	5.25		
\$4,265,000 in 2025	5.25		
\$4,490,000 in 2026	5.25		
\$5,000 in 2004	4.00	517,469	5,000
\$5,000 in 2005	4.00		
\$5,000 in 2006	4.00		
\$5,000 in 2007	4.00		
\$5,000 in 2008	4.50		
\$5,000 in 2009	5.00		
\$5,000 in 2010	5.00		
\$5,000 in 2011	5.00		
\$6,655,000 in 2012	5.00		
\$6,880,000 in 2013	5.50		
		50,081,726	40,760,000
		90,000	1,125,000
		(1,330,194)	(2,535,000)
		48,841,532	39,350,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Public Auditorium Authority Revenue Bonds (City share)			
Auditorium Bonds (Refunding), 1999 Series	10/15/99	\$ 18,275,000	11,740,000
Total Public Auditorium Authority Revenue Bonds			<u>11,740,000</u>

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$1,797,500 in 2004	% 4.60	\$ 600,612	1,797,500
\$1,800,000 in 2005	4.75		
\$1,490,000 in 2006	4.90		
\$1,125,000 in 2007	5.00		
\$455,000 in 2008	5.00		
\$475,000 in 2009	5.10		
\$477,500 in 2010	5.20		
\$485,000 in 2011	5.30		
\$497,500 in 2012	5.43		
\$512,500 in 2013	5.50		
\$527,500 in 2014	5.60		
\$537,500 in 2015	5.70		
\$550,000 in 2016	5.75		
\$565,000 in 2017	5.80		
\$445,000 in 2018	5.85		
		<u>600,612</u>	<u>1,797,500</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Urban Redevelopment Authority Taxable Revenue Bonds			
Urban Redevelopment Authority Taxable Revenue Bonds	06/15/94	\$ 8,245,000	1,125,000
Urban Redevelopment Authority of Pittsburgh, Special Tax Development Bonds, 1995 Series A	02/01/95	61,390,000	52,625,000
Urban Redevelopment Authority Tax Increment Financing Bonds 1995 Series B	12/01/95	2,855,787	1,983,342
Carried forward			<hr/> 55,733,342

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$1,125,000 in 2004	% 8.00	\$ 90,000	1,125,000
\$1,570,000 in 2004	8.55	4,695,478	1,570,000
\$3,070,000 in 2005	8.60		
\$3,345,000 in 2006	8.65		
\$3,650,000 in 2007	8.70		
\$3,985,000 in 2008	8.80		
\$4,350,000 in 2009	8.85		
\$4,755,000 in 2010	8.92		
\$5,205,000 in 2011	9.07		
\$5,695,000 in 2012	9.07		
\$6,240,000 in 2013	9.07		
\$10,760,000 in 2014	9.07		
\$164,648 in 2004	5.75	113,268	164,648
\$176,003 in 2005	5.75		
\$189,250 in 2006	5.75		
\$200,605 in 2007	6.00		
\$215,745 in 2008	6.00		
\$232,778 in 2009	6.00		
\$247,918 in 2010	6.00		
\$556,395 in 2011	6.00		
		4,898,746	2,859,648

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 55,733,342
Urban Redevelopment Authority Tax Increment Financing Bonds 1995 Series C	12/01/95	\$ 1,637,016	1,400,452
Urban Redevelopment Authority Tax Increment Financing Bonds 1996 Series	05/15/96	3,179,187	2,546,372
Carried forward			59,680,166

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 4,898,746	2,859,648
\$64,345 in 2004	% 5.75	84,619	64,345
\$68,130 in 2005	5.75		
\$79,485 in 2006	5.75		
\$81,378 in 2007	6.25		
\$88,948 in 2008	6.25		
\$94,625 in 2009	6.25		
\$102,195 in 2010	6.25		
\$111,658 in 2011	6.25		
\$119,228 in 2012	6.25		
\$128,690 in 2013	6.25		
\$140,045 in 2014	6.25		
\$321,725 in 2015	6.25		
\$132,230 in 2004	7.31	194,697	132,230
\$145,453 in 2005	7.42		
\$154,898 in 2006	7.43		
\$168,121 in 2007	7.48		
\$179,455 in 2008	7.53		
\$196,456 in 2009	8.01		
\$211,568 in 2010	8.01		
\$230,458 in 2011	8.01		
\$247,459 in 2012	8.01		
\$270,127 in 2013	8.01		
\$290,906 in 2014	8.01		
\$319,241 in 2015	8.01		
		5,178,062	3,056,223

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 59,680,166
Urban Redevelopment Authority Tax Increment Financing Bonds 1997 Series	12/01/97	\$ 6,178,694	5,754,690
Urban Redevelopment Authority Tax Increment Financing Bonds 1999 Series	11/15/99	4,723,205	4,342,008
Carried forward			69,776,864

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 5,178,062	3,056,223
\$118,233 in 2004	% 4.65	303,897	118,233
\$124,349 in 2005	4.70		
\$128,426 in 2006	4.80		
\$136,580 in 2007	4.85		
\$142,695 in 2008	4.95		
\$148,811 in 2009	5.00		
\$156,965 in 2010	5.10		
\$165,119 in 2011	5.20		
\$173,273 in 2012	5.25		
\$181,427 in 2013	5.38		
\$831,708 in 2017	5.38		
\$3,447,104 in 2028	5.45		
\$146,772 in 2004	7.13	301,079	146,772
\$158,965 in 2005	7.28		
\$169,196 in 2006	7.40		
\$183,465 in 2007	7.48		
\$195,696 in 2008	7.50		
\$212,004 in 2009	7.55		
\$228,312 in 2010	7.85		
\$246,659 in 2011	7.85		
\$267,044 in 2012	7.85		
\$289,467 in 2013	7.85		
\$313,929 in 2014	7.85		
\$338,391 in 2015	7.85		
\$360,815 in 2016	6.10		
\$383,238 in 2017	6.10		
\$409,739 in 2018	6.10		
\$440,316 in 2019	6.10		
		5,783,038	3,321,228

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 69,776,864
Urban Redevelopment Authority Tax Increment Financing Bonds 2000 Series	03/15/00	\$ 6,115,500	5,683,341
Urban Redevelopment Authority Tax Increment Financing Bonds 2001 Series	12/15/01	1,456,593	1,353,865
Carried forward			<hr/> 76,814,070

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 5,783,038	3,321,228
\$183,465 in 2004	% 7.39	438,346	183,465
\$201,812 in 2005	7.41		
\$222,197 in 2006	7.46		
\$244,620 in 2007	7.48		
\$267,044 in 2008	7.53		
\$291,506 in 2009	7.58		
\$322,083 in 2010	7.63		
\$350,622 in 2011	7.68		
\$383,238 in 2012	7.95		
\$419,931 in 2013	7.95		
\$460,701 in 2014	7.95		
\$503,510 in 2015	7.95		
\$525,933 in 2016	8.05		
\$574,857 in 2017	8.05		
\$625,820 in 2018	8.05		
\$106,002 in 2019	8.05		
\$49,532 in 2004	5.89	91,216	49,532
\$53,201 in 2005	5.89		
\$55,035 in 2006	6.61		
\$60,539 in 2007	6.61		
\$64,208 in 2008	6.61		
\$67,877 in 2009	6.61		
\$73,380 in 2010	6.61		
\$77,049 in 2011	6.61		
\$82,553 in 2012	6.71		
\$88,056 in 2013	6.71		
\$95,560 in 2014	7.16		
\$100,898 in 2015	7.16		
\$108,236 in 2016	7.16		
\$117,408 in 2017	7.16		
\$124,746 in 2018	7.16		
\$135,753 in 2019	7.16		
		6,312,600	3,554,225

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 76,814,070
Urban Redevelopment Authority Tax Increment Financing Bonds 2003 Series A	01/01/03	\$ 1,396,055	1,375,879
Urban Redevelopment Authority Tax Increment Financing Bonds 2003 Series B	01/01/03	1,201,598	1,201,603
Carried forward			79,391,552

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 6,312,600	3,554,225
\$22,214 in 2004	% 8.25	114,313	22,014
\$23,849 in 2005	8.25		
\$27,518 in 2006	8.25		
\$42,194 in 2007	8.25		
\$44,028 in 2008	8.25		
\$49,532 in 2009	8.25		
\$53,201 in 2010	8.25		
\$69,711 in 2011	8.25		
\$77,049 in 2012	8.25		
\$82,553 in 2013	8.25		
\$89,891 in 2014	8.25		
\$110,070 in 2015	8.25		
\$121,077 in 2016	8.50		
\$132,084 in 2017	8.50		
\$139,422 in 2018	8.50		
\$291,686 in 2019	8.50		
\$1,835 in 2004	10.50	126,071	1,835
\$16,511 in 2005	10.50		
\$18,345 in 2006	10.50		
\$27,518 in 2007	10.50		
\$31,187 in 2008	10.50		
\$40,359 in 2009	10.50		
\$45,863 in 2010	10.50		
\$56,870 in 2011	10.50		
\$64,208 in 2012	10.50		
\$78,884 in 2013	10.50		
\$88,056 in 2014	10.50		
\$97,229 in 2015	10.50		
\$108,236 in 2016	10.50		
\$119,243 in 2017	10.50		
\$132,084 in 2018	10.50		
\$275,175 in 2019	10.50		
		6,552,984	3,578,074

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 79,391,552
Urban Redevelopment Authority Tax Increment Financing Bonds 2003 Series		\$ 1,515,297	1,515,302
Subtotal			<u>80,906,854</u>
Less Bond recorded by the City			<u>(1,125,000)</u>
Total Redevelopment Authority Bonds supported by the City			<u>79,781,854</u>

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 6,552,984	3,578,074
\$25,683 in 2005	% 6.50	98,494	—
\$34,856 in 2006	Variable		
\$40,359 in 2007	Variable		
\$44,028 in 2008	Variable		
\$49,532 in 2009	Variable		
\$55,035 in 2010	Variable		
\$58,704 in 2011	Variable		
\$64,208 in 2012	Variable		
\$69,711 in 2013	Variable		
\$78,884 in 2014	Variable		
\$84,387 in 2015	Variable		
\$89,891 in 2016	Variable		
\$93,560 in 2017	Variable		
\$104,567 in 2018	Variable		
\$115,574 in 2019	Variable		
\$121,077 in 2020	Variable		
\$133,919 in 2021	Variable		
\$146,760 in 2022	Variable		
\$104,567 in 2023	Variable		
		6,651,478	3,578,074
		(90,000)	(1,125,000)
		6,561,478	2,453,074

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ —
Parking System Revenue Bond, Series 1992B	8/15/92	\$ 15,155,000	14,115,000
Carried forward			14,115,000

