

REMARKETING MEMORANDUM

Ratings: Moody's: Aaa
Standard & Poor's: AAA
(See "Ratings" herein)

NO P.S.
(Handwritten initials)

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from federal income taxation and the Bonds, their transfer and any income therefrom (including any profits made on the sale thereof) are exempt from taxation within the Commonwealth of Pennsylvania except for gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the transfer thereof, the income therefrom or any profits made on the sale thereof; however, no opinion is expressed as to any exemption from the taxation from gains from the sale of the Bonds under the Pennsylvania Corporation Net Income Tax (see "Tax Exemption" and "Federal Legislation" herein).

\$19,000,000
City of Pittsburgh, Pennsylvania
General Obligation Bonds, Series B of 1986

Remarketing Date: October 15, 1986

Due: March 1, (as shown below)

The General Obligation Bonds, Series B of 1986 (the "Bonds") which were issued on August 28, 1986 will be remarketed as fully registered Bonds in the denominations of \$5,000 or any whole multiple thereof and will bear interest from October 15, 1986 at the annual rates shown below. Interest on the Bonds will be payable semi-annually on March 1 and September 1 while the Bonds are outstanding, commencing on March 1, 1987. Principal of, and interest and premium, if any, on the Bonds will be payable at the principal corporate trust office of Mellon Bank, N.A., Pittsburgh, Pennsylvania or its duly appointed successor (the "Paying Agent"), provided that interest may be paid by check drawn on the Paying Agent and mailed to the owner of record on the record date.

The Bonds are general obligations of the City of Pittsburgh, Pennsylvania (the "City"). The full faith, credit and taxing power of the City have been pledged for the payment of the principal of, and interest and premium, if any, on the Bonds. The Bonds were issued to provide funding to refund a portion of the City's outstanding General Obligation Bonds, Series of 1985. The Bonds will be subject to redemption as provided herein.

Payment of the principal of, and interest on, the Bonds will be insured by a municipal bond insurance policy issued by Financial Guaranty Insurance Company (see "Municipal Bond Insurance Company" herein).



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

\$50,895,000
Maturity Schedule

Due March 1	Amount	Interest Rates	Price	Due March 1	Amount	Interest Rates	Price
1987	\$2,440,000	4.25%	100%	1994	\$ 1,855,000	6.10 %	100%
1988	5,000	4.75	100	1995	1,970,000	6.30	100
1989	5,000	5.00	100	1996	2,105,000	6.50	100
1990	5,000	5.25	100	1997	11,715,000	6.75	100
1991	1,560,000	5.40	100	1998	12,495,000	6.875	100
1992	1,645,000	5.70	100	1999	13,350,000	7.00	100
1993	1,745,000	5.90	100				

\$29,520,000 7% Term Bonds Due March 1, 2001—Price 99.5%
\$93,425,000 7% Term Bond Due March 1, 2006—Price 99%
\$16,160,000 7% Term Bond Due March 1, 2007—Price 99%
(Accrued Interest to be Added)

The Bonds are being remarketed, subject to the approval of the legality of such remarketing by Berkman Ruslander Pohl Lieber & Engel, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their Counsel, Eckert, Seamans, Cherin & Mellott, Pittsburgh, Pennsylvania, and Grogan, Graffam, McGinley & Lucchino, Pittsburgh, Pennsylvania. The City expects that delivery of the remarketed Bonds in definitive form will be made in New York on or about October 15, 1986.

Butcher & Singer Inc. **Merrill Lynch Capital Markets**
Shearson Lehman Brothers, Inc.
Mellon Bank, N.A. **PNC Investment Company** **Russell, Rea & Zappala, Inc.**
A unit of Pittsburgh National Bank
Daniels & Bell, Inc.
Goldman, Sachs & Co. **PaineWebber**
Incorporated

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 Remarketing Memorandum, 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 Remarketing Memorandum 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.

This Remarketing Memorandum is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information contained herein is subject to change without notice and neither the delivery of this Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, since the date hereof.

CITY OF PITTSBURGH, PENNSYLVANIA

MAYOR

Richard S. Caliguiri

MEMBERS OF CITY COUNCIL

Ben Woods, President
Jim O'Malley, Chairman, Finance Committee

Eugene P. DePasquale
Richard E. Givens
Stephen D. Grabowski
Michelle Madoff

Sophie Masloff
Mark H. Pollock
Jack Wagner

CONTROLLER

Tom Flaherty

DIRECTOR OF FINANCE

Ronald C. Schmeiser, C.P.A.

DEPUTY DIRECTOR OF FINANCE/TREASURER

Stephen A. Schillo

CITY SOLICITOR

D. R. Pellegrini, Esq.

BOND COUNSEL

Berkman Ruslander
Pohl Lieber & Engel
Pittsburgh, Pennsylvania

FINANCIAL ADVISOR

Public Financial Management, Inc.
Philadelphia, Pennsylvania

INDEPENDENT AUDITORS

Peat, Marwick, Mitchell & Co.
Pittsburgh, Pennsylvania

REGISTRAR/PAYING AGENT

Mellon Bank, N.A.
Pittsburgh, Pennsylvania

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REMARKETING MEMORANDUM
OF
CITY OF PITTSBURGH, PENNSYLVANIA

\$190,000,000

GENERAL OBLIGATION BONDS
SERIES B OF 1986

This Remarketing Memorandum, including the Cover Page and Appendices, relates to the remarketing by the City of Pittsburgh, Pennsylvania (the "City") of its \$190,000,000, principal amount, General Obligation Bonds, Series B of 1986 (the "Bonds").

The Bonds were issued on August 28, 1985 pursuant to a Resolution adopted by City Council on August 6, 1986 (the "Resolution"), and to the Pennsylvania Local Government Unit Debt Act, Act of April 28, 1978 (P. L. 124, No. 52), as amended (the "Act"). The Bonds were issued to refund a portion of the City's Outstanding General Obligation Bonds, Series of 1985 and to pay costs of issuance and remarketing with respect to the Bonds.

THE BONDS

Security

The obligation to pay principal of, and interest and premium, if any, on the Bonds is 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) duly and punctually to 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 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 sinking fund (the "Sinking Fund") for the payment of its general obligation bonds and notes, including the Bonds. All moneys for the payment of principal of, and interest and premium, if any, on such bonds and notes are required by the Act to be deposited in the Sinking Fund prior to the time when such payments become due and payable. The Act declares that 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 all of the bonds and notes for which the Sinking Fund is held, including the Bonds.

Under the Act, it is the duty of 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 and notes secured by the Sinking Fund, including the Bonds.

Under the Act, if the City fails to pay, when due, the principal of or interest or premium, if any, on the Bonds and such failure continues for thirty days, any holder of the 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 declaring the unpaid principal of the Bonds due and payable. The taking of any such action will preclude similar action 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 of, and interest and premium, if any, on the Bonds.

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 governments units in the Commonwealth, including the City, subject to certain limitations, restrictions and conditions set forth in the Act. The City has authorized the issuance of the Bonds by adopting the Resolution in accordance with the provisions of the Act. The Bonds were issued as nonelectoral debt of the City without the approval of the electorate. For a discussion of the debt limitations applicable to the City under the Act, see the caption "Debt of the City".

As required by the Act, the City received, prior to the issuance of the Bonds, approval of the Department of Community Affairs of the Commonwealth to incur the debt evidenced by the Bonds. Such approval indicates that the amounts of such debt and all other debt of the City outstanding on the date of approval were within the debt limitations of the Act. The City will certify on the date of remarketing of the Bonds that no event has occurred which would alter or cause a withdrawal of this approval.

Purpose of the Issue

The Bonds were issued to refund a portion of the City's outstanding General Obligation Bonds, Series of 1985 and to pay the costs of underwriting, issuance and remarketing associated with the sale of the Bonds, as follows:

Refunding Program	\$184,352,092
Original Issue Discount	1,243,450
Cost of Issuance	400,000
Underwriters' Remarketing Fee	2,375,000
Municipal Bond Insurance	<u>1,629,458</u>

BOND ISSUE SIZE..... \$190,000,000

Description of the Bonds

The Bonds will be remarketed in fully registered form, without coupons, in denominations of \$5,000 or any whole multiple thereof. Each remarketed Bond will be initially dated as of October 15, 1986 and thereafter each Bond will be dated as of the date of its authentication and will bear interest payable on March 1, 1987 and each March 1 and September 1 thereafter at the applicable rates shown on the cover page, from the March 1 or September 1, as the case may be, 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 so paid, in which case from the date of such Bond, or if the date of such Bond is prior to March 1, 1987, in which case from October 15, 1986. 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 of such Bond, to which interest has been paid, or if no interest has been paid, from October 15, 1986.

The person in whose name any Bond is registered at the close of business on any Regular Record Date (as defined below) with respect to any interest payment date will be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond upon any transfer or exchange thereof subsequent to such Regular Record Date and prior to such interest payment date, except, if and to the extent that the City fails to pay the interest due on such interest payment date, such defaulted interest will be paid to the persons in whose names outstanding Bonds are registered at the close of business on a date ("Special Record Date") established by the Paying Agent. The Paying Agent is required to give notice of such Special Record Date to all owners of Bonds not less than ten days prior to such date. The term "Regular Record Date" with respect to any interest payment date means the February 15 or August 15 immediately preceding such interest payment date.

The Bonds may be transferred or exchanged only on the bond register (the "Bond Register") of the City maintained at the principal corporate trust office of Mellon Bank, N.A., Pittsburgh, Pennsylvania or its duly appointed successor (the "Paying Agent" and "Registrar") in the City of Pittsburgh. No transfer or exchange of any Bond will be valid unless made at such office and registered on the Bond Register.

Every Bond presented or surrendered for registration of transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the City and the Paying Agent, duly executed by the registered owner thereof or his duly authorized agent or legal representative. No service charge shall be made for any transfer or exchange of any Bond, but the City may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. The City shall not be required to : (a) issue, or to register the transfer or exchange of, any Bond during a period of 15 business days before any date of selection of Bonds to be redeemed; or (b) register the transfer or exchange of any Bond selected, being called, or called for redemption.

Any portion of a Bond of a denomination larger than \$5,000 may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Prior to selecting Bonds for redemption, the Paying Agent will assign numbers to each \$5,000 portion of any Bond of a denomination larger than \$5,000 and will treat each portion as a separate Bond in the denomination of \$5,000 for purposes of selection for redemption. Upon surrender of any Bond for redemption of a portion thereof, the Paying Agent will authenticate and deliver to the registered owner a new Bond or Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Principal, interest, and premium, if any, are payable in legal tender at the principal corporate trust office of the Paying Agent, provided that interest will be paid by check mailed to the registered owner on the appropriate record date, unless written demand is made by any registered owner of not less than \$500,000 aggregate principal amount for payment by wire transfer of immediately available funds.

GENERAL OBLIGATION BONDS
 SERIES B OF 1986
 DEBT SERVICE SCHEDULE

<u>Year ending</u> <u>December 31</u>	<u>Principal</u>	<u>Mandatory</u> <u>Redemption</u>	<u>Interest</u>	<u>Total</u>
1987	2,440,000		\$11,430,487	\$13,870,487
1988	5,000		12,977,325	12,982,325
1989	5,000		12,977,081	12,982,081
1990	5,000		12,976,825	12,981,825
1991	1,560,000		12,934,574	14,494,574
1992	1,645,000		12,845,571	14,490,571
1993	1,745,000		12,747,211	14,492,211
1994	1,855,000		12,639,156	14,494,156
1995	1,970,000		12,520,523	14,490,524
1996	2,105,000		12,390,056	14,495,056
1997	11,715,090		11,926,263	23,641,263
1998	12,495,000		11,101,366	23,596,366
1999	13,350,000		10,204,600	23,554,600
2000		14,270,000	9,237,900	23,507,900
2001	15,250,000		8,204,700	23,454,700
2002		16,300,000	7,100,450	23,400,450
2003		17,405,000	5,920,775	23,325,775
2004		18,600,000	4,660,600	23,260,600
2005		19,880,000	3,313,800	23,193,800
2006	21,240,000		1,874,600	23,114,600
2007	16,160,000		565,600	16,725,600

Mandatory Redemption

The Bonds are subject to mandatory redemption in part, prior to maturity, in the order of maturity, and by lot within a maturity, at par together with accrued interest to the redemption date, on the dates and in the amounts set forth above.

Optional Redemption

The Bonds maturing on or after March 1, 1998 will be subject to redemption prior to maturity on or after March 1, 1997, at the option of the City, in whole on any date or in part in inverse order of maturity and by lot within a maturity, on any interest payment date at the redemption prices (expressed as percentages of the principal amount) plus accrued interest thereon, and during the periods (both dates inclusive) listed below:

<u>Period</u>	<u>Price</u>
March 1, 1997 to and including February 28, 1998	102 %
March 1, 1998 to and including February 28, 1999	101 1/2%
March 1, 1999 to and including February 29, 2000	101 %
March 1, 2000 to and including February 28, 2001	100 1/2%
March 1, 2001 and thereafter.....	100 %

Notice of Redemption

Any redemption of Bonds is required by the Resolution to be made upon notice of redemption given by mailing a notice by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date to the registered owners of Bonds to be redeemed at the addresses which appear in the Bond Register. Neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond will affect the validity of the proceedings for the redemption of any other Bond. If the City shall have duly given notice of redemption and shall have deposited with the Paying Agent funds for the payment of the redemption price of the Bonds so called for redemption with accrued interest thereon to the date fixed for redemption, interest on such Bonds will cease to accrue after such redemption date.

ADVANCE REFUNDING

The Bonds were issued to effect the advance refunding of the City's Series of 1985 Bonds (the "Prior Bonds"). A portion of the proceeds of the Bonds will be deposited to the credit of an escrow deposit fund (the "Escrow Fund") to be created pursuant to an escrow deposit agreement (the "Escrow Deposit Agreement") (see caption "Escrow Deposit Agreement") between the City and the paying agent for the Prior Bonds as escrow agent (the "Escrow Agent"), and will be used by the Escrow Agent to purchase direct obligations of the United States of America (the "Escrow Securities"). The principal of and interest on the Escrow Securities will be sufficient to provide for payment of principal of and interest on and, in certain instances, redemption premiums on the Prior Bonds maturing on and after March 1, 1997 in the aggregate principal amount of \$160,605,000. Neither the principal of nor the interest on the Escrow Securities will be available for payment of the Bonds.

After the City has made such deposit and given the Escrow Agent irrevocable instructions to publish notice of redemption, the Prior Bonds will be deemed not to be outstanding. The holders of the Prior Bonds will be required to look solely to the Escrow Securities for payment of principal and interest and will have no other claim for payment.

The calculation of the adequacy of the maturing principal and interest payments from the Escrow Securities to pay the principal, interest and, when required, premium on the Prior Bonds will be verified by Price Waterhouse.

ESCROW DEPOSIT AGREEMENT

The City and the Escrow Agent have entered into the Escrow Deposit Agreement. A portion of the proceeds of the Bonds, after payment of issuance and remarketing costs, will be deposited to the credit of the Escrow Fund which will be held solely for the benefit of the holders of the Prior Bonds. All moneys in the Escrow fund will be invested in direct obligations of the United States of America (the "Escrow Securities") and applied solely to the payment of principal of and interest on the Prior Bonds.

The deposit of moneys to the Escrow Fund and the application of said principal and interest earned on the Escrow Securities for the payment of the Prior Bonds and the instruction to the Escrow Agent to publish notices of the call for redemption of the Bonds are irrevocable.

CITY FINANCES

Budget Process

The Pittsburgh Home Rule Charter (the "Charter") requires the adoption of a balanced annual operating budget by December 31 and an annual capital budget for the ensuing fiscal year. The budget is a line item budget in which revenues are projected based on anticipated cash receipts and expenditures are estimated based on obligations to be incurred during the year.

Under the Charter, the proposed operating and capital budgets, accompanied by a budget message, are required to be submitted to City Council by the Mayor on the second Monday of November. City Council is required to conduct its own public hearings and to adopt operating and capital budgets before the beginning of the new fiscal year. The Mayor may either approve the budgets as passed by City Council, veto specific line items, veto the entire budget, or allow it to become law without his signature by taking no action within ten days. Any veto by the Mayor may be overridden by two-thirds vote of City Council. City Council may by resolution itself amend the operating budget during the first five weeks of the year, but thereafter, such amendment requires the approval of the Mayor. If an operating deficit for a fiscal year results from unforeseen circumstances arising after adoption of the budget, under the Act, the City may, with the consent of Court of Common Pleas, issue debt obligations which may mature in not more than ten years to fund the deficit provided that Court approval has been obtained. Appropriations within the same Fund may be transferred between accounts at any time by resolution. The capital budget may be amended at any time. In practice the capital budget is initially prepared by the City Planning Department based on the recommendations of the directors of City operating departments and the public authorities.

The Mayor is required by the Charter to provide City Council annually, 30 days prior to the submission of the capital budget, a Capital Improvement Program which outlines a proposed capital program for the ensuing six-year period.

Basis of Accounting

The City's Operating Funds are the General Fund and Federal Revenue Sharing Fund. With the creation of the Pittsburgh Water and Sewer Authority on May 1, 1984, the Water Fund is no longer in use.

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 Operating Funds and other funds, see Appendix A.

Financial Statements--Independent Audit

The City's financial statements for the year ended December 31, 1985 were audited by Peat, Marwick, Mitchell & Co., independent certified public accountants, as described by their report included in Appendix A. The City's financial statements have been audited by independent certified public accountants since 1977.

Audited financial statements for the fiscal year ending December 31, 1985 are presented in Appendix A.

DISCUSSION OF FINANCIAL OPERATIONS

Table 1 presents a summary of the receipts and expenditures of the City's Operating Funds for fiscal years 1983 to 1985 on a cash basis and a reconciliation of the budgetary basis to the GAAP basis financial statements. The table also includes a summary of the 1985 and 1986 budgets.

Table 2 presents the combined balance sheet of the General Fund and Federal Revenue Sharing Fund as of December 31, 1984 and 1985, and Table 3 presents the combined statement of revenues, expenditures and changes in fund balances for these same funds for the years ended on such dates. The information appearing in Tables 2 and 3 has been extracted from the City's audited financial statements which have been prepared in accordance with generally accepted accounting principles as described in Appendix A.

Operating Funds

The City's 1985 Operating Budget forecasted revenues of \$262.3 million, and expenditures of \$287.0 million. Actual results for 1985 reflected revenues of \$261.8 million, and \$256.3 million of expenditures. The 1986 Operating Budget forecasted revenues of \$290.8 million, and expenditures of \$307.8 million. The budget was balanced with forecasted ending cash balances which exceeded the amount used for budget purposes by \$16.1 million. A summary of the City's Operating Funds from 1983 to 1985 along with the City's 1985 and 1986 budgets are presented in Table 1.

The City's 1985 receipts were approximately equal to budgeted amounts.

The City's 1985 expenditures were \$30.7 million less than budgeted, reflecting lower employee benefit costs, the continuation of strict controls on hiring and tighter fiscal controls on spending related to non-salaried accounts. The 2.9% increase in 1985 expenditures over 1984 levels was largely a result of increases in employee salary expenditures.

Operating Budget 1986

The City's 1986 Operating Budget is based on a year end forecasted cash balance of \$17.0 million, anticipated receipts of \$290.8 million and estimated expenditures of \$307.8 million. Recently prepared forecasts indicate that the City will meet estimates of available resources while expenditures are expected to be below budget levels by \$20,000,000 million.

TABLE 1
GENERAL FUND AND FEDERAL REVENUE SHARING FUNDS
SUMMARY OF OPERATIONS (CASH BASIS)
FISCAL YEARS 1983 THROUGH 1985 (ACTUAL) AND 1985 AND 1986 (BUDGETED)

	Actual			Budget	
	1983	1984	1985	Revised 1985	Adopted 1986
Revenues:					
Taxes	\$184,066,216	\$187,846,976	\$196,530,934	\$196,189,870	\$205,016,336
Penalties and interest	1,461,788	1,745,693	2,340,879	1,900,000	2,500,000
Interest earnings	8,676,405	9,761,595	8,118,312	10,490,000	7,500,000
Fines and forfeits	3,482,410	3,692,603	4,184,547	4,250,000	4,500,000
Licenses	2,117,966	2,148,193	2,800,985	2,300,000	2,665,000
Rentals	3,195,621	3,567,410	3,898,566	3,900,000	3,800,000
Pittsburgh Zoo Receipts	921,370	1,537,250	1,207,777	1,400,000	1,200,000
Public Parking Authority	—	1,287,083	700,000	700,000	700,000
Water Fund payments and transfers, Water and Sewer Authority reimbursements and transfers	5,500,000	7,114,132	28,966	—	—
Intergovernmental revenues	—	14,247,084	24,259,061	23,155,186	25,114,902
Stadium Authority reimbursement	15,965,140	15,970,230	15,158,270	15,512,300	15,626,322
Miscellaneous	—	—	—	—	20,000,000(1)
Miscellaneous	2,570,441	3,286,741	2,865,820	2,550,000	2,202,848
Total revenues	\$227,957,357	\$252,174,990	\$261,764,117	\$262,347,356	\$290,825,408
Expenditures:					
Current operating:					
General government	\$ 13,822,957	\$ 13,756,215	\$ 14,317,334	\$ 18,213,230	\$ 18,766,711
Public safety (2)	67,740,619	71,725,263	74,999,472	81,314,121	90,495,807
Public works	31,851,815	31,807,682	32,613,708	34,597,581	35,749,253
Sanitation	10,582,964	10,031,610	10,346,262	11,966,541	12,979,784
Water	—	8,257,946	12,627,916	14,327,694	15,743,652
Community, recreation and cultural programs	16,503,585	17,016,585	17,754,423	19,290,947	20,327,388
Employee benefits (3)	46,718,706	55,947,572	48,729,281	59,701,412	48,336,605
Claims and judgments	1,091,952	347,062	396,513	755,870	1,479,678
Miscellaneous	9,638,921	8,279,801	12,811,825	15,049,045	28,468,000(1)
Debt Service:					
Principal	8,811,952	8,080,000	7,948,000	7,948,000	10,110,000
Interest	20,120,991	22,133,232	21,199,000	21,199,000	22,248,530
Authority debt subsidies	1,772,000	1,690,000	2,675,615	2,675,615	3,120,000
Total expenditures	\$228,656,462	\$249,072,768	\$256,329,349	\$287,039,056	\$307,825,408
Excess (deficiency) of revenues over expenditures	(699,105)	3,102,222	5,434,768	(24,691,700)	(17,000,000)
Fund balance—budgetary basis, beginning of year	25,307,594	24,608,489	27,710,711	24,691,700	17,000,000
Fund balance—budgetary basis, end of year	\$ 24,608,489	\$ 27,710,711	\$ 33,145,479	\$ —	\$ —
Adjustments to generally accepted accounting principles (GAAP) basis: (4)					
Cumulative difference between budgetary basis and GAAP basis, beginning of year	(17,431,715)	(16,862,564)	(20,529,319)		
Net effect of GAAP basis recognition of revenue	(836,540)	1,329,696	(1,654,154)		
Net effect of GAAP basis recognition of expenditures	1,405,691	(6,085,176)	2,166,549		
Equity transfers of Water Fund accounts maintained on a GAAP basis	—	1,088,725	—		
Fund balance—GAAP basis, end of year	\$ 7,745,925	\$ 7,181,392	\$ 13,128,555		

1. See discussion in text under "Other Governmental Entities".
2. In 1985, the City established the Department of Public Safety which combined the departments of Police, Fire and Emergency Medical Services. The increase in actual expenditure between 1984 and 1985 is the result of the creation of an administration/training unit to coordinate departmental activities and negotiated salary increases of approximately 4%. The 1986 budget increase is the result of an additional 4% salary increase, an increase in the number of budgeted positions and the institution of an equipment upgrade program.
3. The decrease in expenditures from 1984 to 1985 and the difference between 1985 actual and budgeted amounts is a result of additional state pension fund aid (See "Employee Retirement Systems").
4. See Footnote 3 of Notes to Financial Statements for a fuller discussion of the reconciliation between the budgetary basis and GAAP.

