

Competitive Bid New Issue  
Book-Entry-Only

Ratings: Moody's: "Aaa"  
Standard & Poor's: "AAA"  
(Financial Guaranty Insured)  
(See "Bond Ratings" herein)

In the opinion of Bond Counsel, interest on the Bonds (including any original issue discount properly allocable to a holder thereof) is excluded from gross income for federal income tax purposes under existing law, statutes, regulations, and decisions, subject to continued compliance with the Internal Revenue Code of 1986, as amended (the "Code"), and under the Code, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted however, that for the purpose of computing the alternative minimum tax and the environmental tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining current earnings. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Bonds are exempt from Pennsylvania personal property taxes and the interest on the Bonds is exempt from Pennsylvania corporate net income tax and from personal income taxation. Profits, gains and income derived from the sale, exchange or other disposition of the Bonds (other than any accruals of original issue discount treated as interest) is subject to state and local taxation. The opinion of Bond Counsel is subject to continuing compliance with tax covenants contained in the Bond Resolution and Tax Regulatory Certificate to satisfy certain provisions of the Code. (See "TAX EXEMPTION AND OTHER TAX MATTERS" herein.)

**\$179,705,000**  
**CITY OF PITTSBURGH**  
**(Commonwealth of Pennsylvania)**  
**\$75,000,000**  
**General Obligation Bonds**  
**Series A of 1995**  
**\$104,705,000**  
**General Obligation Refunding Bonds**  
**Series B of 1995**

**Dated:** December 1, 1995  
**Due:** March 1, as shown on inside front cover  
**Denomination:** Integral multiples of \$5,000

**Interest Payable:** March 1 and September 1  
**First Interest Payment Date:** March 1, 1996  
**Form:** Book-Entry-Only

**Payable:** The General Obligation Bonds, Series A of 1995 (the "Series A Bonds") and the General Obligation Refunding Bonds, Series B of 1995 (the "Series B Bonds," together with the Series A Bonds, the "Bonds"), will be initially issued only in fully registered form, without coupons, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), serving as securities depository for the Bonds. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 and any whole multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. Principal of the Bonds will be payable at the principal corporate trust office of Mellon Bank, N.A., Paying Agent (the "Paying Agent"). Interest on the Bonds is payable semi-annually on March 1 and September 1, commencing on March 1, 1996. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Bond. See "THE BONDS - Book-Entry-Only System." If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein, including payment of interest by wire transfer upon the request of an owner of at least \$1,000,000 in aggregate principal amount of Bonds.

**Redemption:** The Bonds are subject to redemption as described herein.

**Purpose:** The Bonds are being issued to pay the costs of: (1) capital projects included in the City's Capital Improvement Program, (2) the refunding of certain of the City's General Obligation Bonds and, (3) issuance associated with the sale of the Bonds.

**Security:** The Bonds are general obligations of the City. The full faith, credit and taxing power of the City has been pledged for the payment of the principal of and interest on the Bonds. Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by



**Financial Guaranty Insurance Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

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## Lehman Brothers

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The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of issuance of the Bonds by Klett, Lieber, Rooney & Schorling, A Professional Corporation, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed on by Peck, Shaffer & Williams, Pittsburgh, Pennsylvania, and Ford & Council, Pittsburgh, Pennsylvania, as Co-Disclosure Counsel, and for the City by its Solicitor, Jacqueline Morrow, Esquire. It is expected that the Bonds will be available for delivery to DTC in book-entry form in New York, New York on or about December 12, 1995.

Grant Street Advisors acted as Financial Advisor to the City.



*financial consultants advising municipal and non-profit enterprises*

# MATURITY SCHEDULE

## City of Pittsburgh (Commonwealth of Pennsylvania)

### \$75,000,000 General Obligation Bonds Series A of 1995

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>
1999	\$355,000	4.100%	99.845%	4.150%	2006	\$ 485,000	4.875%	99.396%	4.950%
2000	375,000	4.200%	99.803%	4.250%	2007	510,000	5.000%	99.145%	5.100%
2001	390,000	4.300%	99.532%	4.400%	2008	530,000	5.100%	99.095%	5.200%
2002	405,000	4.400%	99.456%	4.500%	2009	1,325,000	5.125%	98.343%	5.300%
2003	425,000	4.500%	99.385%	4.600%	2010	32,580,000	5.200%	98.023%	5.400%
2004	445,000	4.600%	99.318%	4.700%	2011	34,295,000	5.250%	98.000%	5.444%
2005	465,000	4.700%	99.255%	4.800%	2012	2,415,000	5.250%	98.000%	5.436%

### \$104,705,000 General Obligation Refunding Bonds Series B of 1995

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>
1997	\$ 5,000	4.000%	100.000%	4.00%	2004	\$ 4,610,000	4.600%	99.318%	4.70%
1998	5,000	4.000%	99.889%	4.05%	2005	4,885,000	4.700%	99.255%	4.80%
1999	1,180,000	4.100%	99.845%	4.15%	2006	6,380,000	4.800%	98.800%	4.95%
2000	3,830,000	4.200%	99.803%	4.25%	2007	12,645,000	4.900%	98.299%	5.10%
2001	4,005,000	4.300%	99.532%	4.40%	2008	28,955,000	5.000%	98.199%	5.20%
2002	4,165,000	4.400%	99.456%	4.50%	2009	29,655,000	5.125%	98.343%	5.30%
2003	4,385,000	4.500%	99.385%	4.60%					

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

This Official Statement 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 Official Statement 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 Official Statement 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.

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**CITY OF PITTSBURGH, PENNSYLVANIA**

**MAYOR**

Tom Murphy

**MEMBERS OF CITY COUNCIL**

Jim Ferlo, President

Dan Cohen	Bob O'Connor
Joseph Cusick	Dan Onorato
Alan Hertzberg	Eugene Ricciardi
Valerie McDonald	Sala Udin

**CONTROLLER**

Tom Flaherty

**DIRECTOR OF FINANCE**

Paul Hennigan

**BUDGET DIRECTOR**

Rowan Miranda, Ph.D.

**CITY SOLICITOR**

Jacqueline Morrow, Esquire

**BOND COUNSEL**

Klett, Lieber, Rooney & Schorling,  
A Professional Corporation  
Pittsburgh, Pennsylvania

**CO-DISCLOSURE COUNSEL**

Peck, Shaffer & Williams  
Pittsburgh, Pennsylvania  
and  
Ford & Council  
Pittsburgh, Pennsylvania

**PAYING AGENT**

Mellon Bank, N.A.  
Pittsburgh, Pennsylvania

**FINANCIAL ADVISOR**

Grant Street Advisors  
Pittsburgh, Pennsylvania

**UNDERWRITER**

Lehman Brothers  
New York, New York

# OFFICIAL STATEMENT

City of Pittsburgh, Pennsylvania

\$75,000,000

General Obligation Bonds  
Series A of 1995

\$104,705,000

General Obligation Refunding Bonds  
Series B of 1995

## INTRODUCTORY STATEMENT

This Official Statement, including the Cover Page and Appendices, relates to the offering by the City of Pittsburgh, Pennsylvania (the "City") of its \$75,000,000, principal amount, General Obligation Bonds, Series A of 1995 (the "Series A Bonds"), and \$104,705,000, principal amount, General Obligation Refunding Bonds, Series B of 1995 (the "Series B Bonds", together with the Series A Bonds, the "Bonds").

The Bonds will be issued pursuant to a Resolution adopted by City Council on November 9, 1995 (the "Resolution") and to the Pennsylvania Local Government Unit Debt Act, Act of July 12, 1972, P.L. 781, No. 185, as amended and reenacted by Act No. 78-52, P.L. 124, as amended (the "Act"). The Bonds will be issued to pay the costs of: (1) capital projects included in the City's Capital Improvement Program, (2) the refunding of certain of the City's General Obligation Bonds and (3) issuance associated with the sale of the Bonds.

## THE BONDS

### Security

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

The City is required by the Act to create, and has created, a 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, interest and premium, if any, on such bonds and notes are required by the Act to be deposited in the Sinking Fund prior to or at the time when such payments become due and payable. 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, 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 the principal, interest or premium, if any, on the Bonds when due, 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, whether previously or subsequently initiated, by individual holders. The rights of the holders of the Bonds are subject to the provisions of the Act with respect to priorities.

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

The payment of principal of and interest on the Bonds will be insured by a municipal bond insurance policy to be delivered by Financial Guaranty Insurance Company simultaneously with the issuance of the Bonds. For additional information regarding the terms and provisions of such policy, including the limitations thereof, see "THE BONDS – Municipal Bond Insurance" herein and Appendix E – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

**Authority to Issue**

The City is authorized to issue the Bonds pursuant to the Act. In the Act, the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") has granted full power and authority to issue bonds to certain local governments units in the Commonwealth, including the City, subject to certain limitations, restrictions and conditions set forth in the Act. The City will authorize the issuance of the Bonds by adopting the Resolution in accordance with the provisions of the Act. The Bonds will be 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 "DEBT OF THE CITY" herein.

As required by the Act, the City will have received, prior to the delivery 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 presently outstanding debt of the City are within the debt limitations of the Act.

**Purpose of the Issue**

The Bonds are being issued to pay the costs of: (1) capital projects included in the City's Capital Improvement Program, (2) the refunding of certain of the City's General Obligation Bonds and (3) issuance associated with the sale of the Bonds, estimated as follows:

Capital Improvement Program (including capitalized interest) .....	\$ 79,503,164.00
Refunding .....	95,315,870.00
Underwriter's Discount .....	835,814.00
Costs of Issuance* .....	<u>1,173,277.00</u>
TOTAL.....	\$176,828,125.00

\*Includes legal fees, municipal bond insurance premium, financial advisor's fee, rating, printing costs and miscellaneous fees and expenses.

**Description of the Bonds**

The Bonds will be dated December 1, 1995, will bear interest from that date payable semiannually on each March 1 and September 1, commencing March 1, 1996, and will mature in the amounts and on the dates set forth on the inside front cover page hereof.

The person in whose name any Bond is registered at the close of business on any 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 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 such outstanding Bonds are registered at the close of business on the 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 Record Date with respect to any interest payment date shall mean the February 15 or August 15 immediately preceding such interest payment date (whether or not a business day).

### **Book-Entry-Only System**

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity in the aggregate principal amount of such maturity will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of the DTC Participants and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic computerized book-entry changes in the accounts for the DTC Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR OWNERSHIP INTERESTS IN SECURITIES, EXCEPT IN THE EVENT THAT USE OF THE BOOK-ENTRY SYSTEM FOR THE SECURITIES IS DISCONTINUED.

Payments of interest, principal and redemption premium, if any, on the Bonds will be made by the Paying Agent to DTC. The practice of DTC is to credit the accounts of the Direct Participants on payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be in accordance with standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants and not the responsibility of DTC, the Paying Agent, or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

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

THE DESCRIPTIONS IN THIS OFFICIAL STATEMENT OF THE DEPOSITORY TRUST COMPANY ("DTC"), THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS TO PARTICIPANTS IN DTC (THE "DTC PARTICIPANTS" OR "PARTICIPANTS"), OR TO EACH ACTUAL PURCHASER OF EACH BOND (THE "BENEFICIAL OWNER"), CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS OR OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS ARE BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE CITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE CITY DOES NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS AND NEITHER THE DTC PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON SUCH INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE DTC PARTICIPANTS, AS THE CASE MAY BE. THE CITY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR BANKS, BROKERS, DEALERS, TRUST COMPANIES AND OTHERS THAT CLEAR THROUGH OR MAINTAIN A CUSTODIAL RELATION WITH A DTC PARTICIPANT, EITHER DIRECTLY OR INDIRECTLY (THE "INDIRECT PARTICIPANTS"), WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS, OR ANY REDEMPTION OR OTHER NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL SERVE AND ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

### **Optional Redemption**

The Bonds maturing on or after March 1, 2006 are subject to redemption prior to maturity at the option of the City, in whole or in part, in such order of maturity as is selected by the City, and within a maturity by lot, on September 1, 2005, or on any date thereafter, at the redemption price of 100% of the principal amount thereof together with accrued interest to the redemption date.

### **Notice of Redemption**

As long as the Bonds are registered pursuant to a book-entry-only system, notice of redemption will be given not more than 60 days nor less than 30 days prior to the redemption date, to DTC or its nominee, Cede & Co., as registered owner of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

### **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 of 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 State Street Bank and Trust Company, 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 a Bond includes any payment of principal or interest made to an owner of a 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 of the Bonds on their respective stated maturity dates, or dates on which the same shall have been duly 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.

This Official Statement contains a section regarding the ratings assigned to the Bonds and references should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the City and the Bonds for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement and the circumstances, if any, under which the City is required to provide additional or substitute credit enhancement, and related matters.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 1995, the total capital and surplus of Financial Guaranty was approximately \$978,500,000. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 160 West Broadway, 18th Floor, New York, New York 10013, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 602-0389).