Maturity information	Coupon or ceiling rate of interest		2004 Maximum debt service requirements	
			Interest	Principal
\$290,000 in 2004	%	4.65	\$ 752,136	290,000
\$305,000 in 2005		4.70		
\$315,000 in 2006		4.80		
\$335,000 in 2007		4.85		
\$350,000 in 2008		4.95		
\$365,000 in 2009		5.00		
\$385,000 in 2010		5.10		
\$405,000 in 2011		5.20		
\$425,000 in 2012		5.25		
\$445,000 in 2013		5.38		
\$470,000 in 2014		5.38		
\$495,000 in 2015		5.38		
\$525,000 in 2016		5.38		
\$550,000 in 2017		5.38		
\$580,000 in 2018		5.45		
\$615,000 in 2019		5.45		
\$645,000 in 2020		5.45		
\$680,000 in 2021		5.45		
\$720,000 in 2022		5.45		
\$760,000 in 2023		5.45		
\$800,000 in 2024		5.45		
\$840,000 in 2025		5.45		
\$890,000 in 2026		5.45		
\$935,000 in 2027		5.45		
\$990,000 in 2028		5.45		
			752,136	290,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 14,115,000
Parking System Revenue Bonds, Series 2000	8/15/00	\$ 29,330,000	28,670,000
Parking System Revenue Bonds, Series 2002	11/1/02	38,595,000	38,595,000
Total Public Parking Authority Bonds and notes payable			81,380,000
Plus Premium 2000 Series			2,228,032
Less: Unamortized discount			(165,914)
Less: Deferred amount or refinancing			(2,168,348)
Total Public Parking Authority Bonds and notes payable			81,273,770

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 752,136	290,000
\$690,000 in 2004	% 4.75	1,624,707	690,000
\$725,000 in 2005	4.90		
\$760,000 in 2006	5.00		
\$250,000 in 2007	5.10		
\$545,000 in 2007	5.75		
\$845,000 in 2008	5.20		
\$890,000 in 2009	5.25		
\$945,000 in 2010	6.00		
\$1,000,000 in 2011	5.35		
\$1,055,000 in 2012	5.45		
\$1,115,000 in 2013	5.55		
\$1,175,000 in 2014	5.60		
\$1,245,000 in 2015	5.70		
\$1,320,000 in 2016	5.75		
\$1,395,000 in 2017	5.75		
\$1,480,000 in 2018	5.80		
\$1,570,000 in 2019	5.85		
\$1,665,000 in 2020	6.00		
\$1,770,000 in 2021	6.00		
\$1,875,000 in 2022	6.00		
\$1,995,000 in 2023	6.00		
\$2,115,000 in 2024	6.00		
\$2,245,000 in 2025	6.00		
\$2,150,000 in 2004	2.00	877,122	2,150,000
\$3,525,000 in 2005	3.00		
\$3,625,000 in 2006	2.00		
\$3,720,000 in 2007	2.75		
\$3,845,000 in 2008	4.00		
\$3,975,000 in 2009	3.25		
\$4,130,000 in 2010	4.50		
\$4,320,000 in 2011	5.00		
\$4,535,000 in 2012	5.00		
\$4,770,000 in 2013	5.00		
		3,253,965	3,130,000
		—	—
		—	—
		—	—
		3,253,965	3,130,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Water and Sewer Authority Bonds			
Revenue Refunding Bonds, 1993, Series A	10/15/93	\$ 278,970,000	49,105,000
Carried forward			<hr/> 49,105,000

Maturity information		Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
			Interest	Principal
\$15,350,000 in 2011	%	6.50	\$ 3,191,825	—
\$16,345,000 in 2012		6.50		
\$17,410,000 in 2013		6.50		
\$18,540,000 in 2014		4.75		
\$19,425,000 in 2015		4.75		
\$20,340,000 in 2016		4.75		
			3,191,825	—

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 49,105,000
First Lien Revenue Bonds, 1998, Series A	03/01/98	\$ 93,355,000	92,925,000
First Lien Revenue Bonds, 1998, Series B (zero coupon bond)	03/01/98	36,440,070	49,368,070
Subordinate Revenue Bonds, 1998, Series C	03/01/98	101,970,000	98,850,000
Carried forward			<hr/> 290,248,070

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 3,191,825	—
\$8,455,000 in 2017	% 5.00	4,703,618	—
\$8,880,000 in 2018	5.00		
\$9,325,000 in 2019	5.00		
\$9,790,000 in 2020	5.00		
\$10,280,000 in 2021	5.00		
\$10,790,000 in 2022	5.10		
\$11,345,000 in 2023	5.25		
\$11,940,000 in 2024	5.10		
\$12,550,000 in 2025	5.05		
\$2,300,000 in 2017	5.18	—	—
\$2,300,000 in 2018	5.21		
\$2,300,000 in 2019	5.22		
\$2,300,000 in 2020	5.22		
\$2,300,000 in 2021	5.26		
\$2,305,000 in 2022	5.26		
\$2,300,000 in 2023	5.26		
\$4,160,000 in 2024	5.27		
\$4,160,000 in 2025	5.27		
\$31,755,000 in 2026	5.26		
\$31,755,000 in 2027	5.31		
\$31,755,000 in 2028	5.28		
\$31,755,000 in 2029	5.30		
\$14,660,000 in 2030	5.23		
(\$116,736,930) unamortized bond discount			
\$9,225,000 in 2017	5.00	5,029,326	—
\$9,685,000 in 2018	5.00		
\$10,170,000 in 2019	5.00		
\$10,680,000 in 2020	5.10		
\$11,225,000 in 2021	5.10		
\$11,795,000 in 2022	5.25		
\$12,415,000 in 2023	5.13		
\$13,055,000 in 2024	5.10		
\$13,720,000 in 2025	5.05		
		12,924,769	—

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

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Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 12,924,769	—
\$1,910,000 in 2004	% 4.00	5,384,862	1,910,000
\$1,990,000 in 2005	4.00		
\$2,070,000 in 2006	4.00		
\$2,150,000 in 2007	4.00		
\$2,235,000 in 2008	4.00		
\$2,335,000 in 2009	4.50		
\$2,440,000 in 2010	4.50		
\$2,540,000 in 2011	4.00		
\$2,665,000 in 2012	5.00		
\$2,815,000 in 2013	5.50		
\$2,955,000 in 2014	5.00		
\$3,100,000 in 2015	5.00		
\$3,270,000 in 2016	5.50		
\$3,450,000 in 2017	5.50		
\$3,615,000 in 2018	4.75		
\$3,795,000 in 2019	5.00		
\$3,985,000 in 2020	5.00		
\$4,195,000 in 2021	5.25		
\$4,415,000 in 2022	5.25		
\$4,650,000 in 2023	5.25		
\$4,890,000 in 2024	5.25		
\$5,145,000 in 2025	5.13		
\$5,405,000 in 2026	5.13		
\$5,685,000 in 2027	5.13		
\$5,975,000 in 2028	5.13		
\$6,280,000 in 2029	5.13		
\$6,600,000 in 2030	5.13		
\$6,940,000 in 2031	5.13		
		18,309,631	1,910,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2003

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 397,748,070
First Lien Revenue Refunding Bonds, 2003 Series	10/03/03	\$ 167,390,000	167,390,000
Pennvest Revolving Loan	Various	5,239,000	5,239,000
Gross Water and Sewer Authority Revenue Bonds			<u>570,377,070</u>
Plus net bond discount			(3,564,000)
Less:			
Deferred series 1991 refunding loss			(13,794,000)
Deferred series 1998 refunding loss			(4,018,000)
Deferred series 2003 refunding loss			<u>(3,162,000)</u>
Net Water and Sewer Authority Revenue Bonds			<u>545,839,070</u>

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 18,309,631	1,910,000
\$9,855,000 in 2004	% 1.150	4,931,241	9,855,000
\$13,640,000 in 2005	1.450		
\$13,835,000 in 2006	1.900		
\$14,100,000 in 2007	2.300		
\$14,425,000 in 2008	2.650		
\$14,805,000 in 2009	3.000		
\$15,250,000 in 2010	3.300		
\$405,000 in 2011	3.375		
\$415,000 in 2012	3.625		
\$430,000 in 2013	3.750		
\$18,990,000 in 2014	4.000		
\$19,750,000 in 2015	4.000		
\$20,535,000 in 2016	4.000		
\$1,375,000 in 2017	4.125		
\$1,430,000 in 2018	4.250		
\$1,490,000 in 2019	4.375		
\$1,560,000 in 2020	4.375		
\$1,625,000 in 2021	4.500		
\$1,700,000 in 2022	4.625		
\$1,775,000 in 2023	4.750		
\$234,000 in 2004	variable	61,000	273,000
\$236,000 in 2005			
\$239,000 in 2006			
\$239,000 in 2007			
\$229,000 in 2008			
\$228,000 in 2009			
\$227,000 in 2010			
\$226,000 in 2011			
\$226,000 in 2012			
\$225,000 in 2013			
\$224,000 in 2014			
\$223,000 in 2015			
\$222,000 in 2016			
\$221,000 in 2017			
\$220,000 in 2018			
\$219,000 in 2019			
\$218,000 in 2020			
\$217,000 in 2021			
\$216,000 in 2022			
		23,301,872	12,038,000
		—	—
		—	—
		—	—
		—	—
		23,301,872	12,038,000
		\$ 81,781,019	59,636,728

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APPENDIX B

CITY OF PITTSBURGH

Financial and Operating Data

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Table B-1
(in thousands)
GENERAL FUND
SUMMARY OF OPERATIONS (CASH BASIS)
(in thousands)