TABLE 2
CITY OF PITTSBURGH
COMBINED BALANCE SHEET—GENERAL & FEDERAL REVENUE SHARING FUNDS
December 31, 1984 and 1985

	1984			1985		
	General Fund	Federal Revenue Sharing Fund	Total	General Fund	Federal Revenue Sharing Fund	Total
Assets:						
Cash, and short-term investments at cost which approximates market	\$28,231,020	\$ 237,541	\$28,468,561	\$36,286,615	\$ 46,650	\$36,333,265
Receivables:						
Real estate taxes	2,816,755	—	2,816,755	2,184,245	—	2,184,245
Sewage charges	500,991	—	500,991	974,057	—	974,057
Personal property taxes	13,691	—	13,691	21,865	—	21,865
Accrued interest	410,350	—	410,350	581,879	—	581,879
Other	417,327	—	417,327	324,320	—	324,320
Other assets	—	—	—	1,567,327	—	1,567,327
Due from other funds	2,949,553	—	2,949,553	4,746,998	—	4,746,998
Due from other governments	—	2,809,676	2,809,676	—	2,673,982	2,673,982
Inventory, at cost	1,538,986	—	1,538,986	1,515,338	—	1,515,338
Total	\$36,878,673	\$3,047,217	\$39,925,890	\$48,202,644	\$2,720,632	\$50,923,276
Liabilities:						
Accounts payable	\$ 5,086,571	\$ —	\$ 5,086,571	\$ 4,755,108	\$ —	\$ 4,755,108
Accrued liabilities	6,104,944	—	6,104,944	6,243,983	—	6,243,983
Due to other funds	1,080,538	—	1,080,538	3,396,978	—	3,396,978
Due to other governments	411,098	—	411,098	944,674	—	944,674
Accrued compensated absences	8,915,000	—	8,915,000	9,060,000	—	9,060,000
Accrued workers' compensation	8,891,833	—	8,891,833	11,000,000	—	11,000,000
Deferred revenue, principally real estate taxes receivable	2,254,514	—	2,254,514	2,393,978	—	2,393,978
Total liabilities	\$32,744,498	\$ —	\$32,744,498	\$37,794,721	\$ —	\$37,794,721
Fund Balances:						
Reserved for encumbrances	\$ 1,010,272	\$ —	\$ 1,010,272	\$ 1,334,754	\$ —	\$ 1,334,754
Reserved for inventory	1,538,986	—	1,538,986	1,515,338	—	1,515,338
Reserved for employee benefits	—	—	—	1,567,327	—	1,567,327
Unreserved:						
Designated for subsequent years' expenditures	1,418,865	3,047,217	4,466,082	1,605,930	2,720,632	4,326,562
Undesignated	166,052	—	166,052	4,384,574	—	4,384,574
Total fund balances	4,134,175	3,047,217	7,181,392	10,407,923	2,720,632	13,128,555
Total liabilities and fund balances	\$36,878,673	\$3,047,217	\$39,925,890	\$48,202,644	\$2,720,632	\$50,923,276

TABLE 3
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL & FEDERAL REVENUE SHARING FUNDS
For the Years Ended December 31, 1984 and 1985

	1984			1985		
	General Fund	Federal Revenue Sharing Fund	Total	General Fund	Federal Revenue Sharing Fund	Total
Revenues:						
Taxes	\$184,532,388	\$ —	\$184,532,388	\$192,754,769	\$ —	\$192,754,769
Penalties and interest	1,745,661	—	1,745,661	2,340,879	—	2,340,879
Interest earnings	9,125,601	283,055	9,408,656	8,438,042	250,781	8,688,823
Fines and forfeits	3,663,380	—	3,663,380	4,144,328	—	4,144,328
Licenses	2,148,193	—	2,148,193	2,800,985	—	2,800,985
Rentals	3,667,045	—	3,667,045	4,049,098	—	4,049,098
Pittsburgh Zoo Receipts	1,537,250	—	1,537,250	1,207,777	—	1,207,777
Public Parking Authority	1,287,083	—	1,287,083	700,000	—	700,000
Water fund administrative charge	500,000	—	500,000	—	—	—
Intergovernmental revenues	2,922,044	11,425,641	14,347,685	2,713,238	10,997,549	13,710,787
Miscellaneous	2,601,309	—	2,601,309	2,174,894	—	2,174,894
Total revenues	\$213,729,954	\$11,708,696	\$225,438,650	\$221,324,010	\$11,248,330	\$232,572,340
Expenditures:						
Current operating:						
General government	\$ 14,035,464	\$ 68,000	\$ 14,103,464	\$ 14,685,693	\$ 75,000	\$ 14,760,693
Public safety	61,379,491	11,568,776	72,948,267	66,204,153	11,499,915	77,704,068
Public works	27,217,516	—	27,217,516	25,660,320	—	25,660,320
Sanitation	10,711,676	—	10,711,676	11,165,311	—	11,165,311
Community, recreation and cultural programs	20,565,670	—	20,565,670	23,395,370	—	23,395,370
Employee benefits	56,449,024	—	56,449,024	45,819,670	—	45,819,670
Claims and judgments	398,201	—	398,201	478,392	—	478,392
Miscellaneous	890,099	—	890,099	804,630	—	804,630
Debt service:						
Authority debt subsidies	1,690,000	—	1,690,000	2,675,615	—	2,675,615
Total expenditures	\$193,337,141	\$11,636,776	\$204,973,917	\$190,889,154	\$11,574,915	\$202,464,069
Excess (deficiency) of revenues over expenditures	20,392,813	71,920	20,464,733	30,434,856	(326,585)	30,108,271
Other financing sources (uses):						
Bond sale proceeds	3,750,000	—	3,750,000	6,010,000	—	6,010,000
Operating transfers from other funds	5,069,627	—	5,069,627	4,813,000	—	4,813,000
Operating transfers to other funds	(36,299,903)	—	(36,299,903)	(35,013,074)	—	(35,013,074)
Total other financing sources (uses)	(27,480,276)	—	(27,480,276)	(24,190,074)	—	(24,190,074)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7,087,463)	71,920	(7,015,543)	6,244,782	(326,585)	5,918,197
Fund balances, beginning of year	4,770,628	2,975,297	7,745,925	4,134,175	3,047,217	7,181,392
Transfers from Enterprise Fund	7,026,010	—	7,026,010	28,966	—	28,966
Transfer to Expendable Trust Funds	(500,000)	—	(500,000)	—	—	—
Transfers to Special Revenue Fund	(75,000)	—	(75,000)	—	—	—
Fund balances, end of year	\$ 4,134,175	\$ 3,047,217	\$ 7,181,392	\$ 10,407,923	\$ 2,720,632	\$ 13,128,555

Operating Budget Forecasts

Preliminary 1987 Operating Budget projections indicate that the City will balance its budget without a tax increase. The City has begun planning for the anticipated loss of Federal Revenue Sharing in 1987. It is anticipated that the intensified control of expenditures will mitigate the need to balance the budget through a tax increase.

Establishment of The Pittsburgh Water and Sewer Authority

The establishment in 1984 of The Pittsburgh Water and Sewer Authority (the "Water and Sewer Authority") provides the City's General Fund with increased revenues of approximately \$3 million annually. This increase represents reimbursement for the City's overhead expenses associated with the operation of the water and wastewater collection systems. Approximately \$29 million principal amount of the City's General Obligation debt, related to the funding of water projects completed prior to the establishment of the Water and Sewer Authority, is now self-supporting due to annual payments to the City by the Water and Sewer Authority of the debt service payment allocable to this debt. Such payments are now made entirely from user charges imposed by the Water and Sewer Authority and, therefore, the City's General Fund will no longer be required to subsidize the operation of the water and sewer systems. To accomplish this, the Water and Sewer Authority raised rates 14% in 1984 and 4% effective August 1, 1985. Additional increases in each of the next four years are anticipated. For further information, see the section on the "Pittsburgh Water and Sewer Authority" under "Self-Supporting Authorities" and footnote 5 of Table 14.

REVENUE SOURCES OF THE CITY

General

The City has power to levy various taxes on all property and transactions, except as specifically limited by the Local Tax Enabling Act (Act of December 31, 1965, P.L. 1257, as amended), the Second Class City Code (Act of March 7, 1901, P.L. 20, as amended), the Home Rule Charter and Optional Plans Law (Act of April 13, 1972, P.L. 1984, as amended) and the City's Home Rule Charter, at rates determined by the City. In 1985, real estate taxes accounted for approximately 34.7% of the receipts of the Operating Funds while the Earned Income Tax accounted for approximately 21.3%, other taxes accounted for approximately 19.1%, other locally generated non-tax revenues accounted for approximately 19.1%, and receipts from the Commonwealth and federal governments accounted for approximately 5.8%.

The City shares several tax bases with the County and with the School District. Table 4 presents historical data on the relative real estate tax rates levied by these overlapping jurisdictions and Table 8 presents 1985 data on the four other shared tax bases: earned income tax, personal property tax, mercantile license tax and deed transfer tax.

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. Real estate is assessed by the Board of Property Assessment, Appeals and Review of the County pursuant to the terms of the General County Assessment Law (Act of May 22, 1933, P.L. 853, as amended) and the Second Class County Assessment Law (Act of June 21, 1959, P.L. 626, as amended), provisions of which require that property is assessed at 25% of actual value. All real property in the County is required to be reassessed every three years.

Two tax levies, based on separate rates for land and buildings, are made and collected by the City. Taxes are payable quarterly, but if paid in the month of January, a 2% discount is granted. If a quarterly payment is not made by the last day of the calendar quarter, a penalty of 1/2% per month and interest at the rate of 1% per month is imposed on the balance of the tax due for the year.

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

In 1984, the City challenged the assessment of 476 downtown properties by appealing their assessments with the County Board of Property Assessment, Appeals and Review. Based upon a review of sales of certain downtown properties consummated in 1983, the City concluded that assessed values of many properties located in the central business district did not reflect the recent escalation of market values. The City, through the appeal process, was successful in increasing assessed values to levels which accurately reflect current property values. These adjustments have resulted in an annual increase in revenues of \$3 million.

The City provides programs of tax abatement 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. Currently, abatements are available for up to \$22,500 of housing rehabilitation costs and up to \$62,000 for new residential construction. Since 1980 the City has made tax abatements available for commercial/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 the project. The abatements are not expected to have a substantial impact on the City's revenues in the future. The abatement period for several major downtown developments ended in 1984 resulting in \$2.8 million additional real estate tax revenues annually beginning in 1985.

Table 4 sets forth information as to assessed values, tax rates and budgeted and actual levies and collections for real property taxes in the City.

TABLE 4
CITY OF PITTSBURGH
ASSESSED VALUE, TAX RATES, LEVY, AND COLLECTIONS
1975-1986

	Assessed Valuation of Land and Buildings			Original Levy	Adjusted Net Levy (1)	Budget	Receipts	Percent of Adjusted Net Levy Collected	c (
		Land	Building						
1975	\$1,462,576,458	49.5 mills	24.75 mills	\$45,966,274	44,449,947	42,226,000	41,628,359	93.7	
1976	1,424,610,941	49.5 mills	24.75 mills	44,885,431	43,300,110	41,500,000	41,322,767	95.4	
1977	1,404,329,355	49.5 mills	24.75 mills	44,285,332	43,585,879	41,400,000	41,617,307	95.5	
1978	1,406,658,944	49.5 mills	24.75 mills	44,314,658	43,842,562	41,900,000	42,074,461	96.0	
1979	1,415,132,908	97.5 mills	24.75 mills	62,980,792	61,763,007	59,230,000	58,612,083	94.9	
1980	1,488,936,812	125.5 mills	24.75 mills	75,253,195	73,777,391	69,511,177	69,167,000	93.8	
1981	1,461,618,118	125.5 mills	24.75 mills	73,065,576	67,907,205	69,700,000	66,017,908(3)	97.2(3)	
1982	1,505,671,781	133.0 mills	32.0 mills	82,883,365	80,256,402	76,325,804	76,729,597	95.6	
1983	1,536,534,980	151.5 mills	27.0 mills	84,382,708	81,855,375	77,535,000	77,659,281	94.9	
1984	1,646,276,852	151.5 mills	27.0 mills	86,965,938	83,781,986	78,250,000	78,715,474	94.0	
1985	1,767,939,639	151.5 mills	27.0 mills	92,051,888	91,593,532	84,667,670	85,609,165	93.5	
1986	1,803,933,583	151.5 mills	27.0 mills	93,446,719	92,879,538(5)				

1. Represents net levy as of December 31 of the tax year (i.e. net of exonerations, abatements, discounts, and additions granted in
2. Delinquent tax collections include amounts received from Penn Central in settlement of bankruptcy proceedings of approximate 1978, \$596,000 in 1979 and \$558,000 in 1980.
3. During 1981, real estate tax exonerations which had not been expected by the City were ordered by the Allegheny County Board of Assessment, Appeals and Review. The Department of Finance estimates that \$2.4 million of such exonerations were credited to estate taxes. These credits account for a significant portion of the fluctuation in the collection rates shown in this table.
4. Includes approximately \$2.1 million in collections due to settlement of prior year assessment appeals.
5. As of April 30, 1986.

TABLE 5
 CITY OF PITTSBURGH
 REAL ESTATE TAX RATES OF THE CITY
 AND ITS OVERLAPPING JURISDICTIONS
 (mills)

<u>Year</u>	<u>City (1)</u>	<u>School District</u>	<u>County (2)</u>	<u>Total</u>
1976	31.510	29.000	15.500	76.010
1977	31.530	29.000	21.375	81.905
1978	31.500	29.000	21.375	81.875
1979	44.500	29.000	19.365	92.865
1980	50.540	29.000	23.000	102.540
1981	49.660	41.000	28.000	118.660
1982	55.050	36.000	29.000	120.050
1983	54.900	36.000	29.000	119.900
1984(3)	52.830	40.000	29.000	121.830
1985(3)	52.067	40.000	29.000	121.067
1986(3)	50.889	40.000	31.250	122.139

1. The City levies separate rates on land and buildings as shown in Table 4. For comparative purposes, a weighted average tax rate, determined by dividing the original levy by total assessed value, is shown here.
2. Includes levy by Allegheny County Institution District.
3. The tax rates on land and buildings did not change in 1984, 1985 or 1986 but because the tax millage on land is in excess of the millage on buildings, the weighted average decreased in 1984, 1985 and 1986.

Sources: City; School District; Allegheny County.

TABLE 6
CITY OF PITTSBURGH
TEN LARGEST REAL ESTATE TAXPAYERS, 1986

<u>Taxpayer</u>	<u>Principal Type of Business</u>	<u>1985 Assessed Valuation</u>	<u>Percentage of total Tax Levied</u>
600 Grant Street Associates (U.S. Steel Building)	Real Estate	\$79,500,000	4.24%
500 Grant Street Associates (One Mellon Bank Center)	Real Estate	\$62,500,000	3.34%
Market View Incorporated (Subsidiary of PPG Industries)	Real Estate	\$46,910,000	2.50%
Oxford Development	Real Estate	\$30,000,100	1.60%
Equitable Life Insurance Society of the United States	Real Estate	\$28,630,340	1.53%
Mellon Bank, N.A.	Commercial Banking	\$20,099,600	1.07%
Pittsburgh National Bank	Commercial Banking	\$18,173,740	.97%
One Oliver Plaza Association	Real Estate	\$15,890,000	.84%
Pittsburgh and Lake Erie Railroad Company	Railroading	\$15,600,500	.83%
Prudential Insurance Co. of America	Real Estate	\$14,040,500	.77%

Source: City of Pittsburgh Department of Finance

Real Estate Assessment Practices

Real property in the City is assessed by the Allegheny County Board of Property Assessment, Appeals and Review ("PAAR"). At the present time, PAAR assesses all real estate at 25% of its fair market value as determined by PAAR. Taxpayers who believe the assessment is erroneous may appeal the assessment and, if they are successful, obtain a reduction in assessment and a consequent reduction in taxes or a refund of taxes paid ("Real Estate Assessment Exonerations"). Since any assessment reduction occurs after the City has levied its taxes based upon the assessment as originally determined by PAAR, the City may be required to refund a tax payment or may credit future tax liabilities.

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 Optional Plans Law to levy taxes for general revenue purposes, on persons, transactions, occupations, privileges, subjects and personal property, and upon the transfer of real property or interests therein.

The City levies the following non-real estate taxes:

Earned Income Tax--This tax is levied at the rate of 2 1/8% on the wages or net profits earned by residents of the City.

Business Privilege Tax--The City taxes the gross receipts from operating or conducting a service business, trade or profession in, or attributable to, the City at a rate of 6 mills. See "Litigation".

Parking Tax--A tax equal to 25% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City. See "Litigation".

Amusement Tax--This tax is levied at the rate of 10% on the admission price paid by patrons of all manner and forms of amusement.

Mercantile License Tax--A tax of 1 mill is levied on the gross receipts of wholesale dealers of goods, wares, and merchandise. A 2 mill tax is levied on retail vendors of goods, wares, and merchandise.

Occupation Privilege Tax--This \$10 annual tax is levied upon each individual whose principal place of employment is located in the City.

Deed Transfer Tax --A tax of 1.5% of the consideration paid for real property transfers is levied upon the transfer of an interest in real property situated in the City.

Personal Property Tax--A levy of 4 mills is made upon certain classes of personal property based upon assessments made by the County.

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

All non-real estate taxes, except the Deed Transfer Tax which is payable at the time of transfer, are payable annually by April 15 or are payable quarterly or monthly. Consequently, the City is in a strong cash position early in its fiscal year.

TABLE 7
CITY OF PITTSBURGH
NON-REAL ESTATE TAX GROSS RECEIPTS
1977-1985 (ACTUAL) AND 1986 (BUDGETED)
(CASH BASIS)
(AMOUNT IN MILLIONS OF DOLLARS)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Earned Income (1).....	17.536	18.906	23.885	27.018	32.596	48.573	53.659	54.858	55.68
Business Privilege (2).....	6.651	6.887	7.807	8.787	11.706	15.042	16.478	16.751	18.97
Parking (3).....	4.206	4.625	4.988	5.495	5.941	8.378	10.005	9.906	11.09
Amusement (4).....	2.774	2.948	3.768	4.012	3.210	4.282	4.313	4.455	4.35
Mercantile License (5).....	2.449	2.562	2.691	2.877	2.989	5.134	5.228	5.020	5.42
Occupation Privilege (6).....	2.874	3.027	2.952	2.833	2.874	2.868	2.828	2.840	2.89
Deed Transfer (7).....	2.153	2.494	2.704	2.104	2.309	7.800	8.176	9.808	4.51
Personal Property (8).....	1.095	1.029	1.062	1.074	1.371	1.152	1.190	1.513	1.75
Institution Service Privilege (9).....	<u>0.138</u>	<u>0.287</u>	<u>0.155</u>	<u>0.180</u>	<u>0.161</u>	<u>0.189</u>	<u>0.233</u>	<u>.137</u>	<u>.04</u>
Total.....	<u>39.876</u>	<u>42.665</u>	<u>50.012</u>	<u>54.380</u>	<u>63.157</u>	<u>93.418</u>	<u>102.112</u>	<u>105.288</u>	<u>104.75</u>

- (1) 1% 1977-1978; 1 1/4% 1979-1981; 2 1/8% 1982-1986.
(2) 5 mills 1977-1981; 6 mills 1982-1986.
(3) 20% 1977-1982; 25% 1982-1986.
(4) 10% 1977-1986.
(5) 1 mill 1977-1982; 1982-1986 2 mills retail; 1 mill wholesale.
(6) \$10 1977-1986.
(7) 1% 1977-1981; 1 1/2% 1982-1986.
(8) 4 mills 1977-1986.
(9) 6 mills 1977-1986.

TABLE 8
CITY OF PITTSBURGH
NON-REAL ESTATE TAX BASES
SHARED WITH OVERLAPPING JURISDICTIONS

<u>Tax Base</u>	<u>1986 Tax Rates</u>			
	<u>City</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
Earned Income Tax.....	2.125%	1.875%	None	4.000%
Personal Property Tax.....	4.0 mills	4.0 mills	4.0 mills	12.0 mills
Mercantile License Tax				
Retail.....	2.0 mills	1.0 mills	None	3.0 mills
Wholesale.....	1.0 mills	0.5 mills	None	1.5 mills
Deed Transfer Tax	1.5%	0.5%	None	2.0%

Other Revenues

Locally generated non-tax revenues primarily include Water and Sewer Authority reimbursements, licenses, various rents, charges and fines and investment earnings. These revenues, totaling approximately \$50.1 million in 1985 and budgeted at \$50.2 million in 1986, represent approximately 19.1% of Operating Fund revenues in 1985 and approximately 17.3% of budgeted revenues in 1986.

Operating Fund revenues from the Commonwealth of Pennsylvania and the federal government totaled approximately \$2.7 million and \$12.4 million respectively in 1985 and are presently estimated at \$2.8 million and \$12.4 million respectively in 1986. Such amounts represent 1.0% and 4.7%, respectively, of Operating Fund revenues in 1985 and approximately 1.0% and 4.3%, respectively, of budgeted Operating Fund revenues in 1986.

Economic development and counter-cyclical aid from the federal government were curtailed in 1979. The City continues to receive funds under the Federal Revenue Sharing Program. Receipts in 1986 under Federal Revenue Sharing are projected to be \$10.8 million. Federal revenue sharing is expected to be discontinued in 1987.

EXPENDITURES

In 1985, 49% of City expenditures from the Operating Funds were applied to employee wages with an additional 20% applied to pay or fund retirement benefits and other employee benefits. The balance of City expenditures from Operating Funds in 1985 included 12% for debt service, 16% for non-salary departmental expenditures (contractual services, supplies and materials, equipment, repairs, and utilities), and 3% for other miscellaneous expenditures (refunds and grants).

The City is not required to contribute to the cost of health, welfare or mass transportation services for its residents. These services are provided within the City by the County and the Commonwealth.

Employee Relations

Of the City's approximate 5,400 budgeted positions, only supervisory and managerial personnel, and employees of the City Controller and City Council, totaling approximately 540 positions, are not represented by a labor organization under Act 195 of 1970 or Act 111 of 1968 of the Commonwealth.

As shown below, the City substantially reduced the numbers of actual employees from 1973 to 1977, primarily through attrition. The increases from 1978 through 1981 stem largely from the assumption by the City of employees previously funded through the Comprehensive Employment Training Act program. Primary among these is the City's Emergency Medical Service which represents approximately 175 positions.

TABLE 9
CITY OF PITTSBURGH
CITY EMPLOYMENT

<u>Year</u>	<u>Regular Budgeted Positions</u>	<u>Actual January Payroll</u>
1973.....	6,250	5,703
1974.....	5,848	5,463
1975.....	5,696	5,224
1976.....	5,513	5,279
1977.....	5,252	4,921
1978.....	5,441	5,086
1979.....	5,624	5,038
1980.....	5,749	5,317
1981.....	5,783	5,339
1982.....	5,491	5,212
1983.....	5,497	5,185
1984.....	5,485	5,194
1985.....	5,412	5,063
1986.....	5,443	5,081

The City's approximately 1,170 uniformed police officers are represented by the Fraternal Order of Police, Fort Pitt Lodge No. 1, and the City's 1,028 uniformed fire fighters are represented by the Pittsburgh Fire Fighters Local No. 1, International Association of Fire Fighters. Bargaining with both groups is governed by Act 111 which requires bargaining to begin at least six months prior to the start of the fiscal year and mandates binding arbitration if contract negotiations reach an impasse. Such request for binding arbitration may be made by either party 30 days after the initiation of collective bargaining and must be made at least 110 days prior to the start of the fiscal year. The decision of the board of arbitration is required within thirty days of the commencement of hearings. Under this procedure, Act 111 effectively requires that the parties either negotiate or successfully arbitrate contract settlements before the next fiscal year.

The City's approximately 2,500 other unionized employees are represented by five collective bargaining and two "meet and discuss" representatives which bargain under Act 195. This Act requires that bargaining commence at least six months prior to the budget submission date. The Act also requires mediation if an impasse is reached. The following are the representatives under this Act:

Blue Collar Employees--Pittsburgh Joint Collective Bargaining Committee;

Refuse Employees--Refuse and Salvage Drivers and Helpers Local Union No. 609;

White Collar Employees--American Federation of State, County and Municipal Employees, 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, Local No. 2037;

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

In 1985, the City concluded labor negotiations resulting in two year contracts without a salary increase for the Blue Collar Employees, White Collar Employees, First Level Blue Collar Supervisors and Recreation Employees Union. The police through arbitration received a two year contract with a 4% salary increase in 1986 and a wage reopener in January 1987. The Paramedics and Refuse Unions contract expired on December 31, 1985. These two units are working under contract extensions while labor negotiations continue. The Fire and School Crossing Guards are the only two union contracts which will expire on December 31, 1986.

The City has concluded numerous negotiations with all bargaining units since they were certified as representatives without any labor stoppages, and currently experiences grievance activity that results in an average of less than three binding arbitration cases a year.

Employee Retirement Systems

The City is responsible for three pension systems: the Policemen's Relief and Pension Fund; the Firemen's Relief and Pension Fund; and the Municipal Pension Fund. Each fund is subdivided into two groups representing "old" employees (those hired prior to the establishment of a fully funded plan) whose benefits are funded on a "pay-as-you-go" basis, and "new" employees (those hired after the establishment of a fully funded plan) whose benefits are fully funded on an acceptable actuarial basis. By dividing each fund into "old" and "new" groups and then fully funding all new employees, the City has established a transitional funding policy that gradually changes all funds from pay-as-you-go funding to acceptable actuarial funding (normal cost plus 30-year amortization of past service liabilities) over a period of years. The combined unfunded prior service liability for the three Funds as of January 1, 1986, was \$443,780,370.

The Old Municipal Pension Fund covers all nonuniformed City employees hired before January 1, 1975. It is supported by contributions from the member employees of approximately 5% of salary and a City contribution of any additional amounts necessary to pay current benefits.

The New Municipal Fund covers all nonuniformed City employees hired on or after January 1, 1975. It is supported by member employee contributions of approximately 5% of salary and an actuarially determined City contribution to fund the plan on an acceptable actuarial basis.

In 1982, the City achieved an acceptable actuarial funding status on both Old and New Municipal funds. It is a City policy to maintain this acceptable funding status of the Old and New Municipal funds.

The Old Police and Old Fire Pension Funds cover all sworn Police and Fire employees hired prior to 1982. These Funds are supported by contributions from three sources. Employees contribute approximately 6.5% of salary; the Commonwealth contributes to each fund an amount based on a formula distributing the proceeds of a 2% tax upon the premiums of non-Commonwealth casualty insurance and fire insurance companies; and the City contributes any additional amounts necessary to pay current benefits.

The New Police and New Fire Pension Funds cover all sworn Police and Fire employees hired after 1981. These Funds are fully funded on an acceptable actuarial basis through City contributions to an irrevocable trust established in 1982. The trust agreement covering these funds requires the City to annually contribute funds sufficient to maintain acceptable actuarial funding for all "new" employees. The level of contributions is established by the City's independent actuary, Mercer-Meldinger, Inc., and, if the City fails to make such contributions, the trustee is legally bound to sue the City for such funds.

In 1982, the City also entered into a second trust agreement to accumulate funds to help pay the pensions of all "old" employees who are not covered by a fully funded plan. The provisions of this trust require that the funds may only be used for pension purposes and that no disbursements may be made until 1992. At that time, only 10% of the fund balance may be disbursed during any year. This fund received the following original contributions from the City: \$4.5 million, proceeds from the liquidation of the Penn Central Railroad, which had been received in 1978 and had been held in trust on behalf of the unfunded pensions liability and a 1982 appropriation of \$3.5 million. As of December 1985, this trust had a balance of \$14.7 million.

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (the "Recovery Act"). The Recovery Act revises the actuarial reporting requirements for municipalities, implements actuarial funding requirements and establishes a recovery program for financially distressed municipal pension plans. The City's funding and reporting policies are in compliance with the requirements of the Recovery Act. The Recovery Act also changed the basis for distributing state aid. As a result of this new formula, the City will receive a significantly greater level of state aid to its pension plans. In 1985, the Commonwealth's contribution to the City was \$8.6 million, a \$4.6 million increase over previous funding levels. In accordance with the Recovery Act's funding formula, the City also expects to qualify for an additional annual contribution of \$6 million beginning in 1988.

Table 10 shows the history of combined contributions to the three funds.

Table 11 presents projections of future required contributions made by Mercer-Meidinger. As a result of the funding policies described above, acceptable funding will be maintained for the Municipal Fund and is projected to be achieved for the Police Fund in 2000 and for the Fire Fund in 2005.