## 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 paid 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 a 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 issue debt obligations which may mature in not more than ten years to fund the deficit provided that approval of the Court of Common Pleas of Allegheny County 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 Office of Management and Budget based on the recommendations of the Deputy Mayor for Policy, the directors of City operating departments, and the public authorities.

The Mayor is required by the Charter to provide on an annual basis to City Council, 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 Fund is the General Fund. The accounts of the City are maintained on a modified accrual basis as further described in Appendix A. For further information on the basis of accounting of the General Fund and other funds, see Appendix A.

### **Financial Statements – Independent Audit**

The City's financial statements for the year ended December 31, 1994, were audited by KPMG Peat Marwick, independent certified public accountants, as described in their report included in Appendix A. This report contains an explanatory paragraph relative to the City's vested pension benefits obligation being significantly in excess of related assets. This report mentioned reliance on the reports of other auditors. For further explanation of the City's vested pension benefit obligation, refer to "EXPENDITURES – Employee Retirement Systems" herein. The City's financial statements have been audited by independent certified public accountants since 1977.

General purpose financial statements for the fiscal year ended December 31, 1994 are presented in Appendix A.

## **DISCUSSION OF FINANCIAL OPERATIONS**

### **General Fund**

In 1994 cash basis revenues were \$317,723,000, and in 1993 cash basis revenues were \$323,813,415. The decrease in revenues is attributed to the \$5 million decrease in reimbursements to the General Fund from the Water and Sewer Authority.

The 1995 Budget was \$329,026,894 – a decrease of approximately \$16.5 million from the previous year's budget of \$345,497,277. The decrease can be attributed to lower revenues, transfer of the Water Department and the City's deficit reduction efforts.

### **Operating Budget Forecast**

The City presented a balanced budget in 1995 without any tax increases. The 1995 budget assumed a beginning cash balance of \$4.0 million. The year end cash balance for 1994 was \$7.1 million on a budgetary basis.

Under the current administration the City has made a commitment to use Generally Accepted Accounting Principles (GAAP) to evaluate financial results. GAAP has been adopted to increase the level of accountability and improve methods of financial reporting.

On a GAAP basis the year end fund balance fell from \$12.7 million in 1990 to negative \$32.9 million in 1994. This is mainly due to actual revenues consistently falling below budgeted revenues and increasing costs. Steps have been taken to ensure that these trends do not continue into the future by organizing Task Forces to examine Worker's Compensation, lowering Health Care costs, improving revenue forecasts, and reviewing the current uses of investment approaches.

### **Current Financial Situation**

The administration undertook the following policies to lower the deficit in 1995.

The first major initiative to lower the deficit was the simultaneous transfer of the City's water department and the restructuring of the capital lease with the Pittsburgh Water and Sewer Authority (PWSA). In 1994, steps were taken to consolidate the City's Department of Water with the PWSA. This step formally removed the Department of Water from the City of Pittsburgh's 1995 Budget. In March of 1995, the PWSA Board voted unanimously to approve a resolution authorizing the Authority to enter into a new capital lease agreement with the City of Pittsburgh. Under the terms of the new lease, the City will receive approximately \$95 million in installments over a three-year period as payment for certain assets which will be transferred to the PWSA. A portion of the proceeds will be used by the City to liquidate current liabilities in the General Fund, thereby improving the fund balance. By pursuing an aggressive retrenchment strategy, the City is committed to not using these funds as a one-time revenue source to fund future operating deficits. In fact, these installments will allow the City to continue a thoughtful course of retrenchment and deficit reduction as outlined as follows.

In 1994, the City pursued a series of steps including layoffs, attrition and functional reorganizations to reduce 472 budgeted positions in comparison to the previous year. An early retirement program offered by the City in 1995 led to a net employment reduction of another 125 positions. In addition to the benefit from the first full year of receipts from the City's share of a new 1% sales tax which generates annual net revenue of approximately \$7.5 million, other revenue raising initiatives completed in 1995 include reimbursement from the Commonwealth of Pennsylvania for the City court system, a new recycling contract, and delinquent collection efforts which together had a positive fiscal impact of \$3 million. In 1995, labor-management cooperation on healthcare cost control and a new workers' compensation management program together will reduce budgeted 1996 appropriations by another \$3.5 million. These steps along with cost savings in public safety, utility rate reductions, and other departmental cuts will help the City approach a balanced budget in 1996. More cost cutting initiatives are planned for 1997.

In 1996 the City will conclude the installation of a state of the art financial accounting system. The system will allow the City to further streamline its operations and reduce costs through the reduction and redeployment of personnel. Activity-Based Costing and Program Based Budgeting are being implemented by the City to measure performance and analyze services.

### **The Pittsburgh Water and Sewer Authority**

The Pittsburgh Water and Sewer Authority ("PWSA") provided the City's General Fund with reimbursements of \$37,712,507 in 1994, with approximately \$16,600,000 anticipated for 1995. In 1994 this reimbursement covered (1) all direct and indirect costs of water and sewer operations, including direct costs for the City's Water Department; (2) reimbursement for a portion of the City's General Obligation debt (issued prior to 1984) that relates to water projects; and (3) an "additional payment" which was made in consideration of the lease of the Water and Sewer System. In January, 1995, the City's Water Department was transferred to the PWSA thereby reducing the reimbursement to the City for the direct costs associated with this department by \$20,000,000.

Since its creation, the PWSA has embarked on a capital improvement program funded entirely through PWSA revenue bonds. In order to fund capital programs and the payments to the City, water rates have more than doubled since 1984. Annual rate increases in the 5-9% range are projected for the foreseeable future. For further information, see the section on the "Pittsburgh Water and Sewer Authority" in the "OTHER GOVERNMENTAL ENTITIES" section.

## **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 1994, real estate taxes accounted for approximately 36.2% of the receipts of the Operating Fund, while the Earned Income Tax accounted for 10.8%, the Business Privilege Tax for 10.6%, and other taxes accounted for 20.6% of the receipts. Miscellaneous non-tax revenue accounted for 21.8%.

The Regional Asset District Tax changed the City's tax structure in 1995. The legislation governing the regional tax rescinded Personal Property Tax, which both the City and School District collected, and forced the City to reduce its Amusement Tax to no more than 5%. The rescinding of the Personal Property Tax caused the School District a loss of revenue. The same legislation mandates that the City must replace this revenue from its share of RAD proceeds. The City will pay the School District an annual amount of \$4 million.

The City shares several tax bases with the County and with the School District. Table 1 presents historical data on the relative real estate tax rates levied by these overlapping jurisdictions and Table B-5 of Appendix B presents 1994 data on the four other shared tax bases: earned income tax, deed transfer tax, personal property tax and mercantile license 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 Allegheny 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 fair market value. All real property in Allegheny County is required to be assessed every three years.

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

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 \$30,000 of housing rehabilitation costs and up to \$94,000 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 each project. The abatements are not expected to have a substantial impact on the City's revenues in the future.

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

## **Regional Asset District**

State legislation signed into law in December, 1993, created a Regional Asset District (RAD) in Allegheny County. Beginning July 1, 1994, a 1% regional sales tax went into effect. The tax is expected to generate \$106 million annually. Half of the funds collected will be distributed to the Allegheny Regional Asset District. The remaining half of the funds will be distributed to the County and its municipalities.

The RAD is governed by a citizen board and is responsible for the oversight, coordination and support of regional civic, cultural and recreational facilities such as the Pittsburgh Zoo, Three Rivers Stadium, the Carnegie Library and regional park facilities. The RAD's support of these assets is intended to relieve the local governments of their direct support for these facilities. The approximate annual savings to the City is \$17 million.

The City will receive about \$14 million from the portion of the regional tax that is to be distributed to the County and its municipalities in 1995. In order to comply with the legislation governing RAD, in the first full year (1995) the City must rescind Personal Property Tax, reduce the Amusement Tax rate to no more than 5% and devise a plan of Real Estate Tax relief. The City has complied with all three restrictions beginning in January, 1995. After the first full year, there are no restrictions on the annual payments to the City.

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

<u>Year</u>	<u>Land</u>	<u>Building</u>	<u>Total City<sup>(1)</sup></u>	<u>School District</u>	<u>County<sup>(2)</sup></u>	<u>Total</u>
1984	151.5	27.00	51.850	40.000	29.000	120.850
1985	151.5	27.00	52.067	40.000	29.000	121.067
1986	151.5	27.00	51.802	40.000	31.250	123.052
1987	151.5	27.00	51.298	46.000	31.250	128.548
1988	151.5	27.00	49.883	46.000	31.250	127.133
1989	151.5	27.00	50.086	46.000	35.000	131.086
1990	184.5	32.00	59.070	46.000	36.500	141.570
1991	184.5	32.00	58.995	46.000	36.500	141.495
1992	184.5	32.00	58.626	59.700	36.500	154.826
1993	184.5	32.00	58.870	59.700	36.500	155.070
1994	184.5	32.00	58.574	59.700	36.500	154.774
1995	184.5	32.00	58.569	59.700	36.500	154.769

1. Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
2. Includes levy by Allegheny County Institution District.

Sources: City; School District; Allegheny County.

See Appendix B, Table B-4 for a history of the assessed value of real estate, tax rates, levies, and collections of the City.

#### **Municipal Service Payments**

As a result of agreements with local non-profit institutions (Central Blood Bank, Presbyterian University Hospital, St. Francis Medical Center, University of Pittsburgh, Duquesne University, Shadyside Hospital and Allegheny General Hospital), beginning in 1989 the City will receive voluntary payments totalling \$25 million over 10 years to offset the cost of police, fire, emergency medical, and other municipal services which these institutions receive.

**TABLE 2  
CITY OF PITTSBURGH  
TEN LARGEST REAL ESTATE TAXPAYERS – 1995**

<u>Taxpayer</u>	<u>Principal Type of Business</u>	<u>1995 Assessed Valuation</u>	<u>Percentage of Total Tax Levied</u>
600 Grant Street Associates (USX Tower)	Real Estate	\$55,000,000	1.84%
500 Grant Street Associates (One Mellon Bank Center)	Real Estate	52,000,000	1.64%*
Market View Incorporated (Subsidiary of PPG Industries)	Real Estate	50,000,000	1.82%
PNC Bank, National Association	Commercial Banking	47,250,000	1.83%*
Oxford Development	Real Estate	33,642,600	1.28%
Equitable Life Assurance Society of the United States	Real Estate	26,005,340	1.42%*
Mellon Bank, N.A.	Commercial Banking	20,282,000	1.02%
Penn Liberty Holding Co.	Real Estate	17,812,500	0.66%*
Grant Liberty Development Group Company	Real Estate	18,125,000	0.82%
One Oliver Plaza Associates	Real Estate	14,625,000	0.53%

Source: City of Pittsburgh – Department of Finance

Note: The City has a bifurcated tax system wherein land is taxed at a higher rate than buildings. Percentages of total tax levied reflect the dual tax rate.

\*Despite ranking lower in assessment, this account has a higher land assessment than the higher ranked accounts, thereby commanding a larger percentage of total City tax levied.

### **Real Estate Assessment Practices**

Real property in the City is assessed by the Allegheny County Board of Property Assessment, Appeals, Review and Registry ("PAARR"). PAARR assesses all real estate at 25% of its fair market value as determined by PAARR. Taxpayers who believe an 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. Since any assessment reduction occurs after the City has levied its taxes based upon the assessment as originally determined by PAARR, 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. All non-real estate taxes, except the Deed Transfer Tax, which is payable at the time of transfer, and the Personal Property Tax, which is due July 31, 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.

The City levies the following non-real estate taxes:

**Earned Income Tax** – This tax is levied at the rate of 1.00% 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.

**Parking Tax** – A tax equal to 26% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City.

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

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

**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 the gross receipts of retail vendors of goods, wares, and merchandise.

**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** – This tax was rescinded in 1995 to comply with the RAD.

**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.

See Appendix B, Table B-5 for a history of non-real estate tax receipts of the City.

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

<u>Tax Base</u>	<u>1995 Tax Rates</u>			
	<u>City</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
Earned Income Tax .....	1.000%	1.875%	None	2.875%
Deed Transfer Tax .....	1.500%	0.750%	None	2.250%
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

Source: City of Pittsburgh – Department of Finance

**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, budgeted at \$53.2 million in 1995, represent approximately 16.3% of budgeted revenues in 1995.

General Fund revenues from the Commonwealth of Pennsylvania were estimated to be \$3.3 million in 1995. This amount represents approximately 1% of budgeted General Fund revenues in 1995.

## EXPENDITURES (CASH BASIS)

In 1994, approximately 43.6% of City Operating Funds were expended for employee wages with an additional 17.6% expended either to pay or fund retirement benefits and other employee benefits. The balance of expenditures from Operating Funds in 1994 include 14.5% for debt service, 20.8% for non-salary departmental expenditures (contractual services, supplies and materials, equipment, repairs, and utilities), and 3.5% for other miscellaneous expenditures (refunds, grants and other).