Fiscal Years 2000 through 2001 (Actual) and 2004 and 2005 Budgeted

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u> <u>Budgeted</u>	<u>2005</u> <u>Budgeted</u>
Revenues:						
Taxes, including penalty and interest	280,566	291,216	292,115	291,786	327,052	333,802
Interest earnings	5,768	4,308	962	505	1,382	833
Fines and forfeits	7,155	7,275	7,869	7,160	7,325	6,555
Licenses and fees	6,977	5,288	5,867	5,844	5,706	7,402
Intergovernmental	20,838	22,012	18,653	17,914	19,269	37,425 **
Miscellaneous	3,054	524	3,346	298	268	608
Provision of services, break even and joint operations	26,854	22,821	24,565	25,822	25,394	30,951
Total revenues	<u>351,212</u>	<u>353,444</u>	<u>353,377</u>	<u>349,329</u>	<u>386,396</u>	<u>417,576</u>
Expenditures						
Current operating:						
General government	33,057	23,705	26,622	23,453	27,084	21,067
Public safety	130,060	136,111	142,880	140,882	139,607	131,723
General services	0	12,893	13,112	15,530	16,291	12,936
Public works	23,536	24,605	25,238	23,929	27,285	28,435
Citizens Review Board	352	359	420	404	457	441
Community, recreational and cultural	4,708	4,974	5,727	4,941	5,469	3,647
Employee benefits	63,289	67,523	72,267	81,819	78,538	116,002 **
Claims and judgements	2,492	2,236	12,638	1,475	750	2,087
Computer System	281	0	0	0	0	0
Utilities	6,237	8,522	0	7,474	7,427	8,141
Miscellaneous	4,668	4,581	4,040	3,619	4,598	2,222
Debt service:						
Debt Service	69,341	66,728	58,938	73,669	74,850	88,557
Debt Service Subsidy	3,453	3,677	0	4,040	4,040	2,318
Transfers	4,090	4,100	0	0	0	0
Total expenditures	<u>345,564</u>	<u>360,014</u>	<u>361,882</u>	<u>381,235</u>	<u>386,396</u>	<u>417,576</u>
Excess (deficiency) of revenues over (under) expenditures	5,648	(6,570)	(8,505)	(31,906)		
Other financing sources (uses):						
Neighborhood Needs, unbudgeted equity transfers	(10,000)					
Contribution to pension fund						
Bond proceeds						
Capital lease obligation proceeds						
Transfer to pension fund	(13,250)	(16,000)	(16,000)	(18,214)	(16,000)	0
State pension aid	13,250	16,000	16,000	18,214	16,000	0 **
Net other financing sources	<u>(10,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,356)	(6,570)	(8,505)	(31,906)	0	0
Fund balances-budgetary basis, beginning of year	72,231	67,875	61,305	52,800	20,894	20,894
Fund balances-budgetary basis, end of year	<u>67,875</u>	<u>61,305</u>	<u>52,800</u>	<u>20,894</u>	<u>20,894</u>	<u>20,894</u>
Adjustment to generally accepted accounting principles (GAAP) basis (b):						
Cumulative difference between budgetary basis and GAAP basis beginning of year	(28,062)	(22,406)	12,255 *	9,453		
Net effect of GAAP basis recognition of revenues	8,664	9,737	15,445	21,701		
Net effect of GAAP basis recognition of expenditures	(6,513)	(14,779)	(18,247)	(16,855)		
Net effect of GAAP basis recognition of other financing sources (uses)	0	329	0	0		
Residual equity transfers	3,505	12	0	0		
Fund balances-GAAP basis, end of year	<u>\$ 45,469</u>	<u>\$ 34,198</u>	<u>\$ 62,253</u>	<u>\$ 35,193</u>		

Source: City of Pittsburgh Comprehensive Annual Financial Reports
City of Pittsburgh 2004 Budget

* Fund balances-GAAP basis beginning of year were restated for the effects of changes in accounting principle as outlined in GASB Statement No. 34.

** Beginning in 2005, State Pension Aid is shown as a revenue as required by the Act 47 Plan. In prior years, it was budgeted as an offset to Pension.

Table B-2
CITY OF PITTSBURGH
ASSESSED VALUE, TAX RATES, LEVY, AND COLLECTIONS
(Dollar Amounts in Thousands)
1994-2003

	(2) Assessed Valuation of Land & Buildings	Land	Building	Original		Adjusted		Budget	(3) Receipts		Percent of		Prior Year Taxes Collected	Total Collections as a Percent of Adjusted Levy
				Levy	Net Levy	Net Levy	(1)		Net Levy	Collected	Adjusted Net Levy	Collected		
1994	2,070,364	184.5 Mills	32.0 Mills	121,269	119,694	111,500	110,463	92.3%	4,371	95.9%				
1995	2,047,583	184.5 Mills	32.0 Mills	121,976	117,959	112,177	110,166	93.4%	4,733	97.4%				
1996	2,036,489	184.5 Mills	32.0 Mills	118,952	115,898	109,720	110,276	95.1%	12,130	105.6%				
1997	2,047,441	184.5 Mills	32.0 Mills	119,741	111,066	109,180	113,251	101.9%	13,018	113.7%				
1998	2,085,013	184.5 Mills	32.0 Mills	121,674	105,822	110,715	112,562	99.3%	6,644	112.6%				
1999	2,096,829	184.5 Mills	32.0 Mills	122,053	117,382	113,715	112,569	95.9%	5,397	100.5%				
2000	2,125,768	184.5 Mills	32.0 Mills	125,422	119,649	112,010	110,644	92.5%	2,967	95.0%				
2001	13,346,238	10.8 Mills	10.8 Mills	144,139	127,784	115,900	111,880	92.9%	2,689	89.7%				
2002	14,677,667	10.8 Mills	10.8 Mills	158,454	131,245	121,500	123,692	94.2%	4,359	97.6%				
2003	13,578,918	10.8 Mills	10.8 Mills	146,652	129,355	123,132	125,311	96.9%	2,084	98.5%				

(1) Represents net levy as of December 31 of the tax year (i.e., net of exonerations, discounts and additions granted in that year.)

(2) In 2001, assessed value percent of market value increased to 100%.

(3) 2001 and 2002 receipts are net of refunds.

Source: City of Pittsburgh Comprehensive Annual Financial Report

Table B-3
CITY OF PITTSBURGH
NON-REAL ESTATE TAX GROSS RECEIPTS
1994-2003 (ACTUAL), 2004-2005 (BUDGET)
(GAAP BASIS)
 (Amounts in millions of dollars)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Budget</u> <u>2004</u>	<u>Budget</u> <u>2005</u>
Earned Income (1)	39.675	34.793	39.146	36.901	42.941	41.595	48.707	46.684	47.642	45.924	46.789	46.295
Business Privilege (2)	33.252	35.337	36.210	35.465	35.269	35.447	38.468	43.859	42.952	43.424	43.250	13.846
Parking (3)	21.261	21.937	22.757	23.461	28.728	28.817	30.960	32.208	32.215	31.894	47.313	44.488
Amusement (4)	8.692	5.789	6.415	5.744	7.813	5.584	8.256	8.809	9.554	9.456	9.953	8.750
Mercantile Tax (5)	6.580	6.489	6.966	6.773	7.038	6.935	7.194	7.467	7.283	7.909	7.400	0.000
Occupation Privilege (6)	3.289	3.145	2.890	2.670	3.142	3.106	3.244	3.094	3.134	3.143	3.200	0.000
Deed Transfer (7)	5.756	7.281	6.711	7.537	9.317	10.816	8.743	8.322	10.218	9.172	8.500	13.046
Personal Property (8)	4.079	0.008	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Institution Service Privilege (9)	0.696	0.822	0.909	1.098	0.802	0.616	0.521	0.538	0.470	0.424	0.430	0.478
Emergency Services Tax (10)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.958
Facility Usage Fee (11)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.410
Payroll Preparation Tax (12)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	41.250
Total	123.280	115.601	122.004	119.649	135.050	132.916	146.093	150.981	153.468	151.346	166.835	182.521

- (1) 2.125% 1987-1988; 1.625% 1989; 1% 1990-2005
 (2) 6 mills 1987-2004; 2 mills 2005
 (3) 25% 1987-1991; 26% 1992-1997; 31% 1998-2003; 50% 2004-2005
 (4) 10% 1987-1994; 5% 1998-2005
 (5) 2 mills retail; 1 mill wholesale 1987-2004; rescinded 2005
 (6) \$10 1987-2004; rescinded 2005
 (7) 1.5% 1987-2004; 2% 2005
 (8) 4 mills 1987-1994; rescinded 1995
 (9) 6 mills 1987-2005
 (10) \$52 2005
 (11) 3% of applicable wages
 (12) .55% 2005

Source: City of Pittsburgh - Department of Finance

Table B-4
CITY OF PITTSBURGH
HISTORY OF PENSION CONTRIBUTIONS 1999-2005

Source	1999	2000	2001	2002	2003	Budget 2004	Budget 2005
City of Pittsburgh	\$20,558,820	\$21,409,751	\$23,994,062	\$22,379,448	\$27,949,635	\$28,788,124	\$29,076,005
Employees	12,061,190	9,816,786	10,320,120	10,857,213	10,852,041	11,177,602	11,289,378
State	13,257,846	13,250,000	16,000,000	16,000,000	18,214,489	16,000,000	16,000,000
Total	\$45,877,856	\$44,476,537	\$50,314,182	\$49,236,661	\$57,016,165	\$55,965,726	\$56,365,383

Source: City of Pittsburgh - Department of Finance

Table B-5
CITY OF PITTSBURGH
STATEMENT OF DIRECT AND OVERLAPPING DEBT
As of March 1, 2005

GROSS BONDED DEBT ⁽¹⁾		\$795,182,383
Plus:		
Stadium Authority ⁽²⁾	15,706,996	
Auditorium Authority ⁽³⁾	9,942,500	
Redevelopment Authority ⁽⁴⁾	<u>77,328,780</u>	
		<u>102,978,276⁽⁵⁾</u>
GROSS DIRECT DEBT		898,160,659
Less: Money in Sinking Fund ⁽⁶⁾		<u>(36,864)</u>
Subtotal		898,123,795
Less: Self-Supporting Debt		
Taxable General Obligation Pension Bonds, 1996B ⁽⁷⁾		(17,335,000)
Taxable General Obligation Pension Bonds, 1998ABC ⁽⁸⁾		<u>(247,360,000)</u>
NET DIRECT DEBT		633,428,795
Overlapping Debt		
School District ⁽⁹⁾	434,081,483	
County ⁽¹⁰⁾	<u>161,438,746</u>	<u>595,520,229</u>
OVERALL NET DEBT		<u><u>\$1,228,949,024</u></u>
DEBT SUMMARY		
Assessed Valuation of Real Estate	2,085,013,492	
Market Valuation of Real Estate	8,340,053,968	
Population	369,879	
Gross Bonded Debt	795,182,383	
Gross Direct Debt	898,160,659	
Net Direct Debt	633,428,795	
Overall Net Debt	1,228,949,024	

Notes to Table B-5

(1) Amount represents total principal debt of \$804,730,000, less unamortized bond issuance cost of \$5,794,472, less excess cost on debt refinancing of \$6,239,482, plus unamortized bond disc/premium of \$2,486,337.

(2) As of March 30, 2005, the Stadium Authority has \$3,951,996 Guaranteed Stadium Bonds, Series 1993 and is responsible for the funding of the City's General Obligation Bonds, Series 1992A for \$11,755,000. The City has guaranteed the repayment of this debt and the payment of the Authority's annual operating expenses to the extent that the Stadium Authority's annual operating revenues prove insufficient for these purposes.