TABLE 10
CITY OF PITTSBURGH
HISTORY OF PENSION CONTRIBUTIONS 1981-1985
BUDGET 1986

Source	1981	1982	1983	1984	1985	1986
<u>Budget</u>						
City of Pittsburgh						
Police.....	\$ 1,483,520	\$ 3,265,315	\$ 3,250,067	\$ 4,632,375	\$ 3,238,904	\$ 5,112,335
Fire.....	1,708,400	3,055,293	2,224,267	3,573,000	1,864,836	2,892,358
Municipal.....	<u>8,165,185</u>	<u>11,135,367</u>	<u>11,470,754</u>	<u>11,100,000</u>	<u>7,523,056</u>	<u>7,772,012</u>
	<u>11,357,105</u>	<u>17,455,975</u>	<u>16,945,088</u>	<u>19,305,375</u>	<u>12,626,796</u>	<u>15,776,705</u>
Employees						
Police.....	1,778,036	1,929,541	1,976,479	\$ 1,985,150	\$ 2,101,037	2,150,000
Fire.....	1,502,893	1,652,674	1,765,978	1,806,473	1,963,523	2,010,000
Municipal.....	<u>2,050,000</u>	<u>2,703,931</u>	<u>3,037,276</u>	<u>2,802,283</u>	<u>2,789,168</u>	<u>2,800,000</u>
	<u>5,330,929</u>	<u>6,286,146</u>	<u>6,779,733</u>	<u>6,593,906</u>	<u>6,853,728</u>	<u>6,960,000</u>
Transfer from						
Insurance Account(1)	<u>4,780,000</u>	<u>3,469,811</u>	<u>4,095,000</u>	<u>6,106,014</u>	<u>8,683,621</u>	<u>8,700,000</u>
Total.....	<u>\$21,468,034</u>	<u>\$27,211,932</u>	<u>\$27,819,821</u>	<u>\$32,005,295</u>	<u>\$28,164,145</u>	<u>\$31,436,705</u>

(1) Amount actually distributed from the Insurance Account Agency Fund to the Pension Trust Funds during City's fiscal year. The actual distributions received from the Commonwealth in each fiscal year, all of which were applied to payments of benefits in the current or the subsequent fiscal year, are as follows: 1981-\$3,707,842; 1982-\$3,906,421; 1983-\$3,804,755; 1984-\$4,018,741; 1985-\$8,683,621.

TABLE 11
CITY OF PITTSBURGH PENSION PLANS
PROJECTION OF CONTRIBUTIONS*

Year	Covered Payroll	Unfunded Liability	Act 205 Contribution Determination			Total Contribution	Contribution under 15-year Phase in	Allocated State Aid
			Normal Cost	Amortization Payment	Member Contributions			
1986	127,214,698	443,780,370	13,288,381	19,929,825	(7,261,881)	25,956,325	23,630,175	(8,900,712)
1987	132,715,726	458,139,945	13,856,519	20,840,770	(7,574,129)	27,123,160	24,098,236	(9,123,229)
1988	138,222,879	473,348,407	14,418,684	21,824,330	(7,884,737)	28,358,277	24,954,504	(9,351,310)
1989	144,028,464	489,047,438	15,012,546	22,868,405	(8,212,611)	29,668,340	26,217,812	(9,585,093)
1990	149,918,595	504,851,779	15,610,259	23,959,177	(8,543,754)	31,025,682	27,828,449	(9,824,720)
1991	156,336,896	520,396,573	16,267,611	25,083,210	(8,906,900)	32,443,921	29,683,868	(10,070,338)
1992	163,411,247	535,428,924	17,004,259	26,231,901	(9,310,259)	33,925,901	31,673,901	(10,322,097)
1993	170,825,446	549,808,258	17,777,154	27,401,860	(9,733,165)	35,445,849	33,695,425	(10,580,149)
1994	178,654,916	563,468,358	18,595,291	28,593,422	(10,180,408)	37,008,305	35,693,305	(10,844,652)
1995	186,695,093	576,404,653	19,431,440	29,810,281	(10,638,573)	38,603,148	37,642,829	(11,115,769)
1996	195,017,864	588,621,294	20,294,416	31,057,161	(11,112,206)	40,239,371	39,556,480	(11,393,663)
1997	203,847,449	600,115,550	21,213,980	32,339,006	(11,615,751)	41,937,235	41,470,607	(11,678,505)
1998	213,116,809	610,861,411	22,180,010	33,660,208	(12,144,715)	43,695,503	43,408,491	(11,970,467)
1999	222,731,607	620,799,831	23,180,126	35,024,024	(12,692,821)	45,511,329	45,380,329	(12,269,729)
2000	232,835,414	629,849,149	24,232,554	36,433,091	(13,269,255)	47,396,390	47,396,390	(12,576,472)
2001	243,670,835	637,922,261	25,369,498	37,890,415	(13,889,630)	49,370,283	49,370,283	(12,890,884)
2002	254,842,876	645,034,233	26,537,806	39,406,032	(14,528,110)	51,415,728	51,415,722	(13,213,156)
2003	266,578,520	651,050,317	27,765,787	40,982,273	(15,199,276)	53,548,784	53,548,784	(13,543,485)
2004	278,596,637	655,823,148	29,017,538	42,621,563	(15,884,679)	55,754,422	55,754,422	(13,882,072)

*Exclusive of health insurance payments for pensioners

Recent Developments

In 1984, the Department of Defense awarded a \$103 million contract to Carnegie-Mellon University to develop a computer software research and development center in the City. The Department of Defense's selection of the Software Engineering Institute in a national competition marks the establishment of the first federally funded research and development center in over twenty years. The Institute is expected to create 250 jobs over the next five years and to generate a significant number of additional jobs in related services and spin-off activities.

The National Science Foundation has recently announced that it will provide a GRAY X-MP/48 high speed supercomputer to a Pittsburgh consortium made up of the University of Pittsburgh, Carnegie-Mellon University, and Westinghouse Electric Corporation. One of only 100 supercomputers in the United States, it is expected to be operational by the end of 1986 and that the consortium will employ approximately 50 people. This consortium will greatly enhance research opportunities in the City and create a significant number of related new jobs and businesses.

These developments are helping to make the City one of the leading high technology centers in the nation. By attracting high technology research and development, the City is successfully expanding its economic base beyond its tradition of heavy industry to become a more diversified service, financial and technological center.

The City received national attention in 1984 when it was rated as "the Nation's most livable City" by Rand McNally's Places Rated Almanac. The Almanac rated Pittsburgh in the high to medium range for most categories including good cultural and recreational facilities, low crime rate, and medium-priced housing. This citation promises to improve Pittsburgh's image worldwide and thereby enhance its reputation as a place to live and to do business.

CAPITAL IMPROVEMENT PROGRAM

The City's 1986 to 1991 Capital Improvement Program is summarized below in Table 12. This table shows those budgeted or planned programs and projects to be funded by the City or by reimbursements from federal or Commonwealth sources. All figures are in 1986 dollars. Projects and programs funded under the Federal Community Development Block Grant Program and other federal grant programs are not shown. Federal, Commonwealth and other appropriations in Table 12 primarily represent funding from the Federal Highway Program and the Commonwealth of Pennsylvania Bridge Program.

The City's Capital Improvement Program is a six-year plan revised annually. Consequently, projects planned for future years may be cancelled, and new projects not presently anticipated may be undertaken. To the extent that total funds required exceed cash available, projects will either be funded by bond proceeds or the projects will be deferred or terminated. Capital projects are recorded in Table 12 in the year in which they are expected to be first budgeted rather than in the year in which expenditures for the project are expected to be incurred.

TABLE 12
CITY OF PITTSBURGH
1986-1991 CAPITAL IMPROVEMENT PROGRAM

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Roads						
City.....	\$ 9,846,000	\$ 8,153,000	\$ 8,687,000	\$5,624,000	\$ 8,249,000	\$ 5,315,000
Federal, Commonwealth and Other.....	<u>4,260,800</u>	<u>1,389,000</u>	<u>1,215,400</u>	<u>356,000</u>	<u>3,252,000</u>	<u>0</u>
Sub-total.....	<u>14,106,800</u>	<u>9,542,000</u>	<u>9,902,400</u>	<u>5,980,000</u>	<u>11,501,000</u>	<u>5,315,000</u>
Bridges						
City.....	1,659,500	1,986,500	4,260,000	2,250,000	965,000	1,065,000
Federal, Commonwealth and Other.....	<u>6,897,000</u>	<u>9,916,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub-total.....	<u>8,556,500</u>	<u>11,902,500</u>	<u>4,260,000</u>	<u>2,250,000</u>	<u>965,000</u>	<u>1,065,000</u>
Parks						
City.....	3,995,000	3,805,000	2,025,000	2,237,000	2,017,000	2,607,000
Federal, Commonwealth and Other.....	<u>423,500</u>	<u>150,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Sub-total.....	<u>4,418,500</u>	<u>3,955,000</u>	<u>2,075,000</u>	<u>2,287,000</u>	<u>2,067,000</u>	<u>2,657,000</u>
All Others						
City.....	9,822,000	9,262,500	7,825,000	7,325,000	7,779,000	7,025,000
Federal Commonwealth and Other.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub-total.....	<u>9,822,000</u>	<u>9,262,500</u>	<u>7,825,000</u>	<u>7,325,000</u>	<u>7,779,000</u>	<u>7,025,000</u>
Total						
Capital Budget.....	36,903,800	34,662,000	24,062,400	17,842,000	22,312,000	16,062,000
Less Federal, Common- wealth & Other Share.	<u>11,581,300</u>	<u>11,455,000</u>	<u>1,265,400</u>	<u>406,000</u>	<u>3,302,000</u>	<u>50,000</u>
Total City Share.....	<u>\$25,322,500</u>	<u>\$23,207,000</u>	<u>\$22,797,000</u>	<u>\$17,436,000</u>	<u>\$19,010,000</u>	<u>\$16,012,000</u>

Anticipated Borrowings--1986

As shown by Table 12, the adopted 1986-1991 Capital Improvement Program again emphasized roads and bridges, two critical elements of the City's infrastructure.

The allocation for roads and bridges is solely for the maintenance, reconditioning, or replacement of infrastructure items. These projects are planned and authorized on the basis of on-going inspection programs that routinely determine priorities on the basis of need.

The City's program of replacing and rehabilitating bridges has been supplemented by the passage of Act 235 by the Pennsylvania legislature in 1982 committing the Commonwealth to a \$1.4 billion program for bridge improvements through a combination of federal, state, and local funding. As a result of this legislation, the City's share of the funding of eighteen bridge replacements/repairs will be reduced by as much as 80%. In addition, the City will continue to meet federal highway requirements to inspect each bridge every two years and to make an in-depth inspection as warranted by each bridge's condition.

The allocation for parks and recreation and other public facilities and programs is largely for the renovation and maintenance of existing buildings/facilities. The City is striving to achieve a regular rehabilitation/replacement cycle for its facilities.

In addition to the above programs, the City receives Community Development Block Grant funds, Urban Development Action Grant funds, and other housing funds, all through letters of credit from the federal government. The major part of these funds is allocated to a variety of housing conservation and development programs, with most of the balance devoted to economic development activities and a small portion to capital improvements. The City's 1985 Community Development Block Grant totals approximately \$19 million. Grants for a variety of economic development and housing purposes are also received through several Federal and Commonwealth grant programs.

In 1986, the City expects to issue approximately \$50 million in new money bonds, the proceeds of which, after payment of issuance costs, will be used to fund capital improvement projects. The City does not plan to issue any general obligation bonds in 1987.

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.

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 include all revenues of the City, other than certain revenues set forth in the Act.

The Bonds were issued as nonelectoral debt of the City, without the approval of the electorate. The Act provides that the City Council may direct an election within the City to reclassify previously incurred nonelectoral debt, for the purpose of debt limit calculations, as electoral debt. Consequently, although initially issued as nonelectoral debt, the Bonds or other nonelectoral debt of the City may be subsequently reclassified as electoral debt, and thus excluded from the calculation of the debt limits of the City.

Debt incurring margins as of June 30, 1986, submitted to the Department of Community Affairs of the Commonwealth as part of the application for approval of the debt evidenced by the Bonds, are presented in Table 13. Table 14 and the accompanying notes present a composite summary of the City's direct and overlapping debt as of May 31, 1986. Table 16 details the debt service obligations on outstanding debt of the City.

TABLE 13
CITY OF PITTSBURGH
NET DEBT AND REMAINING DEBT INCURRING MARGIN
IN ACCORDANCE WITH LOCAL GOVERNMENT UNIT DEBT ACT
June 30, 1986

	Fiscal Year		
	1983	1984	1985
DEBT INCURRING MARGIN			
Total Net Revenue of City.....	\$249,616,921	\$255,472,935	\$264,324,137
Borrowing Base.....			\$256,471,331
		Net Nonelectoral Debt (Borrowing Base x 250%)	Net Nonelectoral and Lease Rental Debt (Borrowing Base x 350%)
Debt Limitations.....	\$ 641,178,328		\$ 897,649,659
Less: Net Debt As of June 30, 1986.	<u>199,911,982</u>		<u>287,254,100</u>
Subtotal.....	<u>441,266,346</u>		<u>610,395,559</u>
Less: Series A of 1986	<u>63,510,000</u>		<u>63,510,000</u>
Less: Equipment Leasing Authority Bonds, Series A, B, & C of 1986			<u>15,975,000</u>
Less: The Bonds Net of the Prior Bonds	\$ <u>29,395,000</u>		<u>29,395,000</u>
Remaining Debt Incurring Margin.....	\$ <u>348,361,346</u>		\$ <u>501,515,559</u>
Net Debt as of June 30, 1986 (Including the Series A of 1986 Bonds, the Equipment Leasing Authority Bonds and the Bonds)	\$ <u>292,816,982</u>		\$ <u>396,134,100</u>

TABLE 14
CITY OF PITTSBURGH
STATEMENT OF DIRECT AND OVERLAPPING DEBT
As Of June 30, 1986*

Gross Bonded Debt Prior to Refunding		\$341,480,000
less: Prior Bonds		<u>160,605,000</u>
		180,875,000
Plus: The Bonds		<u>190,000,000</u>
Gross Bonded Debt		\$370,875,000
Plus:		
Lease evidencing acquisition of capital asset	\$ 2,169,768	
Stadium Authority(1).....	53,155,000	
Auditorium Authority(2).....	16,685,500	
Redevelopment Authority(3).....	410,500	
Leasing Authority(4).....	36,775,000	
Water & Sewer Authority(5).....	592,390,000	
Less: Water & Sewer Authority (Escrow Proceeds) (5)	<u>364,090,000</u>	<u>\$337,495,768</u>
GROSS DIRECT DEBT.....		\$708,370,768
Less: Moneys in Sinking Fund(6).....		<u>\$ 21,192,312</u>
Subtotal.....		\$687,178,456
Less: Self-Supporting Debt		
Stadium Authority(1).....	26,022,500	
Redevelopment Authority(3).....	410,500	
Leasing Authority(4).....	2,834,385	
Water and Sewer Authority(5).....	228,300,000	
General Obligation Debt Supported by Pittsburgh Water & Sewer Authority Lease(5).....	<u>29,422,673</u>	<u>286,990,058</u>
NET DIRECT DEBT.....		\$400,188,398
Overlapping Debt		
School District (7).....	120,279,250	
County(8).....	<u>106,526,265</u>	<u>226,805,515</u>
OVERALL NET DEBT.....		\$626,993,913
DEBT SUMMARY		
Assessed Valuation of Real Estate (1986).....	\$1,803,933,586	
Market Valuation of Real Estate (1986).....	\$7,215,734,344	
Population (1980).....	423,938	
Gross Bonded Debt.....	\$ 370,875,000	
Gross Direct Debt.....	\$ 708,370,768	
Net Direct Debt.....	\$ 400,188,398	
Overall Net Debt.....	\$ 626,993,913	

*Includes \$63,510,000 General Obligation Bonds, Series A of 1986, \$15,975,000 Equipment Leasing Authority Equipment Revenue Bonds, Series A,B and C of 1986 and the Bonds.

- (1) The outstanding obligation of the Stadium Authority was \$53,155,000 as of April 1, 1986. The City has covenanted to pay principal, interest, and operating expenses in the event of the Stadium Authority's income proves insufficient to make those payments and has pledged its full faith, credit and taxing power to make those payments. Because the Stadium Authority's income through 1985 has been sufficient to cover approximately \$26,022,500 of such payments, this amount of the outstanding indebtedness is classified as self-supporting. No amounts will be due with respect to the remaining \$27,132,500 until the Authority incurs obligations to be supported by the City.
- (2) Pursuant to agreements among the City, the Auditorium Authority and the County, 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 requirements on the Auditorium Authority's Auditorium Bonds, Series C, outstanding in the amount of \$14,115,000, the 1984 Series (Performing Arts Center Project) outstanding in the amount of \$7,235,000 and \$12,020,000 Auditorium Bonds, Civic Arena Project, Series E. In addition the City and the County have agreed to guarantee annual rentals amounting to \$100,265 to provide for the debt service on the Redevelopment Authority's Urban Renewal Bonds, Series 1958 (collectively, with the Auditorium Authority's Series C Bonds, the "Civic Arena Bonds"). The Agreement among the City, the County and the Auditorium Authority does not, however, extend to any operating deficit with respect to the Civic Arena's activities. The total capital debt outstanding of the Auditorium Authority is \$33,370,000 of which \$16,685,500 is attributable to the City in accordance with the Act.

In 1975, the Auditorium Authority instituted a specific Bond Debt Charge of twenty-five cents per ticket at all seated events and pledged the revenues to the payment of debt service on the Series C Bonds. The Auditorium Authority cannot use the Bond Debt Charge to pay current expenses.

On July 1, 1981, Civic Arena Corporation ("CAC"), a wholly owned subsidiary of the Edward J. DeBartolo Corporation, assumed operation of the Civic Arena under a sublease (the "Sublease"). Under the Sublease, CAC makes rental payments equivalent to the net amount needed to meet the debt service requirements on the Civic Arena Bonds. The City is not relieved of its obligation to pay debt service on the Civic Arena Bonds, and, while the Civic Arena Bonds are outstanding, the City will reflect debt service and Sublease income in its budgets. The initial term of the Sublease is for 50 years, with 5 consecutive renewal periods of 10 years each. However, upon the occurrence of certain events, CAC has the option to terminate the Sublease upon six months' written notice to the Auditorium Authority, including certain events relating to the feasibility of the economic operation of the Civic Arena.

The City and the County entered into a supporting agreement with the Auditorium Authority on December 1, 1985 requiring each to make seven payments of \$39,285.72 to cover the operating expenses of the Civic Arena pursuant to the Sublease dated as of July 1, 1981.

Under an Amendment to the Sublease, dated December 23, 1985, CAC is entitled to a reduction of \$212,500 in each of the rental payments due November 20, 1985 and May 20, 1986. By reason of the Supporting Agreement among the City, the Auditorium Authority and the County with respect to the Authority's Series C Bonds, the City and the County are obligated to make up this difference in the debt service payments.

See "Public Auditorium Authority of Pittsburgh and Allegheny County" herein.

- (3) The Redevelopment Authority has outstanding \$821,000 (of which \$410,500 is attributable to the City) Series 1958, Urban Renewal Bonds due serially each November 1 through 1995, payable from lease rentals from the Auditorium Authority. The Redevelopment Authority has, in addition, approximately \$125,150,048 of revenue bonds outstanding for home improvement loan and mortgage loan programs, payable from loan or mortgage repayments by private borrowers. Except for the rental payable by the Auditorium Authority, the debt of the Redevelopment Authority has been paid from user or other income and has not required City funds. The City and the County each guarantee \$50,133 with respect to these rentals.
- (4) The Leasing Authority issued \$9,225,000 of Equipment Revenue Bonds in 1981, \$5,275,000 in 1982, \$6,300,000 in 1984 and \$15,975,000 in 1986 and entered into lease agreements with the City pursuant to which the City agreed to make annual rental payments in varying amounts to the Authority to cover debt service on the bonds. The City's obligation is paid from General Fund revenues and as of June 30, 1986 there were \$2,834,385 of lease payments paid from the General Fund.
- (5) In 1984, the Water and Sewer Authority was formed and a seven year capital improvement program was developed. To finance phase one of the capital improvement program \$93,600,000 Daily Adjustable Rate Demand Bonds (the "1984 Bonds") were issued. The 1984 Bonds will be fully redeemed on April 1, 1987 with the proceeds of the \$100,000,000 cross-over refunding bonds issued in 1985 (the "1985 Bonds"). Until August 1987, the 1985 Bonds are secured by the earnings on the U.S. government securities purchased with bond proceeds and held in an escrow account. In 1986, the Water and Sewer Authority issued \$134,700,000 variable rate demand bonds (the "1986 Bonds") to provide the remaining funding for the capital improvement program. In July 1986, the Water & Sewer Authority issued \$264,090,000 fixed rate bonds (the "1986 Refunding Bonds") which will effect the refunding of both the 1985 Bonds and the 1986 Bonds on June 1, 1991. Until June 1, 1991 the 1986 Refunding Bonds are secured by the earnings on the U.S. government securities purchased with bond proceeds and held in an escrow account. As of this date, only the 1984 bonds (\$93,600,000) and the 1986 bonds (\$134,700,000) are secured by the revenues of the Water and Sewer Authority.

Effective May 1, 1984, the Lease-Management Agreement between the City and Pittsburgh Water and Sewer Authority provides for annual payments by the Water and Sewer Authority to the City to reimburse the City for existing General Obligation debt service allocable to water projects.

Pursuant to the Lease-management Agreement, the Pittsburgh Water and Sewer Authority is obligated to make total payments to the City of \$68,979,000 of which \$29,422,673 is for principal and \$39,556,327 is for interest. The Commonwealth recently classified this debt as selfsupporting.

- (6) On June 30, 1986, the City's Sinking Fund had a total cash balance of \$21,192,312. This balance represents: \$3,085,000 for the retirement of general obligation principal payments and \$10,757,514 general obligation interest payments to be made in 1986 and interest earnings on the Sinking Fund. The Equipment Leasing Authority's sinking fund balance on May 31, 1986 was \$15,609,464.
- (7) The School District is empowered to incur debt and levy unlimited ad valorem taxes on taxable real property within its boundaries to pay the debt service thereon. During 1985, the Board had \$126,833,500 in debt outstanding. Debt service in 1985 represented 8.14% of budgeted expenditures. Pursuant to a formula set forth in the Public School Code of 1949, the Commonwealth is required to pay a percentage of the debt service on the School District debt; in 1985 this payment by the Commonwealth equalled 12.8% of total debt service.
- (8) As of December 31, 1985, the gross indebtedness of the County and the Allegheny County Institution District (excluding Tax Anticipation borrowings) was \$462,004,480 of which \$67,462,758 is attributable to the Greater Pittsburgh International Airport. Since rents, charges and fees from the airport operations exceed operating, maintenance and debt service expenses, this debt may be considered self-liquidating. Hence, the net indebtedness of the County as of December 31, 1985, is \$394,541,722, of which the City's overlapping share is 27% or \$106,526,265.

The City's debt history over the last five years is set forth in Table 15. The debt categories correspond to the major section headings in Table 14. Ratios of the City's net direct and overall net debt per capita, and as a percentage of assessed value and market value are also presented. Table 15 does not give effect to the City's issuance of the Bonds.

TABLE 15
CITY OF PITTSBURGH
DEBT HISTORY
1981-1985

	December 31,				
	1981	1982	1983	1984	1985
Gross Bonded Debt (in millions).....	\$ 213.5	\$ 230.4	\$ 240.2	\$ 253.1	\$ 284.4
Gross Direct Debt (in millions).....	\$ 264.9	\$ 281.2	\$ 301.4	323.3	571.0
Net Direct Debt (in millions).....	233.1	\$ 251.5	\$ 259.1	290.7	296.0
Overall Net Debt (in millions).....	431.7	\$ 444.6	\$ 469.2	530.4	522.8
Net Direct Debt/Capital	549.85	\$ 593.17	\$ 611.16	\$ 685.70	\$ 698.10
Overall Net Debt/Capital	1,018.25	\$1,048.74	\$1016.87	\$1,251.13	\$1,233.10
Net Direct Debt/A.V.....	15.95%	16.76%	16.86%	17.66%	16.74%
Overall Net Debt/A.V....	29.53%	29.63%	30.54%	32.22%	29.57%
Net Direct Debt/F.M.V...	3.99%	4.19%	4.22%	4.41%	4.19%
Overall Net Debt/F.M.V..	7.39%	7.41%	7.63%	8.05%	7.39%

TABLE 16
CITY OF PITTSBURGH
GENERAL OBLIGATION DEBT SERVICE
June 30, 1986*
(In Thousands)

	<u>Outstanding Bonds*</u>			<u>Lease Payments</u>	<u>Total Debt Service and Lease Payments</u>	<u>Reimbursements from Water Authority</u>	<u>Net Total Debt Service and Lease Payments</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>				
1986	\$ 3,085	\$ 10,758	\$ 13,843	\$2,366	\$ 16,209	\$ (4,008)	\$ 12,201
1987	12,220	23,224	35,444	2,233	37,667	(3,066)	34,611
1988	9,740	22,785	32,525	475	33,000	(3,794)	29,206
1989	9,875	22,220	32,095		32,095	(3,745)	28,350
1990	11,660	21,570	33,230		33,230	(3,610)	29,620
1991	12,940	21,597	34,537		34,537	(3,338)	31,199
1992	13,230	20,742	33,972		33,972	(3,228)	30,744
1993	13,545	19,845	33,390		33,390	(3,145)	30,245
1994	13,280	18,914	32,194		32,194	(3,051)	29,143
1995	12,980	17,963	30,943		30,943	(2,611)	28,332
1996	13,945	16,947	30,892		30,892	(2,609)	28,283
1997	13,955	15,916	29,871		29,871	(2,421)	27,450
1998	13,685	14,986	28,671		28,671	(2,247)	26,424
1999	13,355	14,011	27,366		27,366	(2,130)	25,236
2000	14,275	13,044	27,319		27,319	(2,129)	25,190
2001	15,255	12,011	27,266		27,266	(2,560)	24,706
2002	16,305	10,906	27,211		27,211	(2,781)	24,430
2003	17,410	9,726	27,136		27,136	(2,788)	24,348
2004	18,605	8,466	27,071		27,071	(2,798)	24,273
2005	19,885	7,119	27,004		27,004	(2,813)	24,191
2006	21,245	5,679	26,924		26,924	(2,819)	24,105
2007	16,165	4,370	20,535		20,535	(2,362)	18,173
2008	7,510	3,579	11,089		11,089	(983)	10,106
2009	7,975	3,114	11,089		11,089		11,089
2010	8,470	2,621	11,091		11,091		11,091
2011	8,995	2,097	11,092		11,092		11,092
2012	9,550	1,541	11,091		11,091		11,091
2013	10,140	950	11,090		11,090		11,090
2014	<u>10,765</u>	<u>323</u>	<u>11,088</u>	<u>-----</u>	<u>11,088</u>	<u>-----</u>	<u>11,088</u>
TOTALS	\$370,045	\$347,026	\$717,071	\$5,074	\$722,145	\$(65,036)	\$657,109

* Includes the \$63,510,000 General Obligation Bonds, Series A of 1986 and the Bonds.