Wages are budgeted at 39% of City Operating Funds for 1995 and 18% of expenditures are budgeted for retirement and other employee benefits. Debt service is budgeted at 14% of Operating Funds. Department expenditures are 22% of the budget and miscellaneous expenditures are estimated at 7%.

### Employee Relations

Of the City's approximately 4,573 budgeted positions, only supervisory and managerial personnel, and employees of the City Controller and City Council, totaling approximately 559 positions, are not represented by a labor organization under Act 195 of 1970 or Act 111 of 1968 of the Commonwealth.

As shown in Table 4, the City has reduced the number of actual employees from 1984 to 1995 by 630 positions. The reductions occurred in many departments, including Environmental Services, Fire, Parks and Water.

**TABLE 4  
CITY OF PITTSBURGH  
CITY EMPLOYMENT**

<u>Year</u>	<u>Regular Budgeted Positions</u>	<u>Actual January Payroll</u>
1984	5,405	5,194
1985	5,412	5,063
1986	5,442	5,074
1987	5,456	4,886
1988	5,221	4,849
1989	5,257	4,896
1990	5,225	4,933
1991	5,094	4,886
1992	4,960	4,734
1993	5,019	4,698
1994	4,984	4,961
1995	4,573	4,564

Source: City of Pittsburgh – Department of Finance

The City's approximately 1,200 uniformed police officers are represented by the Fraternal Order of Police, Fort Pitt Lodge No. 1 and the City's approximately 900 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 30 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 other unionized employees are represented by five collective bargaining units 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** – General Teamsters, Chauffeurs and Helpers, Local Union No. 249;

**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 1994, the City concluded labor negotiations resulting in a 4-year contract for the blue collar workers and a 3-year contract for the recreation employees union. Blue collar employees received approximately 3% increases in 1995 and approximately 4% in the final three years. Recreation employees received a 3% increase in 1995, 1996, and 1997.

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.

The police, through binding arbitration, received an approximate 4% increase for fifth year officers and above for 1992. Ranks below fifth year are prorated based on rank: for 1993 an average increase of 4% and a wage re-opener in 1994 and 1995 that resulted in 4.5% increases in each year. Also included in the award is an early retirement incentive of 75% of pay for those officers who achieve 25 years of service and 50 years of age during the term of the contract. Currently, the FOP is renegotiating their contract for 1996.

Firefighters received a 5% increase effective July 1, 1995 and a 3.75% increase in 1996.

Refuse employees received a 3% increase effective July 1, 1995, 3% in 1996, 3% in 1997, and a 3% increase in 1998.

In 1994, the City concluded negotiations with the school crossing guards. A three-year contract was agreed to giving the school guards a 3% increase in 1995, a 1.5% increase effective January 1, 1996, another 1.5% increase effective July 1, 1996, and a 3% increase in 1997.

In 1994, the City also concluded negotiations with the white collar, foremen, and paramedics union resulting in 3-year contract settlements. For the white collar employees and foremen, increases are set at approximately 3% for all three years. Paramedics also received 3% in 1995, 1996, and 1997.

### **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. The Municipal Pension Fund covers all nonuniformed City employees. It is supported by contributions from the member employees of approximately 5% of salary for employees hired prior to December 31, 1987, 4% for those hired after January 1, 1988; the Commonwealth contributes an amount based on a formula from the proceeds of a 2% tax upon the premiums on non-Commonwealth casualty insurance and fire insurance companies; and a City contribution of any additional amounts required to satisfy state funding standards. The Police and Fire Pension Funds cover all sworn Police and Fire employees. These Funds are supported by contributions from three sources. Employees contribute approximately 5.9% of salary; the Commonwealth contributes an amount based on a formula from 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 required to satisfy state funding standards. The combined unfunded prior service liability for the three Funds as of January 1, 1994, was \$515,338,000.

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (the "Recovery Act"), which has significantly improved the administration and funding of all municipal pension plans. The Recovery Act made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities. Additionally, the Recovery Act changed the basis for distribution of state pension aid, which has translated into a five-fold increase in the amount of state pension aid received by the City.

Prior to the passage of the Recovery Act, the City received approximately \$4 million annually from the State earmarked for pensions. In 1994, the City received over \$15.7 million in general state pension aid plus another \$1.1 million in supplemental aid. The supplemental aid program will be short-term in duration and the amount received will decrease each year.

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

In 1988, the City opted out of the 15-year phase-in optional remedy since its pension contributions were already exceeding the amount required by Act 205. In its place, the City adopted a planned schedule of pension contributions, which began in 1989 at a level of \$12 million and increases by \$500,000 every other year.

In 1986 the City established the Pittsburgh Pension Trust Fund, as a reserve fund, to assist in funding the City's pension liability. The City terminated the Pittsburgh Pension Trust Fund, and utilized the proceeds over a two year period to fund pensions. Approximately \$10.8 million dollars was transferred to the Comprehensive Municipal Pension Trust in 1992 to satisfy the City's Minimum Municipal Obligation and the remaining \$7 million dollars was transferred in January 1993 to help fund a portion of the City's 1993 Minimum Municipal Obligation. No pension reserve fund currently exists.

See Appendix B, Table B-6 for a history of the City's pension contributions, and Table B-7 for a projection of the City's future pension contributions.

## CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program is a six-year plan revised annually. Consequently, projects planned for future years may be canceled, 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 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.

The City's philosophy toward its capital program is based on three objectives, (1) maintaining existing facilities rather than building new facilities, (2) establishing ongoing maintenance and repair programs to minimize long-term capital costs, and (3) matching the City's infrastructure needs to anticipated demographic shifts, while recognizing those shifts which have already occurred. Based upon this philosophy, the City determines which facilities can be closed or consolidated and, in rare cases, expanded. The City has developed a capital program that is financed, in part, by maximizing outside funding sources to assist the City in this effort.

### **Anticipated Borrowings – 1995 and After**

The adopted 1995-2000 Capital Improvement Program again emphasized the maintenance of roads and bridges, as well as the maintenance of existing parks and recreation facilities.

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 four Bridge Bills by the Pennsylvania legislature committing the Commonwealth to over \$2.4 billion in programs for bridge improvements through a combination of federal, state, and local funding. As a result, it is anticipated that the state will cover 80% of the cost of rehabilitating a bridge. Approximately 50% of the City's bridge rehabilitations and repairs will be financed through this program, while 90% of the City's bridges will be renovated using a combination of federal and state funds. 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, as well as to close facilities that are no longer needed or those that are in poor condition. In the past three years, the City has privatized four major recreational facilities. These include the Aviary, the Pittsburgh Zoo, Schenley Golf Course and Phipps Conservatory. It is anticipated that funds previously used to support these facilities can now be used for other infrastructure needs.

In addition to the above programs, the City receives Community Development Block Grant funds, and federal HOME and HOPE funds (through the National Affordable Housing Act), 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 1995 Community Development Block Grant totaled \$23,112,000. Grants for a variety of economic development and housing purposes are also received through several Federal and Commonwealth grant programs.

The City anticipates that the proceeds of the Bonds will be sufficient to meet the costs of the City's capital projects over the next several years.

## 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 generally include all revenues of the City, but exclude certain revenues set forth in the Act.

The Bonds will be issued as nonelectoral debt of the City, without the approval of the electorate. 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 to be 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 5. Table B-8 of Appendix B and the accompanying notes present a composite summary of the City's direct and overlapping debt as of September 1, 1995. Table B-9 of Appendix B details the debt service obligations on outstanding debt of the City as of September 1, 1995.

The City's debt history over the last five years is set forth in Table 6. The debt categories correspond to the major section headings in Table B-8. 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 5  
CITY OF PITTSBURGH  
NET DEBT AND REMAINING DEBT INCURRING MARGIN  
IN ACCORDANCE WITH LOCAL GOVERNMENT UNIT DEBT ACT  
SEPTEMBER 1, 1995**

	Fiscal Year		
	1992	1993	1994
<b>DEBT INCURRING MARGIN</b>			
Total Net Revenue of City	\$339,379,512	\$335,536,519	\$336,116,213
Borrowing Base			<u>\$337,010,748</u>
	<u>Net Nonelectoral Debt (Borrowing Base x 250%)</u>	<u>Net Nonelectoral and Lease Rental Debt (Borrowing Base x 350%)</u>	
Debt Limitations	\$842,526,870	\$1,179,537,618	
Less: Net Debt As of September 1, 1995	<u>474,303,801</u>	<u>531,613,879</u>	
Subtotal	\$368,223,069	\$ 647,923,739	
Less: General Obligation Bond, Series 1995A	75,000,000	75,000,000	
General Obligation Refunding Bond, Series 1995B	104,705,000	104,705,000	
Plus: General Obligation Bonds being refunded:			
Series of 1985	8,825,000	8,825,000	
Series A of 1986	63,465,000	63,465,000	
Series B of 1986	<u>15,100,000</u>	<u>15,100,000</u>	
Remaining Debt Incurring Margin	<u>\$275,908,069</u>	<u>\$ 555,608,739</u>	

Source: City of Pittsburgh – Office of the City Controller

See Appendix B, Table B-8 for a statement of the direct and overlapping debt of the City, and Table B-9 for annual debt service obligations of the City.

**TABLE 6  
CITY OF PITTSBURGH  
DEBT HISTORY  
1989-1994**

	December 31,					
	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Gross Bonded Debt (in millions) .....	\$395.1	\$382.4	\$413.4	\$484.8	\$485.6	\$503.8
Gross Direct Debt (in millions) .....	746.4	733.0	758.4	819.4	828.4	819.3
Net Direct Debt (in millions) .....	450.6	442.5	484.2	549.6	517.3	548.3
Overall Net Debt (in millions) .....	693.0	690.2	801.1	875.5	851.4	893.7
Net Direct Debt/Per Capita .....	\$1,062.88	\$1,196.40	\$1,309.15	\$1,485.98	\$1,398.48	\$1,482.32
Overall Net Debt/Per Capita .....	\$1,634.77	\$1,866.14	\$2,165.72	\$2,367.05	\$2,301.75	\$2,416.24
Net Direct Debt/A.V. ....	22.77%	21.37%	23.22%	25.92%	25.16%	26.48%
Overall Net Debt/A.V. ....	35.03%	33.33%	38.42%	41.29%	41.41%	43.17%
Net Direct Debt/F.M.V. ....	5.69%	5.34%	5.81%	6.48%	6.29%	6.62%
Overall Net Debt/F.M.V. ....	8.76%	8.33%	9.60%	10.32%	10.35%	10.79%

Note: City Population is 423,938 for 1988-89 and 369,879 for 1990-94.

Source: City of Pittsburgh – Department of Finance, Management and Budget and City Controller.

### 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.

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, 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 may be re-elected for subsequent consecutive terms without limitation.

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

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

The legislative power of the City is vested by the Charter in the City Council, which consists of nine members, all of whom are elected by district to four-year terms that are staggered so that four members are elected at the same time as the Mayor. Members are eligible to succeed themselves 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

**TOM MURPHY, Mayor** — Mr. Murphy began his term as Mayor in January 1994, after serving for fifteen years as a state legislator. While in the Pennsylvania House of Representatives, Murphy authored the Ben Franklin Partnership, legislation that is used as a model nationwide for creating jobs and economic opportunity by leveraging research activity. Prior to his seat in the State House, Mr. Murphy was the Executive Director of the North Side Civic Development Corporation (1976-78), and Executive Director of the Perry Hilltop Citizens Council (1973-76). Mr. Murphy has a masters degree in Urban Studies from Hunter College and is a Peace Corps veteran (1970-72).

**TOM FLAHERTY, Controller** — Mr. Flaherty was first elected City Controller in 1983 and was reelected in 1987. He was recently re-elected to a new four-year term which began January, 1992. 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.

**PAUL HENNIGAN, Director of Finance** — Mr. Hennigan has a Master's Degree in Public Administration from the University of Pittsburgh. Previously, he worked as an Executive Assistant to the County Administrator and Senior Management Analyst at Carnegie Mellon University where he was the Project Manager for the Allegheny County Strategic Management Project. Mr. Hennigan also completed the Governor's Management Training Program.

**ROWAN MIRANDA, Ph.D., Budget Director** — Dr. Miranda holds a doctorate from the Harris Graduate School of Public Policy Studies, University of Chicago. Before joining the City, Dr. Miranda taught public budgeting and finance at the University of Pittsburgh's Graduate School of Public and International Affairs. He has served as a consultant on public finance related issues to several government and nonprofit organizations.