(3) Pursuant to agreements among the City, County and the Auditorium Authority, the City and the County have agreed to make equal annual grants to the Auditorium Authority in an aggregate amount equal to the maximum annual debt service on the Authority's outstanding \$19,885,000 Auditorium Bonds, 1999 Series. In addition, the City and the County have agreed to make annual rental payments of \$325,000 from 1992 through 2007 to provide for the debt service on the Urban Redevelopment Authority of Pittsburgh's Urban Renewal Bonds, Series 1985. The agreement among the City, County and the Auditorium Authority does not, however, extend to any operating deficit with respect to the Civic Arena's activities. The outstanding debt of the Auditorium Authority as of March 1, 2005 totaled \$19,885,000 of which \$9,942,500 is attributable to the City in accordance with the agreements. In December 1991, the City, County and the Auditorium Authority signed an agreement which provides that the County will use any "remaining revenues" after initial distribution of the County Hotel Tax to reimburse the City for payments made by the City on the debt service of the Auditorium Authority bonds.

(4) As of March 1, 2005, the Redevelopment Authority has outstanding, \$1,818,694 Redevelopment Bonds, Series 1995B, \$1,336,107 Redevelopment Bonds, Series 1995C, \$51,055,000 Special Taxable Redevelopment Bonds, Series 1995A, \$2,414,142 Taxable Redevelopment Bonds, Series 1996, \$5,636,457 Tax Increment Financing Bonds, Series 1997, \$4,195,236 Tax Increment Financing Bonds, Series 1999, \$5,499,676 Tax Increment Financing Bonds, Series 2000, \$1,304,333 Tax Increment Financing Bonds, Series 2001, \$1,353,865 Tax Increment Financing Bonds, 2003A, \$1,199,768 Tax Increment Financing Bonds, 2003B and \$1,515,302 Tax Increment Financing Note, Series 2003.

(5) Does not include Pittsburgh Water & Sewer Authority (PWSA) debts of \$547,813,000. These are revenue bonds and are self-liquidating. Retroactive to January 1, 1995, a new cooperative agreement between the City and the PWSA went into effect. The City's role as agent for PWSA was terminated, whereupon the PWSA assumed direct responsibility for operating the System.

(6) As of March 1, 2005, the City had a total cash balance of \$36,864. This balance represents funds for debt service payments to be made in 2005.

(7) On December 1, 1996, the City issued \$37,710,000 Taxable General Obligation Bonds, 1996 Series B (Approval No. GOB-12867) of which \$17,335,000 is not included in the City's debt for the purposes of this statement since it was used to fund an unfunded actuarial accrued liability of the City.

(8) On March 1, 1998, the City issued \$255,865,000 Taxable General Obligation Pension Bonds, 1998 Series A, B, C of which \$247,360,000 is not included in the City's debt for the purposes of this statement since it was used to fund an unfunded actuarial accrued liability of the City.

(9) The School District is empowered to incur debt and levy unlimited ad valorem taxes on taxable real property within its boundaries to pay debt service thereon. As of March 1, 2005 the Board had \$399,515,073 in debt outstanding.

(10) As of March 1, 2005, the gross indebtedness of the County and the Allegheny County Institution District (excluding Tax Anticipation borrowings) less the debt that is attributable to the Pittsburgh International Airport was \$620,918,252. Since rents, charges and fees from the airport operations exceed operating, maintenance and debt service expenses, this debt is considered self-liquidating. The City's overlapping share is 26% of the County's net indebtedness, or \$169,378,207.

Table B-6
Financial Plan Projections
FY2005-FY2009
(Summary)

	Actual 2000	Actual 2001	Actual 2002	Budget 2003	Baseline 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007	Projected FY 2008	Projected FY 2009
REVENUES										
1 Real Estate Taxes, Current Year	\$111,156,676	\$118,148,674	\$121,186,716	\$123,132,000	\$120,374,680	\$119,170,934	\$125,640,213	\$127,172,411	\$128,704,608	\$133,178,626
2 Real Estate Taxes, Prior Years	3,386,252	2,689,330	997,163	3,139,000	3,892,169	2,448,323	2,071,636	2,429,231	2,508,724	2,590,817
4 Mercantile Tax	7,038,452	7,297,418	7,314,519	7,241,000	7,622,973	7,740,284	7,859,401	7,980,351	8,017,865	8,055,556
5 Amusement Tax	7,006,356	9,635,666	9,421,493	10,459,000	9,407,945	9,302,753	9,450,458	9,601,116	9,754,788	9,910,919
7 Earned Income Tax	49,326,022	49,275,581	46,977,928	49,039,000	47,215,061	48,359,769	49,532,231	50,733,118	51,416,140	52,108,357
8 Deed Transfer Tax	8,680,371	7,931,095	9,818,269	8,452,000	8,442,458	8,779,730	9,130,476	9,495,234	9,874,564	10,269,048
10 Parking Tax	30,097,245	30,901,652	30,943,807	32,514,000	43,500,000	44,487,794	45,498,018	46,531,183	47,587,808	48,668,428
11 Occupation Privilege Tax	3,253,185	3,109,499	3,132,989	3,157,000	3,256,248	3,272,529	3,288,892	3,305,336	3,321,863	3,338,472
12 Business Privilege Tax	39,818,318	43,171,347	43,965,485	42,110,000	42,950,387	43,594,643	44,684,509	46,025,044	47,405,796	48,827,970
13 Institution and Service Privilege Tax	562,490	512,690	502,376	474,000	413,186	391,415	370,791	351,254	332,746	315,214
14 Penalties and Interest	1,852,105	2,144,269	2,778,754	2,742,000	3,414,407	2,536,197	1,807,984	1,800,347	1,975,182	2,166,995
15 Interest on Bank Balances	5,706,648	4,308,034	962,347	1,382,000	500,000	833,333	1,041,667	1,041,667	1,041,667	1,041,667
16 Fines and Forfeits	7,155,417	7,275,478	7,869,230	7,325,000	7,692,724	7,692,724	7,692,724	7,692,724	7,692,724	7,692,724
17 Liquor and Malt Beverage Licenses	404,650	12,000	816,950	415,000	430,000	440,750	451,769	463,063	474,640	486,506
18 Business Licenses	73,251	41,184	28,402	50,000	30,500	31,263	32,044	32,845	33,666	34,508
19 General Government Licenses	815,682	693,210	719,181	767,000	740,000	758,500	777,463	796,899	816,822	837,242
20 Rentals and Charges - Depts.	5,684,751	4,543,068	4,302,893	4,473,975	3,935,475	4,033,862	4,134,708	4,238,076	4,344,028	4,452,629
21 Public Service Privileges	925,090	1,026,813	955,873	950,000	1,125,000	1,138,023	1,151,197	1,164,524	1,178,004	1,191,641
22 Provision of Services	6,093,547	6,539,895	6,922,371	7,298,759	7,813,775	8,298,504	8,813,303	9,360,038	9,940,889	10,557,361
23 Breakeven Centers	20,093,470	16,224,659	16,872,555	17,370,024	17,680,350	18,294,006	18,928,961	19,585,954	20,265,750	20,969,141
24 Joint Operations	118,750	56,250	142,435	175,000	100,000	100,000	100,000	100,000	100,000	100,000
25 Federal and State Grants	1,969,752	3,817,734	2,510,111	3,088,000	3,196,586	3,276,501	3,358,413	3,442,373	3,528,433	3,616,644
26 Non-Profit Payment of Services	1,956,583	2,125,422	726,773	700,000	650,000	666,250	682,906	699,979	717,478	735,415
27 Reimbursement, CDBG	985,907	960,359	589,515	935,000	1,754,503	1,798,366	1,843,325	1,889,408	1,936,643	1,985,059
28 Authority Payments	7,387,500	8,712,500	7,762,500	7,287,500	7,287,500	7,309,670	7,331,908	7,354,213	7,376,586	7,399,027
30 State Utility Tax Distribution	1,009,810	540,153	458,364	500,000	450,000	461,250	472,781	484,601	496,716	509,134
31 Sale of Public Property	0	0	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000
32 Act 77 - Tax Relief	13,499,194	13,245,894	13,391,706	13,943,000	13,746,771	12,945,440	13,456,576	13,980,491	14,517,503	15,067,941
33 Act 77 - Operations Support for Regional Assets	5,488,500	5,608,000	5,732,000	5,859,000	5,902,700	4,506,054	4,596,175	4,688,099	4,781,861	4,877,047
35 Act 77 - Civic Arena Debe Service	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
37 Delinquent Receivables - Magistrates Court	679,613	694,104	628,384	500,000	500,000	500,000	500,000	500,000	500,000	500,000
38 Miscellaneous Not Otherwise Classified	3,056,910	523,801	3,345,961	267,592	300,000	307,500	315,188	323,067	331,144	339,422
40 Pittsburgh Development Fund	1,500,000	0	0	0	0	0	0	0	0	0
41 Trust Fund Closeouts	1,749,175	11,687	0	0	0	0	0	0	0	0
42 Trust Fund Revenues	365,000	67,500	0	0	0	0	0	0	0	0
43 Retail Drink Tax	0	0	0	5,000,000	0	0	0	0	0	0
44 Payroll Preparation Tax *	0	0	0	24,000,000	0	0	0	0	0	0
TOTAL	\$351,196,672	\$353,445,166	\$353,377,050	\$386,395,850	\$365,975,399	\$365,126,367	\$376,665,716	\$384,912,644	\$392,624,437	\$403,473,509

*Please refer to Payroll Preparation Tax Projections in Table B-7 herein

Table B-6
Financial Plan Projections
FY2005-FY2009
(Summary)