THE GOVERNMENT OF PITTSBURGH

Three principal government entities provide services in the Pittsburgh area: the City, the County of Allegheny (the "County"), and the Pittsburgh School District (the "School District"). Information relating to the County and the School District may be found in the "Other Governmental Entities" section below and in the footnotes to Table 14.

The City was incorporated in 1816, and became a home rule community on January 5, 1976. Its powers are set forth in the Pittsburgh Home Rule Charter which became effective January 5, 1976 (the "Charter"). 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, 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, and 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. The Mayor is elected to a four-year term and is eligible to succeed himself without limitation.

The Controller of the City is elected to a four-year term, in a different municipal election year from the mayoralty election, and is eligible to succeed himself 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. The Department is responsible for all financial management activities not already delegated by the City Charter, including preparation and monitoring of the operating budget, monitoring of the capital budget, the treasury functions of revenue and tax collection, certain real estate functions, the investment of City funds, including the Sinking Fund, debt management, payroll, employee benefits and workers' compensation. 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 at large to four-year terms that are staggered so that four members are elected at the same time as the Mayor. Each member is eligible to succeed himself 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.

City Officials

RICHARD S. CALIGUIRI, Mayor -- Mr. Caliguiri has served as Mayor since 1977. He was a member of City Council from 1971 to 1977 during which period he served as President of City Council and earlier as Chairman of the Finance Committee.

TOM FLAHERTY, Controller -- Mr. Flaherty was elected City Controller for a four year term beginning January 1984. 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.

RONALD C. SCHMEISER, C.P.A., Director of Finance -- Prior to joining the City in 1980, Mr. Schmeiser was a partner in Touche Ross & Co. He is also Chairman of the Public Parking Authority of Pittsburgh, Vice-Chairman of the Pittsburgh Water and Sewer Authority, and Treasurer of the City of Pittsburgh Equipment Leasing Authority.

STEPHEN A. SCHILLO, Deputy Director of Finance/City Treasurer -- Mr. Schillo assumed this position in January 1983, having served as the City Budget and Research Officer during 1982. He has been a member of the City administration since 1975. He is also Treasurer of the Pittsburgh Water and Sewer Authority.

Members of City Council

BEN WOODS, President of City Council -- Mr. Woods has been a member of City Council since 1981. Mr. Woods is a member of the Sheet Metal Workers Union and the Mayor's Employment and Training Advisory Council. He was elected Council President in January 1986 and previously served as Chairman of the Finance Committee.

JIM O'MALLEY, Finance Chairman -- Mr. O'Malley has been a member of City Council since January 1980. He has been serving as Finance Chairman since January 1986. He is Chairman of the Public Safety Committee.

EUGENE P. De PASQUALE -- Mr. DePasquale was re-elected to Council in November 1985. Mr. DePasquale formerly served on council from January 1972 to December 1983. Mr. DePasquale is chairman of the Engineering and Construction Committee. He is also Chairman of the Allegheny County Sanitary Authority.

RICHARD E. GIVENS -- Mr. Givens was elected to City Council in 1975 following his retirement from the U. S. Air Force. He is chairman of the Public Works Committee.

STEPHEN S. GRABOWSKI -- Mr. Grabowski was elected to City Council for a four year term commencing in 1984. He had earlier served two terms as a member of the Pennsylvania House of Representatives. Mr. Grabowski serves as Chairman of the General Services Committee.

MICHELLE MADOFF -- Ms. Madoff has been a member of City Council since 1978. She is the founder of Group Against Smog and Pollution (GASP), an Allegheny County environmental group. She chairs the Water Committee.

SOPHIE MASLOFF -- Mrs. Masloff was elected to City Council in 1975. Previously, she was assistant to the Chief Clerk of the Court of Common Pleas of Allegheny County. She is Chairwoman of the Parks and Recreation Committee and the Cable T.V. Committee.

MARK H. POLLOCK -- Mr. Pollock was elected to City Council in November, 1985. Mr. Pollock serves as the Chairman of the Planning, Housing and Development Committee. He is also Secretary of the Public Parking Authority, as well as a practicing attorney and a member of the Allegheny County Bar Association.

JACK WAGNER -- Mr. Wagner became a member of City Council in January 1984. Prior to his election, he was a certified safety professional and a small businessman. Mr. Wagner is Chairman of the Public Safety Committee.

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 approval of City Council. The Charter also provides that the Mayor shall appoint, subject to approval of City Council, 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 at the same time.

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 approval of City Council, of City Magistrates who preside in the City's magistrate courts, which are part of the Commonwealth's judiciary system. The Mayor is required to designate a Chief Magistrate to administer the magistrate courts.

The Department of Law acts as counsel for the City and its officials, although both 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 Job Training Partnership Act (JTPA) Program. 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 formulates 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. The Department of Environmental Services maintains sanitation services. The Department of Public Works exercises responsibility for the maintenance of all the City's streets, sewers, bridges and steps and for the construction of minor public works capital improvements. The Department of Engineering and Construction is responsible for engineering and design of projects in the City's Capital Improvement Program. The Department of Parks and Recreation maintains over 2,500 acres of parkland and provides recreational facilities to the City residents.

OTHER GOVERNMENTAL ENTITIES

City Supported Authorities

Stadium Authority of the City of Pittsburgh. The Stadium Authority of the City of Pittsburgh (the "Stadium Authority") is comprised of five members appointed by the Mayor. The Stadium Authority owns Three Rivers Stadium (the "Stadium"). The Stadium Authority, in conjunction with Three Rivers Management Corporation ("Three Rivers"), a wholly owned subsidiary of the Pittsburgh Athletic Company, Inc., Pittsburgh Steeler Sports Inc. (the "Steelers"), the Public Parking Authority of Pittsburgh and the Alco Parking Corporation, a privately owned parking operator, developed, financed and built the Stadium which was opened in 1970. In 1986, Pittsburgh Baseball Inc, (the "Pirates") acquired all assets of Pittsburgh Athletic Company, Inc. including the baseball franchise.

The Stadium Authority has the responsibility for operating all facets of the Stadium, including maintenance, concessions, scheduling extra events and maintaining the adjacent parking area. The Stadium Authority receives 30% of net concession revenues from all Pirates and Steelers games and 100% from all other events. As part of a major renovation of the Stadium and playing field, 5,130 additional seats were constructed to enlarge the capacity of the stadium to 59,600. To finance this project, the Authority issued bonds in the amount of \$6,750,000, 14 corporate medallions were sold for \$1,000,000 each, payable over a ten-year period at \$100,000 per year and the Stadium Authority received \$100,000 each for the construction of 22 lounge boxes and \$75,000 each from the conversion of 15 open air boxes; it receives an annual bond service charge of \$5,000 or \$10,000 per lounge box on certain lounge boxes. Other revenues include 10% of the gross receipts from the Pirates and Steelers games, and all revenues generated from other Stadium events. In 1986, the Stadium Authority issued bonds in the amount of \$21,000,000. The proceeds of the issue were rebated to the City in repayment for capital facilities costs borne by the City on behalf of the Stadium Authority.

The Steelers have filed an action against the Stadium Authority in the Court of Common Pleas of Allegheny County alleging that the exclusivity and "most favored nation" clauses of its lease were breached when the Authority leased the Stadium to the Pittsburgh Maulers of the U.S.F.L. The Pirates have

intervened in that action alleging similar violations of their lease. The City is in the process of intervening in that action. The Maulers have discontinued operations. (See "Litigation")

For a discussion of the obligation of the City to make payments in support of outstanding debt of the Stadium Authority, see Table 14, footnote 1.

City of Pittsburgh Equipment Leasing Authority. The City of Pittsburgh Equipment Leasing Authority (the "Leasing Authority") was incorporated in 1980, to serve as a financing vehicle by which equipment is leased by the Authority to the City. City rental payments made pursuant to such leases are used to pay debt service on Leasing Authority bonds. Members of the Leasing Authority include: the Executive Secretary to the Mayor, the Directors of the Department of General Services and the Department of Finance, one member of City Council and one individual designated by City Council.

For a discussion of the obligation of the City to make payments in support of outstanding debt of the Leasing Authority, see Table 14, footnote 4.

Public Auditorium Authority of Pittsburgh and Allegheny County. The Public Auditorium Authority of Pittsburgh and Allegheny County (the "Auditorium Authority") owns the Civic Arena, which is located in the City, and is used for concerts, hockey, basketball and various other events. The Auditorium Authority consists of five members, two of whom are appointed by the City and two by the County. The fifth member is appointed by the City and County jointly.

In 1981, Civic Arena Corporation ("CAC"), a wholly owned subsidiary of The Edward J. DeBartolo Corporation, assumed operation of the Civic Arena under a sublease (the "Sublease"). Under the Sublease, CAC makes rental payments equivalent to the net amount needed to meet the debt service requirements on the Auditorium Authority's Auditorium Bonds, Series C, presently outstanding in the amount of \$14,115,000 and the Urban Redevelopment Authority of Pittsburgh's Urban Renewal Bonds, Series 1958 (collectively the "Civic Arena Bonds"). The City has not been relieved of its obligation to pay debt service on the Civic Arena Bonds, and, while the Civic Arena Bonds are outstanding, the City will reflect debt service and Sublease income in its budgets. The initial term of the Sublease is for 50 years, with 5 consecutive renewal periods of 10 years each. However, upon the occurrence of certain events, CAC has the option to terminate the Sublease upon six months' written notice to the Auditorium Authority, including certain events relating to the feasibility of the economic operation of the Civic Arena.

An amendment to this Sublease has recently been negotiated by CAC, the City, the County and the Auditorium Authority whereby the Auditorium Authority would pay \$425,000 annually toward the debt service on outstanding Civic Arena Bonds and would also undertake capital improvements in the amount of \$11,400,000.

In addition, the Department of General Services of the Commonwealth has financed and constructed the David L. Lawrence Convention Center located in the City. The Convention Center has been leased to the Auditorium Authority for a term of 30 years at a nominal rent. Operating expenses of the Convention Center are paid from operating revenues and a 3% percent

County-wide hotel tax. The Convention Center receives approximately two-thirds of the revenue generated by the hotel tax. The City has agreed in the lease to pay one-half of any operating deficits. The balance of any operating deficits would be paid by the County.

The Auditorium Authority acquired the Stanley Theatre, located in the Central Business District of the City, to provide a new 2800 seat public auditorium for theatrical and musical productions. The Auditorium Authority has leased the Theatre to the Pittsburgh Trust for Cultural Resources which is presently renovating it. Part of the funding for the project was provided from the sale of Auditorium Authority bonds. Debt service on the bonds will be paid equally by the City and Allegheny County.

For a discussion of the obligation of the City to make payments in support of outstanding debt of the Auditorium Authority, see Table 14, footnote 2.

Self-Supporting Authorities

Urban Redevelopment Authority of Pittsburgh. The Urban Redevelopment Authority of Pittsburgh (the "Redevelopment Authority") administers federal and Commonwealth grants designed to provide a broad range of urban renewal and maintenance programs within the City. The Authority also coordinates efforts to improve the economic vitality, the housing stock, and overall living conditions within the City. The Redevelopment Authority has a five member board. Each member is appointed by the Mayor. For a discussion of the obligation of the City to make payments in support of certain outstanding debt of the Redevelopment Authority, see Table 14, footnote 3.

Housing Authority of the City of Pittsburgh. The Housing Authority 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 Development 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 member is appointed by the Mayor. The City Council confirms five of the seven appointments.

Public Parking Authority of Pittsburgh. The Public Parking Authority of Pittsburgh (the "Parking Authority") operates eight parking garages with over 6,500 spaces in the central business district of the City. Additionally, it has established numerous lots to support neighborhood business districts throughout the City. In addition to parking charges, the Parking Authority receives a portion of on-street parking meter charges. The Parking Authority has a five-member board. Each member is appointed by the Mayor. Although the Parking Authority has never experienced an operating deficit, neither such deficits nor the debt service on the Parking Authority's bonds is guaranteed by the City.

The Pittsburgh Water and Sewer Authority. The Pittsburgh Water and Sewer Authority (the "Water and Sewer Authority") was created in February 1984 by City Council under the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the water distribution and wastewater collection systems. On May 1, 1984 the City leased the two systems

to the Water and Sewer Authority for a primary term of fifty years with renewal provisions. The lease appointed the City as the Water and Sewer Authority'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 Water and Sewer Authority. The Water and Sewer Authority has undertaken a seven year Capital Improvement Program which has been financed through the sale of revenue bonds issued by the Water and Sewer Authority. The Capital Improvement Program is designed to ensure uninterrupted customer service and to enhance the systems' operating capabilities.

School District

The School District is organized under P.L. 30, the Public School Code of 1949, as amended. The School District, substantially all of which is within the boundaries of the City and Mt. Oliver Borough, 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 40,257 as of September, 1984.

The School District is a governmental entity separate from the City and receives no funding 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 school reimbursements and from real estate and earned income taxes levied by the School District. In 1977, revenues from Commonwealth school reimbursements were approximately 36.3% of total School District revenues. In 1986, Commonwealth school reimbursements are budgeted to be 33.3% of estimated total School District receipts.

The School District has had unencumbered General Fund surpluses in each year since 1977. The beginning General Fund balance for the School District was \$26.1 million in 1986. The School District's financial statements have not been examined by independent accountants.

The Board of Public Education approved an increase in taxes for the School District in 1984. The increase raised the earned income tax rate from 1 1/2% to 1 7/8% and the real estate tax rate from 36 mills to 40 mills. The School District also levies a personal property tax of 4 mills and a mercantile license tax of 1/2 mill for wholesale and 1 mill for retail establishments, and a deed transfer tax of 1/2% on sales of real estate.

In 1985, the School District operated 91 buildings, including 83 schools, the Board of Public Education headquarters building, a warehouse, a food center, a language center, an OVE center, a special education administrative office and a service center. Approximately 86 percent of the school buildings were constructed prior to 1960. The School District is involved in a continuing school improvement and major maintenance program; the 1986 program is funded through \$5,500,000 general obligation notes which were issued during 1986.

The School District had \$118,479,250 of outstanding debt on March 31, 1986. Approximately 7.4% of the School District's 1986 operating budget will be applied to debt service. Debt service in 1986 is \$18.3 million of which \$2.3 million or 12.6% will be reimbursed by the Commonwealth under its rental reimbursement subsidy.

The School District's approximately 3,616 professional, para-professional and technical/clerical personnel are represented by the Pittsburgh Federation of Teachers. The labor agreements with this union expire August 31, 1988. In addition, the School District employs approximately 1,243 operation and maintenance employees and food service and clerical employees who are members of the American Federation of State, County and Municipal Employees whose contract is effective until October 31, 1987 and approximately 70 skilled trade employees who are members of the Pittsburgh Building and Construction Trades Council whose contract expires on January 31, 1988. There have been no labor strikes since 1977.

Allegheny County

The City is located entirely within the boundaries of Allegheny County (the "County") and comprises 27% of the area within the County. The 1980 Census reflects a population of the County of 1,450,085, of which 423,938 (29%) reside within the City.

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, through the Allegheny County Institution District, 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 Institution District operates the John J. Kane Hospital, the Department of Children and Youth Services and the Department of Adult Services.

In addition, the Port Authority of Allegheny County organized by the County in 1956, operates and maintains an integrated rail and bus transportation system in the City and the County and in portions of adjacent counties. The Board of the Port Authority is appointed by the County Commissioners. The County also operates the Greater Pittsburgh International Airport.

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 15,000.

The City has no legislative or administrative control over, or financial responsibility for, the foregoing services, the Institution District, the Greater Pittsburgh International Airport, the Port Authority or the Community College.

The County is governed by a three-member Board of County Commissioners elected at large for four-year terms to perform both legislative and executive duties.

Allegheny County Sanitary Authority

The Allegheny County Sanitary Authority ("Alcosan") was created jointly by the City and the County in 1946, to provide sewage collection and treatment service throughout the County. In 1959, it completed consolidation of a sewer system which now serves the City and 77 other municipalities in the County. The consolidated system encompasses 200 square miles and currently serves 289,000 customers. Appointments to the Alcosan five-member board are made by the City (three members) and the County (two members). The City guarantees payment of any delinquent sewage accounts of City residents. In 1984 the City purchased delinquencies totalling \$1,030,909 from Alcosan and collected \$615,398 of all outstanding delinquencies. As of December 31, 1984, the City financial statements reflect \$500,991 in accounts receivable (net of allowances for uncollectibles) arising from the purchase of delinquent Alcosan accounts.

LITIGATION

The following is a description of certain material legal proceedings and claims involving the City other than routine 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 and other violations of law and condemnation proceedings

A lawsuit is pending which challenges the City's authority to collect a patron parking tax. In this action, a parking lot owner is seeking to have the Court of Common Pleas of Allegheny County declare the patron parking tax to be illegal and is seeking refunds of the tax. The City Solicitor is of the opinion that the tax is authorized under Commonwealth law and that there are meritorious, substantive and procedural defenses available to the City.

The Steelers have filed an action against the Stadium Authority in the Court of Common Pleas of Allegheny County alleging that the exclusivity and "most favored nation" clauses of its lease were breached when the Authority leased the Stadium to the Pittsburgh Maulers of the U.S.F.L. which operated for the 1984 season before discontinuing operations. The Pirates have intervened in that action alleging similar violations of their lease. The City has also intervened in that action. The City Solicitor is of the opinion that there are meritorious defenses available to the City and that this action will not have a materially adverse effect on the City's financial position.

There is presently pending in the Court of Common Pleas of Allegheny County an action in which an insurance company has challenged the imposition by the City of its Business Privilege Tax upon gross receipts derived from the investment by the insurance company in income-producing real estate within the City. The Solicitor believes that there are meritorious defenses available to the City and that potential refunds will not have a materially adverse effect on the City's financial position.

There is another case presently pending in the Court of Common Pleas of Allegheny County in which a corporation has appealed the denial by the City Treasurer of its refund claim for certain Business Privilege Taxes as a result of a reorganization within the Corporation. The City believes it has meritorious defenses to this claim and that it will not have a materially adverse effect on the City's financial position.

FEDERAL BANKRUPTCY LEGISLATION

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 does not have such authorizing legislation. In the event that the Commonwealth were to enact such legislation, a municipality seeking relief under Chapter 9 would have to 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, and 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.

In the event of a municipality's bankruptcy, it might be asserted that payments of interest and principal in respect of antecedent debt, made by the municipality within 90 days prior to the filing of its bankruptcy petition, are voidable preferences. Should the bankruptcy court hold such payments to be voidable preferences, it may order the recipients to refund the payments to the municipality. In that event the claims of the recipients would be treated as if the preferential payments had not been made.

TAX EXEMPTION

In the opinion of Berkman Ruslander Pohl Lieber & Engel, Bond Counsel, under existing law, interest on the Bonds is exempt from federal income taxation and the Bonds, their transfer and any income therefrom (including any profits made on the sale thereof) are exempt from taxation within the Commonwealth of Pennsylvania, except for gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the transfer thereof, the income therefrom or any profits made on the sale thereof; however, no opinion is expressed as to any exemption from the taxation from gains from the sale of the Bonds under the Pennsylvania Corporation Net Income Tax (see "Federal Legislation" herein).

FEDERAL LEGISLATION

The United States House of Representatives and the United States Senate, on September 25, 1986 and September 27, 1986 respectively, adopted the Conference Report on HR 3838, "Tax Reform Act of 1986" ("HR 3838"). As of the date hereof, HR 3838 has not been enacted into law. Bond Counsel is of the opinion that if HR 3838 is enacted into law in its present form the interest on the Bonds would remain exempt from federal income taxation except for the alternative minimum tax to be imposed upon certain interest on the Bonds, other than Bonds held by individuals.

LEGALITY FOR INVESTMENT

Under the Probate, Estates and Fiduciaries Code of the Commonwealth, the Bonds are authorized investments for fiduciaries and personal representatives (as defined in that Code) in the Commonwealth and, in the opinion of Berkman Ruslander Pohl Lieber & Engel, Bond Counsel, 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.

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the City. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of any Bond includes any payment of principal or interest made to an owner of any Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal on the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment.

Financial Guaranty is a wholly owned subsidiary of FIC Corporation (the "Corporation") a Delaware holding company. The following inventors or affiliates thereof own approximately 83% of the stock of the Corporation:

General Electric Credit Corporation, General Re Corporation, Lumbermens Mutual Casualty Company (affiliated with the Kemper Group), Shearson Lehman Brothers, Inc., Merrill Lynch & Co., Inc., J.P. Morgan & Co., Incorporated and Gerald L. Friedman. The investors of the Corporation are not obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of June 30, 1986, the total capital and surplus of Financial Guaranty was approximately \$295,000,000. An additional \$42,500,000 was contributed to the capital and surplus of Financial Guaranty by the Corporation on July 31, 1986.

RATINGS OF THE BONDS

Moody's Investors Service, Inc. and Standard & Poor's Corporation have given the Bonds the ratings shown on the Cover page. These ratings have been assigned on the assumption that Financial Guaranty will issue its Policy on the date of the remarketing of the Bonds. Such ratings reflect the views of such rating agencies from which an explanation of the significance of such ratings may be obtained. The City furnished to such rating agencies certain information and materials respecting the Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds have been remarketed by the Underwriters, for whom Butcher & Singer Inc., Merrill Lynch Capital Markets, Shearson Lehman Brothers, Inc., Russell, Rea & Zappala, Inc., Mellon Bank, N.A., PNC Investment Company, a unit of Pittsburgh National Bank, Daniels & Bell, Inc., Goldman Sachs & Co. and PaineWebber, Incorporated are acting as Managers, net of a remarketing fee of \$2,375,000 and original issue discount of \$1,243,450. The initial offering price for the Bonds is set forth on the Cover. The Contract of Purchase provides that the Underwriters' obligations are subject to certain conditions precedent and that the Underwriters will remarket all of the Bonds if any are remarketed.

The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the Cover. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL STATEMENTS

Attached hereto as Appendix A are the audited general purpose financial statements of the City for the fiscal year ended December 31, 1985 and the report thereon of Peat, Marwick, Mitchell, & Co., certified public accountants. Such financial statements have been included herein in reliance on the report of said firm and its expertise in auditing and accounting.

FINANCIAL ADVISOR

Public Financial Management, Inc., of Philadelphia, Pennsylvania, served as financial advisor to the City in respect to the remarketing of the Bonds. The financial advisor assisted in the preparation of this Remarketing Memorandum, and in other matters relating to the planning, structuring and issuance of the Bonds, and provided other advice. Public Financial Management

is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments. Public Financial Management, Inc. is a wholly-owned subsidiary of Marine Midland Bank, N.A.

LEGAL OPINIONS

Remarketing of the Bonds by the Underwriters is subject to the receipt of the legal opinion of Berkman Ruslander Pohl Lieber & Engel, Pittsburgh, Pennsylvania, Bond Counsel which will, among other matters, confirm the opinions rendered on the date of issuance of the Bonds. The unqualified approving opinion of Bond Counsel will be printed on the Bonds in substantially the form attached to this Remarketing Memorandum as Appendix C.

Certain legal matters will be passed upon for the Underwriters by their Counsel, Eckert, Seamans, Cherin & Mellott, Pittsburgh, Pennsylvania and Grogan, Graffman, McGinley & Lucchino, Pittsburgh, Pennsylvania. Certain legal matters relating to the City will be passed upon by D. R. Pellegrini, the City Solicitor.

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 and the Charter, 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 Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. This Remarketing Memorandum is not to be construed as a contract among the City and the purchasers or holders of any of the Bonds.

This Remarketing Memorandum has been duly executed and delivered on behalf of the City by the City Controller and the Director of Finance.

CITY OF PITTSBURGH

By _____
Tom Flaherty
City Controller

By _____
Ronald C. Schmetzer
Director of Finance

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APPENDIX A

FINANCIAL STATEMENTS

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CITY OF PITTSBURGH, PENNSYLVANIA

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Peat, Marwick, Mitchell & Co.
One Mellon Bank Center
Pittsburgh, Pennsylvania 15219
412-391-0700

To the Honorable Members of Council of
the City of Pittsburgh, Pennsylvania:

We have examined the general purpose financial statements of the City of Pittsburgh, Pennsylvania as of and for the year ended December 31, 1985 as listed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Stadium Authority of the City of Pittsburgh or the Pittsburgh Water and Sewer Authority, component units of the City's reporting entity, which are included in the Enterprise Fund. These component units' financial statements comprise the entire Enterprise Fund. These financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for them, is based solely upon the report of the other auditors.

As described in note 7, the City has vested pension benefit obligations which are significantly in excess of related available assets.

Records with respect to the historical cost of general purpose fixed assets and a comprehensive inventory of such assets are not available (see note 1). Consequently, a general fixed asset account group is not included in the accompanying financial statements.