### Members of City Council

**JIM FERLO, President of City Council** — Mr. Ferlo has been a member of City Council since January 1988. He previously served as Chairman of the Planning, Housing and Development Committee. Prior to being elected to Council, he served as Entrepreneurial Development Coordinator for the Western Pennsylvania Advanced Technology Center.\*

**DAN COHEN** — Mr. Cohen was elected to City Council in November 1993. He is Chairman of the Public Safety Committee. Prior to being elected to Council, he was a practicing attorney with the law firm of Kirkpatrick & Lockhart. Mr. Cohen is a member of the Allegheny County Bar Association. Mr. Cohen serves on the Board of The Carnegie, the United Way of Allegheny County, the Lupus Foundation, Step-by-Step Mental Health/Retardation Corporation and the Alpha House Drug Rehabilitation Center.\*

**JOSEPH CUSICK** — Mr. Cusick was elected to City Council in November 1993 and took office in January 1994. Mr. Cusick serves as Chairman of the Engineering and Construction Committee. Prior to his election he was the Executive Secretary to the Allegheny County Prothonotary and prior to that, an Executive Assistant to City Councilman Michael Coyne.\*

**ALAN HERTZBERG** — Mr. Hertzberg was elected to City Council in November 1993. He serves as Chairman of the Parks and Recreation Committee. Prior to being elected to City Council, he was a practicing attorney with his own practice. Mr. Hertzberg is a member and past president of the Kiwanis Club of Sheraden.\*

**VALERIE McDONALD** — Ms. McDonald was elected to City Council in November, 1994. She serves as Chairperson of the Housing, Economic Development and Promotion Committee. Prior to being elected to City Council she was the President of the Board of Public Education of the School District of Pittsburgh. Ms. McDonald serves on the Board of the Parking Authority of the City of Pittsburgh and also serves on the Board of The Carnegie.\*

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\*Pursuant to City Charter, each councilman serves as a member of the Board of one of the City's Authorities.

BOB O'CONNOR — Mr. O'Connor has been a member of City Council since January 1992 and he is chairman of the General Services Committee. For the twenty years prior to his election he was employed as vice-president of Pappan's Enterprises. He currently sits on the Board of Directors of the St. Francis Hospital Foundation, and is active in its Courage to Come Back Campaign. Bob is also active in Project Bundle Up, Special Olympics, The Pappan Annual Senior Citizens Picnic and in the University of Pittsburgh's Greek Week as well as The University of Pittsburgh's Institute of Politics. Additionally, he is a member of the Mayor's Food Policy Commission, The Golden Triangle Association, the Squirrel Hill Urban Coalition, The Executive Centennial Committee of Phipps Conservatory, and St. Philomena's Parish Council and its Finance Committee. Bob is the chairman of Pittsburgh's annual "Be a Sport Day." \*

DAN ONORATO — Mr. Onorato was elected to City Council in November 1991. He is Chairman of the Finance Committee. Prior to being elected to Council, he was a practicing attorney with the law firm of Rich, Fluke, Tishman and Rich. Before Mr. Onorato became an attorney, he practiced as a C.P.A. with Grant Thornton. Mr. Onorato also sits on the Board of The Carnegie.\*

EUGENE RICCIARDI — Mr. Ricciardi was elected to City Council in November 1989 and serves on the Engineering and Construction Committee. Prior to being elected to Council, he worked as Urban Planner for the Allegheny County Department of Planning for ten years. Mr. Ricciardi is on the Board of Directors of the Brashear Association, the Southside Community Council and the Three Rivers Rotary Club.\*

SALA UDIN — Mr. Udin was elected to City Council on May 16, 1995 in a special election to replace deceased councilman Christopher Smith. Mr. Udin is chairman of the Planning, Zoning & Land Use 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 the approval of City Council. The Charter also provides that the Mayor shall, subject to the approval of City Council, appoint the City Solicitor, the members of all boards and commissions, and, except as otherwise required by law, all members of authorities. Under the Charter, a member of City Council must serve on each authority board, but no member may serve on more than one board 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 the City Controller, City Council and the Human Relations Commission are empowered to retain their own counsel. The Department of Personnel and the Civil Service Commission administer all the City's personnel policies, civil service requirements and the City's 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 park land and provides recreational facilities to the City residents.

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\*Pursuant to City Charter, each councilman serves as a member of the Board of one of the City's Authorities.

## 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, including the baseball franchise.

The Stadium Authority has the responsibility for all operating facets of the Stadium, including maintenance, concessions, scheduling extra events and maintaining the adjacent parking areas. The Stadium Authority receives 30% of net concession revenues from all Pirates and Steelers games and 100% from all other events. In addition, the Stadium Authority receives an annual bond service charge of \$5,000 or \$10,000 per lounge box on certain lounge boxes. Other revenue includes 10% of the gross receipts from the Pirates and Steelers games, and all revenue generated from other Stadium events. In June 1992, the City issued its 1992A General Obligation Bonds and placed the proceeds in escrow so that the Stadium Authority could partially redeem their Guaranteed Stadium Refunding Bonds, Series 1985. The Stadium Authority has agreed to repay the City for debt service payments on the 1992A Bonds. In September of 1993, the Stadium Authority issued \$15,945,000 of Guaranteed Stadium Refunding Bonds, Series 1993. The proceeds from this issue were used to partially refund the Guaranteed Stadium Refunding Bonds, Series 1986.

**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 Deputy 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.

**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.

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 from the Auditorium Authority to the Civic Arena (the "Sublease"). With the consent of the Auditorium Authority, the Sublease, as amended, was assigned by CAC to SMG Pittsburgh L.P., a Delaware limited partnership doing business in Pennsylvania as Pittsburgh Arena, L.P. ("SMG"). The assignment was effective as of November 1, 1991. Under the Sublease, as amended, SMG makes rental payments equal to a portion of the debt service requirements on the Authority's Auditorium Bonds, 1978 Series C, and the Urban Redevelopment Authority of Pittsburgh's Urban Renewal Bonds, Series 1958 (collectively, the "Civic Arena Bonds") with the remainder being paid by the City and the County pursuant to a supporting agreement with respect to those bonds. The term of the Sublease, as amended, expires on June 30, 1997, with SMG having options to renew for 16 consecutive periods of five years, each subject to conditions as set forth in the Sublease, as amended, and in the Consent to Assignment of Sublease (the "Consent") dated October 24, 1991, as executed by the Auditorium Authority and SMG. By the terms of the Consent, SMG has exercised its option to renew the Sublease for the initial two renewal periods of five years each so that with the exercise of the option, the current term expires June 30, 2007.

In addition, the Department of General Services of the Commonwealth of Pennsylvania 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 5% percent County-wide hotel tax. The Convention Center receives approximately two-thirds of the revenue generated by the hotel tax. The City and County agreed in the lease to share equally any operating deficits. To date, the Convention Center has been self-sufficient.

The Auditorium Authority also provided funding for the renovation of the former Stanley Theatre, which is now known as the Benedum Center for the Performing Arts. Debt service requirements on the bonds used for this project are shared equally by the City and the County. The Auditorium Authority leases the Benedum to the Pittsburgh Trust for Cultural Resources which oversees its operation.



## 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.

**Housing Authority of the City of Pittsburgh.** The Housing Authority of the City of Pittsburgh (the "Housing Authority") was established to acquire and maintain properties to provide low-income housing for residents of the City. Rental charges and subsidies from Federal Department of Housing and Urban 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") parking system consists of ten parking garages with 8,372 spaces and 39 off-street surface parking lots with 3,211 spaces. 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. The Parking Authority has never experienced an operating deficit. Neither operating deficits nor the debt service on the Parking Authority's bonds is guaranteed by the City.

**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. Pursuant to a lease and management agreement dated March 29, 1984 between the Authority and the City (the "Lease"), the Water and Sewer System was leased to the Authority. 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.

Pursuant to a Capital Lease Agreement dated July 15, 1995, the Authority and the City terminated the Lease. The Capital Lease Agreement, which has a term of 30 years, provides for payments totalling approximately \$101,417,000 to be made to the City during the initial three years and further provides that on September 1, 2025, upon payment of one dollar (\$1.00) the Authority will acquire title to the Water and Sewer System.

Concurrently with entering into the Capital Lease Agreement, the City and the Authority entered into a Cooperation Agreement, dated as of June 15, 1995 pursuant to which the City will provide certain specified engineering, communications, vehicle maintenance, legal, information and financial services to the Authority on a fee for services basis and the Authority shall make certain other payments to the City to reimburse it for costs and capital expenses incurred by the City in regard to the operation and maintenance of the Sewer System.

## School District

The School District of Pittsburgh (the "School District") is organized under P.L. 30, the Public School Code of 1949, as amended. The School District is within the boundaries of the City and Mt. Oliver Borough and is administered by the Board of Public Education, which consists of nine elected members, each representing one of nine districts. The Board of Public Education operates a public school system serving a total pupil enrollment of 39,728 as of October, 1994.

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

Revenues of the School District are derived primarily from Commonwealth subsidies and from real estate and earned income taxes levied. In 1980, reimbursements from the Commonwealth were approximately 36.4% of the total School District revenues. In 1990, Commonwealth school reimbursements were 33.54% of estimated total School District receipts. Budget projections for 1995 call for 39.6% of the District's receipts to be from the Commonwealth reimbursements.

The beginning General Fund balance for the School District was budgeted at \$12,595,000 for 1995. The School District's financial statements are examined by independent auditors in conformance with the Single Audit Act of 1984.

The Board of Public Education increased Real Estate and Deed Transfer taxes for the School District in 1993. The earned income tax rate is 1.875%, and the real estate rate is 59.7 mills. The School District also levies a mercantile license tax of 1/2 mill for wholesale and 1 mill for retail establishments, and a deed transfer tax of 0.75% on sales of real estate. Effective 1995, the School District will no longer be authorized to levy a personal property tax. In its place, the Legislature has directed the City of Pittsburgh to pay the School District a sum equal to the projected loss of revenue. The source of these funds to the City is its share of a recently-enacted County sales tax of 1%.

In 1995, the School District operated 91 buildings, including 85 schools, the Board of Public Education headquarters building, a service center/warehouse, a food center, two (2) regional administrative offices and an OVT center. Approximately 86% of the school buildings were constructed prior to 1960. The School District is involved in continuing school improvement and major maintenance programs; the 1995 program was funded through the issuance of \$13,070,000 of general obligation bonds.

The School District has \$138,442,798 of outstanding debt on November 1, 1995. Approximately 5.56% of the School District's 1994 operating budget was applied to debt service.

The School District's approximately 3,321 professional, para-professional and technical/clerical personnel are represented by the Pittsburgh Federation of Teachers. The labor agreements with this union expire December, 1998. In addition, the School District employs approximately 1,084 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 December 31, 1996 and approximately 72 skilled trade employees who are members of the Pittsburgh Building and Construction Trades Council whose contract expires on January 15, 1996. The School District also employs 263 administrative and non-represented personnel.

### **Allegheny County**

The City is located entirely within the boundaries of Allegheny County (the "County") and comprises 7.5% of the area within the County. The 1990 Census reflects a County population of 1,336,449, of which 369,879 (27.68%) 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 Regional Hospitals, the Department of Children and Youth Services, the Department of Adult Services and the Health Department.

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 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 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 301,227 customers, of which 116,139 are City residents. Appointments to the Alcosan seven-member board are made by the City (three members) and the County (three members) and by the City and County jointly (one member). The City guarantees payment of any delinquent sewage accounts of City residents. In 1994, the City purchased delinquencies totaling \$1,475,612 from Alcosan and collected \$1,452,137 of all outstanding delinquencies.

## LITIGATION

The city is a defendant in litigation incidental to the performance of its governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract, condemnation proceeding and other violations of law.

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

## 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 has enacted such authorizing 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.

## TAX EXEMPTION AND OTHER TAX MATTERS

### **Federal Tax Exemption**

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under existing laws, regulations and judicial decisions, interest on the Bonds (including any original issue discount allocable to a holder thereof) (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth above is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be and remain to be excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

### **Pennsylvania Tax Exemption**

Bond Counsel will also issue an opinion on the date of closing to the effect that under the laws of the Commonwealth, as presently enacted and construed on the date hereof, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax. Profits, gains and income derived from the sale, exchange or other disposition of the Bonds (other than any accruals of original issue discount treated as interest) is subject to state and local taxation.

## Other Tax Matters

Under the Code, interest on otherwise tax-exempt bonds may in certain situations be subject to the alternative minimum tax as either an item of tax preference or as an adjustment in computing alternative minimum taxable income. Interest on the Bonds will not be treated as an item of tax preference for individuals or corporations. With respect to corporations, the Code requires that an adjustment (the "Book Income Adjustment") be made in computation of the corporation's alternative minimum taxable income in an amount equal to 50% of the excess of the corporation's "adjusted earnings and profits" over an amount equal to the corporation's alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). Interest on the Bonds will be included in adjusted net book income and adjusted current earnings for corporations, and therefore, may be subject to the alternative minimum tax as a result of the Book Income Adjustment.