		Actual 2000	Actual 2001	Actual 2002	Budget 2003	Baseline 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007	Projected FY 2008	Projected FY 2009
EXPENDITURES											
10	Salaries	\$146,022,905	\$152,616,425	\$162,879,577	\$165,056,344	\$156,109,338	\$166,699,668	\$171,726,908	\$176,904,966	\$182,238,364	\$187,731,765
20	Premium Pay	19,071,457	20,210,412	19,817,369	21,017,185	21,241,648	21,985,106	22,644,659	23,323,999	24,023,719	24,744,430
30	Education and Training	443,750	398,478	413,275	537,203	363,802	363,802	363,802	363,802	363,802	363,802
40	Fringe Benefits	55,096,114	59,771,702	66,241,369	73,682,790	75,321,420	83,178,271	91,954,311	101,924,557	113,263,914	126,173,371
50	Uniforms	2,858,332	2,366,185	2,227,770	2,366,803	1,826,928	1,871,766	1,912,441	1,954,186	1,997,032	2,041,010
100	Supplies	4,830,740	4,852,917	5,022,332	5,046,588	4,861,091	4,983,487	5,109,059	5,237,893	5,370,076	5,505,700
110	Materials	1,452,808	1,544,806	1,473,333	1,496,540	1,313,545	1,346,384	1,380,043	1,414,544	1,449,908	1,486,156
120	Equipment	1,765,930	2,356,040	1,750,425	1,696,460	1,283,695	1,315,787	1,348,682	1,382,399	1,416,959	1,452,383
130	Repairs	1,379,927	1,490,102	1,395,715	1,454,920	1,445,770	1,466,067	1,486,649	1,507,519	1,528,683	1,550,144
140	Rentals	2,040,361	2,293,746	2,257,774	2,230,236	1,826,936	3,336,178	3,366,748	3,438,680	3,492,012	3,546,782
150	Miscellaneous Service	14,746,355	17,121,652	18,538,155	18,434,477	13,377,457	15,975,516	16,423,834	16,906,591	17,381,097	17,868,947
160	Utilities	7,158,523	9,392,512	8,245,459	8,231,257	8,266,900	8,816,690	9,380,349	9,980,044	10,618,078	11,296,902
170	Judgements	2,492,443	2,236,507	1,599,831	750,000	2,000,000	2,086,861	2,177,495	2,272,064	2,370,741	2,473,704
180	Pension	7,953,344	7,550,434	5,893,264	4,539,848	17,195,300	29,664,640	30,291,049	30,843,729	31,406,708	31,975,537
200	Debt Service	69,341,348	66,728,216	55,314,306	71,230,822	86,231,716	87,606,711	89,530,791	91,877,833	94,177,852	95,701,290
210	Debt Service Subsidy	3,453,069	3,676,994	3,623,802	3,619,050	3,613,113	2,318,072	1,922,060	1,484,046	758,024	755,024
300	GF Grants	4,329,069	4,374,385	4,671,325	4,040,000	4,040,000	4,040,000	4,040,000	4,040,000	4,040,000	4,040,000
350	GF Projects	50,000	0	0	0	0	0	0	0	0	0
400	Transfers	1,081,207	1,032,600	619,480	959,326	0	0	0	0	0	0
410	Govt. Cooperation Me	0	0	0	0	0	0	0	0	0	0
TOTAL		\$345,567,682	\$360,014,113	\$361,984,561	\$386,389,849	\$400,338,659	\$437,055,007	\$455,078,880	\$474,856,852	\$495,896,970	\$518,706,946

Table B-6
Financial Plan Projections
FY2005-FY2009
 (Summary)

	Actual 2000	Actual 2001	Actual 2002	Budget 2003	Baseline 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007	Projected FY 2008	Projected FY 2009
BUDGET GAP (Structural)	\$5,628,990	(\$6,568,947)	(\$8,607,511)	\$6,001	(\$34,363,260)	(\$71,928,640)	(\$78,413,164)	(\$89,944,208)	(\$103,272,533)	(\$115,233,438)
WORKFORCE INITIATIVES					0	23,648,486	22,516,282	28,576,439	34,956,504	41,856,273
EXPENDITURE REDUCTIONS					290,159	9,182,245	20,755,486	21,635,264	22,496,865	23,045,670
INVESTMENTS					0	(11,250,000)	(7,500,000)	(5,000,000)	(5,000,000)	(5,000,000)
Revenue Initiatives					0	9,875,000	11,637,613	11,906,994	13,302,343	14,948,710
Free Initiatives					0	232,847	410,134	556,539	865,364	865,364
Tax Package					0	40,929,327	40,695,184	40,376,494	40,043,439	39,724,084
Net Operating Balance					(\$34,073,101)	\$689,264	\$10,101,534	\$8,107,522	\$3,391,981	\$206,663

Table B-7
City of Pittsburgh Supplemental
Budget Projections After Passage of Act 11
FY 2005-FY 2009

	FY2005	FY2006	FY2007	FY2008	FY2009
1 City Revenue Package Net of Property Tax Increase [1]	396,778,105	409,691,410	431,388,455	440,507,631	452,438,677
2 Deed Transfer Tax to 2.0%	(3,166,667)	(3,293,334)	(3,425,067)	(3,562,070)	(3,704,552)
3 Econ Dev Slots Revenue Pays PDF Debt Service	-	(3,815,622)	(7,657,881)	(7,675,331)	(7,689,651)
4 Pittsburgh City 2% Local Share of Slots Revenue	-	-	(10,000,000)	(10,000,000)	(10,000,000)
5 Subtotal Adjustments to City Revenue Package	(3,166,667)	(7,108,956)	(21,082,948)	(21,237,401)	(21,394,203)
6 City Revenue Package Net of New Taxes	393,611,438	402,582,454	410,305,507	419,270,230	431,044,474
Parking Tax	44,487,794	45,498,018	46,531,183	47,587,808	48,668,428
7 Parking Tax Phasedown (50 45 37.5 35)	-	-	(4,653,118)	(9,517,562)	(12,167,107)
8 Drop Business Privilege Tax (from 6.0 to 2 to 1 mills) [2]	(27,691,333)	(28,383,959)	(36,544,347)	(37,640,677)	(38,769,897)
9 Eliminate Mercantile Tax (from 1.0 to 0.0 mills) [2]	(7,412,000)	(7,527,000)	(7,642,000)	(7,678,000)	(7,714,000)
10 Subtotal Tax Reduction	(35,103,333)	(35,910,959)	(48,839,465)	(54,836,239)	(58,651,004)
11 City Revenue Package with Tax Reductions	358,508,105	366,671,495	361,466,042	364,433,991	372,393,470
12 City Expenditure Package [3]	425,328,767	434,399,539	449,395,869	453,104,161	460,628,266
13 Net Operating Balance (= "Tax Hole") [4]	(66,820,662)	(67,728,044)	(87,929,827)	(88,670,170)	(88,234,796)
OPT @ \$52 Gross	12,957,610	13,093,794	13,159,263	13,225,060	13,291,185
Existing Budget	3,216,000	3,232,000	3,248,000	3,264,000	3,281,000
14 Net Additional OPT @ \$52	9,741,610	9,861,794	9,911,263	9,961,060	10,010,185
15 PPT @ 0.55%	41,250,000	42,248,250	43,270,658	44,317,808	45,390,299
16 Deed Transfer Tax to 2.0%	3,166,667	3,293,334	3,425,067	3,562,070	3,704,552
17 Econ Dev Slots Revenue Pays PDF Debt Service	-	3,815,622	7,657,881	7,675,331	7,689,651
18 Pittsburgh City 2% Local Share of Slots Revenue	-	-	10,000,000	10,000,000	10,000,000
19 Facility Usage Fee	1,410,000	1,438,200	1,466,964	1,496,303	1,526,229
20 Switch EIT from School District	-	-	4,901,803	9,931,053	12,575,197
21 Reduce AT for Performing Arts	-	(850,000)	(867,000)	(884,340)	(902,027)
22 Subtotal New Taxes	55,568,277	59,807,200	79,766,636	86,059,284	89,994,086
23 Revised Net Operating Surplus/(Deficit)	(11,252,385)	(7,920,844)	(8,163,191)	(2,610,886)	1,759,290
24 Less Transfer to the School District	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
25 Homeland Security	3,500,000	-	-	-	-
26 Less Operating Money for Capital	4,500,000	7,500,000	10,000,000	4,000,000	-
25 Final Net Operating Balance	747,615	3,579,156	5,836,809	5,389,114	5,759,290
26 Cumulative Balance Carried Forward from Prior Year	-	747,615	4,326,771	10,163,581	15,552,695
27 Cumulative Balance	-	4,326,771	10,163,581	15,552,695	21,311,984

[1] 10/29 Revenues +\$500K Fines & Forfeits in 2005

[2] Latest PEL updates

[3] 10/29 Expenditures - 500K VEBA Credit, \$3m capital in 2005

[4] Gross; School District expenditure reduction not in City budget

APPENDIX C
ECONOMIC AND DEMOGRAPHIC INFORMATION
PERTAINING TO
THE CITY OF PITTSBURGH

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ECONOMIC CONDITION AND OUTLOOK

Located at the confluence of the Ohio, Monongahela, and Allegheny Rivers, the City of Pittsburgh serves as the seat for Allegheny County. Pittsburgh is the largest of the County's 130 municipalities. Downtown Pittsburgh is commonly known as the Golden Triangle and serves as the regional center of Southwestern Pennsylvania, Eastern Ohio and Northern West Virginia. According to the 2000 Census, the City's population is approximately 340,000.

Economic Background

Pittsburgh has consistently been a leader in developing and capitalizing on new industries. In the mid-1800s, Pittsburgh gained notoriety for developing its glass, iron, and steel industries and emerged as the world's steel-producing capital by the end of the century. In recent years, the City of Pittsburgh's economy underwent an incredible transformation. Though heavy manufacturing continues to play a role in the City's economic growth, it is no longer the region's sole driving force. Instead, Pittsburgh has reestablished itself as a leader in technological innovation. The same entrepreneurial spirit that forged Pittsburgh's growth in the past has been reborn, producing a diverse economy consisting of high technology, finance, healthcare, retail, law, and education sectors. Pittsburgh's economy is now fueled in great part by information technology and biotechnology firms that grew out of the region's strong universities.

Economic Condition and Outlook

The City of Pittsburgh continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. The primary goal is to assist businesses both small and large in developing and enhancing working relationships among economic development practitioners throughout the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City of Pittsburgh has modernized its economy.

Initiatives such as *one-stop service providers* allow firms doing business in Pittsburgh to assign a project coordinator who will serve as a single point of contact throughout the development process. Tax credits granted by both the federal government and the Commonwealth of Pennsylvania provide financial incentives for companies to hire new employees. The City of Pittsburgh also contains three State Enterprise Zones, which enable businesses located within those designated areas to enjoy more favorable interest rates and additional tax incentives. The City of Pittsburgh now has several sites included among the commonwealth's Keystone Opportunity Zones, which exempt a majority of state and local taxes for a number of years.

Over the past couple of years Pittsburgh has focused on the revitalization of its downtown core, making aesthetic improvements to reestablish it as a regional destination point. With the formation of a Business Improvement District in 1996, the Pittsburgh Downtown Partnership spearheaded improvements in maintenance, safety, and marketing. Currently, the downtown retail district is in the midst of a planning effort to enhance downtown retailing.

Pittsburgh is also working to make downtown the region's chief entertainment destination. The expansion of the convention center and the construction of two new sports facilities will attract visitors from the surrounding region and all over the world. The downtown office climate is also getting a boost from companies who have recently created new offices, such as ALCOA, GNC Mellon Bank, PNC Bank, Seagate, Ariba, H.J. Heinz, Highmark Blue Cross/Blue Shield and Kvaerner Metals, a sign of Pittsburgh's bright economic future.