In our opinion, based upon our examination and the reports of other auditors, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City of Pittsburgh, Pennsylvania at December 31, 1985 and the results of its operations and changes in contributed capital and financial position of its proprietary fund type and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



To the Honorable Members of Council of
the City of Pittsburgh, Pennsylvania
Page 2

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Pittsburgh, Pennsylvania. The current year's information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, based upon our examination and the reports of other auditors, except for the effect of the matter discussed in the second preceding paragraph, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Reed Marwick Mitchell & Co

June 13, 1986

CITY OF PITTSBURGH

Combined Balance Sheet - All Fund Types and Account Groups

December 31, 1985

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets:				
Cash and short-term investments at cost, which approximates market	\$ 36,286,615	26,603,489	9,127,495	53,701,613
Investments, at cost (note 4)	-	-	-	-
Receivables:				
Real estate taxes (net of al- lowance for uncollectible accounts of \$5,840,000)	2,184,245	-	-	-
Sewage charges (net of al- lowance for uncollectible accounts of \$2,845,000)	974,057	-	-	-
Personal property taxes (net of allowance for uncollec- tible accounts of \$224,000)	21,865	-	-	-
Accounts receivable (net of allowance for uncollectible accounts of \$10,329,000)	-	-	-	-
Contributions -- participants	-	-	-	-
Special assessments	-	-	-	-
Accrued interest	581,879	262,089	15,992	-
Other	324,320	337,999	-	-
Prepaid expenses and other assets	1,567,327	-	-	-
Due from other funds (note 9)	4,746,998	459,671	138,172	3,213,595
Due from other governments	-	6,314,590	-	3,864,382
Inventory, at cost	1,515,338	-	-	-
Restricted cash, investments and receivables and deferred bond expenses - construction purposes	-	-	-	-
Property, plant and equipment (note 6)	-	-	-	-
Amount available in Debt Service				
Fund for retirement of bonds	-	-	-	-
Amount to be provided for retirement of bonds	-	-	-	-
Amount to be provided for other long-term obligations	-	-	-	-
Totals	\$ 48,202,644	33,977,838	9,281,659	60,779,590

<u>Special Assessment</u>	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>	
	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>1985</u>	<u>1984</u>
44,409	2,274,498	24,610,616	--	152,648,735	119,267,460
-	2,763,000	25,096,418	--	27,859,418	20,762,320
-	-	-	--	2,184,245	2,816,755
-	-	-	--	974,057	500,991
-	-	-	--	21,865	13,691
-	6,784,600	-	--	6,784,600	5,957,406
-	-	309,800	--	309,800	282,135
7,155	-	-	--	7,155	37,547
-	-	474,044	--	1,334,004	1,603,647
-	-	-	--	662,319	658,727
-	241,971	-	--	1,809,298	119,845
-	1,529,000	1,267,210	--	11,354,646	5,522,785
-	-	-	--	10,178,972	7,541,482
-	-	-	--	1,515,338	1,538,986
-	95,727,984	-	--	95,727,984	97,548,986
-	40,551,844	-	--	40,551,844	36,977,146
-	-	-	7,684,845	7,684,845	7,424,036
-	-	-	307,132,655	307,132,655	249,318,964
-	-	-	<u>241,385,898</u>	<u>241,385,898</u>	<u>212,636,898</u>
<u>51,564</u>	<u>149,872,897</u>	<u>51,758,088</u>	<u>556,203,398</u>	<u>910,127,678</u>	<u>770,529,807</u>

(Continued)

CITY OF PITTSBURGH

Combined Balance Sheet - All Fund Types and Account Groups
(continued)

December 31, 1985

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities:				
Accounts payable	\$ 4,755,108	481,283	-	3,663,219
Retainage payable	-	-	-	463,524
Accrued interest payable	-	-	1,596,814	-
Accrued liabilities	6,243,983	412,367	-	182,676
Due to other funds (note 9)	3,396,978	5,108,801	-	-
Due to other governments	944,674	-	-	-
Deposits held in trust	-	-	-	-
Liabilities payable from restricted assets (including \$865,000 of long-term debt)	-	-	-	-
Bonds payable, net (note 8)	-	-	-	-
Capital lease obligation	-	-	-	-
Accrued pension expense	-	-	-	-
Accrued workers' compensation	11,000,000	-	-	-
Accrued compensated absences	9,060,000	-	-	-
Deferred revenue	2,393,978	-	-	-
Total liabilities	<u>37,794,721</u>	<u>6,002,451</u>	<u>1,596,814</u>	<u>4,309,419</u>
Fund equity:				
Contributed capital (including \$7,395,895 restricted for construction purposes) (note 10)	-	-	-	-
Retained earnings:				
Restricted for debt service	-	-	-	-
Unrestricted	-	-	-	-
Fund balances:				
Reserved for:				
Endowments	-	-	-	-
Encumbrances	1,334,754	4,042,894	-	13,237,963
Inventory	1,515,338	-	-	-
Employee benefits	1,567,327	-	-	-
Unreserved:				
Designated for debt service	-	-	7,684,845	-
Designated for subsequent years' expenditures	1,605,930	2,720,632	-	43,232,208
Undesignated	4,384,574	21,211,861	-	-
Total fund equity	<u>10,407,923</u>	<u>27,975,387</u>	<u>7,684,845</u>	<u>56,470,171</u>
 Total liabilities and fund equity	 <u>\$ 48,202,644</u>	 <u>33,977,838</u>	 <u>9,281,659</u>	 <u>60,779,590</u>

See accompanying notes to financial statements.

<u>Special Assessment</u>	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>	
	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>1985</u>	<u>1984</u>
--	441,477	20,773	--	9,361,860	10,667,838
--	--	--	--	463,524	43,200
--	--	--	--	1,596,814	113,244
--	--	6,276,016	--	13,115,042	8,869,274
--	189,000	2,659,867	--	11,354,646	5,522,785
--	--	271,015	--	1,215,689	519,036
--	--	265,008	--	265,008	622,412
--	4,246,509	--	--	4,246,509	3,070,400
--	141,233,000	--	314,817,500	456,050,500	389,488,000
--	--	--	1,481,898	1,481,898	--
--	--	--	186,464,000	186,464,000	167,548,731
--	--	--	53,000,000	64,000,000	53,320,000
--	--	--	440,000	9,500,000	9,575,000
<u>7,155</u>	--	--	--	<u>2,401,133</u>	<u>2,290,906</u>
<u>7,155</u>	<u>146,109,986</u>	<u>9,492,679</u>	<u>556,203,398</u>	<u>761,516,623</u>	<u>651,650,826</u>
--	27,015,592	--	--	27,015,592	23,344,377
--	12,945,000	--	--	12,945,000	10,831,000
--	(36,197,681)	--	--	(36,197,681)	(30,097,853)
--	--	234,838	--	234,838	215,216
--	--	--	--	18,615,611	3,334,519
--	--	--	--	1,515,338	1,538,586
--	--	41,799,131	--	43,366,458	36,349,621
--	--	--	--	7,684,845	7,424,036
--	--	--	--	47,558,770	41,516,463
<u>44,409</u>	--	<u>231,440</u>	--	<u>25,872,284</u>	<u>24,422,616</u>
<u>44,409</u>	<u>3,762,911</u>	<u>42,265,409</u>	--	<u>148,611,055</u>	<u>112,878,981</u>
<u>51,564</u>	<u>149,872,897</u>	<u>51,758,088</u>	<u>556,203,398</u>	<u>910,127,678</u>	<u>770,529,807</u>

CITY OF PITTSBURGH

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances -
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 1985

	Governmental Fund Type					Fiduciary Fund Type Expendable Trust	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment		(Memorandum 1985)	(Only) 1984
Revenues:								
Taxes	\$ 192,754,769	-	-	-	-	-	192,754,769	184,532,388
Penalties and interest	2,340,879	-	-	-	-	-	2,340,879	1,745,661
Interest and dividends	8,438,042	1,964,049	1,279,360	-	-	750,092	12,431,543	13,192,048
Fines and forfeits	4,144,328	-	-	-	-	-	4,144,328	3,663,380
Licenses	2,800,985	-	-	-	-	-	2,800,985	2,148,193
Rentals	4,049,098	38,136	-	-	-	-	4,087,234	3,722,645
Pittsburgh Zoo receipts	1,207,777	-	-	-	-	-	1,207,777	1,537,250
Public Parking Authority	700,000	-	-	-	-	-	700,000	1,287,083
Enterprise Fund administrative charge	-	-	-	-	-	-	-	500,000
Inergovernmental revenues	2,713,238	46,431,564	-	9,484,692	-	-	58,629,494	62,823,082
Charges for user services	-	3,437,096	-	-	-	-	3,437,096	3,551,459
Miscellaneous	2,174,894	636,070	-	52,387	1,777	459,926	3,325,054	4,395,182
Total revenues	221,324,010	52,506,915	1,279,360	9,537,079	1,777	1,210,018	285,859,159	283,098,371
Expenditures:								
Current operating:								
General government	14,685,693	11,497,460	-	-	-	-	26,183,153	25,522,078
Public safety	66,204,153	14,165,943	-	-	-	-	80,370,096	75,536,804
Public works	25,660,320	8,238,647	-	-	-	-	33,898,967	34,572,916
Sanitation	11,165,311	110,073	-	-	-	-	11,275,384	10,919,520
Water	-	15,057	-	-	-	-	15,047	249,183
Community, recreation and cultural programs	23,395,370	2,218,308	-	-	-	868,838	26,482,516	24,276,897
Employee benefits	45,819,670	-	-	-	-	-	45,819,670	56,449,024
Claims and judgments	478,392	-	-	-	-	-	478,392	398,201
Miscellaneous	804,630	-	90	-	1,155	103,351	909,226	780,342
Inergovernmental programs	-	16,172,513	-	-	-	-	16,172,513	16,786,848
Capital projects	-	5,463,673	-	31,832,580	-	-	37,296,253	37,748,551
Debt service:								
Principal retirement	-	-	192,988,000	-	-	-	192,988,000	3,080,000
Interest charges	-	-	24,036,018	-	-	-	24,036,018	23,458,336
Authority debt subsidies	2,675,615	-	-	-	-	-	2,675,615	1,690,000
Lease payments	-	460,970	-	-	-	-	460,970	-
Total expenditures	196,889,154	58,342,634	217,024,108	31,832,580	1,155	972,189	499,061,820	316,468,700
Less (deficiency) of revenues over expenditures	30,434,856	(5,835,719)	(215,744,748)	(22,295,501)	622	237,829	(213,202,661)	(33,370,329)
Other financing sources (uses):								
Bond sale proceeds	6,010,000	-	194,486,220	40,548,274	-	-	241,044,494	9,937,500
Capital lease obligation proceeds	-	1,881,192	-	-	-	-	1,881,192	-
Loss on advance refunding of debt	-	-	(9,681,220)	-	-	-	(9,681,220)	-
Operating transfers from other funds	4,813,000	4,347,670	31,251,968	-	-	-	40,412,638	42,444,610
Operating transfers to other funds	(35,013,074)	(173,317)	(51,411)	(361,836)	-	-	(35,599,638)	(37,387,763)
Total other financing sources (uses)	(24,190,074)	6,055,545	216,005,557	40,186,438	-	237,829	238,057,466	14,994,347
Less (deficiency) of revenues and other sources over expen- ditures and other uses	6,244,782	219,826	250,800	17,890,937	622	237,829	24,854,805	(18,375,982)
Fund balances, beginning of year	4,134,175	27,757,561	7,424,036	38,579,236	43,787	3,705,205	81,641,998	84,600,136
City transfer between funds	28,966	-	-	-	-	-	28,966	15,417,844
Fund balances, end of year	\$ 10,402,923	27,977,387	7,684,845	56,470,171	44,409	3,943,074	106,525,769	81,641,998

accompanying notes to financial statements.

CITY OF PITTSBURGH

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual Data on the Budgetary
Basis - General and Special Revenue Fund Types

For the Year Ended December 31, 1985

	General Fund			Special Revenue (Federal Revenue Funds Only) (n	
	Budget	Actual	Variance - favorable (unfavorable)	Budget	Actual
Revenues:					
Taxes	\$ 196,057,870	196,530,934	473,064	-	-
Penalties and interest	1,900,000	2,340,879	440,879	-	-
Interest earnings	10,250,000	7,867,531	(2,382,469)	240,000	250,781
Fines and forfeits	4,250,000	4,154,547	(95,453)	-	-
Licenses	2,300,000	2,800,985	500,985	-	-
Rentals	3,900,000	3,898,566	(1,434)	-	-
Pittsburgh Zoo receipts	1,400,000	1,207,777	(192,223)	-	-
Public Parking Authority	700,000	700,000	-	-	-
Water Fund payments and transfers	-	28,966	28,966	-	-
Water and Sewer Authority reimbursements and transfers	23,155,186	24,259,061	1,103,875	-	-
Intergovernmental revenues	4,304,300	4,025,027	(279,273)	11,350,000	11,133,243
Miscellaneous	2,550,000	2,565,820	15,820	-	-
Total revenues	<u>250,767,356</u>	<u>250,300,093</u>	<u>(467,263)</u>	<u>11,580,000</u>	<u>11,384,024</u>
Expenditures:					
Current operating:					
General government	18,138,230	14,242,334	3,895,896	75,000	75,000
Public safety	69,789,121	63,409,557	6,379,564	11,525,000	11,400,915
Public works	34,597,581	32,613,708	1,983,873	-	-
Sanitation	11,966,541	10,346,262	1,620,279	-	-
Water	14,327,694	12,627,916	1,699,778	-	-
Community, recreation and cultural programs	19,290,947	17,754,423	1,536,524	-	-
Employee benefits	59,701,412	48,729,281	10,972,131	-	-
Claims and judgments	755,870	396,513	359,357	-	-
Miscellaneous	15,049,045	12,811,825	2,237,220	-	-
Debt Service:					
Interest	21,199,000	21,199,000	-	-	-
Principal	7,948,000	7,948,000	-	-	-
Stadium Authority subsidy	1,950,000	1,950,000	-	-	-
Public Auditorium Authority subsidy	725,615	725,615	-	-	-
Total expenditures	<u>275,439,056</u>	<u>244,754,434</u>	<u>30,684,622</u>	<u>11,600,000</u>	<u>11,574,915</u>
Excess (deficiency) of revenues over expenditures	(24,671,700)	5,625,659	30,297,359	(20,000)	(190,891)
Fund balance - budgetary basis, beginning of year	3,978,251	27,473,170	23,494,919	237,541	237,541
Fund balance - budgetary basis, end of year	\$ (20,693,449)	33,098,829	53,792,278	217,541	46,650
Adjustments to generally accepted accounting principles (GAAP) basis:					
Cumulative difference between budgetary basis and GAAP basis, beginning of year		(23,338,995)			2,809,676
Net effect of GAAP basis recognition of revenue		(1,518,460)			(135,694)
Net effect of GAAP basis recognition of expenditures		2,166,549			
Fund balance - GAAP basis, end of year		\$ 10,407,923			2,720,632

See accompanying notes to financial statements.

CITY OF PITTSBURGH

Combined Statement of Revenues, Expenses and
Changes in Accumulated Deficit/Fund Balances -
Proprietary Fund Type and Pension Trust Funds

For the Year Ended December 31, 1985

	Proprietary	Fiduciary	Totals	
	Fund Type	Fund Type	(Memorandum Only)	
	Enterprise	Trust	1985	1984
Operating revenues:				
Water charges	\$ 21,419,000	-	21,419,000	21,672
Rentals	2,260,517	-	2,260,517	2,087
Medallions	1,312,500	-	1,312,500	1,292
Stadium bond service charges	686,066	-	686,066	640
Concessions	626,456	-	626,456	748
Contributions	-	28,164,145	28,164,145	32,005
Investment income	-	4,139,332	4,139,332	2,012
Miscellaneous	244,686	27,519	272,005	257
Total operating revenues	<u>25,549,025</u>	<u>32,330,995</u>	<u>58,880,021</u>	<u>60,716</u>
Operating expenses:				
Benefit payments	-	26,710,841	26,710,841	24,867
Salaries and wages	7,672,887	-	7,672,887	6,882
Utilities	3,710,445	-	3,710,445	3,287
Allocation of indirect expenses	2,319,000	-	2,319,000	1,360
Depreciation and amortization	1,444,365	-	1,444,365	1,610
Purification chemicals	1,252,000	-	1,252,000	1,229
Payments to non-City water agencies	2,523,000	-	2,523,000	1,808
Repairs and maintenance	1,236,064	-	1,236,064	1,141
Materials, supplies and rentals	704,000	-	704,000	662
Insurance	135,866	-	135,866	176
Security	99,143	-	99,143	130
Administrative and other operating expense	1,555,714	457,239	2,012,953	2,037
Miscellaneous refunds	142,000	-	142,000	68
Provision for uncollectible accounts	-	-	-	1,285
Total operating expenses	<u>22,794,484</u>	<u>27,168,080</u>	<u>49,962,564</u>	<u>46,542</u>
Operating income	<u>3,754,541</u>	<u>5,162,916</u>	<u>8,917,457</u>	<u>14,173</u>
Nonoperating revenues and (expenses):				
Net interest expense	(2,292,403)	-	(2,292,403)	(2,239)
Other income (expense), principally amortization of bond issue costs	(606,000)	-	(606,000)	(99)
Total nonoperating revenues and (expenses)	<u>(2,898,403)</u>	-	<u>(2,898,403)</u>	<u>(2,339)</u>
Income before operating transfers	856,138	5,162,916	6,019,054	11,834
Operating transfers to other funds	(4,813,000)	-	(4,813,000)	(5,056)
Net income (loss)	<u>(3,956,862)</u>	<u>5,162,916</u>	<u>1,206,054</u>	<u>6,777</u>
Accumulated deficit/fund balances, beginning of year	(19,266,853)	33,159,459	13,892,606	66,633
Equity transfers	(28,966)	-	(28,966)	(59,519)
Accumulated deficit/fund balances, end of year	\$ (23,252,681)	38,322,375	15,069,694	13,892

See accompanying notes to financial statements.

CITY OF PITTSBURGH

Combined Statement of Changes in Contributed Capital -
Proprietary Fund Type

For the Year Ended December 31, 1985
(with comparative totals for the year ended December 31, 1984)

	<u>1985</u>	<u>1984</u>
Balance, beginning of year	\$ <u>23,344,377</u>	<u>31,918,249</u>
Contributions from:		
General Fund (note 10)	3,640,000	1,772,000
Water Fund retained earnings	-	5,277,000
Other - for construction purposes	<u>31,215</u>	<u>117,203</u>
Total contributions	<u>3,671,215</u>	<u>7,166,203</u>
Distributions to:		
General Fixed Asset Account Group	<u>-</u>	<u>(15,740,075)</u>
Balance, end of year	\$ <u>27,015,592</u>	<u>23,344,377</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH

Combined Statement of Changes in Financial Position -
Proprietary Fund Type and Pension Trust Funds

For the Year Ended December 31, 1985

	Proprietary	Fiduciary	Totals	
	Fund Type	Fund Type	(Memorandum Only)	
	Enterprise	Pension Trust	1985	1984
Sources (uses) of working capital:				
Net income (loss)	\$ (3,956,862)	5,162,916	1,206,054	6,777,111
Add items not affecting working capital:				
Depreciation and amortization	2,050,365	-	2,050,365	1,633,111
Working capital provided from operations	<u>(1,906,497)</u>	<u>5,162,916</u>	<u>3,256,419</u>	<u>8,411,111</u>
Proceeds of bonds and notes	100,000,000	-	100,000,000	93,600,000
Less: funds deposited in escrow	(88,604,000)	-	(88,604,000)	-
Additions to contributed capital	3,671,215	-	3,671,215	7,166,000
Increase in current liabilities payable from restricted assets	1,069,000	-	1,069,000	245,000
Decrease in restricted assets	<u>1,591,366</u>	<u>-</u>	<u>1,591,366</u>	<u>7,991,111</u>
Total working capital provided	\$ <u>15,821,088</u>	<u>5,162,916</u>	<u>20,984,000</u>	<u>117,511,111</u>
Uses of working capital:				
Transfers to other funds	28,966	-	28,966	20,600,000
Additions to property, plant and equipment	4,996,427	-	4,996,427	5,266,000
Decrease in long-term debt	865,000	-	865,000	815,000
Decrease in current liabilities payable from restricted assets	21,891	-	21,891	2,207,000
Increase in restricted assets	2,442,000	-	2,442,000	92,971,111
Increase (decrease) in working capital	<u>7,466,800</u>	<u>5,162,916</u>	<u>12,629,716</u>	<u>(4,541,111)</u>
Total working capital used	\$ <u>15,821,088</u>	<u>5,162,916</u>	<u>20,984,000</u>	<u>117,411,111</u>
Changes in the components of working capital:				
Increase (decrease) in current assets:				
Cash and investments	3,963,128	5,021,266	8,984,394	(4,598,000)
Receivables	827,194	93,145	920,339	21,000
Due from other funds	1,529,000	-	1,529,000	-
Inventory	-	-	-	(1,739,000)
Prepaid expenses and other assets	122,126	-	122,126	85,000
	<u>6,441,448</u>	<u>5,114,411</u>	<u>11,555,859</u>	<u>(6,229,000)</u>
Increase (decrease) in current liabilities:				
Accounts payable	(131,352)	-	(131,352)	(1,206,000)
Retainage payable	-	-	-	(133,000)
Accrued liabilities	-	(48,505)	(48,505)	(667,000)
Due to other funds	(894,000)	-	(894,000)	1,083,000
Due to other governments	-	-	-	(51,000)
Refunds payable	-	-	-	(712,000)
	<u>(1,025,352)</u>	<u>(48,505)</u>	<u>(1,073,857)</u>	<u>(1,687,000)</u>
Increase (decrease) in working capital	\$ <u>7,466,800</u>	<u>5,162,916</u>	<u>12,629,716</u>	<u>(4,541,111)</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH

Notes to Financial Statements

December 31, 1985

(1) Summary of Significant Accounting Policies

The City of Pittsburgh (the City) 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), sanitation, culture and recreation, 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. Determination of the Reporting Entity

The criteria specified in NCGA Statement 3, Defining the Governmental Reporting Entity, are used to determine the scope of the City's entity for financial reporting purposes.

B. Fund Accounting Structure

The City's accounting structure embraces "fund" accounting which is the standard for governmental accounting as promulgated by the Governmental Accounting Standards Board.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The fund accounting structure for the City is as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Enterprise Funds).

Special Assessment Funds - Special Assessment Funds are used to account for the financing of improvements deemed to benefit the properties against which special assessments have been levied.

Proprietary Fund Type

Enterprise Funds - The Enterprise Funds are used to account for operations of the Stadium Authority of the City of Pittsburgh, and the Pittsburgh Water and Sewer Authority. These are financed and operated in a manner similar to private business enterprises - where the intent is that the costs of managing the operations of the stadium complex and providing water to the general public are financed or recovered primarily through user charges.

Fiduciary Fund Types

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable Trust, Pension Trust and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is the primary measurement focus. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Group

General Long-term Debt - This account group is established to account for all long-term obligations of the City, including general obligations bonds, capital lease obligations, accrued unfunded pension expense, and the noncurrent portion of accrued compensated absences and workers' compensation expense.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

C. Measurement Focus

All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. Accordingly, only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, these operating statements present a summary of sources and uses of "available spendable resources" during the year. Expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities.

Proprietary funds and pension trust funds are accounted for on a "capital maintenance" measurement focus. Accordingly, all assets and all liabilities are included on their balance sheets, and reported fund equity provides an indication of the economic net worth of the fund. Operating statements for proprietary funds and pension trust funds report increases (revenues) and decreases (expenses) in total economic net worth.

D. Basis of Accounting

Governmental fund types, expendable trust funds and agency funds use the modified accrual basis of accounting. Revenues are recorded when they become susceptible to accrual, that is, both measureable and available. Available means expected to be collected within the next two months for property taxes and the next 12 months for other revenues. Revenues not considered available are recorded as deferred revenues.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

Revenues which have been treated as susceptible to accrual include certain property taxes, federal and state revenues and interest earnings. All other revenues are recognized when received in cash.

Expenditures are recorded when the liability is incurred if it is expected to be paid within the next 12 months, except for interest on general long-term obligations which is recorded when due. Liabilities expected to be paid after 12 months are recorded in the general long-term debt account group.

The financial statements of the proprietary fund type and the pension trust funds are presented on the accrual basis of accounting. Under this method of accounting, all revenues are recorded when earned and expenses are recorded at the time liabilities are incurred without regard to receipt or payment of cash.

E. Budgetary Data

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 an 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 both budgets.
 - c. Before the beginning of the fiscal year, City Council adopts, by resolution, both 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.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

- f. City Council at all times may, by resolution, transfer funds from one account to another if the total 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.
 - g. The capital budget is based on a proposed six-year capital program which must be updated each year and submitted to Council by the Mayor at least 30 days prior to the day the operating budget is submitted.
 - h. Formal budgetary integration is employed as a management control device for the General Fund, Federal Revenue Sharing - Special Revenue Fund, 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; the other Special Revenue Funds since control is achieved through grant provisions or legislative action; and Special Assessment Funds since activity is limited to collection of prior year assessments.
 - i. All budgets are prepared and controlled on a line item basis. For financial statement purposes, budgets have been summarized on a departmental basis.
 - j. Appropriations lapse at year-end. City Council can, however, authorize by ordinance the carryover of appropriations to the following year.
2. Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds of the City. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

3. Budget Basis of Accounting - Budgets for the General and Federal Revenue Sharing - Special Revenue Funds are adopted on a cash basis. Budgets are not adopted for other Special Revenue Funds. Accordingly, the Special Revenue Funds column on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Data on the Budgetary Basis includes only the Federal Revenue Sharing Funds. Encumbrances for purchase commitments are treated as restrictions of available cash and not 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, budgetary comparisons for Capital Projects Funds have been omitted from the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Data on the Budgetary Basis.

F. Investments

Investments in all funds are carried at cost. Short-term investments consist of direct obligations of the U. S. government, certificates of deposit and repurchase agreements, and are recorded at cost plus accrued interest, which approximates market value.

G. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the General Fund, consisting of expendable supplies held for consumption and materials necessary for the maintenance and repair of the City's water purification and distribution system, are accounted for using the consumption method. General Fund inventories are equally offset by a fund balance reserve to indicate that a portion of the fund balance is not available for future expenditure.

H. Other Assets

Other assets consist of premium deposits with insurance companies which are available to reduce employee benefit expenses but are not available for withdrawal.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

I. Fixed Assets and Long-term Liabilities

Records with respect to the historical cost of general fixed assets and a comprehensive inventory of such assets are not available. Consequently, a general fixed asset group of accounts is not included in the accompanying financial statements.

Depreciation of fixed assets owned by the Enterprise Fund is charged as an expense against its operations. Accumulated depreciation is reported on the Enterprise Fund balance sheet. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful life of the stadium complex is 40 years.

J. Claims, Judgments and Compensated Absences

Claims, judgments and compensated absences are accrued in conformity with NCCA Statement No. 4.

The City provides for compensated absences in the following manner:

- . Fourteen sick days are accumulated for those employees hired before the adoption of the insured sick leave plan in 1982 who have elected not to participate in the plan. Since accumulated sick leave does not vest until retirement it qualifies as severance pay and therefore does not meet the recognition criteria of FASB Statement No. 43.
- . Personal days are accumulated for all employees, except firefighters, who were hired after the adoption of the insured sick leave plan in 1982 or for those who were hired before 1982 who have elected to participate in the plan. Under the plan, authorized time-off, which includes both sick and personal days, is accumulated in accordance with the criteria established in contracts with each of the City's nine bargaining units and the City's policy for its non-union employees. Employees can accumulate up to nine days (twelve days for police and emergency medical services personnel) before the City reimburses them for the additional days. The City has accrued an amount for accumulated personal days because the days vest as they are earned and the vested amount is reasonably estimated.
- . Vacation pay is accrued under the provision of FASB Statement No. 43 and NCCA Statement No. 4.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

K. Pensions

Provisions for pension cost are based on actuarial calculations of normal cost plus amortization of past service liability over a thirty-year period. These provisions, less employee contributions, amounts provided by the Commonwealth of Pennsylvania, and the amount recorded in the General Long-term Debt Account Group, are recorded as expenditures of the General Fund.