Section 59A of the Code imposes on corporations an environmental tax equal to 0.12% of the excess of the corporation's modified alternative minimum taxable income for the taxable year over \$2 million. This environmental tax applies to taxable years beginning after December 31, 1986 and before January 1, 1992. Modified alternative minimum taxable income includes the Book Income Adjustment.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including but not limited to the following. For federal income tax purposes, interest on indebtedness incurred or continued to purchase or carry the Bonds is not deductible. In the case of banks and certain other financial institutions, the determination of the amount of interest expense attributable (and therefore not deductible) to ownership of tax-exempt obligations such as the Bonds is generally based upon the ratio of the taxpayer's adjusted basis for all assets of the taxpayer. Life insurance companies must include tax-exempt interest, including interest on the Bonds, in computing the amount of income or deductible expense for federal income tax purposes with respect to certain insurance reserves. The deduction allowed property and casualty companies for losses incurred will be reduced by 15% of such companies' tax-exempt income, including interest on the Bonds. Interest on the Bonds is included in modified adjusted gross income in determining the taxability for Federal income tax purposes of social security or railroad retirement benefits. Interest on the Bonds also may be includable in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the cost of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation's passive investment income. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of these or any other collateral consequences.

## CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") the City (the "Obligated Person") will agree pursuant to the Resolution and a Continuing Disclosure Certificate dated as of December 1, 1995, to be delivered on the date of delivery of the Bonds, to cause the following information to be provided:

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID") certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix A: City of Pittsburgh General Purpose Financial Statements" and "Appendix B: Certain Financial and Operating Data of the City of Pittsburgh" ("annual financial information"); such information shall be provided on or before August 1, 1997 and August 1 of each year thereafter, as long as the Bonds remain outstanding or are not defeased, for the fiscal year ending on the preceding December 31.
- (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:
  - (1) Principal and interest payment delinquencies;
  - (2) Non-payment related defaults;
  - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinion or events affecting the tax-exempt status of the security;
  - (7) Modifications to rights of security holders;
  - (8) Bond calls, except for mandatory scheduled redemptions not otherwise dependent upon the occurrence of an event;
  - (9) Defeasances;
  - (10) Release, substitution, or sale of property securing repayment of the securities;
  - (11) Rating changes; and
- (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure of the Obligated Person (that the Obligated Person has knowledge of) to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

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

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

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

## 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 the Bonds are legal investments for Commonwealth banks and trust companies, savings banks and insurance companies and are acceptable security for deposits of the funds of the Commonwealth.

## FINANCIAL STATEMENTS

Attached hereto as Appendix A are the audited general purpose financial statements of the City for the fiscal year ended December 31, 1994 and the report thereon of KPMG Peat Marwick, certified public accountants. Such financial statements have been included herein in reliance upon the reports of KPMG Peat Marwick and other certified public accountants and upon the authority of said firms as experts in auditing and accounting.

## BOND RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Rating Group have assigned ratings of "Aaa" and "AAA", respectively, to the Bonds, with the understanding that, upon delivery of the Bonds, the Financial Guaranty Policy will be issued by Financial Guaranty. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Corporation, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased by Lehman Brothers (the "Underwriter"). The Underwriter has agreed, subject to certain customary conditions precedent to closing, to purchase the Series A Bonds from the City at an aggregate purchase price of \$73,211,721.00 (which includes an underwriter's discount of \$361,500.00 and an original issue discount of \$1,426,779.00) and the Series B Bonds at an aggregate purchase price of \$102,780,590.00 (which includes an underwriter's discount of \$474,314.00 and an original issue discount of \$1,450,096.00) plus, in each case, accrued interest from the date of the Bonds to the date of settlement.

## FINANCIAL ADVISOR

Grant Street Advisors served as financial advisor to the City with respect to the initial sale of the Bonds. The financial advisor assisted in the preparation of this Official Statement, and in other matters relating to the planning, structuring and issuance of the Bonds, and provided other advice.

## LEGAL OPINIONS

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

Certain legal matters relating to the City will be passed upon by Jacqueline Morrow, Esquire, the City Solicitor. Certain other legal matters will be passed upon by Peck, Shaffer & Williams, Pittsburgh, Pennsylvania and Ford & Council, Pittsburgh, Pennsylvania, as Co-Disclosure Counsel.

## FURTHER INFORMATION

The references herein to and summaries of federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Act 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 Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. This Official Statement is not to be construed as a contract among the City and the purchasers or holders of any of the Bonds.

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

CITY OF PITTSBURGH

By: /s/ Tom Flaherty  
Controller

By: /s/ Paul Hennigan  
Director of Finance

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**APPENDIX A**

**CITY OF PITTSBURGH**

**General Purpose Financial Statements**

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**CITY OF PITTSBURGH, PENNSYLVANIA**  
**Comprehensive Annual Financial Report**  
**Year Ended December 31, 1994**

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**CITY OF PITTSBURGH, PENNSYLVANIA**

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CITY OF PITTSBURGH, PENNSYLVANIA

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**Independent Auditors' Report**

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

We have audited the general purpose financial statements of the City of Pittsburgh, Pennsylvania as of and for the year ended December 31, 1994, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Pittsburgh Water and Sewer Authority which statements reflect total assets and operating revenues comprising 100 percent of the proprietary fund type under primary government. We did not audit the financial statements of the Public Parking Authority of Pittsburgh and the Stadium Authority of the City of Pittsburgh which statements reflect total assets and operating revenues comprising 100 percent of the discretely presented component units. We did not audit the financial statements of the following City of Pittsburgh Pension Trust Funds: Comprehensive Board, Municipal Plan, Police Plan, and Fire Plan, which statements reflect total assets and revenues comprising 68 percent and 97 percent, respectively, of the related Fiduciary Fund totals. The financial statements mentioned in the preceding sentences 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 reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Pittsburgh, Pennsylvania, at December 31, 1994, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in note (8), the City has vested pension benefit obligations which are significantly in excess of related available assets.



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

As discussed in notes (21) and (22), the City adopted the provisions of Statement 22 of the Government Accounting Standards Board, "Accounting for Taxpayer Assessed Revenues in Governmental Funds" and the provisions of Statement 16 of the Government Accounting Standards Board, "Accounting for Compensated Absences."

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and individual account group financial statements and schedules listed in the accompanying 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 audit of the general purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The schedules of supplementary pension disclosures listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information or other information in the introductory or statistical section as set forth in the table of contents and, therefore, express no opinion thereon.

*KPMG Peat Marwick LLP*

Pittsburgh, Pennsylvania  
April 24, 1995



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CITY OF PITTSBURGH,  
PENNSYLVANIA

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CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Balance Sheet - All Fund Types, Account  
 Groups, and Component Units  
 December 31, 1994

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and other debits</b>				
<b>Assets:</b>				
Cash and Investments (note 3)	\$ 6,215,937	\$ 11,398,607	\$ 2,129,588	\$ 39,375,328
Receivables:				
Real estate tax (net of uncollectible accounts of \$15,770,583)	4,701,517	0	0	0
Sewage charges (net of uncollectible accounts of \$6,529,404)	1,433,284	0	0	0
Personal property tax (net of uncollectible accounts of \$297,000)	17,926	0	0	0
Other taxes receivable (note 21)	7,559,040	0	0	0
Other	3,236,515	2,646,962	0	0
Accounts receivable (net of uncollectible accounts of \$17,518,000)	0	0	0	0
Contributions receivable	0	0	0	0
Accrued interest	98,474	42,671	131,227	0
Prepaid expenditures	1,322,505	0	0	0
Due from other funds (note 13)	5,458,005	50,527	0	7,710,851
Due from other governments (note 12)	3,169,322	4,820,883	0	1,948,371
Inventories, at cost	1,724,173	0	0	0
Trusteed and restricted funds (notes 20 and 5)	3,569,250	0	0	0
Property, plant and equipment (Enterprise Funds net of \$72,500,000 accumulated depreciation) (note 7)	0	0	0	0
Other noncurrent assets	0	0	0	0
<b>Other Debits:</b>				
Amount available in debt service funds for retirement of bonds	0	0	0	0
Amount to be provided for retirement of bonds	0	0	0	0
Amount to be provided for other long-term obligations	0	0	0	0
<b>Total assets</b>	<b>\$ 38,505,948</b>	<b>\$ 18,959,650</b>	<b>\$ 2,260,815</b>	<b>\$ 49,034,550</b>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Group		Primary Government (Memorandum Only)	Component Units	Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-term Debt			
Enterprise	Trust and Agency			Total	Discrete	Total
\$ 2,765,000	\$ 149,088,417	\$ 0	\$ 0	\$ 210,972,877	\$ 7,612,917	\$ 218,585,794
0	0	0	0	4,701,517	0	4,701,517
0	0	0	0	1,433,284	0	1,433,284
0	0	0	0	17,926	0	17,926
0	0	0	0	7,559,040	0	7,559,040
0	135,793	0	0	6,019,270	0	6,019,270
13,772,000	0	0	0	13,772,000	1,994,267	15,766,267
0	594,425	0	0	594,425	0	594,425
0	740,131	0	0	1,012,503	383,181	1,395,684
5,400,000	0	0	0	6,722,505	207,452	6,929,957
0	100,698	0	0	13,320,081	0	13,320,081
0	0	0	0	9,938,576	0	9,938,576
0	0	0	0	1,724,173	0	1,724,173
44,669,000	0	0	0	48,238,250	8,367,722	56,605,972
172,456,000	0	184,801,267	0	357,257,267	104,844,972	462,102,239
2,660,000	0	0	0	2,660,000	14,387,893	17,047,893
0	0	0	2,076,288	2,076,288	0	2,076,288
0	0	0	508,530,770	508,530,770	0	508,530,770
0	0	0	344,688,714	344,688,714	0	344,688,714
<u>\$ 241,722,000</u>	<u>\$ 150,659,464</u>	<u>\$ 184,801,267</u>	<u>\$ 855,295,772</u>	<u>\$ 1,541,239,466</u>	<u>\$ 137,798,404</u>	<u>\$ 1,679,037,870</u>

(Continued)

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Liabilities, equity and other credits				
Liabilities:				
Accounts payable	16,661,649	2,922,200	0	4,350,995
Retainage payable	0	22,984	0	750,075
Accrued interest payable	0	0	184,527	0
Accrued liabilities	5,455,245	860,458	0	145,658
Deferred compensation payable	0	0	0	0
Due to other funds (note 13)	0	4,953,950	0	1,074,837
Grants payable to primary government	0	0	0	0
Due to other governments	1,488,479	0	0	0
Deposits held in trust	0	0	0	0
Liabilities payable from trusteed and restricted funds	0	0	0	0
Bonds payable, net (note 10)	0	0	0	0
Capital lease obligations (note 10G)	0	0	0	0
Deferred loan (note 10H)	0	0	0	0
Accrued pension costs (notes 8 and 10H)	0	0	0	0
Accrued workers' compensation	17,000,000	0	0	0
Accrued compensated absences (note 22)	17,366,120	0	0	0
Accrued claims and judgements	3,000,000	0	0	851,500
Deferred revenue, principally real estate taxes	5,038,338	0	0	0
Deferred prepayment (note 4)	5,399,725	0	0	0
<b>Total liabilities</b>	<b>71,409,556</b>	<b>8,759,592</b>	<b>184,527</b>	<b>7,173,065</b>
Equity and other credits:				
Contributed capital (note 15)	0	0	0	0
Investment in general fixed assets	0	0	0	0
Retained earnings (accumulated deficit): (note 17)	0	0	0	0
Fund balances:				
Reserved for:				
Endowments	0	0	0	0
Inventories	1,724,173	0	0	0
Encumbrances	1,393,042	1,034,885	0	11,673,057
Employee retirement system	0	0	0	0
Prepaid expenditures	1,322,505	0	0	0
Unreserved:				
Designated for debt service	0	0	2,076,288	0
Designated for subsequent years' expenditures	0	1,497,423	0	30,188,428
Undesignated (note 17)	(37,343,328)	7,667,750	0	0
<b>Total fund equity and other credits</b>	<b>(32,903,608)</b>	<b>10,200,058</b>	<b>2,076,288</b>	<b>41,861,485</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 38,505,948</b>	<b>\$ 18,959,650</b>	<b>\$ 2,260,815</b>	<b>\$ 49,034,550</b>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Group		Primary Government (Memorandum Only)	Component Units	Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-term Debt			
Enterprise	Trust and Agency			Total	Discrete	Total
11,000	1,866,647	0	0	25,812,491	7,455,990	33,268,481
0	0	0	0	773,059	0	773,059
0	0	0	0	184,527	0	184,527
0	0	0	0	6,461,361	0	6,461,361
0	35,902,478	0	0	35,902,478	0	35,902,478
0	7,291,294	0	0	13,320,081	0	13,320,081
0	0	0	0	0	20,531,104	20,531,104
0	144,699	0	0	1,633,178	0	1,633,178
0	1,435,865	0	0	1,435,865	0	1,435,865
5,616,000	0	0	0	5,616,000	8,717,360	14,333,360
248,734,000	0	0	510,607,058	759,341,058	103,860,458	863,201,516
0	0	0	4,411,714	4,411,714	0	4,411,714
0	0	0	3,834,000	3,834,000	0	3,834,000
0	0	0	227,553,000	227,553,000	0	227,553,000
0	0	0	91,245,000	108,245,000	0	108,245,000
0	0	0	13,345,000	30,711,120	0	30,711,120
0	0	0	4,300,000	8,151,500	0	8,151,500
1,265,000	0	0	0	6,303,338	0	6,303,338
0	0	0	0	5,399,725	0	5,399,725
<u>255,626,000</u>	<u>46,640,983</u>	<u>0</u>	<u>855,295,772</u>	<u>1,245,089,495</u>	<u>140,564,912</u>	<u>1,385,654,407</u>
5,277,000	0	0	0	5,277,000	12,347,719	17,624,719
0	0	184,801,267	0	184,801,267	0	184,801,267
(19,181,000)	0	0	0	(19,181,000)	(15,114,227)	(34,295,227)
0	244,529	0	0	244,529	0	244,529
0	0	0	0	1,724,173	0	1,724,173
0	31,673	0	0	14,132,657	0	14,132,657
0	103,211,971	0	0	103,211,971	0	103,211,971
0	447,984	0	0	1,770,489	0	1,770,489
0	0	0	0	2,076,288	0	2,076,288
0	4,900	0	0	31,690,751	0	31,690,751
0	77,424	0	0	(29,598,154)	0	(29,598,154)
<u>(13,904,000)</u>	<u>104,018,481</u>	<u>184,801,267</u>	<u>0</u>	<u>296,149,971</u>	<u>(2,766,508)</u>	<u>293,383,463</u>
<u>\$ 241,722,000</u>	<u>\$ 150,659,464</u>	<u>\$ 184,801,267</u>	<u>\$ 855,295,772</u>	<u>\$ 1,541,239,466</u>	<u>\$ 137,798,404</u>	<u>\$ 1,679,037,870</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For the fiscal year ended December 31, 1994