The City of Pittsburgh has also implemented an aggressive strategy to reclaim the City's valuable riverfront property and reuse industrial sites left behind by the dismantling of the steel industry. Through the Urban Redevelopment Authority, the City of Pittsburgh has acquired land and prepared sites to lay the groundwork for economic development. A variety of technology companies and university researchers have located their operations at the Pittsburgh Technology Center. Through the Urban Redevelopment Authority, the City also purchased the 130-acre former LTV South Side Works site in late 1993. The site is currently being developed into a mixed-use development to include housing, office space, warehousing and light-industrial space. The University of Pittsburgh Medical Center (UPMC) has finished building an 80,000 square-foot distribution center, and a 45,000-square foot office and laboratory facility called the Pittsburgh Life Sciences Center is under construction. Over 500,000 square feet of office space is either under construction or in the planning stages. The Mon Con/Hot Metal Bridge that once carried molten steel across the Monongahela River has been renovated to allow cars and pedestrians to travel between the South Side and the Pittsburgh Technology Center on the North Shore of the Monongahela. In addition, residential and commercial developments completed on Washington's Landing in the Allegheny River prove that the strategy of land acquisition and site preparation can be used very effectively as an economic development strategy.

Pittsburgh is also strengthening and revitalizing its neighborhoods, encouraging new housing developments like Crawford Square, Allequippa Terrace and Bedford Dwellings which are mixed-income-housing units in the Hill District. The idea is to provide both new and existing residents of the City with a higher quality of life. The City is also partnering with developers to attract new stores and restaurants back into the neighborhoods, such as a new Shop 'N Save at the Lawrenceville Shopping Center development and a Home Depot and Whole Foods in East Liberty.

The most dramatic development in Pittsburgh may, however, be its rebirth as a hub for the technology industry. The University of Pittsburgh and Carnegie Mellon University lead the way in research of biotechnology, bioengineering, robotics, and information technology. Increases in university research and development (R&D), spending is a significant sign that the City's universities are working to commercialize technology developments. This R&D/spending will spin off new companies, new jobs and new wealth. During the past 15 years, Pittsburgh has more than doubled its number of technology-driven firms, creating over 1,200 new enterprises. Today, nearly 2,400 high technology firms employ over 90,000 individuals, accounting for roughly nine percent of the total workforce in Greater Pittsburgh. In fact, the Pittsburgh region now ranks in the top ten in the nation in total employment of computer software professionals. Pittsburgh is also the third-largest environmental technology hub in the country. In the aggregate, technology companies have produced over 30,000 new jobs since 1980, sharply offsetting job losses from other industries in the region.

The overall outlook for Pittsburgh in the 21st century and beyond is very promising. The city's investments and initiative of the past several years are leading to more business development and increased residential construction.

Major Initiatives

The major initiatives of the City from 1994 to the present include large scale brownfield redevelopment such as South Side Works and Summerset at Frick Park, neighborhood development projects, housing developments and business development. To date these investments have exceeded \$5 billion in activity, and:

- Redeveloped more than 500 acres of abandoned brownfield sites, increasing taxable market value for the region by more than \$570,000,000;
- Created or retained 20,673 jobs since 1994;
- Provided \$53 million in home improvement loans to help seniors and low income residents maintain and improve their homes over the past ten years; and

- Made 40,136 loans to support the purchase, rehabilitation, and development of housing units throughout the City. The majority of these loans have been to low income and first time home buyers in low income neighborhoods.

The following is a summary of selected projects.

South Side Works

- 75% of this former industrial site is developed with another 10% under construction. More than \$220 million in private investment has been generated and 2,000 jobs, 1,420,000 sq. ft. of space, and 354 residential units have been created.
- The City's Urban Redevelopment Authority purchased the site in 1993 after LTV Steel idled the plant, and has secured more than \$100 million in financing and is overseeing the planning and construction of site infrastructure.
- Current local property tax revenues are in excess of \$1.04 million. This number will rise to more than \$7.99 million once the project is completed and the tax increment financing is paid off.

Summerset at Frick Park

- Work continues on the 238-acre former slag dump that is now the site of newly constructed luxury homes in the City of Pittsburgh. The site is currently generating \$846,720 in annual local property tax revenues, and this number will rise to more than \$6.29 million when all three phases of the project are complete.

Luna Square Baum Boulevard Development

- Mixed use \$115,000,000 development along Baum Boulevard will include 148,000 square feet of office space, 58,000 square feet of retail space, and 1,500 space parking garage, two hotels, 70 residential units, and a movie theater.

Giant Eagle Centre Avenue Expansion

- Approximately 120 upscale apartments will be constructed on top of the newly expanded store, and 350 additional parking spaces will be created.

Downtown Housing

- 15 downtown housing developments have been financed to date, resulting in the construction of 585 units to date, with another 235 units underway.
- 5th and Forbes corridor efforts are focused on housing development with the goal of increasing demand for retail as population grows.

Neighborhood Development

East Liberty

- Demolition of three severely deteriorated housing developments will be completed in spring 2005. Residents have been relocated to nearby housing and given the option to return to the new development. 300 new rental and for-sale units are planned.
- Introduction of Home Depot and Whole Foods and renovation of the historic Liberty Building have generated significant interest in the neighborhood's business district. Renovation plans for the 13-story Highland Building, in the core of the neighborhood's commercial district, are underway.

Federal Hill

- 60 units of housing (44 market-rate, for sale units and 16 rental units) are planned along Federal Street in Central Northside.

- Housing at Federal Hill will serve as an anchor for redevelopment efforts in the Federal North area.

Hazelwood

- 27 deteriorated properties have been acquired, cleared, designated as part of the State's tax-free Keystone Opportunity Zone, and are currently being marketed for redevelopment in the neighborhood's business district. Three buildings are under agreement for sale.

Hill District

- 75 formerly tax delinquent and/ or publicly-owned properties have been acquired for redevelopment. The City is aggressively recruiting a grocery store to meet neighborhood needs.
- 2,200 new housing units have been constructed and/ or renovated in the last 10 years throughout the neighborhood - including subsidized and market rate apartments, and for sale units selling for \$150,000 to \$250,000.

Lawrenceville

- The City is providing assistance and aggressively recruiting developer interest for several commercial and market-rate housing developments along Butler Street, and in the blocks surrounding the CMU Robotics Center.

Strip District

- The City is working with the Strip District's community development group to explore the feasibility of converting a portion of the publicly-owned Produce Terminal into a public market house.

Neighborhood Business District Improvements

- The City recently funded 22 Pittsburgh neighborhoods for the growth and improvement of their shopping districts through the Mainstreets Pittsburgh program.
- Over the past four years more than 250 buildings have been improved and 450 new businesses attracted, resulting in 1,600 new jobs. Total investment in the Mainstreets neighborhood districts during this period has exceeded \$48 million.

Home Improvement and Home Ownership Activities

- More than \$12 million towards home improvement and home ownership loans to help 287 seniors and low income residents maintain, improve and purchase their homes was provided in 2003. These efforts are vital in maintaining sound and well maintained housing stock in the City of Pittsburgh.

Source: Urban Redevelopment Authority of Pittsburgh.

Building Activity

According to the City's Bureau of Building Inspection, total construction value within the City in 2003 was \$636 million. Over 8% of the construction value represented new housing construction. New commercial construction represented almost 35% of the total value. The remaining percentage represented construction value of extensions and alterations of existing structures.

Table C-1 below sets forth the number and dollar value of residential and commercial building permits issued in the City in the years 1994 to 2003:

TABLE C-1
City of Pittsburgh
Number and Value of Building Permits, 1994-2003

Number of Year	Permits Issued	Dollar Value (In thousands)
1994	3,148	201,982
1995	3,019	158,575
1996	2,793	250,315
1997	2,490	193,471
1998	2,405	388,569
1999	2,271	414,859
2000	2,283	827,764
2001	2,239	531,131
2002	2,216	344,223
2003	1,445	636,161

Source: City of Pittsburgh, Bureau of Building Inspection.

ECONOMY

Employment

For more than 150 years, the City has been a center for business and industry. While the steel industry continues to be a major factor in the local economy, its importance as a source of employment in absolute and relative terms has been diminishing. As a result, the City's economy is becoming more diversified with increasing reliance on the health, education and financial industries.

TABLE C-2
City of Pittsburgh
25 Largest Pittsburgh Area Employers

Employees (as of 12/31/04)

University of Pittsburgh Medical Center.....	26,664
U.S. Government.....	19,404
Commonwealth of Pennsylvania.....	13,335
West Penn Allegheny Health System.....	10,753
University of Pittsburgh.....	10,133
US Airways Group Inc.....	6,994
PNC Financial Services Group, Inc.....	6,895
Mellon Financial Corp.....	6,125
Wal-Mart Stores Inc.....	6,000
Giant Eagle Stores, Inc.....	5,703
Allegheny County.....	5,480
Highmark Inc.....	5,416
Pittsburgh Board of Education.....	5,191
United States Steel Corp.....	5,000
Eat'n Park Hospitality Group Inc.....	4,523
Carnegie Mellon University.....	3,910
Allegheny Technologies Inc.....	3,800
Westmoreland-Latrobe Health Partners.....	3,700
City of Pittsburgh.....	3,550
Pittsburgh Mercy Health System.....	3,351
Port Authority of Allegheny County.....	3,102
SUPERVALU Inc.....	3,000
WestinghouseElectric Co.....	3,000
Heritage Valley Health System.....	2,869
PPG Industries Inc.....	2,800

Source: Pittsburgh Business Times

As set forth in Table C-3, total employment in the City has fluctuated during the past sixteen years from 307,200 in 1989 to 309,009 in 2004.

TABLE C-3
City of Pittsburgh
Total Number of Jobs in the City
1989-2004

1989	.....	307,200
1990	.....	319,600
1991	.....	327,600
1992	.....	318,404
1993	.....	314,758
1994	.....	314,525
1995	.....	311,101
1996	.....	310,000
1997	.....	305,427
1998	.....	319,004
1999	.....	323,600
2000	.....	325,318
2001	.....	310,950
2002	.....	315,322
2003	.....	316,800
2004	.....	309,009

Source: City of Pittsburgh Tax Files. Estimated based on Occupational Privilege Tax Receipts.

City and regional labor force and employment have stabilized since 1986 after sharp declines in the early 1980's due to the steel recession.