L. Workers' Compensation

The City is self-insured for purposes of workers' compensation benefits. Provisions are recorded in the General Fund for benefits estimated to be payable from available spendable financial resources. Amounts not payable currently are reported in the General Long-term Debt Account Group; as non-current amounts mature they are liquidated from General Fund resources.

In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth of Pennsylvania requirements. The requirements for fiscal year 1985 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.
- . Maintain a \$5,000,000 surety bond.
- . Establish liability reserves based upon expected future payouts for all claims outstanding one year or more at the end of any fiscal year.

Presently, the Trust Fund may be used only in the event of default by the City under the self-insurance regulations. Accordingly, the fund balance in the Expendable Trust has been reserved in the accompanying financial statements.

M. Enterprise Fund Operating Transfers

Annual operating transfers are made from the Enterprise Fund to the General Fund to assist in servicing the City's general obligation indebtedness and to provide a fair return on the City's general fixed assets dedicated to water operations.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

N. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

Certain 1984 amounts have been reclassified to conform to classifications adopted in 1985.

O. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation, since interfund eliminations have not been made in their aggregation.

(2) Determination of the Reporting Entity

NCGA Statement 3, Defining the Governmental Reporting Entity, established the criteria for determining which activities, organizations and functions of government ("potential component units") should be included in the financial statements of the reporting entity (the City). These criteria include:

- . The exercise of oversight responsibility over such potential component units by the City's officials,
- . The scope of public service, and
- . Special financing relationships.

The manifestations of oversight responsibility are described as:

- . Selection of the governing authority,
- . Designation of management,
- . Ability to significantly influence operations, and
- . Accountability for fiscal matters.

The scope of public service criterion considers whether the activity of the potential component unit is for the benefit of the City and/or its residents and whether the activity is conducted within the geographic boundaries of the City and is generally available to City residents.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

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 units in the City's financial statements are provided in the following paragraphs.

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

The Stadium Authority was established to construct and operate Three Rivers Stadium. The Stadium Authority is administered by a five-member board, all of whom are appointed by the Mayor.

The principal revenue sources are from rentals of the stadium and parking facilities and from service charges on event tickets. The City has guaranteed the subsidization of operating deficits and the debt service requirements of the outstanding debt of the Stadium Authority.

The Stadium Authority has been included as a component unit of the City's reporting entity because of the City's significant accountability for fiscal matters. Operations of the Stadium Authority are included in the Enterprise Fund.

The Stadium Authority operates on a fiscal year ending March 31. Under an agreement dated June 24, 1982 with the former manager of the Stadium, the Authority assumed responsibility for managing the operations of the Stadium complex retroactive to January 1, 1982.

Operating leases with Three Rivers Management Corporation, the Pittsburgh Athletic Company, Inc. and the Pittsburgh Steelers Sports, Inc. provide for guaranteed payments of approximately \$1,160,000 annually for a 40-year period beginning April 1, 1971. Lease payments to the Authority are secured by escrow deposits from Three Rivers Management Corporation and Alco Parking Corporation of \$1,000,000 and \$500,000, respectively.

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 52% to the Parking Authority and 48% to the City.

Management of the Parking Authority is not designated by the City nor does the City have the ability to significantly influence its operations. The City does not subsidize the operations of the Parking Authority and does not guarantee its debt. The scope of public service, while generally available to City residents, is not exclusively for their benefit.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

The Parking Authority has not been included as a component unit of the City's reporting entity because of the lack of significant oversight responsibility and the lack of accountability for fiscal matters.

The Public Auditorium Authority of Pittsburgh and Allegheny County
(Auditorium Authority)

The City of Pittsburgh and the County of Allegheny jointly created the Auditorium Authority to build and operate the Pittsburgh Civic Arena. In 1981, the operation of the Civic Arena was turned over to a privately owned company under terms of a lease agreement with an initial term of 50 years. Annual rentals under the lease are equal to the annual debt service requirements on outstanding Auditorium Authority bonds.

In addition, the Department of General Services of the Commonwealth of Pennsylvania has financed and constructed the David L. Lawrence Convention Center. The Convention Center has been leased to the Auditorium Authority for a term of 30 years at a nominal rent. The City and County have agreed to pay one-half of any operating deficits; however, in 1985, the City had no expenditures for this purpose.

The Auditorium Authority is administered by a five-member board. The City and County each appoint two board members. One member is appointed jointly. The City does not designate the management of the Auditorium Authority nor does the City have the ability to significantly influence operations. The scope of public service, while generally available to City residents, is not exclusively for their benefit.

The Auditorium Authority has not been included as a component unit of the City's reporting entity because of the limited oversight responsibility and limited accountability for fiscal matters. The Auditorium Authority operates on a fiscal year ending June 30.

Urban Redevelopment Authority of Pittsburgh (URA)

The URA administers federal, state and local grants designed to provide a broad range of urban renewal and maintenance programs within the City of Pittsburgh.

The URA is administered by a five-member board, all of whom are appointed by the Mayor. Management of URA is not designated by the City nor does the City have the ability to significantly influence operations. The City does not subsidize the operations of the URA and does not guarantee its debt service.

The URA has not been included as a component unit of the City's reporting entity because, although it operates within the City's boundaries, there is a lack of significant oversight responsibility and there is no accountability for fiscal matters.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

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.

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 designate the management of the Housing Authority nor does the City have the ability to significantly influence operations. The City does not subsidize the operations of the Housing Authority and does not guarantee its debt service.

The Housing Authority has not been included as a component unit of the City's reporting entity because, although it operates within the City's boundaries, there is a lack of significant oversight responsibility and there is no accountability for fiscal matters.

Allegheny County Sanitary Authority (Alcosan)

Alcosan provides sewage treatment services to the City and numerous other municipalities in the County of Allegheny. Operating expenses and debt service are not guaranteed by the City. The City, however, is charged for its usage of the sewage facilities at the normal rates applicable to other customers. In addition, delinquent sewage charges on properties in the City are purchased by the General Fund for collection because the City has the power to file liens on such properties.

Alcosan has not been included as a component unit of the City's reporting entity because there is no oversight responsibility and no significant accountability for fiscal matters.

Employees Pension Plans

The City has three defined benefit pension plans, the Policemen's Relief and Pension Fund (Police), the Firemen's Relief and Pension Fund (Fire) and the Municipal Pension Fund (Municipal) which cover substantially all City employees. The plans are administered by separate boards which include, for all plans, the president of the City Council and the City Controller and, additionally, in the case of the Municipal and Fire plans, the Mayor. The majority of the funding for all three plans is provided by the City.

The pension plans have been included as component units of the City's reporting entity because of the City's oversight responsibility and its accountability for fiscal matters.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

Pittsburgh Water and Sewer Authority (Water and Sewer Authority)

The Pittsburgh Water and Sewer Authority was incorporated in February 1984 under the Municipality Authorities Act of 1945 of the Commonwealth of Pennsylvania pursuant to Resolution No. 36 of the Council of the City of Pittsburgh (City). The Water and Sewer Authority entered into a lease and management agreement effective May 1, 1984 (agreement) with the City. Under the terms of the lease, the Water and Sewer Authority assumed responsibility for the operation and rehabilitation of the water and sewer system of the City. At this date, the net amount of uncollected water billings of \$5,277,000 on the City's records was transferred to the Water and Sewer Authority as a contribution to capital.

The agreement provides for the Water and Sewer Authority to lease the water and sewer system (system) from the City and then contract the City to operate and maintain the system for a 50-year period. Under the agreement, the Water and Sewer Authority reimburses the City for the direct operating costs of, and indirect costs allocated to, the water and sewer system; debt service on existing City debt related to the system; and an "additional payment" in consideration of the lease which is determined by the City each year. The "additional payment" is limited to a maximum of \$2,889,000 in 1985 increased by 7% annually through 1989 and by a specified price index thereafter. The "additional payment" also includes up to 600 million gallons of water to be provided to the City annually at no charge. The agreement also requires the Water and Sewer Authority to reimburse the City for payments to other non-City water agencies representing the differences in rates between the City and those agencies related to water provided to City customers by those non-City water agencies. Payments under the agreement, with the exception of direct costs, are subordinated to the Water and Sewer Authority's obligations under its trust indenture.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

The Water and Sewer Authority accounts for the lease as an operating lease. Costs related to the management agreement and the lease are recognized as operating expenses by the Water and Sewer Authority based upon billings by the City. Obligations of the Water and Sewer Authority in consideration of the lease are the payment of the City's debt and the "additional payment," which are treated as operating transfers. The "additional payment" can vary annually based on the City's discretion subject to certain limitations discussed above. For 1986, the "additional payment" has been fixed at \$1,081,000. Debt service obligations of the City which are to be funded by the Water and Sewer Authority are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Amount</u>
1986	\$ 4,008,000
1987	3,866,000
1988	3,794,000
1989	3,745,000
1990	3,610,000
Later years	<u>46,813,000</u>
Total minimum future lease payments	\$ <u>65,836,000</u>

The Water and Sewer Authority is a component unit of the City's reporting entity. Its operations are included in the Enterprise Fund.

City of Pittsburgh Equipment Leasing Authority (Leasing Authority)

The Leasing Authority was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Leasing Authority has issued \$20,800,000 of Equipment Revenue Bonds and has simultaneously entered into lease agreements with the City pursuant to which the City has agreed to make annual rental payments to the Leasing Authority of varying amounts to cover debt service on the bonds.

The Leasing Authority is a component unit of the City's reporting entity. Its operations are included in the Special Revenue Fund, the Debt Service Fund, and the General Long-term Debt Account Group.

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CITY OF PITTSBURGH

Notes to Financial Statements

The following table presents unaudited summary financial data based on the most recent published financial statements of the entities that are not part of the City's reporting entity:

	(In thousands)				
	<u>Parking Authority</u>	<u>Auditorium Authority</u>	<u>ORA</u>	<u>Housing Authority</u>	<u>Alco</u>
<u>Assets</u>					
Cash and temporary investments	\$ 10,290	4,573	2,164	(918)	
Investments at cost, which approximates market	2,230	-	119,103	10,368	7,1
Property, plant and equipment	60,213	74,510	3,832	191,731	99,7
Cost of projects in process	-	-	192,847	-	-
Other	<u>1,341</u>	<u>2,288</u>	<u>107,104</u>	<u>13,555</u>	<u>16,4</u>
	\$ <u>74,074</u>	<u>81,371</u>	<u>425,050</u>	<u>214,736</u>	<u>123,6</u>
<u>Liabilities and Fund Equity</u>					
Bonds and notes payable	37,166	21,615	149,930	72,736	28,0
Other liabilities	1,886	2,326	26,277	48,073	3,4
Fund equity	<u>35,022</u>	<u>57,430</u>	<u>248,843</u>	<u>93,927</u>	<u>92,1</u>
	\$ <u>74,074</u>	<u>81,371</u>	<u>425,050</u>	<u>214,736</u>	<u>123,6</u>
Revenues	12,642	3,174	273	14,885	26,3
Expenses	9,700	2,923	23	29,591	26,3
Transfer to City of Pittsburgh	<u>1,287</u>	-	-	-	-
	\$ <u>1,646</u>	<u>251</u>	<u>250</u>	<u>(14,706)</u>	<u>(5)</u>
Fiscal period ended	9-30-85	6-30-85	12-31-84	12-31-84	12-31-84

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

(3) Reconciliation of Generally Accepted Accounting Principles (GAAP) Basis to Budgetary Basis

The budget of the City is prepared differently from generally accepted accounting principles. The Combined Statement of Expenditures and Changes in Fund Balances - Budget and Actual Data on the Budgetary Basis - General and Special Revenue Funds reconciled below to the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds presented on a GAAP basis:

	General Fund	Spe Rev Fu
Excess of revenues and other sources over expenditures and other uses - GAAP basis	\$ 6,244,782	2
Excess of revenues and other sources over expenditures and other uses attributable to nonappropriated funds	-	(5)
Revenues:		
Increase (decrease) in revenues susceptible to accrual recorded when received in cash on the budgetary basis	1,518,460	1
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	19,191,589	
Refunds budgeted as expenditures and recognized as a reduction of revenues on a GAAP basis	3,504,068	
Operating transfers budgeted as revenues	4,813,600	
Equity transfers budgeted as revenues	28,966	
Total	<u>24,056,083</u>	<u>1</u>
Expenditures:		
Increase (decrease) in expenditures on the budgetary basis for expenditures recognized on a GAAP basis	(2,166,549)	
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	(19,191,589)	
Refunds budgeted as expenditures and recognized as a reduction of revenues on a GAAP basis	(3,504,068)	
Operating transfers budgeted as expenditures	(35,013,074)	
Public Auditorium Authority expenditures financed by debt guaranteed by the City	6,010,000	
Total	<u>(53,865,280)</u>	
Other financing sources (uses):		
Proceeds of Public Auditorium Authority bonds guaranteed by the City	(6,010,000)	
Operating transfers budgeted as revenues and expenditures	30,200,074	
Total	<u>24,190,074</u>	
Excess of revenues and other sources over (under) expenditures and other uses - budgetary basis	\$ 5,625,659	(1)

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CITY OF PITTSBURGH

Notes to Financial Statements

(4) Investments

Investments of the Pension Trust and Expendable Trust Funds at December 31, 1985 were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Pension Trust:		
Common and preferred stocks	\$ 7,652,118	8,374,436
United States Government obligations	14,016,285	15,054,028
Corporate obligations	1,886,015	1,926,980
Other	<u>323,125</u>	<u>323,125</u>
	<u>23,877,543</u>	<u>25,678,569</u>
Workers' Compensation Trust:		
United States Government and Agency obligations	<u>1,074,875</u>	<u>1,111,329</u>
Parks Endowment Trust:		
United States Government obligations	<u>144,000</u>	<u>132,336</u>
	<u>\$ 25,096,418</u>	<u>26,922,234</u>

Investments of the Enterprise Fund consist of direct obligations of the U. S. Government and certificates of deposit and are valued at cost which approximates market.

(5) Property Tax

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 Board of Property Assessment, Appeals and Review of the County of Allegheny 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. In practice, property is assessed by the Board at 25% of fair market value. All real property in the County is required to be reassessed annually.

Two tax levies, based on separate rates for land and buildings, are made annually on January 1, and collected by the City. Taxes are payable quarterly, but if paid in the month of January, a 2% discount is permitted. If a quarterly payment is not made by the last day of the calendar quarter, a penalty of 1/2% per month, plus interest at the rate of 1% per month, is imposed on the balance of the tax due for the year.

Properties with delinquent taxes or water and sewage charges are subject to Treasurer's sales, which are held with respect to properties for which taxes or charges are delinquent one year or more. Delinquent taxes may be liened up to three years after the levy date.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

The City provides programs of tax abatement 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 or rehabilitation. There is no ceiling on the value of construction eligible for abatement under this program. The abatement is available for a period of three years from the date of issuance of the building permit for the construction or rehabilitation.

(6) Property, Plant and Equipment

A summary of Enterprise Fund property, plant and equipment at December 31, 1985 follows:

Stadium complex	\$ 50,361,976
Utility plant	787,000
Construction in progress	<u>2,647,010</u>
Total	53,795,976
Less accumulated depreciation	<u>13,244,132</u>
Net	\$ <u>40,551,844</u>

(7) Pension Plans

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

Employees in the Police and Fire plans are required to contribute to the plans at the rate of 6% of their monthly salary, plus \$1.00 per month. Employees in the Municipal plan contribute 5% of their monthly salary. The Commonwealth of Pennsylvania contributes to the City's pension plans under the "Municipal Pension Plan and Funding Standard and Recovery Act" (Act 205). Under the Act, the City is eligible for distributions of State general fund appropriations and taxes on non-Commonwealth casualty and fire insurance companies.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

The following is a summary of City, employee and Commonwealth contributions (amounts in thousands):

Source of contribution	Year ended December 31, 1985			
	Municipal	Police	Fire	Act 205
Participants	\$ 2,789	2,101	1,964	-
City	7,523	3,239	1,864	-
Commonwealth	-	-	-	8,684
Total	\$ <u>10,312</u>	<u>5,340</u>	<u>3,828</u>	<u>8,684</u>

The most recent actuarial reports disclosed the following information with respect to the plans as of January 1, 1985:

	(In thousands)		
	Municipal	Police	Fire
Actuarial present value of accumulated plan benefits:			
Vested	\$ 126,761	119,468	91,181
Nonvested	<u>13,932</u>	<u>41,780</u>	<u>24,917</u>
Total	\$ <u>140,693</u>	<u>161,248</u>	<u>116,098</u>
Assumed rate of return used in actuarial calculations	7.50%	7.50%	7.50%
Assets available for benefits	\$ <u>28,235</u>	<u>2,354</u>	<u>2,253</u>

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

In 1982, the City instituted changes in its funding policy to gradually move from pay-as-you-go funding to funding based on amounts accrued. Police and Fire employees hired after December 31, 1981 have been separately classified within their respective plans and annual contributions are being made to fund on a current basis the benefits available to such employees. In 1976, a similar modification was made to the Municipal plan for participants hired after January 1, 1975. For these groups of employees there are no prior service costs under the actuarial method used. In addition, the City funds the amount required to pay current benefits to retirees and related operating expenses, less the aforementioned employee and state contributions.

Net pension cost for 1985 was \$31,542,065 of which \$12,626,796 was recorded in the General Fund. The balance of \$18,915,269, representing the excess of pension expense accrued in the General Fund over contributions made to the plans in 1985, has been recorded in the General Long-term Debt Account Group, since it does not represent the current obligation of the General Fund.

(8) Long-term Debt

The maximum amount payable for future maturities of bond principal and interest at December 31, 1985 and changes in bond principal for the year then ended are summarized below:

	Outstanding at December 31, <u>1984</u>	Principal		Outstanding at December 31, <u>1985</u>	Interest
		Bonds matured, redeemed, and paid during 1985	Bonds issued during 1985		
Council and Public Election General Obligation Bonds: Sixteen general obligation bond issues with rates ranging from 4.00% to 9.125%. The bonds are payable from general revenues:					
1985	\$ 7,948,000	8,181,000	235,000	-	-
1986	9,095,000	1,720,000	2,735,000	10,110,000	22,487,500
1987	8,795,000	2,605,000	3,810,000	10,000,000	21,852,100
1988	8,570,000	2,860,000	4,020,000	9,730,000	21,305,000
1989	8,765,000	3,145,000	4,265,000	9,865,000	20,740,200
1990	9,085,000	3,485,000	6,050,000	11,650,000	20,090,900
1991-1995	42,075,000	22,560,000	37,660,000	57,175,000	88,808,100
1996-2000	33,000,000	30,215,000	56,025,000	58,810,000	66,260,600
2001-2005	67,585,000	73,515,000	86,270,000	80,340,000	36,309,000
2006-2010	37,295,000	44,700,000	44,115,000	36,710,000	3,134,800
Totals	\$ 232,191,000	192,980,000	245,185,000	284,390,000	300,988,600

CITY OF PITTSBURGH

Notes to Financial Statements

	Principal				
	Outstanding at December 31, <u>1984</u>	Bonds matured and paid <u>during 1985</u>	Bonds issued <u>during 1985</u>	Outstanding at December 31, <u>1985</u>	
Equipment Leasing Authority Revenue Bonds:					
Two revenue bond issues with interest rates ranging from 8.25% to 9.5% and one bond issue with an interest ceiling of 9.5%. The bonds are payable from general resources transferred from the General Fund:					
1986	\$ -	-	-	-	1,
1987	9,225,000	-	-	9,225,000	1,
1988	5,275,000	-	-	5,275,000	1,
1989	-	-	-	-	
1990	6,300,000	-	-	6,300,000	
Totals	\$ 20,800,000	-	-	20,800,000	5,
Public Auditorium Authority Revenue Bonds:					
One bond issue with fixed interest rates ranging from 7.00% to 11.00% and one bond issue with a fixed interest rate of 5.6% until July 15, 1986, at which time a new fixed non-variable rate(s) will be established. The City's share of debt service on these bonds is payable from general revenues:					
1985	132,500	132,500	-	-	
1986	142,500	-	-	142,500	
1987	152,500	-	135,000	287,500	
1988	162,500	-	142,500	305,000	
1989	177,500	-	152,500	330,000	
1990	192,500	-	162,500	355,000	
1991-1995	1,255,000	-	1,005,000	2,260,000	2,6
1996-2000	1,535,000	-	1,492,500	1,027,500	1,5
2001-2005	-	-	2,317,500	2,317,500	5
2006	-	-	602,500	602,500	
	<u>3,750,000</u>	<u>132,500</u>	<u>6,010,000</u>	<u>9,627,500</u>	<u>8,0</u>
General Long-term Debt Account Group	\$ 256,743,000	193,120,500	251,195,000	314,817,500	314,6

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CITY OF PITTSBURGH

Notes to Financial Statements

	Principal				Interest
	Outstanding at beginning of year	Bonds matured and paid during the year	Bonds issued during the year	Outstanding at end of year	
Stadium Authority Revenue Bonds and Notes:					
Two revenue bond issues and one note issue with interest rates ranging from 6.00% to 10.50%. The bonds are payable from revenues from Stadium operations:					
1985	\$ 815,000	815,000	-	-	-
1986	865,000	-	-	865,000	2,74
1987	920,000	-	-	920,000	2,68
1988	990,000	-	-	990,000	2,61
1989	1,055,000	-	-	1,055,000	2,54
1990	1,130,000	-	-	1,130,000	2,47
1991-1995	4,760,000	-	-	4,760,000	11,32
1996-2000	6,895,000	-	-	6,895,000	9,24
2001-2005	8,565,000	-	-	8,565,000	6,09
2006-2010	9,285,000	-	-	9,285,000	3,11
2011-2012	4,680,000	-	-	4,680,000	30
Totals	\$ 39,960,000	815,000	-	39,145,000	63,14
Water and Sewer Authority Revenue Bonds:					
One revenue bond issue due on demand with an interest ceiling of 12.132% which is reflected in this schedule based upon mandatory redemption dates and one revenue bond issue with an initial rate of 6 7/8% with a ceiling of 15%:					
1985	-	-	-	-	18,23
1987	1,100,000	-	600,000	1,700,000	26,02
1988	1,200,000	-	700,000	1,900,000	26,05
1989	1,200,000	-	800,000	2,000,000	25,80
1990	1,300,000	-	900,000	2,200,000	25,52
1991-1995	8,300,000	-	5,900,000	14,200,000	122,61
1996-2000	11,900,000	-	10,000,000	21,900,000	110,89
2001-2005	17,100,000	-	16,800,000	33,900,000	92,75
2006-2010	24,400,000	-	28,200,000	52,600,000	64,35
2011-2014	27,100,000	-	36,100,000	63,200,000	20,27
Totals	93,600,000	-	100,000,000	193,600,000	532,53
Totals all issues	\$ 399,303,000	193,935,500	351,195,000	547,562,500	890,28
Less funds held in escrow				90,647,000	
				456,915,000	
Less current portion of long term debt				865,000	
General bond obligations				\$ 456,050,500	

CITY OF PITTSBURGH

Notes to Financial Statements

In 1981, Civic Arena Corporation (CAC), a wholly owned subsidiary of The Edward J. DeBartolo Corporation, assumed operation of the Civic Arena under a sublease (the Sublease). Under the Sublease, CAC makes rental payments equivalent to the net amount needed to meet the debt service requirements on the Auditorium Authority's Auditorium Bonds, Series C, presently outstanding in the amount of \$14,115,000. The bonds are guaranteed by the City and Allegheny County. The initial term of the Sublease is for 50 years, with 5 consecutive renewal periods of 10 years each. However, upon the occurrence of certain events, CAC has the option to terminate the Sublease upon six months' written notice to the Auditorium Authority, including certain events relating to the feasibility of the economic operation of the Civic Arena.

In December 1985, the Stadium Authority issued \$32,405,000 face value Guaranteed Stadium Refunding Bonds, Series of 1985. Proceeds from this issue were used to provide funds to defease all of the Stadium Authority's outstanding bonds (prior Stadium bonds). The defeasance of the indenture which permitted the issuance of the prior Stadium bonds permitted the Authority to eliminate certain restrictive covenants contained therein, eliminated certain obstacles to the sale of the Stadium, and permitted the Stadium Authority to restructure certain operating procedures. This transaction is not reflected in the accompanying financial statements, which include the Stadium Authority based on a fiscal year ended March 31, 1985; it will be reflected on the City's 1986 financial statements.

In April 1986, the Stadium Authority issued Guaranteed Stadium Funding Bonds, Series 1986 in the amount of \$21,000,000. The bond proceeds are to be used to provide funds for certain operating grants made and to be made by the City in connection with the purchase of the Pittsburgh Pirates baseball franchise by a coalition of local corporations and business leaders. The bonds bear interest at a variable rate and mature annually beginning October 15, 1988 through October 15, 2005 (the maturity date).

The City of Pittsburgh has guaranteed full payment of the principal, interest and call premiums, if any, of the issue and has pledged its full faith credit and taxing power for the payment of the obligation under a Guarantee Agreement with the Stadium Authority.

In July 1984, the Water and Sewer Authority issued \$93,600,000 (face value) of Daily Adjustable Demand Water and Sewer System Revenue Bonds, Series of 1984 (1984 Bonds) secured by the operating revenues of the Authority. Proceeds from the bond issue are to be used to finance a significant portion of the Authority's capital improvements program. Interest on the 1984 Bonds is at a daily adjustable annual rate, not to exceed 12.132%, established by the remarketing agent which is reflective of the current bid-side yields on short-term, tax-exempt obligations. The interest rate at December 31, 1985 was 9.0%. The average annual effective interest rate was 5.8% in 1985. Interest expense was approximately \$5,400,000 in 1985.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

The 1984 Bonds are payable on demand without prior notice from the holders, or they can be redeemed at any time at the Authority's option. Payment of the 1984 Bonds is secured by a pledge of the Authority's operating revenues and by a standby letter of credit agreement with a bank expiring on September 5, 1989, which would provide sufficient funds to pay the principal and accrued interest on the 1984 Bonds. As a result of the letter of credit arrangement, the bonds are considered noncurrent liabilities.