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes, including penalty and interest	\$ 248,829,433	\$ 0
Payment in lieu of taxes	4,644,016	0
Interest and Dividends	2,322,971	238,119
Fines and Forfeits	6,471,009	0
Licenses and Fees	9,510,783	0
Intergovernmental revenues	4,199,924	36,834,966
Charges for user services	0	16,567,750
Miscellaneous	2,321,890	23,714
	278,300,026	53,664,549
Total revenues		
Expenditures:		
Current Operating:		
General government	17,882,204	9,721,064
Public safety	113,919,506	15,958,921
Public works	30,711,926	7,534,320
Sanitation	11,965,416	0
Community, recreation, and cultural	8,064,084	6,592,874
Employee Benefits	60,129,155	0
Claims and judgements	312,925	0
Miscellaneous	3,075,223	0
Intergovernmental programs	0	17,899,394
Capital projects	0	1,334,464
Bond issuance cost	0	0
Debt Service		
Principal retirement and lease payments	1,480,628	0
Interest and fiscal charges	260,373	0
Authorities debt subsidies	3,318,956	0
	251,120,396	59,041,037
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	27,179,630	(5,376,488)

The notes to the financial statements are an integral part of this statement.

				Fiduciary Fund Type	Totals (Memorandum Only)
				Expendable Trust	1994
Debt Service	Capital Projects				
\$ 0	\$ 0	\$ 0	\$ 248,829,433		
0	0	0	4,644,016		
1,111,828	0	247,492	3,920,410		
0	0	0	6,471,009		
0	0	0	9,510,783		
0	5,627,889	0	46,662,779		
0	503,258	392,970	17,463,978		
33,333	0	608,458	2,987,395		
<u>1,145,161</u>	<u>6,131,147</u>	<u>1,248,920</u>	<u>340,489,803</u>		
0	0	0	27,603,268		
0	0	0	129,878,427		
0	0	0	38,246,246		
0	0	0	11,965,416		
0	0	979,579	15,636,537		
0	0	0	60,129,155		
0	851,500	0	1,164,425		
0	0	253,228	3,328,451		
0	0	0	17,899,394		
0	35,694,815	0	37,029,279		
0	376,241	0	376,241		
24,102,616	0	0	25,583,244		
30,427,547	216,614	0	30,904,534		
0	0	0	3,318,956		
<u>54,530,163</u>	<u>37,139,170</u>	<u>1,232,807</u>	<u>403,063,573</u>		
<u>(53,385,002)</u>	<u>(31,008,023)</u>	<u>16,113</u>	<u>(62,573,770)</u>		

(continued)

CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For the fiscal year ended December 31, 1994

	Governmental Fund Types	
	General	Special Revenue
Excess (deficiency) of revenues over (under) expenditures brought forward	27,179,630	(5,376,488)
Other financing sources (uses):		
Bond Proceeds	0	0
Proceeds from fixed asset disposition	0	440,599
Capital lease obligation proceeds	753,852	0
Deferred loan proceeds (note 10I)	426,000	0
Operating transfers from other funds	9,539,504	5,219,809
Operating transfers to other funds	(54,119,835)	(1,813,921)
Operating transfers from component units	0	0
Total other financing sources (uses)	(43,400,479)	3,846,487
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(16,220,849)	(1,530,001)
Fund balance at beginning of year	(20,132,990)	11,730,059
Cumulative effect of change in accounting principles (notes 21 and 22)	3,450,231	0
Fund balance at beginning of year, as restated	(16,682,759)	11,730,059
Fund balance at end of year	\$ (32,903,608)	\$ 10,200,058

The notes to the financial statements are an integral part of this statement.



Debt Service	Capital Projects	Fiduciary Fund Type	Totals (Memorandum Only)
		Expendable Trust	1994
(53,385,002)	(31,008,023)	16,113	(62,573,770)
0	36,468,117	0	36,468,117
0	0	0	440,599
0	0	0	753,852
0	0	0	426,000
50,259,501	0	0	65,018,814
(701)	0	(1,295,949)	(57,230,406)
3,270,000	0	0	3,270,000
<u>53,528,800</u>	<u>36,468,117</u>	<u>(1,295,949)</u>	<u>49,146,976</u>
143,798	5,460,094	(1,279,836)	(13,426,794)
1,932,490	36,401,391	2,086,346	32,017,296
0	0	0	3,450,231
<u>1,932,490</u>	<u>36,401,391</u>	<u>2,086,346</u>	<u>35,467,527</u>
<u>\$ 2,076,288</u>	<u>\$ 41,861,485</u>	<u>\$ 806,510</u>	<u>\$ 22,040,733</u>

CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 Data on the Budgetary Basis - General Fund, Special  
 Revenue - Community Development, and Capital Projects  
 For the fiscal year ended December 31, 1994  
 (Amounts expressed in thousands)

	General Fund			Special Revenue Community Development		
	Budget as amended	Actual	Variance favorable (unfavorable)	Budget as amended	Actual	Variance favorable (unfavorable)
<b>Revenues:</b>						
Taxes, including penalty and interest	\$ 258,187	\$ 252,385	\$ (5,802)	\$ 0	\$ 0	\$ 0
Interest Earnings	2,100	2,139	39	0	0	0
Fines and Forfeits	6,350	5,670	(680)	0	0	0
Licenses and Fees	11,276	9,465	(1,811)	0	0	0
Water & Sewer Authority Reimbursement	41,095	37,713	(3,382)	0	0	0
Intergovernmental	11,738	6,584	(5,154)	53,117	19,392	(33,725)
Miscellaneous	4,200	2,471	(1,729)	0	0	0
Trust Reimbursements	2,063	1,296	(767)	0	0	0
<b>Total revenues</b>	<b>337,009</b>	<b>317,723</b>	<b>(19,286)</b>	<b>53,117</b>	<b>19,392</b>	<b>(33,725)</b>
<b>Expenditures:</b>						
<b>Current operating:</b>						
General government	23,482	20,619	2,863	22,402	8,811	13,591
Public safety	117,841	110,653	7,188	100	57	43
Public works	45,121	41,124	3,997	5,319	645	4,674
Sanitation	12,850	12,023	827	0	0	0
Water	18,924	15,814	3,110	0	0	0
Community, recreation, and cultural	13,271	12,335	936	355	155	200
Employee benefits	60,348	57,996	2,352	0	0	0
Claims and judgements	751	347	404	0	0	0
Miscellaneous	14,740	11,669	3,071	0	0	0
Intergovernmental programs	0	0	0	24,941	9,560	15,381
Capital projects	0	0	0	0	0	0
Bond issuance cost	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal retirement	17,353	17,353	0	0	0	0
Interest	27,141	27,140	1	0	0	0
Stadium Authority subsidy	1,847	1,847	0	0	0	0
Public Auditorium Authority subsidy	1,472	1,472	0	0	0	0
<b>Total expenditures</b>	<b>355,141</b>	<b>330,392</b>	<b>24,749</b>	<b>53,117</b>	<b>19,228</b>	<b>33,889</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(18,132)</b>	<b>(12,669)</b>	<b>5,463</b>	<b>0</b>	<b>164</b>	<b>164</b>
<b>Other financing sources:</b>						
Bond proceeds	0	0	0	0	0	0
<b>Total other financing sources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

The notes to the financial statements are an integral part of this statement.

Capital Projects

Budget as amended	Actual	Variance favorable (unfavorable)
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
4,343	226	(4,117)
0	0	0
0	0	0
<u>4,343</u>	<u>226</u>	<u>(4,117)</u>
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
173,123	32,520	140,603
430	376	54
0	0	0
216	216	0
0	0	0
0	0	0
<u>173,769</u>	<u>33,112</u>	<u>140,657</u>
(169,426)	(32,886)	136,540
36,468	36,468	0
<u>\$ 36,468</u>	<u>\$ 36,468</u>	<u>\$ 0</u>

(continued)

CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 Data on the Budgetary Basis - General Fund, Special  
 Revenue - Community Development, and Capital Projects  
 For the fiscal year ended December 31, 1994  
 (Amounts expressed in thousands)  
 (Continued)

	General Fund			Special Revenue Community Development		
	Budget as amended	Actual	Variance favorable (unfavorable)	Budget as amended	Actual	Variance favorable (unfavorable)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	\$ (18,132)	\$ (12,669)	\$ 5,463	\$ 0	\$ 164	\$ 164
Fund balances - budgetary basis, beginning of year	<u>18,132</u>	<u>21,188</u>	<u>3,056</u>	<u>0</u>	<u>545</u>	<u>545</u>
Fund balance - budgetary basis, end of year	<u>\$ 0</u>	<u>\$ 8,519</u>	<u>\$ 8,519</u>	<u>\$ 0</u>	<u>\$ 709</u>	<u>\$ 709</u>
Adjustment to generally accepted accounting principles (GAAP) basis (Note 2):						
Cumulative difference between budgetary basis and GAAP basis, beginning of year		(37,871)			(460)	
Net effect of GAAP basis recognition of revenues		(378)			824	
Net effect of GAAP basis recognition of expenditures		(3,251)			(2,206)	
Net effect of GAAP basis recognition of other financing sources/uses		<u>77</u>			<u>1,218</u>	
Fund balances - GAAP basis, end of year		<u>\$(32,904)</u>			<u>\$ 85</u>	

The notes to the financial statements are an integral part of this statement.

Capital Projects

<u>Budget as amended</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
\$ (132,958)	\$ 3,582	\$ 136,540
<u>132,958</u>	<u>35,024</u>	<u>(97,934)</u>
\$ <u>0</u>	\$ <u>38,606</u>	\$ <u>38,606</u>

1,377

5,905

(4,026)

0

\$ 41,862

CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances  
 Enterprise and Pension Trust Funds  
 For the fiscal year ended December 31, 1994

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)	Discrete	Total (Memorandum Only)
	Enterprise	Pension Trust	Primary Government	Component Units	Reporting Entity
<b>Operating revenues:</b>					
Water charges	\$ 53,319,000	\$ 0	\$ 53,319,000	\$ 0	\$ 53,319,000
Contributions	0	46,016,216	46,016,216	0	46,016,216
Investment income	0	4,950,843	4,950,843	0	4,950,843
Miscellaneous	0	2,351	2,351	713,818	716,169
Rentals	0	0	0	3,483,045	3,483,045
Concessions	0	0	0	1,192,359	1,192,359
Medallions	0	0	0	1,316,433	1,316,433
Stadium bond service charge	0	0	0	936,473	936,473
Parking receipts	0	0	0	12,668,604	12,668,604
Parking leases and rentals	0	0	0	4,171,824	4,171,824
Debt service rental	0	0	0	104,232	104,232
<b>Total operating revenues</b>	<b>53,319,000</b>	<b>50,969,410</b>	<b>104,288,410</b>	<b>24,586,788</b>	<b>128,875,198</b>
<b>Operating Expenses:</b>					
Benefit payments and dues	0	49,732,442	49,732,442	0	49,732,442
Salaries and wages	11,199,000	0	11,199,000	3,039,319	14,238,319
Utilities	3,566,000	0	3,566,000	777,521	4,343,521
Allocation of City indirect expenses	5,098,000	0	5,098,000	0	5,098,000
Depreciation	4,206,000	0	4,206,000	4,324,678	8,530,678
Purification chemicals	1,108,000	0	1,108,000	0	1,108,000
Payments to non-City water agencies	2,715,000	0	2,715,000	0	2,715,000
Repairs and maintenance	659,000	0	659,000	1,297,480	1,956,480
Insurance	0	0	0	674,427	674,427
Materials, supplies, and rentals	748,000	0	748,000	0	748,000
Administrative and other operating expenses	770,000	1,386,489	2,156,489	7,869,224	10,025,713
Parking tax expense	0	0	0	3,157,467	3,157,467
Miscellaneous	1,307,000	0	1,307,000	0	1,307,000
<b>Total operating expenses</b>	<b>31,376,000</b>	<b>51,118,931</b>	<b>82,494,931</b>	<b>21,140,116</b>	<b>103,635,047</b>
<b>Operating income (carried forward)</b>	<b>\$ 21,943,000</b>	<b>\$ (149,521)</b>	<b>\$ 21,793,479</b>	<b>\$ 3,446,672</b>	<b>\$ 25,240,151</b>

The notes to the financial statements are an integral part of this statement.