TABLE C-4
Resident Civilian Labor Force Data
City, PMSA/MSA, Commonwealth, U.S.
1999-2003

Labor Force	1999	2000	2001	2002	2003
City of Pittsburgh	159,400	159,459	162,000	162,275	164,100
Pittsburgh PMSA/MSA ⁽¹⁾	1,153,400	1,155,400	1,175,900	1,211,200	1,184,900
Pennsylvania	5,996,000	5,971,900	6,073,000	6,289,800	6,170,000
U.S.	139,368,000	140,863,000	141,815,000	144,863,000	146,510,000
Employment					
City of Pittsburgh	154,000	152,981	155,500	154,842	156,100
Pittsburgh PMSA/MSA ⁽¹⁾	1,103,300	1,106,500	1,124,800	1,146,100	1,119,100
Pennsylvania	5,707,000	5,722,000	5,786,000	5,933,900	5,826,100
U.S.	133,488,000	135,208,000	135,073,000	136,485,000	137,736,000
Unemployed					
City of Pittsburgh	5,400	6,478	6,500	7,975	8,100
Pittsburgh PMSA/MSA ⁽¹⁾	50,100	47,400	51,100	65,100	65,800
Pennsylvania	262,000	249,900	287,000	355,800	343,900
U.S.	5,880,000	5,655,000	6,742,000	8,378,000	8,774,000
Unemployment Rate (%)					
City of Pittsburgh	3.4%	4.1%	4.0%	4.9%	4.9%
Pittsburgh PMSA/MSA ⁽¹⁾	4.3%	4.1%	4.3%	5.4%	5.6%
Pennsylvania	4.4%	4.2%	4.7%	5.7%	5.6%
U.S.	4.2%	4.0%	4.8%	5.8%	6.0%

(1) The figures for the years 1999 through 2003 reflect the Pittsburgh MSA, which includes the counties of Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland.

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.

Banking Institutions

The Pittsburgh MSA contains 48 banking institutions with combined total assets of \$119,536,364,000. Major banks, which are headquartered in the City, include Mellon Bank, N.A. and PNC Bank, National Association. Additionally, the following major banks are located in the City: Citizens Bank of Pennsylvania, a wholly owned subsidiary of Citizens Financial Group, which is owned by the royal Bank of Scotland, and National City Bank of Pennsylvania, a subsidiary of National City Bank, the 8th largest bank holding company in the United States. Each has full service capability and extensive overseas operations.

Pittsburgh is a branch office city of the Cleveland District of the Federal Reserve System.

**TABLE C-5
City of Pittsburgh
Commercial Banks
Ranked by Total Assets**

**Total Assets
(as of December 31, 2004)**

PNC Bank National Association.....	\$62,036,533,000
*Citizens Bank of Pennsylvania.....	26,738,196,000
Mellon Financial Corp.....	20,838,836,000
*National City Bank of Pennsylvania.....	13,496,752,000
Sky Bank.....	11,844,146,000
Northwest Savings Bank.....	5,407,582,000
Dollar Bank, FSB.....	5,117,796,000
First Commonwealth Bank.....	5,106,174,000
First National Bank of Pennsylvania.....	4,385,679,000
S&T Bank.....	2,849,645,000

*Citizens Bank of Pennsylvania is owned by Citizens Financial Group Inc. with total assets of \$137 billion as of December 31, 2004. National City Bank of Pennsylvania is owned by National City Corporation with total assets of \$139 billion as of December 31, 2004.

Source: 2005 Pittsburgh Business Times

Foreign Banks

In recent years, a number of major foreign banks have established offices in the City. This activity reflects the international economic importance of the area, as well as the growth of foreign firms who have located in the City and its environs or who have significant business commitments in the area.

EDUCATION

Colleges and Universities

The ten largest, measured by enrollment, colleges and universities located in the Pittsburgh area are shown in Table C-6.

TABLE C-6
Pittsburgh Area
Colleges and Universities
(Ranked by 2004 Enrollment)

	Total Enrollment	
	<u>Full-Time</u>	<u>Part-Time</u>
University of Pittsburgh (main campus)	21,562	5,233
Indiana University of Pennsylvania	11,991	1,877
Community College of Allegheny County (all campuses)	7,903	11,352
Slippery Rock University	7,170	830
Clarion University	5,709	1,342
Duquesne University	7,880	1,821
Carnegie Mellon University	8,271	1,485
California University of Pennsylvania	5,190	1,247
University of Pittsburgh at Johnstown	2,800	300
Robert Morris University	2,750	2,066

Source: 2005 Pittsburgh Business Times

Vocational-Technical Schools

In addition, vocational-technical schools in the area provide a broad array of training in a variety of fields. Vocational-technical training is offered by both proprietary schools and by the public school systems. There are approximately 20 proprietary vocational schools and approximately 12 public vocational schools in the City and surrounding areas.

TRANSPORTATION

Air Transportation

The Pittsburgh International Airport ("PIA") serves the region. The 2.1 million square foot airport, located in Allegheny County 16 miles from the downtown area accommodates nearly 20 million travelers in nearly 450,000 aircraft operations per year.

The state-of-the-art user-friendly terminal complex located between the runways opened October 1, 1992, replacing the 40-year old Main Terminal Building. Built with the latest technologies and designed for incremental expansion to meet forecasted growth, the entire complex is able to expand with relative ease. Currently, the terminal building consists of 69 domestic gates, 6 international gates, and 25 commuter gates.

Passenger conveniences include an underground people mover system, moving walkways, easy-to-

read signs and direct access to 17,420 parking spaces. The X-shaped airside terminal allows connecting passengers access to all 75-jet gates without changing levels or terminals. The airside terminal also houses a retail area featuring more than 60 local, national, and international retailers and restaurateurs required to charge prices no higher than those charged at their off-airport locations.

US Airways has terminated the hub status of the Pittsburgh International Airport. US Airways has already eliminated all international flights departing from PIA to Great Britain and Germany. Recently, US Airways has been under financial distress and has filed for bankruptcy protection under Chapter 11 pursuant to the bankruptcy code. The outcome of this proceeding could have an impact on future US Airways flight capacity at PIA. In the fourth quarter of 2004, US Airways downgraded Pittsburgh from a hub city to a “focus city.” While the economic effect of the airline’s problems may have a negative impact on southwestern Pennsylvania, US Airways is not a significant employer of Pittsburgh residents.

Capacity is one of PIA’s most valuable assets. PIA is within a 90-minute flight of 70% of North America’s population. The OAG (Official Airline Guide) Worldwide recently listed PIA on its short list of the world’s best airports for the third year in a row. Currently, PIA ranks 26th in the United States in passenger volume. Last year, 3 low-cost carriers implemented major flight routes through PIA. The trends in passenger volume at the Pittsburgh International Airport, from 1994 through 2003 are set forth in Table C-7.

TABLE C-7
City of Pittsburgh
Passenger Volume Trend
Pittsburgh International Airport

<u>Year</u>	<u>Passenger Volume</u>	<u>Percentage Change Over Prior Year</u>
1994	19,490,709	5.7
1995	20,012,251	2.7
1996	20,533,660	2.6
1997	20,759,723	1.1
1998	20,556,075	(1.0)
1999	18,785,728	(8.6)
2000	19,816,511	5.5
2001	19,945,246	0.6
2002	18,027,165	(9.6)
2003	14,266,984	(20.9)

Source: Allegheny County Airport Authority

The following airlines serve Pittsburgh International Airport:

Major International Carriers

Air Canada
Air Tran Airways
America West
American
Continental
Delta
Northwest
Southwest (Service to begin May, 2005)
United
US Airways

Commuter Carriers

Air Midwest (US Airways Express)
Allegheny Airlines (US Airways Express)
American Eagle
ATA
Atlantic Southeast
Chautauqua (US Airways Express/American Eagle)
Colgan Air (US Airways Express)
ComAir (Delta Connection)
Continental Express
Independence Air
Mesa Airlines (US Airways Express)
Mesaba Airlines
Mid Atlantic Airways (2003)
Piedmont (US Airways Express)
PSA (US Airways Express)
Shuttle Airlines
Skyway Airlines
Trans States Airlines (US Airways Express)
United Express
USA 3000

Source: Allegheny County Airport Authority

Allegheny County Airport is the largest service airport in Western Pennsylvania. It is the home of over 160 aircraft and 3 flight schools.

Water Transportation

The Port of Pittsburgh on the Allegheny, Monongahela and Ohio Rivers, is the largest inland port in tonnage and the second busiest in the country, and provides year round facilities for shipments to and from the South and Midwest regions of the United States. Shippers at the Port of Pittsburgh may ship to any port in the world by containerization, lash or seabee barge carriers.

The Port of Pittsburgh supports over 200 publicly and privately owned terminals and barge industry service suppliers. The public terminals are equipped to accommodate such bulk commodities as coal, sand, gravel, petroleum products, chemicals, iron, and steel products, and finished products of all types. Other goods which move on the City's rivers include fertilizer, machinery, steel scrap, iron ore, billets, salt, synthetic rubber, lumber products and ferrous alloys.

Twelve major barge lines operate on Port of Pittsburgh waters as common carriers. These barge lines utilize both private- and public-use terminals. A number of regulated contract carriers and other private carriers for hire also operate extensively into and out of the Port of Pittsburgh.

Water transport equipment currently in service includes open hopper barges, covered dry cargo barges, tank and deck barges. Typical tows move from the Port of Pittsburgh to St. Louis in about seven days. Specialized tows, such as unit tows for bulk liquids, cover the Port of Pittsburgh to New Orleans route in eight to twelve days.

Complete facilities for construction and repair of river boats of all types are in operation in the Port of Pittsburgh.

Rail Service

There are numerous trunk, short-line, switching and connecting railroads serving the region. It is estimated that ten percent of all U.S. rail freight originates or passes through the nine-county region surrounding the City. On-line trunk railroads serving the SMSA include:

Amtrak
Bessemer and Lake Erie Railroad
CSX
Norfolk and Southern Railroad

Motor Freight Service

The area is served by over 250 interstate and local trucking firms, 26 freight forwarders, and 81 household goods movers. The City is a strategically located transportation center, with overnight access by motor freight to the major markets of the Northeast and Midwest.

Mass Transit

The Port Authority of Allegheny County (PAT) has been servicing Allegheny County plus minor portions of Armstrong, Beaver, Washington, and Westmoreland Counties since March 1, 1964. PAT provides transportation via buses, light rail transit, inclines, and the ACCESS Paratransit System.

PAT owns approximately 1,200 revenue vehicles. PAT's average annual ridership is 68 million with an average number of weekday passengers of 230,000.

Passenger Bus Service

Greyhound Bus Lines provides regularly scheduled interstate bus service to the City. PAT provides local bus, streetcar and rail service. In addition, a variety of local bus companies provide intrastate, commuting, and charter services.