The bonds are also subject to mandatory redemption prior to the expiration of the letter of credit if a substitute letter of credit is not obtained or by mandatory annual payments to a sinking fund ranging from \$1,100,000 to \$7,500,000 through September 1, 2014 beginning September 1, 1987. The foregoing table of debt service requirements to maturity reflects the mandatory redemption provisions and the ceiling interest rate.

In April 1985, the Water and Sewer Authority issued \$100,000,000 face value Adjustable Rate Tender Revenue Bonds, Series of 1985 (1985 Bonds). Upon issuance of the 1985 Bonds, net proceeds of \$88,604,000 were deposited in an escrow account and together with the interest earnings of the escrow account are pledged to redeem the outstanding 1984 Bonds on April 1, 1987 and to pay the interest due on the 1985 Bonds during the escrow period. Management has obtained an opinion from an independent certified public accountant that, based upon the investments made and required interest to be paid on the 1985 Bonds, the escrow funds available at April 1, 1987 will be sufficient to retire the face value of the 1984 Bonds. At December 31, 1985, a portion of the escrow account, \$1,719,000, has been applied as an offset to accrued interest payable on the 1985 Bonds. The 1985 Bonds bear interest at 6-7/8% until April 1, 1987 and thereafter at an adjustable rate not exceeding 15% so as to sell the bonds at 100% of the face value plus accrued interest. Payment of the 1985 Bonds is insured under a Municipal Bond New Issue Insurance Policy issued by Financial Guaranty Insurance Company. Interest costs for the 1985 issue were approximately \$7,780,000 in 1985. Interest on the 1985 Bonds in the foregoing table of debt service requirements to maturity is based on the ceiling interest rate after April 1, 1987.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

Proceeds of the City's 1983 and 1985 refunding issues are being held in escrow under irrevocable trust agreements with banks and have been invested in United States Government obligations. The principal amounts of such investments, together with interest income earned, will permit the payment of principal and interest on the refunded bond issues. The refunded bonds (aggregate principal at December 31, 1985 of \$14,720,000 and \$184,805,000, respectively, for the 1983 and 1985 issues) have been treated as defeased in the accompanying financial statements in accordance with Statement of Financial Accounting Standards No. 76, Extinguishment of Debt. Accordingly, neither the trusteed assets nor the refunded bonds appear in the accompanying financial statements.

In 1985, the Equipment Leasing Authority entered into capital lease agreements to purchase communications and electronics equipment. The future minimum lease payments under these lease agreements were as follows:

1986	\$	685,314
1987		685,314
1988		<u>224,344</u>
	Total minimum lease payments	1,594,972
Less:	Amount representing interest	<u>(113,074)</u>
	Present value of net minimum lease payments	\$ <u>1,481,898</u>

The following is a summary of transactions affecting all other long-term obligations of the City during 1985:

	Accrued pension costs	Accrued compensated absences
Balance at January 1, 1985	\$ 167,548,731	9,575,000
Additions	18,915,269	9,500,000
Reductions	-	<u>(9,575,000)</u>
Balance at December 31, 1985	186,464,000	9,500,000
Less amounts funded currently in the General Fund	-	<u>9,060,000</u>
Long-term portion at December 31, 1985	\$ <u>186,464,000</u>	<u>440,000</u>

In 1985, the City retained a new administrator for the workers' compensation plan. The administrator is currently in the process of reviewing and revaluing the outstanding claims; consequently, a reconciliation of the unfunded workers' compensation is not yet available for disclosure.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

(9) Interfund Receivable and Payable Balances

At December 31, 1985, the individual fund interfund receivable and payable balances were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 4,746,998	3,396,978
Special Revenue Funds:		
Equipment Leasing Authority	324,914	-
CETA/JTIPA	-	783,077
Housing	-	3,895,724
Civic and Cultural	134,757	430,000
Debt Service Funds:		
Equipment Leasing Authority	138,172	-
Capital Projects Funds:		
Engineering and Construction	2,925	-
Other	3,210,670	-
Enterprise Funds:		
Water and Sewer Authority	1,529,000	189,000
Expendable Trust Funds:		
Gifts and Donations	-	65,000
Agency Funds:		
Employee benefits	602,004	-
Payroll withholding	665,206	344,700
Parking meter	-	250,167
Deposit	-	2,000,000
	<u>\$ 11,354,646</u>	<u>11,354,646</u>

(10) Contributed Capital

The Water Fund was replaced by the Water and Sewer Authority effective May 1, 1984. Contributed capital of \$5,277,000 in the Water and Sewer Authority represents the net accounts receivable balance transferred from the Water Fund on May 1, 1984, the inception of Water and Sewer Authority operations.

With respect to the Stadium Authority, contributed capital is comprised of \$7,395,895 of capital contributed in support of construction of additional seating, new lounge boxes and handicapped facilities and \$14,342,697 of grants from the City.

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

The City has agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operations 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. Grants by the City General Fund during 1984 and 1985 amounting to \$1,690,000 and \$1,950,000, respectively, were received and are reported as capital contributions by the Stadium Authority for its fiscal year ended March 31, 1985. Accordingly, such grants are included in Enterprise Fund activity for 1985.

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. In its separately published financial statements, the Stadium Authority classifies these grants (\$14,342,697) as a liability to the City.

(11) Segment Information for Enterprise Funds

The City maintains Enterprise Funds which provide water services and operate the Stadium complex. Segment information for the year ended December 31, 1985 is as follows (in thousands):

	Water and Sewer Authority	Stadium Authority	Totals
Operating revenues	\$ 21,419	5,130	26,549
Depreciation and amortization	612	1,438	2,050
Operating income	3,568	187	3,755
Operating transfers from (to) other funds	(4,813)	-	(4,813)
Net income (loss)	(1,656)	(2,301)	(3,957)
Property, plant and equipment: Additions	4,387	609	4,996
Net working capital	10,015	2,948	12,963
Total assets	106,494	43,379	149,873
Bonds and other long-term liabilities net of escrowed funds	102,953	38,280	141,233
Equity (deficit): Contributed capital	5,277	21,739	27,016
Accumulated deficit	(3,359)	(19,894)	(23,253)

(Continued)

CITY OF PITTSBURGH

Notes to Financial Statements

(12) Fund Deficits

The deficit of the Water and Sewer Authority is expected to be eliminated through the rate setting process. The deficit of the Stadium Authority is due primarily to noncash charges such as depreciation. No other individual funds had deficits in 1985.

(13) Contingencies

A lawsuit is pending which challenges the City's authority to collect a patron parking tax. In this action, a parking lot owner is seeking to have the Court of Common Pleas of Allegheny County declare the patron parking tax to be illegal and is seeking refunds of the tax. The City Solicitor is of the opinion that the tax is authorized under Commonwealth law and that there are meritorious, substantive and procedural defenses available to the City. The outcome of this matter is not expected to have a material adverse effect on the City's financial position.

The Pittsburgh Steelers, Inc. (professional football team) have filed an action against the Stadium Authority in the Court of Common Pleas of Allegheny County alleging that the exclusivity and "most favored nation" clauses of its lease were breached when the Stadium Authority leased the stadium to the Pittsburgh Maulers of the United States Football League (Maulers). The Pittsburgh Athletic Company, Inc. (professional baseball team) has intervened in that action alleging similar violations of its lease. The City is in the process of intervening in that action. The Maulers have since discontinued operations. The City Solicitor is of the opinion that there are meritorious defenses available to the City and the Stadium Authority and that this action will not have a material adverse effect on the City's financial position.

The City currently has an action pending before the Pennsylvania Public Utility Commission regarding the potential purchase of that portion of Western Pennsylvania Water Company's system which is located within the City. West Penn opposes such a purchase but, if consummated, that system and its operations and maintenance would become subject to the general supervision of the Water and Sewer Authority under the lease and management agreement with the City.

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

In addition, 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 project costs, and City management believes that audits of existing programs will not result in significant disallowances.

APPENDIX B

ECONOMIC AND

DEMOGRAPHIC INFORMATION

PERTAINING TO THE

CITY OF PITTSBURGE

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INTRODUCTION

Pittsburgh is located in southwestern Pennsylvania at the point where the Allegheny and Monongahela Rivers merge to form the Ohio River. The City, which is the largest of 130 municipalities in the County and serves as the County seat, covers an area of 55.5 square miles and has a population of 423,938 according to the 1980 census.

The City is the hub of the Pittsburgh SMSA (the "SMSA") which is composed of Allegheny, Beaver, Washington and Westmoreland Counties. Mining and manufacturing were the region's original economic base. However, the City's location has encouraged the region to diversify into products and services that serve the nation's major market areas. Transportation, distribution, finance, education and research have become as essential to the City as its traditional mining and manufacturing economies. The recent award to Carnegie-Mellon University of the Defense Department's Software Engineering Institute will firmly establish Pittsburgh among the leading areas in the nation for advanced technology research and development.

Pittsburgh has developed as the regional center of Southwestern Pennsylvania, East Ohio and Northern West Virginia. Services provided in the City for the region include: health care, financial services and produce and goods distribution. It is the major government and communication center for the tri-state area.

The City's status as a major industrial center, is attributable in part to the river system which has created access to markets and expedited the movement of raw materials and finished goods. The abundant coal reserves in the Southwestern Pennsylvania region have contributed to the City's role as a leader in the iron and steel industry. The economic vitality of the City and its region are further enhanced by a well developed transportation network. Excellent ground transportation is available through a well developed road system that includes Interstate Routes 76 (Pennsylvania Turnpike), 80, 79 and 70. The Pennsylvania Department of Transportation has begun work on completing the Interstate highway system through the City which will aid in the flow of traffic to and around Pittsburgh. The City is served by two airports, the Greater Pittsburgh International Airport which is utilized by sixteen certified air carriers and commuter carriers, and the Allegheny County Airport which primarily services privately owned aircraft.

ECONOMIC DEVELOPMENT

Through the cooperation of business, labor and government, a major program of downtown and neighborhood redevelopment and revitalization, known as Renaissance II, is underway in the City. The focus of the program is on encouraging business to maintain existing jobs and to create new job opportunities in order to maintain a strong economic base for the City, and on sustaining economic diversification for the region. While this effort involves a degree of municipal investment through infrastructure improvements, subsidized loans, urban renewal, and 3 year property tax abatements, the primary goal is to stimulate private capital investment.

New Construction

As part of Renaissance II, the City has committed, in part through its Capital Improvement Program, to upgrade the public services and amenities in the Golden Triangle, the central business district of the City, and immediately adjacent areas in order to provide a more efficient and attractive setting for business. By coordinating with the sponsors and developers of a number of major projects, major private and infrastructure development will take place in the Golden Triangle and immediately adjacent areas over the next few years. A description of these projects and their estimated cost and construction status are shown in Table B-1 which is keyed to the accompanying map.

In recent years, almost 90% of office space constructed in the region has been constructed in the Central Business District. This is a considerably higher percentage of downtown office construction than is found in most major metropolitan areas. Office vacancy rates also are consistently lower for the Central Business District than for the suburban office supply. These factors illustrate that the Central Business District continues to be the preferred location for businesses in the region.

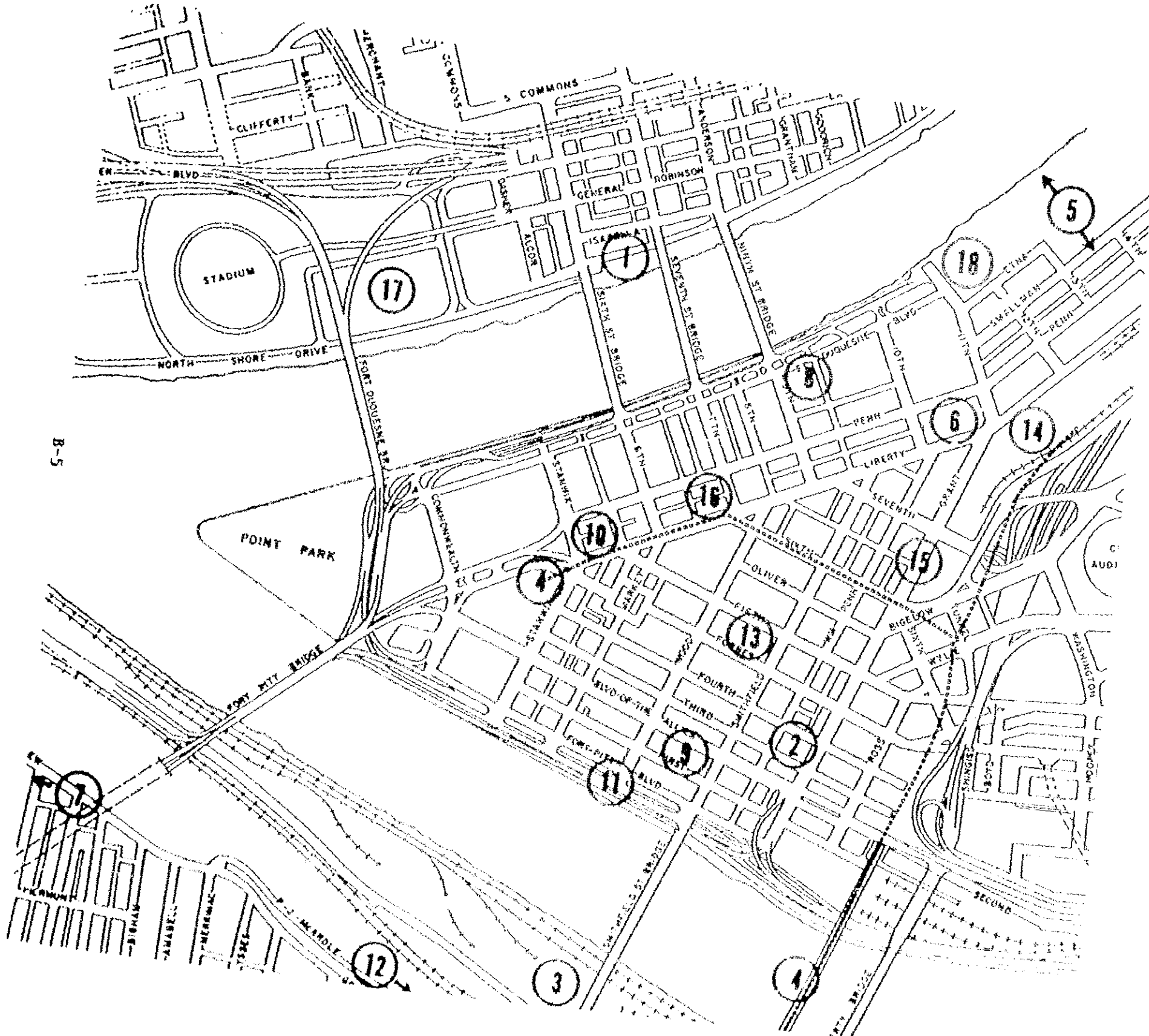
TABLE B-1
New Construction in
City of Pittsburgh
Central Business District and Environs
1980 through August 1985

<u>Project</u>	<u>Type</u>	<u>Estimated Cost</u>	<u>Status</u>
1. North Shore Center	PHASE I 120,000 sf. Office 30,000 Commercial 2.6 Acre Park	\$ 25,580,000	Completed
	PHASE II 175,000 sf. Office 200 Residential Units		Planned
2. Oxford Center	897,000 sf. Office 80,000 sf. Retail 850 Car Garage	\$100,000,000	Completed
3. Station Square	100,000 sf. Retail 290,000 sf. Office 730 Space Parking Garage 1,230 Surface Parking	\$ 54,000,000	Completed
	297 Room Hotel 100,000 sf. Office	\$ 3,000,000	Completed

<u>Project</u>	<u>Type</u>	<u>Estimated Cost</u>	<u>Status</u>
	200 Room Hotel Expansion 200 Residential Units 100,000 sf. Health Facility and Offices 400 Space Parking Garage	\$ 48,000,000	Planned
4. Light Rail Transit System	Corridor Services Central Business District and South Hills	\$559,000,000	Under Construction
5. Crosstown/East Street/North Shore Expressway	Completion of Interstate System	\$450,000,000	Under Construction
6. Liberty Center	615 Room Hotel 500,000 sf. Office 65,000 sf. Commercial 450 Car Garage 30,000 sf. Retail	\$137,000,000	Under Construction
7. Trimont (Mt. Washington)	PHASE I 25,000 sf. Retail 25,000 sf. Office 115 Condominium Units 400 Space Parking Garage	\$ 54,000,000	Completed
	PHASE II 10,000 sf. Retail 285 Condominium Units 447 Space Parking Garage	\$ 24,000,000	Planned
8. Comstock Bldg.	150,000 sf. Office 60 Car Parking Garage	\$ 11,300,000	Completed
9. YMCA	100,000 sf. Recreational Facility	\$ 8,000,000	Under Construction
10. Fifth Avenue Place	580,000 sf. Office 100,000 sf. Retail	\$100,000,000	Under Construction
11. Parkway East Reconstruction (Downtown Portion)	Central Business District East Suburban Connection	\$ 56,000,000	Completed
12. McArdle Roadway Bridge Reconstruction	Central Business District/Mt. Washington Connection	\$ 10,000,000	Completed
13. Warner Center Adaptive Re-Use	60,000 sf. Office 60,000 sf. Retail	\$ 14,000,000	Completed

<u>Project</u>	<u>Type</u>	<u>Estimated Cost</u>	<u>Status</u>
14. Union Station Adaptive Re-Use	275 Residential Units 25,000 sf. Commercial & Parking 45,000 sf. Retail	\$ 24,000,000	Planned
15. Grant Street Reconstruction	Reconstruction in Coordination with Light Rail Transit System	\$ 15,000,000	Under Construction
16. Allegheny International/ Lincoln Properties Towers	1,300,000 sf. Twin Tower Office Center	\$187,000,000	Under Construction
17. Three Rivers Stadium Development Project	CENTRAL COMPONENTS 400 Room Hotel 110,000 sf. Retail 200,000 sf. Technology Marketplace Buhl Science Center Children's Amusement Area 150 Slip Marina ADDITIONAL COMPONENTS 500,000 sf. Office 350 Room Hotel (exp) Horizontal Elevator connection to CBD Outdoor Festival Area	\$ 26,900,000 5,900,000 17,300,000 29,000,000 4,000,000 1,400,000 61,000,000 24,800,000	Planned
18. Strip District Festival Market	120,000 sf. Retail 350 Room Hotel 8 Screen Cinema	34,000,000 24,000,000 2,500,000	Planned

In 1982, the Waterworks, a major shopping center, was constructed within the City limits. The completed portion of the Waterworks is 223,000 square feet at an approximate cost of \$10.5 million with an additional 450,000 square feet planned at a cost of \$22.5 million.



B-5

Building Permits

The table below sets forth the number and dollar value of residential and commercial building permits issued in the City in the years 1977 to 1985:

TABLE B-2
City of Pittsburgh
Number and Value of Building Permits, 1977-1985

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Dollar Value</u>
1977	3,819	\$101,453,569
1978	3,622	89,264,159
1979	4,420	108,298,188
1980	4,804	297,484,884
1981	4,335	563,072,735
1982	3,705	201,230,969
1983	3,710	212,163,150
1984	3,858	140,020,824
1985		

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. It ranks second in the nation in the control of invested capital, and third (after New York and Chicago) in the number of Fortune 500 corporate headquarters (See Table B-3). While the steel industry continues to be a major factor in the local economy, amounting to approximately 10% of the area's wage and salary workers, it has been diminishing in its relative importance as a source of employment in absolute and relative terms. As a result, the City's economy is becoming more diversified with increasing reliance on the health, education and financial industries.

TABLE B-3
City of Pittsburgh
Fortune 500 Companies
With Headquarters in Pittsburgh

<u>Corporations</u>	<u>Type of Industry</u>	<u>Fortune Ranking</u>	<u>Total Assets (\$000)</u>	<u>Sales (\$000)</u>
<u>The 100 Largest Diversified Financial Companies</u>				
Landmark Savings Association	Savings Association	99	1,309,943	139,261(1)
<u>The 100 Largest Commercial Banking Companies</u>				
Mellon National Corporation	Commercial Banking	11	30,602,815	18,997,309(2)
PNC Financial Corp.	Commercial Banking	27	14,959,845	8,976,249(2)
<u>The 100 Largest Diversified Service Companies</u>				
National Intergroup	Metal Manufacturing	28	542,084	892,738
Dravo		76	2,018,526	2,370,350
<u>The 500 Largest U.S. Industrial Corporations</u>				
Allegheny International	Consumer Products	171	1,507,279	2,180,059
Aluminum Company of America	Metal Manufacturing	69	6,353,600	5,162,700
Ampco-Pittsburgh		486	386,262	461,343
Cyclops Corporation*	Metal Manufacturing	249	539,567	1,385,718
H.J. Heinz Company	Food	97	2,473,774	4,047,945
Joy Manufacturing Company	Industrial and Farm Equipment	360	800,183	791,267
Koppers Company Inc.	Chemical	207	1,066,053	1,189,701
Mobay Chemical*	Chemical	227	1,215,200	1,598,900
PPG Industries, Inc.	Chemicals/Glass	88	4,083,800	4,345,500
H.H. Robertson	Metal Products	412	391,001	614,249
Rockwell International	Aerospace	30	7,332,800	11,337,600
United States Steel Corporation	Metal Manufacturing/Petroleum	15	18,446,000	18,429,000
Westinghouse Electric	Electronics and Appliances	32	9,631,600	10,700,200
Wheeling-Pittsburgh Steel	Metal Manufacturing	392	1,061,092	681,057

Source: Fortune Magazine, April 28, 1986 and June 9, 1986.

- 1) Revenues
- 2) Deposits
- 3) Regional, national and international employment.

* Located outside City boundaries.

As set forth in Table B-4, total employment in the City has fluctuated during the past seven years from a high of 265,408 in 1978 to 255,386 in 1985. In spite of recessions and high unemployment, the City's job base has remained relatively stable.

TABLE B-4
Total Number of Jobs in the City of Pittsburgh
1977-1985

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Total Employment	265,408	258,551	255,734	253,567	252,400	250,001	255,386

Sources: City of Pittsburgh Tax Files.

The City's resident labor force and employment fluctuated over the past two decades, and although the trend in the City has indicated an overall decline, trends in the SMSA have shown increases. The City's unemployment rate dropped below that for the SMSA in 1981, 1982, 1983, 1984 and 1985. See Tables B-5 and B-6.

TABLE B-5
City of Pittsburgh
Resident Labor Force, Employment, Unemployment,
City, SMSA, Commonwealth, U.S.
1981-1985

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Labor Force					
City of Pittsburgh ...	198,357	189,083	187,070	184,900	178,350
Pittsburgh SMSA(1) ...	1,035,424	1,035,633	1,028,360	1,002,300	960,470
Pennsylvania	5,476,417	5,488,250	5,495,750	5,487,200	5,529,800
U.S.	108,670,080	110,251,170	111,550,330	113,543,700	115,286,700
Employment					
City of Pittsburgh ...	184,114	170,025	164,330	166,700	163,720
Pittsburgh SMSA(1) ...	957,883	908,016	878,440	890,400	870,920
Pennsylvania	5,018,167	4,891,250	4,847,000	4,988,200	5,090,600
U.S.	100,427,330	99,611,500	100,833,580	105,005,400	106,969,700
Unemployed					
City of Pittsburgh ...	14,215	19,058	22,590	18,200	14,630
Pittsburgh SMSA(1) ...	75,833	126,892	149,960	111,800	89,450
Pennsylvania	458,250	603,000	649,000	499,000	439,200
U.S.	8,242,750	10,777,000	10,716,700	8,538,300	8,317,000

	1981	1982	1983	1984	1985
Unemployment Rate					
City of Pittsburgh ...	7.2%	10.1%	12.1%	9.8%	8.2%
Pittsburgh SMSA(1) ...	7.3%	12.3%	14.6%	11.1%	9.3%
Pennsylvania	8.4%	11.0%	12.1%	9.1%	7.9%
U.S.	7.6%	9.8%	9.7%	7.5%	7.2%

(1) Reflects revised definition in 1985. The newly created category of PMSA includes Allegheny, Washington, Westmoreland and Fayette Counties.

Sources: Pennsylvania Department of Labor and Industry, Office of Employment Security Labor Market Letter; United States Bureau of Labor Statistics Reports; Statistical Abstract of the United States; Pennsylvania Abstract.

The following Table B-6 presents monthly unemployment information for 1985 for the City, the County, the PMSA, the Commonwealth and the United States:

TABLE B-6
City of Pittsburgh
Unemployment Rate, 1986, City, Allegheny County, PMSA, Commonwealth, U.S.

	City of Pittsburgh	Allegheny County	Pittsburgh PMSA(1)	Pennsylvania	U.S.
January 1986	8.6%	8.3%	9.2%	8.1%	7.3%
February 1986	8.4%	8.4%	9.3%	8.2%	7.8%
March 1986	8.0%	8.1%	8.9%	7.9%	7.5%
April 1986	7.6%	7.5%	8.0%	7.0%	7.0%

Source: Pennsylvania Department of Labor and Industry.

(1) Reflects revised definition in 1985. The newly created category of PMSA includes Allegheny, Washington, Westmoreland, and Fayette Counties.

Major Employers

Major employers located within the corporate limits of the City, together with total number of employees employed by each within the City, at any time during the year, according to City tax collection records in 1985, are presented in Table B-7.