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)	Discrete	Total (Memorandum Only)
	Enterprise	Pension Trust	Primary Government	Component Units	Reporting Entity
Operating income (brought forward)	\$ 21,943,000	\$ (149,521)	\$ 21,793,479	\$ 3,446,672	\$ 25,240,151
Non-operating revenue (expense)					
Interest income	546,000	0	546,000	1,001,841	1,547,841
Interest expense	(12,536,000)	0	(12,536,000)	(6,830,299)	(19,366,299)
Amortization	(190,000)	0	(190,000)	(44,482)	(234,482)
Meter and wharf receipts	0	0	0	1,373,186	1,373,186
Other income	0	0	0	52,731	52,731
Meter and wharf expenses	0	0	0	(1,291,072)	(1,291,072)
Payment in lieu of taxes	0	0	0	(950,000)	(950,000)
Other expense	0	0	0	(20,093)	(20,093)
Total nonoperating revenues (expenses)	(12,180,000)	0	(12,180,000)	(6,708,188)	(18,888,188)
Income (loss) before operating transfers and extraordinary item	9,763,000	(149,521)	9,613,479	(3,261,516)	6,351,963
Operating transfers to general fund	(7,788,000)	0	(7,788,000)	0	(7,788,000)
Net income (loss) before extraordinary item	1,975,000	(149,521)	1,825,479	(3,261,516)	(1,436,037)
Extraordinary loss on debt refunding	0	0	0	(2,419,011)	(2,419,011)
Net income (loss)	1,975,000	(149,521)	1,825,479	(5,680,527)	(3,855,048)
(Accumulated deficit), fund balances beginning of year	(21,156,000)	103,361,492	82,205,492	(9,433,700)	72,771,792
(Accumulated deficit), fund balances end of year	\$ (19,181,000)	\$ 103,211,971	\$ 84,030,971	\$ (15,114,227)	\$ 68,916,744

CITY OF PITTSBURGH, PENNSYLVANIA  
 Combined Statement of Cash Flows - Enterprise Funds  
 For the Year Ended December 31, 1994

	Primary Government (Enterprise)	Component Units (Proprietary Fund Type)	1994 Total (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income	\$21,943,000	\$3,446,672	\$ 25,389,672
Reconciliation of operating income to net cash provided by operating activities:			
Depreciation	4,206,000	4,324,678	8,530,678
Payment in lieu of taxes	0	(950,000)	(950,000)
Meter and wharf receipts, net	0	82,114	82,114
Other, net	0	43,172	43,172
	<u>26,149,000</u>	<u>6,946,636</u>	<u>33,095,636</u>
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>			
Accounts receivable	(1,544,000)	(194,934)	(1,738,934)
Prepaid expenses	0	(45,591)	(45,591)
Other current assets	0	(153,087)	(153,087)
Accounts payable and accrued expenses	(213,000)	(42,514)	(255,514)
Deferred revenue	0	532,765	532,765
Event Deposits	0	1,568,419	1,568,419
Due to primary government	(3,525,000)	79,620	(3,445,380)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>20,867,000</u>	<u>8,691,314</u>	<u>29,558,314</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Earnings	0	1,001,841	1,001,841
Interest earnings on restricted funds	2,609,000	0	2,609,000
Purchase of investment securities	0	377,965	377,965
Proceeds from sale of investments	19,612,000	3,042,558	22,654,558
Proceeds from forward float	1,265,000	0	1,265,000
Change in restricted cash and investments	0	(1,054,827)	(1,054,827)
Decrease in noncurrent accounts and notes receivable	0	374,722	374,722
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>23,486,000</u>	<u>3,742,259</u>	<u>27,228,259</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Principal payment related to non-capital funds	(1,612,000)	(2,107,750)	(3,719,750)
Interest payment related to non-capital funds	(2,372,000)	(3,272,951)	(5,644,951)
Payment to general fund	(7,788,000)	0	(7,788,000)
Grants from the primary government	0	3,140,000	3,140,000
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(11,772,000)</u>	<u>(2,240,701)</u>	<u>(14,012,701)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Grants from the primary government	0	1,216,419	1,216,419
Principal payments related to capital funds	(6,883,000)	(2,452,250)	(9,335,250)
Interest payments related to capital funds	(10,127,000)	(3,490,459)	(13,617,459)
Additions to stadium complex	0	(1,774,547)	(1,774,547)
Acquisition and construction of capital assets	(14,008,000)	(2,646,227)	(16,654,227)
Proceeds from sale of assets	0	500	500
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(31,018,000)</u>	<u>(9,146,564)</u>	<u>(40,164,564)</u>
Net increase in cash	1,563,000	1,046,308	2,609,308
Cash and cash equivalents at beginning of year	26,978,000	14,486,328	41,464,328
Cash and cash equivalents at end of year	<u>\$28,541,000</u>	<u>\$15,532,636</u>	<u>\$44,073,636</u>
<b>SUPPLEMENTAL INFORMATION:</b>			
Cash and cash equivalents	2,765,000	7,612,917	10,377,917
Trusteed and restricted funds	44,669,000	18,892,946	63,561,946
Long-term restricted investments	(18,493,000)	(10,525,224)	(29,018,224)
Restricted funds which are not cash or investments	(400,000)	(448,003)	(848,003)
TOTAL CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$28,541,000</u>	<u>\$15,532,636</u>	<u>\$44,073,636</u>

The notes to the financial statements are an integral part of this statement.



# **NOTES TO FINANCIAL STATEMENTS**

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**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. The Financial Reporting Entity**

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, cultural and recreational, public improvements, planning and zoning, and general administrative services.

During the year ended December 31, 1993, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," under which the financial statements include all the organizations, activities, functions, and component units for which the City (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

The adoption of this statement in 1993 caused the Public Parking Authority of Pittsburgh to be included as a discretely presented component unit in the City's financial statements. Additionally, the Stadium Authority of the City of Pittsburgh, is reported as a discretely presented component unit.

The component units discussed in Note (1)(B) are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**B. Individual Component Unit Disclosures**

*Blended Component Units*

**City of Pittsburgh Equipment Leasing Authority (Equipment Leasing Authority)**

The Equipment Leasing Authority (ELA) was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of the Deputy Mayor, Directors of the Department of General Services and the Department of Finance, one member of City Council, and one individual designated by City Council. The ELA has outstanding \$12,820,000 of Equipment Revenue Bonds, and has entered into lease agreements with the City pursuant to which the City has agreed to make annual rental payments to the ELA of varying amounts to cover debt service on the bonds.

Although it is legally separate from the City, the ELA is reported as if it were part of the primary government, because its sole purpose is to finance the City equipment needs. Its operations are included with special revenue fund types, debt service fund types, and the general long-term debt account group. It operates on a December 31 fiscal year.

**Pittsburgh Water and Sewer Authority**

The Pittsburgh Water and Sewer Authority (PWSA) was incorporated in February 1984 under the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the City's water distribution and waste water collection systems. On May 1, 1984, the City leased the two systems to the PWSA for a primary term of fifty years with renewal provisions. The lease appointed the City as the PWSA agent to manage, operate, and maintain the systems for the term of the lease, subject to the general supervision, direction and control of the PWSA. Significant changes to this arrangement, expected to be effective July 1, 1995 are discussed in subsequent events, Note 24.

Although it is legally separate from the City, the PWSA is reported as if it were part of the primary government because its operations are, in substance, the same as the primary government. The Board consists of one City Council member, the Treasurer, the Finance Director, and four chosen by the Mayor. The PWSA operates on a fiscal year ending December 31. Its operations are included as an enterprise fund. As a result of the changes in the lease agreement referred to above, the results of the PWSA's operations will be reflected as a discretely presented component unit for the fiscal year ended December 31, 1995.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**Employee Pension Plans**

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

Plan benefit matters 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 pension plans operate on a fiscal year ending December 31. Their operations are included as fiduciary fund types.

**Pittsburgh Sports and Festival Federation, Inc.**

The Pittsburgh Sports and Festival Federation, Inc. (The Federation) is a non-profit corporation organization under Section 501(c)(3) of the Internal Revenue Code. The Federation was incorporated for the purpose of coordinating, organizing, and promoting recreational, cultural and educational events; such as sports and community events, amateur athletic competitions, music, dance and theatrical performances, fairs, festivals, exhibitions and parades, or any other promotional programs that stimulate convention and visitor activity within the City of Pittsburgh and surrounding areas.

The Mayor appoints the entire Board of Directors subject to the approval of City Council and may remove any director at will. During 1994, the City provided 51% of the Federation's funding which makes the Federation financially dependent on the City. As such, the City is able to impose its will on the Federation. The Federation operates on a December 31 fiscal year. Its operations are included as a special revenue fund (Civic and Cultural Subfund).

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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*Discretely Presented Component Unit Disclosures*

Component units which are not blended as part of the primary government are discretely presented by reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this manner are the following enterprise funds:

**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 operates on a fiscal year ending March 31.

Under an agreement dated June 24, 1982, the Stadium Authority and the Three Rivers Management Corporation (Three Rivers), as well as the Pittsburgh Athletic Company, Inc. and the Pittsburgh Steelers Sports, Inc., amended a basic agreement, management lease, baseball lease and football lease (Stadium agreement) whereby the Stadium Authority assumed all the rights and responsibilities under the Stadium agreements effective January 1, 1982.

**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. Accordingly, the City derives a financial benefit from the Parking Authority. The Parking Authority operates on a fiscal year ending September 30.

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

**Administrative Offices:**

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

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

City of Pittsburgh  
Employee Pension Plan Offices  
City-County Bldg. - 9th Floor  
414 Grant Street  
Pittsburgh, PA 15219

Pittsburgh Sports and  
Festival Federation, Inc.  
700 Stadium Circle  
Pittsburgh, PA 15212

Stadium Authority of  
the City of Pittsburgh  
300 Stadium Circle  
Pittsburgh, PA 15212

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

The following pages present condensed financial statements for both of the discretely presented component units.

**CITY OF PITTSBURGH**  
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**Discretely Presented Component Unit Condensed Financial Statements**

	<u>Stadium Authority</u> March 31, 1994	<u>Public Parking Authority</u> September 30, 1994
<b>Condensed Balance Sheet:</b>		
<b>Current assets:</b>		
Cash and investments	\$ 4,294,342	\$3,318,575
Other	1,061,129	\$1,523,771
Trusteed and restricted assets	2,083,966	6,283,756
Non-current assets	0	14,387,893
Net fixed assets	<u>34,570,821</u>	<u>70,274,151</u>
<b>Total assets</b>	<b><u>\$42,010,258</u></b>	<b><u>\$95,788,146</u></b>
<b>Current liabilities:</b>		
Current maturities of long term debt	\$ 0	\$2,113,904
Accounts payable - City of Pittsburgh	0	1,221,877
Other	926,792	3,193,417
Current liabilities payable from trusteed and restricted funds	8,717,360	0
<b>Non-current liabilities:</b>		
Long-term payable to City of Pittsburgh	25,100,000	0
Grants from the City of Pittsburgh	20,531,104	0
Long-term Debt	21,838,000	56,922,458
<b>Contributed capital:</b>		
Restricted for construction purposes	12,347,719	0
<b>Retained Earnings, (deficit)</b>	<b><u>(47,450,717)</u></b>	<b><u>32,336,490</u></b>
<b>Total liabilities and equity</b>	<b><u>\$42,010,258</u></b>	<b><u>\$95,788,146</u></b>



**CITY OF PITTSBURGH**  
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**Discretely Presented Component Unit Condensed Financial Statements:**

	<u>Stadium Authority</u>	<u>Public Parking Authority</u>
	March 31, 1994	September 30, 1994
<b><u>Operating revenues</u></b>	\$ 7,585,098	\$17,001,690
<b><u>Operating expenses:</u></b>		
Depreciation	\$ 1,837,749	\$2,486,929
Other	<u>\$ 4,849,116</u>	<u>\$11,966,322</u>
Operating income	<u>\$ 898,233</u>	<u>\$ 2,548,439</u>
<b><u>Nonoperating revenues (expenses)</u></b>		
Interest expense	\$ (3,614,895)	\$(3,215,404)
Other	<u>31,172</u>	<u>90,939</u>
Net income (loss)	(2,685,490)	(576,026)
Extraordinary loss on debt refunding	<u>(2,419,011)</u>	<u>0</u>
Retained earnings (deficit), beginning of year	<u>\$(42,346,216)</u>	<u>\$32,912,516</u>
Retained earnings (deficit), ending of year	<u>\$(47,450,717)</u>	<u>\$32,336,490</u>

**Joint Venture**

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

The City of Pittsburgh and the County of Allegheny (the County) jointly created the Auditorium Authority to build and operate the Pittsburgh Civic Arena. In 1989, 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 approximates the annual debt service requirements on outstanding Auditorium Authority bonds.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
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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 each agreed to pay one-half of any operating deficits. Furthermore, the City and County have executed support agreements for each of the Authority's outstanding bond issues whereby the City and the County have equally pledged payment of the debt service. As of December 31, 1994, the City's portion of outstanding Authority debt service was \$22,105,000, with certain restrictions.