UTILITIES

Electricity

The City relies primarily upon coal as an energy source and is not heavily dependent upon oil and gas for the production of electricity. Some nuclear energy is used. In the region, the currently installed electric power generation capacity is 80% coal, 15% nuclear and 5% oil, the latter used mostly for peak capacity.

The electric power requirements of residential, commercial and industrial users in the City are provided primarily by the Duquesne Light Company which serves more than 580,000 customers in Southwestern Pennsylvania and uses more than 45,000 miles of overhead lines, 250,000 utility poles, and 103,000 transformers. The Company is subject to regulation by the Pennsylvania Public Utilities Commission.

Natural Gas

The City's suppliers of natural gas are the Equitable Gas Company, Dominion Peoples, and Columbia Gas of Pennsylvania. Together they serve 890,000 customers in the 10 county region of Southwestern Pennsylvania. All three are investor- owned utilities whose service areas cover large portions of Pennsylvania and neighboring states

Water and Sewer

The Pittsburgh Water and Sewer Authority provides water service to the majority of water customers within the City and sewage collection service to the entire City. The climate and river valleys within the City region provide abundant water at reasonable cost.

Sewage treatment service is provided by Alcosan (Allegheny County Sanitary Authority). Its service area includes the City, 82 neighboring municipalities in the County and parts of communities in Washington and Westmoreland Counties. Alcosan serves an area of 225 square miles with a population of about 900,000.

DEMOGRAPHIC DATA

Population

Table C-8 shows population data for the City, the County and the SMSA from 1970 to 2000.

**TABLE C-8
Population
City, County, PMSA
1970-2000**

	<u>City of Pittsburgh</u>		<u>Allegheny County⁽¹⁾</u>		<u>Pittsburgh SMSA⁽²⁾</u>	
	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
1970	520,089	N/A	1,084,899	N/A	796,229	N/A
1980	423,938	(18.5%)	1,026,147	(5.4%)	813,809	2.2%
1990	369,879	(12.8%)	966,570	(5.8%)	720,556	(11.5%)
2000	334,563	(9.5%)	947,103	(2.0%)	1,077,029	33.0%

(1) Population of the County, excluding residents of the City.

(2) Population of the PMSA, excluding residents of the County.

Source: U.S. Census.

Housing

Housing in Pittsburgh is very affordable when compared to the nation. According to the U.S. Census, Pittsburgh has the third most affordable housing in the nation. The local housing affordability has consistently made the city one of the top five places to live in America according to the Places Rated Almanac.

Detached single family housing continues to dominate residential construction in the County, although in Pittsburgh, apartment and townhouse construction predominates.

Because Pittsburgh was almost completely built up by 1950, more than 75% of the housing stock in the City is over forty years old and 50% is over sixty years old. The housing stock of the City, County, SMSA and Commonwealth is characterized in Table C-9 on the following page:

TABLE C-9
City of Pittsburgh
City, County, PMSA, and Commonwealth
Characteristics of Housing Units Comparison

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Total Housing Units:				
City of Pittsburgh.....	189,840	179,191	170,159	163,366
County of Allegheny.....	533,520	570,970	580,738	583,646
Pittsburgh PMSA	789,771	874,050	879,811	966,500
Pennsylvania	3,924,757	4,597,412	4,938,140	5,249,750
Percent Owner-Occupied:				
City of Pittsburgh.....	50.3%	51.2%	52.3%	52.1%
County of Allegheny.....	64.8%	61.9%	66.2%	67.0%
Pittsburgh PMSA	67.8%	69.0%	72.6%	71.3%
Pennsylvania	68.0%	64.2%	70.6%	71.3%
Median Value of Owner-Occupied Housing:				
City of Pittsburgh.....	\$12,500	\$31,500	\$41,200	N/A ⁽¹⁾
County of Allegheny.....	16,000	43,300	57,100	84,200
Pittsburgh PMSA	15,300	42,800	51,800	N/A ⁽¹⁾
Pennsylvania	13,600	39,100	69,700	97,000
Number of Persons per Housing Unit:				
City of Pittsburgh.....	2.8	2.4	2.5	2.2
Total County Housing Units:				
Percent of City of Pittsburgh	35.5%	31.4%	29.3%	28.0%

Source: U.S. Census of Housing.

(1) The 2000 information is not currently available.

From 1970 to 2000 the number of housing units in the County increased by 9.4%, while the number of housing units in the City decreased by 13.9%. Over the same period, the number of persons per housing unit in the City decreased 21% and the population declined by 35.7%.

TABLE C-10
County of Allegheny
Average Sale Price of Residential Property
1994 to 2003
(Market Transactions)

<u>Year</u>	<u>County of Allegheny</u>
1994	\$105,399
1995	105,547
1996	106,785
1997	111,831
1998	116,064
1999	124,716
2000	125,525
2001	129,525
2002	134,463
2003	140,438

Source: West Penn Multi-List.

The Redevelopment Authority provides low-cost home improvement loans to low- and moderate-income families utilizing Community Development Block Grant (“CDBG”) monies, Commonwealth and local funds, and has issued its bonds for this purpose. The Redevelopment Authority also uses CDBG funds to subsidize the interest rate on rehabilitation loans made by private lenders to owners of residential properties and on property rehabilitation loans made by private lenders to businesses in designated neighborhood retail districts. The Redevelopment Authority has functioned as a loan originator under U.S. Department of Housing and Urban Development (“HUD”) programs in which capacity the Redevelopment Authority contracts with HUD to originate twenty-year housing rehabilitation loans or rehabilitation grants funded by HUD.

The Redevelopment Authority currently has in various stages of execution redevelopment projects funded in part by the federal government, the Commonwealth and the City.

INCOME

Per Capita Income

The data in Table C-11 shows the trend in per capita personal income for the Pittsburgh PMSA, Allegheny County and the Commonwealth.

TABLE C-11
Pittsburgh PMSA, County and Commonwealth
Per Capita Personal Income

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>% Change</u> <u>1980-2000</u>
Pittsburgh PMSA.....	\$10,662	\$19,906	\$29,587	+64.0
Allegheny County.....	11,402	22,382	33,474	+65.9
Pennsylvania.....	10,151	19,823	29,539	+65.6

Source: United States Department of Commerce, Bureau of Economic Analysis.

APPENDIX D

FORM OF BOND COUNSEL OPINION

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APPENDIX D

[FORM OF OPINION OF BOND COUNSEL]

_____, 2005

RE: City of Pittsburgh, Pennsylvania, General Obligation Bonds,
Series [A] [B] of 2005

To the Purchasers of the Above-Captioned Bonds

We have acted as Bond Counsel in connection with the issuance by the City of Pittsburgh, Pennsylvania (the "City") of its General Obligation Bonds, Series [A] [B] of 2005 in the aggregate principal amount of \$ _____ (the "Bonds") pursuant to the Local Government Unit Debt Act, Act of December 19, 1996, P.L. 1158, No. 177 (the "Act"), and a Resolution adopted by the City Council of the City on April 6, 2005 (the "Resolution").

As Bond Counsel we have examined originals or certified copies of the transcript of the proceedings of the City filed with and approved by the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the "Commonwealth"), the Resolution, the form of the Bonds, such constitutional and statutory provisions and such other certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify those facts by independent investigation.

Based upon such examination and the certifications and representations of fact contained in the proceedings relating to the issuance of the Bonds, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City.
2. The Bonds are payable from such moneys as may be available for that purpose, including ad valorem taxes which the City is authorized to levy upon taxable real property within its boundaries without limitation as to rate or amount.
3. The City has covenanted to include the amount of the debt service on the Bonds for each fiscal year in which such sums are due in its budget for that year, to appropriate such amounts to the payment of such debt service and to punctually pay or cause to be paid the principal of the Bonds and the interest thereon on the dates, at the places and in the manner stated in the Bonds.
4. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.
5. Under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the

alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has covenanted in the Resolution to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered solely for the benefit of the addressees hereof in connection with the initial issuance of the Bonds. The addressees may not rely on this opinion for any other purpose and no other person may rely on this opinion for any purpose without the express written consent of the undersigned. This opinion is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

Very truly yours,

KLETT ROONEY LIEBER & SCHORLING,
a Professional Corporation

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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DO NOT STAPLE THIS FORM

MSRB

FORM G-36 (OS) - FOR OFFICIAL STATEMENTS

SECTION I - MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1. ☒ A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: 04/13/2005

(b) DATE SENT TO MSRB: 04/13/2005

2. ☐ AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: _____

(b) DATE SENT TO MSRB: _____

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g. preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE: ☐

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original form G-36 (OS)): ☐

179334

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately.

If more space is needed to list additional issues, please include on a separate sheet and check here: ☐

NAME OF CITY OF PITTSBURGH (Commonwealth of Pennsylvania)

ISSUER

STATE: PA

DESCRIPTION General Obligation Bonds, Series A of 2005

DATED

OF ISSUE

DATE: 05/10/2005

NAME OF CITY OF PITTSBURGH (Commonwealth of Pennsylvania)

ISSUER

STATE: PA

DESCRIPTION General Obligation Bonds, Series B of 2005

DATED

OF ISSUE

DATE: 06/07/2005

NAME OF

ISSUER

STATE:

DESCRIPTION

DATED

OF ISSUE

DATE:

SECTION III - TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 09/01/2018

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 04/06/2005

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 05/10/2005

D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: ☐

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV - UNDERWRITER ASSESSMENT INFORMATION

The information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING

SEC REG.

UNDERWRITER Lehman Brothers

NUMBER: 8-12324

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING \$ 194,995,000

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from the amount shown in item B above): \$

D. CHECK ALL THAT APPLY

1. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

2. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

3. ☐ This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
09/01/2008A	725209ED8	09/01/2009A	725209EE6	09/01/2010A	725209EF3
09/01/2011A	725209EG1	09/01/2012A	725209EH9	09/01/2013A	725209EJ5
09/01/2014A	725209EK2	09/01/2015A	725209ELO	09/01/2016A	725209EM8
09/01/2017A	725209EN6	09/01/2018A	725209EP1	09/01/2006B	725209EQ9
09/01/2007B	725209ER7	09/01/2008B	725209ES5	09/01/2009B	725209ET3

LIST ALL CUSIP-6 NUMBERS ASSIGNED:

State the reason why such securities have not been assigned a "CUSIP-9":

State the reason why such securities are ineligible for CUSIP number assignment:

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

ION IV ABOVE

underwriter)

nd

ED FOR

be included to be considered sent to the MSRB within th

4. Submit this form and accompanying materials to MSRB, MSRB System, Inc.,
22314.

M. S. R. B.
APR 14 2005
RECEIVED