TABLE B-7
City of Pittsburgh
Employment by Company Grouping
1985

<u>EMPLOYER</u>	<u>NUMBER OF EMPLOYEES</u>	<u>EMPLOYER</u>	<u>NUMBER OF EMPLOYEES</u>
<u>National Banks</u>		<u>Hospitals</u>	
Mellon Bank, N.A.	7,121	Mercy	2,543
Pittsburgh National Bank	3,284	Allegheny General	3,720
Equibank	1,557	Presbyterian University	2,732
Union National Bank	1,057	West Penn	2,721
	<u>13,019</u>	St. Francis General	2,707
<u>Department Stores</u>		Montefiore	2,080
Kaufmann's (May Department Stores, Inc.)	2,980	Shadyside	1,943
Joseph Horne Co.	1,276	Hagee Women's	1,621
Gimbels	1,218	Children's Hospital	1,595
Sears, Roebuck & Co.	1,148	St. Margaret Memorial	<u>1,162</u>
Saks Fifth Avenue	206		<u>22,824</u>
J. C. Penney Inc.	<u>581</u>	<u>Hotels</u>	
	<u>7,409</u>	William Penn	387
<u>Education</u>		Hilton	581
University of Pittsburgh	15,966	Hyatt Corporation	362
Board of Education	6,398	Sheraton.....	<u>613</u>
Carnegie-Mellon University	4,379		<u>1,943</u>
Duquesne University	1,992	<u>Industry</u>	
Catholic Diocese of Pittsburgh.	1,689	Jones & Laughlin Steel Corporation .	2,491
Community College of Allegheny County	1,070	United States Steel Corporation	2,066
Point Park College	748	H.J. Heinz Corporation	2,184
	<u>32,242</u>	Dravo Corporation	662
<u>Food Chains</u>		Aluminum Company of America.....	1,512
Giant Eagle Markets	<u>1,854</u>	Westinghouse Electric Corporation...	1,375
<u>Freight Lines</u>		Koppers Company, Inc.	753
United Parcel Service	<u>420</u>	PPG Industries, Inc.	1,804
<u>Government</u>		Rockwell International	1,512
Commonwealth of Pennsylvania...	2,910	Pittsburgh Press	1,904
City of Pittsburgh	5,168	Blue Cross of W. PA.	1,532
Allegheny County	4,182	Port Authority	1,379
Veterans Administration	3,037	Aetna Life Insurance	<u>1,245</u>
Postal Service	2,232		<u>20,419</u>
Dept. of Health & Human Ser ..	<u>3,245</u>	<u>Utilities</u>	
	<u>21,774</u>	Bell of Pennsylvania	2,798
		Duquesne Light Company	1,982
		Equitable Gas Company	831
		AT&T	<u>758</u>
			<u>6,369</u>

Source: City of Pittsburgh Tax Files

Retail Trade

The City is a major retail center. The following table shows retail sales for the City, County and surrounding areas.

TABLE B-8
City of Pittsburgh
Total Retail Sales — SMSA
1984

	Sales (000)	Percent of SMSA
Allegheny County (other than the City)	\$ 5,421,770	47.9%
City of Pittsburgh	2,416,392	21.4%
Beaver County	805,389	7.1%
Washington County	875,120	7.8%
Westmoreland County	<u>1,790,343</u>	<u>15.8%</u>
TOTAL SMSA	<u>\$11,309,014</u>	<u>100.0%</u>

Source: Sales and Marketing Management, "1985 Survey of Buying Power."

Total retail sales in the SMSA amounted to over \$11.3 billion in 1984, 19.5% of total retail sales of the Commonwealth. Retail sales in the City amounted to 21.4% of total sales for the SMSA, and 30.8% of total retail sales in the County. The City and County accounted for 69.3% of total retail sales in the SMSA.

Commercial Banks

The City is one of the major banking centers in the nation. Major banks located in the City include Mellon Bank, N.A., the largest bank in the State and the 11th largest in the nation, and Pittsburgh National Bank, the 2nd largest bank in the State and the 27th largest in the nation.

In 1983, Mellon Bank, N.A. merged with Girard Bank of Philadelphia, resulting in assets of approximately \$30 billion. Also in 1983, Pittsburgh National Corporation and Provident National Corporation, whose principal asset was Provident National Bank, were consolidated to form PNC Financial Corporation. Pittsburgh National Bank and Provident National Bank continue to operate as separate banks. As of December 31, 1984, PNC Financial Corporation, which is headquartered in the City, had total assets of \$14.9 billion.

Both Mellon and Pittsburgh National have been involved in other recent mergers with Pennsylvania banks. In addition, 1984 was the first full year of operation of the Union National Corporation, a holding company for Union National Bank of Pittsburgh, McDowell National Bank of Sharon, and Keystone National Bank of Punxsutawney, with assets totalling \$2.341 billion.

Pittsburgh is a branch office city of the Cleveland District of the Federal Reserve System.

TABLE B-9

City of Pittsburgh
Domestic Commercial Banks
Assets and Branches

	<u>Total Assets</u> <u>(Millions)(1)</u>	<u>Branch</u> <u>Offices</u>
Major Commercial Banks:		
Mellon Bank, N.A.	\$30,603	640
Pittsburgh National Bank	14,870	212
Equibank	2,500	70
Dollar Savings Bank(2).....	2,491	26
The Union National Bank of Pittsburgh(3).....	2,341	54
Major Regional Banks:		
First Seneca Bank & Trust Co. (Butler)(4)	\$ 971.0	54
Gallatin National Bank (Uniontown)	871.1	33
Southwest National Bank (Greensburg)	414.1	14
First National Bank & Trust (Washington)	370.0	22
Fayette Bank & Trust (Uniontown)	130.0	1

(1) As of 12/31/84

(2) A Commercial Savings Bank.

(3) Acquired Keystone National Bank and McDowell National Bank in 1983.

(4) Subsidiary of Pennbancorp as of December 31, 1983.

Source: Penn's Southwest Association

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.

TABLE B-10

City of Pittsburgh
Foreign Commercial Banks
Assets and Branches

<u>Foreign Banks In Pittsburgh</u>	<u>Home Office</u>	<u>Total Assets (Millions)(1)</u>	<u>U.S. Branches(2)</u>
Canadian Imperial Bank of Commerce	Canada	Can. \$73,623	11
Royal Bank of Canada	Canada	Can. 67,694	11
Barclays Bank International, Ltd	United Kingdom	63,835	19
Lloyds Bank International of London ...	United Kingdom	58,000	19
Toronto Dominion Bank	Canada	Can. 43,900	10
Algemene Nederland Bank	Netherlands	43,000	9

(1) Worldwide --- 12/31/84

(2) Wholesale or representative offices

Source: Penn's Southwest Association.

Savings and Loan Associations

The City, County and the SMSA are served by over 100 savings and loan associations. Listed below is a selected sample of the major savings and loan associations in the City and surrounding areas:

TABLE B-11

City of Pittsburgh
Savings and Loan Associations
Assets and Branches

<u>Major Savings and Loan Associations</u>	<u>Total Assets (Millions)(1)</u>	<u>Branch Offices</u>
Western Region, Atlantic Financial Federal(2)	\$ 4,219	30
First Federal Savings & Loan Association of Pittsburgh(3)	2,210	44
Century Federal Div., Horizon Financial, F.A.(4)	2,027	14
Landmark Savings Association	1,482	25
Colony First Federal Savings & Loan	454	1
Great American Federal Savings & Loan	439	9
Parkvale Savings Association	415	10
Concord-Liberty Savings & Loan	278	11
Washington Federal Savings & Loan	254	6
Vanguard Federal Savings Bank	251	10
First Federal Savings & Loan of Greene County	234	1
Community Savings Association	197	12
First Federal Savings & Loan Association of Monessen	187	6
Bell Federal Savings & Loan of Bellevue	185	7
Lincoln Savings Bank	170	6

(1) As of 12/31/85

(2) Assets are those of Atlantic Financial Federal; branches are those located in the Penn's Southwest region.

(3) Acquired Security First Federal Savings and Loan Association in 1983.

(4) Assets are those of Horizon Financial F.A.; branches are those located in the Penn's Southwest region.

Source: Federal Home Loan Bank Board of Pittsburgh

Additionally, there are ten savings and loan banks, each with assets between \$104-139 million and a total of 44 branches.

Education

Colleges and Universities

More than 77,000 students attend institutions of higher learning in the City and surrounding areas. Major colleges and universities located in the City and County include:

TABLE B-12

City of Pittsburgh
Colleges and Universities
Enrollment

	Enrollment <u>1983-84</u>	Enrollment <u>1984-85</u>	Enrollment <u>1985-86</u>
Carlow College	872	983	937
Carnegie Mellon University	5,568	5,788	6,078
Chatham College	463	450	486
Community College of Allegheny County	15,372	14,169	12,201
Duquesne University	5,561	5,303	5,475
LaRoche College	1,149	1,136	1,108
Pennsylvania State University (McKeesport Campus)...	1,142	1,449	1,255
Pittsburgh Theological Seminary	356	357	350
Point Park College	1,602	1,596	1,661
Reformed Presbyterian Theological Seminary	50	36	42
Robert Morris College	4,176	4,254	3,952
University of Pittsburgh	22,242	22,383	22,166

Source: Pittsburgh Council on Higher Education

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 Greater Pittsburgh International Airport ("GPIA") serves the region. The airport, located in the County, encompasses 10,200 acres and is approximately 16 miles from the downtown area. GPIA is a major hub airport and is the 16th busiest in the nation in passenger count and 27th in the World.

The Main Terminal Building at GPIA was formally dedicated in 1952. GPIA was named a port of origin for exports in 1969, and became an international airport in 1971. The airport control tower is manned on a 24-hour basis by Federal Aviation Administration personnel. The present runways are capable of handling all types of commercial passenger and cargo carriers.

GPIA's service area includes 18 counties in western Pennsylvania, 6 counties in southeastern Ohio, 12 counties in northern West Virginia, and 2 counties in western Maryland. Passenger traffic at GPIA has shown steady and sustained growth from 1971 through 1980. On August 3, 1981, Federal Air Traffic Controllers belonging to the Professional Air Traffic Controllers Organization went on strike against the Federal Government. As a result of the strike, airlines initially reduced operations by 20% nationally in a response to a decrease in the ability of the traffic control system to handle flights. This reduction affected the passenger volume in 1981 and 1982. However, 1984 and 1985 passenger volume was at a record volume. The trend in passenger volume at GPIA from 1971 through 1985 is set forth in Table B-14:

TABLE B-13

City of Pittsburgh
Passenger Volume Trend
Greater Pittsburgh International Airport

<u>Year</u>	<u>Passenger Volume</u>	<u>Percentage Change Over Prior Year</u>
1971	6,289,987	3.3%
1972	7,040,755	11.9
1973	7,376,499	4.3
1974	7,473,760	1.3
1975	7,359,581	-1.5
1976	8,182,063	11.2
1977	8,739,491	6.8
1978	9,631,577	10.2
1979	11,139,164	15.7
1980	11,452,512	2.8
1981	10,112,266	-11.7
1982	9,986,374	- 1.2
1983	11,832,371	18.5
1984	13,312,663	12.5
1985	15,058,178	19.9
1986 (through March)	1,749,697	.

Source: Allegheny County Department of Aviation

The following air carriers serve GPIA:

Certified Air Carriers

American Airlines
British Airways
Delta Airlines
Eastern Airlines
Nordair
Pan American Airlines
People Express
Piedmont Aviation
Republic Airlines
Trans World Airlines
United Airlines
US Air

Commuter Air Carriers

Allegheny Commuter
Chatauqua Airlines
Crown Airlines
Henson Aviation
Pennsylvania Airlines
Suburban Airlines
Christman Air System
Cumberland Airlines
Jet Stream International
Bradford Airlines
Colgan Airlines

Source: Airport Advisory Committee of Allegheny County.

Allegheny County Airport is a general service airport which is the home base for many corporate and private aircraft.

Water Transportation

The Port of Pittsburgh on the Allegheny, Monongahela and Ohio Rivers, is the largest inland port 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.

There are 22 public-use and over 100 privately owned terminals with barge landings operated primarily for diversified commercial purposes in the Port of Pittsburgh. 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.

Seven 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 nine 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
Baltimore & Ohio Railroad
Western Maryland Railway Co.
Conrail
Norfolk and Western Railroad
Pittsburgh & Lake Erie Railroad

Motor Freight Service

The area is served by over 80 interstate common carriers, 16 freight forwarders, and 71 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 (PATransit) is the regional transit agency serving Pittsburgh and Allegheny County. PATransit is the ninth largest transit operation in the United States, serving approximately 300,000 passengers daily. At present, a downtown subway system was completed and opened for passenger service in 1985. The East Busway, a 6.8 mile exclusive bus right-of-way connecting downtown with the Eastern suburbs, was completed in 1983 at a cost of \$110,000,000. The Busway has a capacity of 90,000 riders per day.

Passenger Bus Service

Two interstate bus lines, Greyhound Bus Lines and Trailways Bus Lines, provide regularly scheduled interstate bus service to the City. The Port Authority of Allegheny County provides local bus, streetcar and rail service. In addition, a variety of local bus companies provide intrastate and commuting 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 which is 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 535,000 customers in Allegheny and Beaver Counties and has generating capacity in excess of 3,000,000 kilowatts. The Company is subject to regulation by the Pennsylvania Public Utilities Commission.

Natural Gas

The City's primary supplier of natural gas is the Equitable Gas Company. Equitable is a natural gas utility engaged in the production, purchase, storage, transmission, distribution and sale of natural gas, and through its subsidiaries, the development of oil and gas properties, the extraction of natural gas liquids and central station heating and cooling services. Equitable serves some 244,000 customers in the City and surrounding municipalities, and about 15,000 customers in parts of West Virginia and Kentucky.

Equitable was one of the first natural gas companies to develop underground gas storage facilities. The Company's 16 underground storage pools are used to supplement pipeline gas and on peak days may provide up to one-half of the Company's distributed gas.

Water and Sewer

The newly created 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 natural geological topography and river valleys within the City region provide abundant water at reasonable cost.

Sewage treatment service is provided by Alcosan. Its service area includes the City, 74 neighboring municipalities in the County and parts of communities in Washington and Westmoreland Counties. Alcosan serves an area of 218 square miles with 286,755 customers.

DEMOGRAPHIC DATA

Population

The City has experienced population loss since 1950. Table B-15 shows population data for the City, the County and the SMSA from 1950 to 1980.

TABLE B-14

City of Pittsburgh
Population
City, County, SMSA
1950-1980

	City of Pittsburgh			Allegheny County (1)			Pittsburgh SMSA (2)		
	Population	Average Annual Change		Population	Average Annual Change		Population	Average Annual Change	
	Population	Population	Percent	Population	Population	Percent	Population	Population	Percent
1950	676,806			838,431			697,999		
1960	604,332	(7,247)	(1.1%)	1,024,255	18,582	2.2%	766,848	6,885	1.0%
1970	520,089	(8,424)	(1.4%)	1,084,899	6,064	.6%	796,229	2,935	.4%
1980	423,938	(9,615)	(1.8%)	1,026,147	5,875	(.5%)	813,809	1,758	.2%

(1) Population of the County, excluding residents of the City.

(2) Population of the SMSA, excluding residents of the County.

Source: U.S. Census.

The trend of population decline is expected to be reversed in the next two decades. According to the Southwestern Pennsylvania Regional Planning Commission, the total population of the City is projected to increase by 3.6% by 1990, and by an additional 4.3% from 1990 to 2000.

Housing

Detached single family housing continues to dominate residential construction in the County, although condominium construction is gaining momentum. In the City, 55% of all permits issued for new residential construction during 1983 were designated for detached single family housing.

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 as follows:

TABLE B-15
City of Pittsburgh
City, County, SMSA, and Commonwealth
Characteristics of Housing Units Comparison

	1950	1960	1970	1980
Total Housing Units:				
City of Pittsburgh	193,889	188,366	189,840	179,191
County of Allegheny	430,680	503,006	533,520	570,970
Pittsburgh SMSA	628,470	720,787	789,771	874,050
Pennsylvania	3,036,494	3,581,877	3,924,757	4,597,412
Percent Owner-Occupied:				
City of Pittsburgh	42.4%	48.8%	50.3%	51.2%
County of Allegheny	51.9	62.7	64.8	61.9
Pittsburgh SMSA	54.8	63.4	67.8	69.0
Pennsylvania	59.7	68.3	68.0	64.2
Median Value of Owner-Occupied Housing:				
City of Pittsburgh	\$8,277	\$11,000	\$12,500	\$31,500
County of Allegheny	8,922	12,300	16,000	43,300
Pittsburgh SMSA	7,470	12,900	15,300	42,800
Pennsylvania	6,992	10,200	13,600	39,100
Number of Persons per Housing Unit:				
City of Pittsburgh	3.5	3.1	2.8	2.4
Total County Housing Units:				
Percent of City of Pittsburgh	45%	37.4%	35.5%	31.4%

Source: U.S. Census of Housing: 1950, 1960, 1970, 1980 census.

From 1950 to 1980 the number of housing units in the County increased by 32.6%, while the number of housing units in the City decreased by 2.1%. Over the same period, the number of persons per housing unit in the City decreased 34% and the population declined by 23.1%.

The Redevelopment Authority provides low cost home improvement loans to low and moderate income families utilizing Community Development Block Grant ("CDBG"), 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 programs in which capacity the Redevelopment Authority contracts with HUD to originate 3%, twenty-year housing rehabilitation loans or rehabilitation grants funded by HUD.

The Redevelopment Authority currently has in various stages of execution forty-seven redevelopment projects funded in part by the federal government, the Commonwealth and the City.

The Redevelopment Authority has devoted a significant amount of its resources to the North Side Strategy Area, which is primarily residential and consists of six contiguous neighborhoods located in an area directly across the Allegheny River from the Golden Triangle. Between 1978 and 1985, average residential real estate sales prices in the City have increased as indicated by the following table:

TABLE B-16
City of Pittsburgh
Average Sale Price of Residential Property
1977 to 1985
(Market Transactions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
City	\$32,200	\$36,200	\$36,400	\$37,800	\$38,300	\$42,200	\$44,000	\$44,700
Percentage Change for City 1978 to 1985:	38.8%							

Source: City of Pittsburgh, Department of City Planning

Income

Personal Income

Total personal income of County residents increased from \$7,590 million in 1972 to \$19,130 million in 1984, an increase of 152%. Personal income in the SMSA increased by 155% from 1972 through 1984, while total personal income in the Commonwealth increased by 174%.

TABLE B-17
Total Personal Income
County, SMSA, and Commonwealth
Selected Years
1972-1984
(millions of dollars)

	Personal Income for County of <u>Allegheny Residents</u>	Personal Income for Pittsburgh <u>SMSA Residents</u>	Personal Income for Pennsylvania <u>Residents</u>
1972	7,590	10,830	53,311
1974	9,127	13,166	64,393
1976	10,782	15,690	75,833
1978	12,821	18,768	90,526
1980	15,920	23,268	112,137
1981	17,579	25,459	123,756
1982	18,338	26,545	129,956
1983	18,225	26,199	136,409
1984	19,130	27,551	146,283

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Effective Buying Income and Household Income

The median household effective buying income for the SMSA in 1984 was \$25,779, 102.2% of the Commonwealth median household effective buying income, and 101% of the U.S. median household effective buying income.

TABLE B-18
City of Pittsburgh
City and SMSA
Effective Buying Income
Median Household Effective Buying Income
1984

	Total EBI (000)	Median Household EBI	% of Households by EBI			
			\$10,000- \$19,000	\$20,000- \$34,999	\$35,000- \$49,999	\$50,000 And Over
City of Pittsburgh	\$ 4,077,955	\$20,161	24.5%	27.9%	14.2%	8.2%
Beaver County	2,214,474	29,238	17.8	31.3	24.4	12.0
Washington County	2,280,820	25,790	21.6	31.5	20.4	10.3
Westmoreland County	4,122,581	25,924	21.3	34.0	20.0	9.4
Total Pittsburgh SMSA ..	24,140,697	25,779	20.9	31.3	19.5	11.4
Allegheny County (including City)	16,418,380	26,515	20.4	30.1	20.1	12.9%
Pennsylvania	126,497,923	25,213	21.9	31.7	18.9	10.9
United States	2,576,533,480	25,496	21.6	29.4	18.7	13.4

Source: Sales and Marketing Management, "1985 Survey of Buying Power."

Median household income in the City is estimated to have increased by 103% from 1970 through 1980. For the County, the estimated increase in average household income from 1970 through 1980 was 134%. Average household income in the SMSA is estimated to have increased 78% from 1970 through 1980.

The City is estimated to have experienced a 51.7% increase in median household effective buying income from 1977 through 1984, while the County and the SMSA have recorded increases of 61.8% and 62.1%, respectively for the same period.

Table B-19 sets forth information relating to the median household effective buying income in the City, the County, and the SMSA for the years 1978 through 1984:

TABLE B-19
 City of Pittsburgh
 City and SMSA
 Median Household Effective Buying Income
 1978-1984

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Allegheny County							
(including City)	\$17,491	\$18,856	\$20,172	\$22,283	\$24,493	\$25,371	\$26,515
City of Pittsburgh	14,187	15,293	16,360	18,040	18,616	19,290	20,161
Beaver County	17,685	19,344	20,237	21,513	26,501	27,112	29,238
Washington County	15,035	17,091	17,998	19,129	23,183	23,586	25,790
Westmoreland County ...	16,110	18,050	19,410	21,110	23,698	24,226	25,924
Total Pittsburgh SMSA .	16,981	18,569	19,805	21,638	23,706	24,366	25,779
Pennsylvania	16,680	18,265	19,488	21,178	22,483	23,599	25,213
United States	16,231	17,924	19,146	20,764	22,000	23,420	25,496

Source: Sales and Marketing Management, "Survey of Buying Power, 1978-1985".

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APPENDIX C

FORM OF LEGAL OPINION

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**BERKMAN RUSLANDER
POHL LIEBER & ENGEL**

ATTORNEYS AT LAW

40th Floor, One Oxford Centre
Pittsburgh, Pennsylvania 15219-6498

August 28, 1986

City of Pittsburgh
City-County Building
Pittsburgh, Pennsylvania

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, Pennsylvania

Butcher & Singer Inc.
Merrill Lynch Capital Markets

Re: \$190,000,000 City of Pittsburgh, Pennsylvania
General Obligation Bonds, Series B of 1986

Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Pittsburgh, Pennsylvania (the "City") of \$190,000,000, aggregate principal amount, of General Obligation Bonds, Series B of 1986 (the "Bonds"). The Bonds have been issued for the purpose of providing funds to: (1) advance refund a portion of the City's outstanding General Obligation Bonds, Series 1985; and (2) pay all costs and expenses incident to the issuance of the Bonds. The proceedings relating to the issuance of the Bonds have been approved by the Department of Community Affairs of the Commonwealth of Pennsylvania in accordance with the Local Government Unit Debt Act (Act No. 185 of July 12, 1972, P.L. 781, as amended and reenacted by Act No. 52 of April 23, 1978) (the "Act").

We have examined the Resolution of the City adopted on August 6, 1986 authorizing the issuance of the Bonds (the "Resolution"), the form of the bonds, such constitutional and statutory provisions and such other ordinances, resolutions, 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.

Based upon the foregoing, we are of the opinion, under existing law as of the date hereof, that:

1. The City has validly authorized and taken all necessary and proper action to issue and sell the Bonds.

2. The Bonds have been validly authorized, executed, issued and delivered by the City and constitute legal, valid and binding general obligations of the City. The full faith, credit and taxing power of the City are irrevocably pledged for the prompt payment of the Bonds in accordance with the covenant contained in the Resolution and as provided by the Act, which covenant is specifically enforceable.

3. The Bonds, their transfer and any income therefrom (including any profits made on the sale thereof) are exempt from taxation within the Commonwealth of Pennsylvania, except for gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the transfer thereof, the income therefrom or any profits made on the sale thereof; however, we express no opinion as to any exemption from the taxation on gains from the sale of the Bonds under the Pennsylvania Corporate Net Income Tax.

4. Interest on the Bonds is exempt from Federal income taxation.

5. The offering and sale of the Bonds are exempt from registration under the Securities Act of 1933, as amended.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

We call your attention to the fact that on December 17, 1985, the United States House of Representatives passed H.R. 3838 ("H.R. 3838") which provides that it is effective with respect to state and local government obligations, such as the Bonds, issued after December 31, 1985. However, on March 14, 1986, a Joint Statement (the "Joint Statement") was issued by Rep. Dan Rostenkowski, Chairman, and Rep. John J. Duncan, the ranking Republican, on the Ways and Means Committee of the U.S. House of Representatives, Sen. Bob Packwood, Chairman, and Sen. Russell Long, the ranking Democrat, on the Finance Committee of the U.S. Senate, and James A. Baker, 3rd, Secretary of the Treasury

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endorsing the postponement of the effective dates of certain provisions of H.R. 3838 with respect to such tax-exempt bonds issued before the date of passage of any tax reform legislation or September 1, 1986, whichever is earlier.

In addition, on June 24, 1986, the United States Senate passed H.R. 3838 in a substantially modified form (the "Senate Bill") which provides that it is effective with respect to state and local government obligations, such as the Bonds, issued after the date of enactment thereof into law. As of the date hereof, the Senate Bill has not been enacted into law.

We are of the opinion that the Bonds are of a type described in the Joint Statement as eligible for the postponement of the effective date provisions of H.R. 3838. Accordingly, we are of the opinion that interest on the Bonds would remain exempt from Federal income taxation under H.R. 3838 if the same is enacted into law in the form consistent with the Joint Statement, except for the alternative minimum tax to be imposed upon interest on the Bonds received by certain insurance companies. We are also of the opinion that interest on the Bonds would remain tax-exempt from federal income taxation if the Senate Bill is enacted into law in its present form.

Very truly yours,

Berkman, Ruslander, Pohl, Lieber & Engel

BERKMAN RUSLANDER POHL LIEBER & ENGEL

October 9, 1986

Re: \$190,000,000 City of Pittsburgh, Pennsylvania,
General Obligation Bonds, Series B of 1986

To the Purchasers of the above-referenced Bonds:

We have acted as Bond Counsel in connection with the remarketing by the City of Pittsburgh, Pennsylvania (the "City") of its General Obligation Bonds, Series B of 1986 (the "Bonds") in the aggregate principal amount of \$190,000,000 which were issued on August 28, 1986 pursuant to a Resolution adopted by the City on August 6, 1986 (the "Resolution").

On August 28, 1986 we issued an opinion which stated in part that we had examined executed copies of the Resolution, the form of the bonds, such constitutional and statutory provisions and such other ordinances, resolutions, certificates, instruments and documents as we had deemed necessary or appropriate to enable us to render an informed opinion as to the matters set forth therein. As to questions of fact material to our opinion, we had relied upon representations of the City in the Resolution and other certifications furnished to us, without undertaking to verify the same by independent investigation. Based upon the foregoing, we were of the opinion as of the date thereof and under existing law, interest on the Bonds was exempt from Federal income taxation.

The United States House of Representatives and the United States Senate, on September 25, 1986 and September 27, 1986 respectively, adopted the Conference Report on HR 3838, "Tax Reform Act of 1986" ("HR 3838"). If HR 3838 is enacted into law in its present form we are of the opinion that interest on the Bonds will continue to be exempt from Federal income taxation except for the alternative minimum tax to be imposed upon certain interest on the Bonds, other than Bonds held by individuals.

Very truly yours,

Berkman Ruslander Pohl Lieber & Engel
BERKMAN RUSLANDER POHL LIEBER & ENGEL