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 operates on a fiscal year ending June 30. Complete financial statements for the Auditorium Authority can be obtained from its administrative office at 1001 Penn Avenue, Pittsburgh, PA 15222.

**Related Organizations**

**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 the 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.

During 1994, the URA, as a sub-grantee, administered \$9,237,577 of costs related to various HUD programs passed through the City. Additionally, the City made capital grants to the URA, totalling \$2,210,000, during 1994 for various economic and redevelopment projects. The URA administers numerous other programs with significant funding from sources other than the City.

The URA operates on a fiscal year ending December 31.

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**Notes to General Purpose Financial Statements**  
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**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 operates on a fiscal year ending December 31.

**Jointly Governed Organization**

The Allegheny County Sanitary Authority (ALCOSAN) was organized under the Municipality Authorities Act of 1945 to collect, transport and treat waste water for the City of Pittsburgh and seventy-seven (77) other Allegheny County Municipalities. ALCOSAN's board has seven members: three are appointed by the City, three are appointed by Allegheny County and one is appointed jointly by the County and City. The City has no ongoing financial interest or responsibility for ALCOSAN. However, the City is obligated to purchase, at a 5% discount, sewage receivables over 90 days delinquent. The City collects approximately \$1.4 million in delinquent sewage charges.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**C. Fund Accounting Structure**

The City's accounting structure embraces "fund" accounting which is the standard for governmental accounting as fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

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 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.

**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).

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**For the Year Ended December 31, 1994**

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**Proprietary Fund Type**

**Enterprise Funds** - The enterprise fund is used to account for operations of the Pittsburgh Water and Sewer Authority. This fund is financed and operated in a manner similar to a private business enterprise - where the intent is that the costs of 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 Groups**

**General Fixed Assets** - This account group was established to present a summary of the fixed assets of the City other than those fixed assets included in the proprietary funds.

**General Long-term Debt** - This account group is used to account for all long-term obligations of the City, general obligation bonds, capital lease obligations, accrued unfunded pension expense, workers' compensation expense, claims and judgements, compensated absences, and deferred loans.

**D. 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.

The reported fund balance (net current assets) is considered a measure of "available expendable resources". Governmental fund operating statements present increases (revenue 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

**CITY OF PITTSBURGH**  
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"available expendable resources" during the year. Expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current 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.

**E. 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 measurable and available. Available means expected to be collected within the next two months for property taxes and taxpayer assessed taxes and the next 12 months for other revenues, including payments in lieu of taxes. 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, expenditures must be made for 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, receipts 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 the receipt or earlier if the susceptible to accrual criteria are met.

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

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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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.

**F. 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.
  - f. City Council at all times may, by resolution, transfer funds from one account to another if the total operating budget amount is not exceeded. No revision to the budget may be made without City Council approval. The operating budget shall, in any event, remain balanced at all times.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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- g. The capital budget is generally 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. The capital budget also includes appropriations for the Community Development Block Grant (CDBG). Budget and actual data for CDBG is reflected in the Special Revenue Fund-Community Development. The remainder of the Capital Budget is reflected in the Capital Projects Fund.
- h. Formal budgetary integration is employed as a management control device for the general fund, special revenue - community development fund (only) and the capital projects funds. Formal budgetary integration is not employed for the debt service funds since effective budgetary control is alternatively achieved through general obligation bond indenture provisions, nor for the other special revenue funds since control is achieved through grant provisions or legislative action. Budgets for special revenue - community development fund and the capital projects funds are prepared on a project basis. The general fund, special revenue - community development fund, and capital project funds have legally adopted annual budgets.
- i. All budgets are prepared and controlled on a line item basis. For financial statement purposes, budgets have been summarized at a function level. Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office. The General Fund budget to actual comparison at the legal level of appropriation is located with the General Fund combining statements.
- j. Operating appropriations lapse at year end. City Council can, however, authorize, by resolution, the carryover of appropriations to the following year. Community development and capital projects appropriations carryover to subsequent years without formal reappropriation.
- k. Operating budget figures are as amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditure accounts. During 1994, there were no supplemental appropriations made to the operating budget.



**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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2. **Encumbrances** - Encumbrance accounting, under which purchase orders, resolutions, contracts and other commitments for future expenditures 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.
  
3. **Budget Basis of Accounting** - The general fund budget is adopted on a cash basis. 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, budget, as amended, figures for community development and capital projects funds reflect current year appropriations and unexpended prior years appropriations.

**G. Cash and Cash Equivalents**

For statement of cash flow purposes, cash and cash equivalents include all highly liquid investments, including trusteed and restricted assets, with an original maturity of three months or less.

**H. Investments**

Investments in all funds are carried at cost, except for the agency fund assets of the deferred compensation plan which are carried at market. Investments consist of direct obligations of the U.S. government, money market funds, corporate and other obligations, guaranteed investments, money market trust funds and repurchase agreements and are recorded at cost or amortized cost plus accrued interest, which approximates market value.

**I. Inventories**

Inventories are stated at cost, on a first in, first out basis. 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 purchase 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.

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**J. Other Assets**

Other assets consist primarily of receivables for payments in lieu of taxes and emergency medical services.

**K. Prepaid expenditures**

Prepaid expenditures in the General Fund consist of premium deposits with insurance companies which are available to reduce future employee benefit expenses. The prepaid asset in the Enterprise Fund consists primarily of the Pittsburgh Water and Sewer Authority's prepayment of debt service obligations and operating expenditure reimbursement.

**L. Fixed Assets**

General fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Their presentation is the result of an extensive and ongoing program of evaluation undertaken by the City several years ago. All fixed assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Estimated historical costs were determined by using either 1) standard costing which is a known average installed cost for a like unit at the estimated acquisition date or 2) normal costing which is the present cost of reproducing new assets indexed by a reciprocal factor of the price increase from the estimated date acquired to the appraisal date, and 3) public documents that indicate the City's cost.

Public domain (infrastructure) general fixed assets such as streets, sidewalks and bridges are not recorded as general fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest costs incurred during the construction of fixed assets are not capitalized and no depreciation has been taken on general fixed assets.

Since 1992 was the first year that assets were recorded in the general fixed assets group, it is not practical to determine the source of investments in general fixed assets prior to December 31, 1991.

**CITY OF PITTSBURGH**  
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The Stadium complex, the Water and Sewer assets, and Parking Authority facilities are stated at cost and include all repairs that materially extend the life of the property. All ordinary maintenance and repairs are charged to current operations. The balance sheet does not include any value for land conveyed by the URA to the Stadium Authority. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Utility assets have an estimated useful life of 30 to 40 years.

**M. Enterprise Fund Bond Discount and Issue Costs**

The Water and Sewer Authority amortizes bond discounts over the terms of the related bonds using the interest method. The unamortized portion is reflected on the balance sheet as a reduction from the related bonds payable.

The Water and Sewer Authority defers and amortizes bond issue costs, including remarketing fees, over the term of the related bonds. The Stadium Authority amortizes costs associated with the issuance of long-term debt using the straight-line method over the respective terms of the debt.

**N. Compensated Absences**

The City provides for compensated absences in the following manner:

- . Fourteen sick days per year are accumulated up to a maximum of approximately 112 days, depending on the bargaining unit, for those employees not eligible for the insured sick leave plan or those who have elected not to participate in the plan. During the year ended December 31, 1994, the City adopted the provisions of GASB Statement No. 16, "Accounting For Compensated Absences," under which the City is now required to accrue an amount for sick leave to the extent that it is probable that benefits will result in termination payments (See Note 22.)
- . Personal days are accumulated for all employees, except firefighters. Under the plan, authorized time off, in the form of 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 nonunion employees. Employees can accumulate up to nine days (twelve days for police and emergency medical services personnel) before the City reimburses

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
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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 can be reasonably estimated.

Vacation pay earned varies with job classification and years of service and is accrued as a current liability in the general fund to the extent that it will be liquidated with expendable available financial resources.

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

**O. Pensions**

Pension cost for accounting purposes is computed in accordance with Accounting Principles Board Opinion Number 8 (APB #8). Reported expense is equal to normal cost, amortization of unfunded liabilities over 30 years, non-benefit plan expenses and net actuarial gains or losses, less employer and employee contributions and state pension aid under Act 205 (see note 8).

Periodic pension cost is recognized as an expenditure in the general fund to the extent of City contributions with any difference reported as an addition to or deduction from accrued pension costs in the general long-term debt account group.

**P. Deferred Compensation Plan**

The City of Pittsburgh offers its employees a deferred compensation plan sponsored by the Allegheny League of Municipalities, created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the property and rights of the City, without being restricted to the provisions of benefits under the plan, subject only to the claims of the City's general creditors until paid or made available to the employee or other beneficiary. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

**CITY OF PITTSBURGH**  
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It is the opinion of the City's legal counsel that the City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The assets and liabilities of the deferred compensation plan are accounted for in the City's agency funds.

**Q. Self-Insurance Arrangements**

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 1994 are as follows:

- . Maintain an irrevocable trust fund. The City's contribution to the fund is determined annually in negotiations with the Commonwealth of Pennsylvania Department of Labor.
- . Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.
- . Establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of any fiscal year.

Presently, the irrevocable trust may be used 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.

In 1987 the Water and Sewer Authority elected to become self-insured for general liability coverage and established a Self-Insured Escrow Fund (General Liability) to cover potential liability claims. Through December 31, 1994 there have been no claims paid from this fund.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**R. 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. Additional operating transfers are made to the general fund for reimbursement of current direct water department expenditures and costs of PWSA employee benefits.

**S. 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 cash flows 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.

**CITY OF PITTSBURGH**  
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**For the Year Ended December 31, 1994**

**NOTE (2) Reconciliation of Generally Accepted Accounting Principles to Budgetary Basis- General Fund**

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

	<u>General Fund</u>
<b>Deficiency of revenues and other sources over expenditures and other uses - GAAP basis</b>	<b>\$(16,220,849)</b>
<b><u>Revenues:</u></b>	
Increase in revenues susceptible to accrual recorded when received in cash on the budgetary basis	378,504
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	29,079,246
Operating transfers budgeted as revenues	<u>9,965,504</u>
<b>Total</b>	<b><u>39,423,254</u></b>
<b><u>Expenditures:</u></b>	
Increase in expenditures recognized on a GAAP basis recorded when paid in cash on the budgetary basis	3,250,957
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	(29,079,246)
Capitalized lease not budgeted	753,852
Operating transfers budgeted as expenditures	<u>(54,197,188)</u>
<b>Total</b>	<b><u>(79,271,625)</u></b>
<b><u>Other financing (sources) uses:</u></b>	
Capital lease obligation proceeds, not budgeted	(753,852)
Operating transfers budgeted as revenues and expenditures	44,231,684
Decrease in other financing sources susceptible to accrual, but recorded when received in cash on the budgetary basis	<u>(77,353)</u>
<b>Total</b>	<b><u>43,400,479</u></b>
<b>Deficiency of revenues and other sources over expenditures and other uses - budgetary basis</b>	<b><u>\$(12,668,741)</u></b>

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**NOTE 2(a) Reconciliation of Generally Accepted Accounting Principles to Budgetary Basis - Special Revenue Community Development**

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

	<b><u>Special Revenue</u></b>
<b>Deficiency of revenues and other sources over expenditures and uses -GAAP basis- all Special Revenue funds</b>	\$ (1,530,001)
Adjustment for non-budgeted Special Revenue Funds	<u>1,530,001</u>
<b>Deficiency of revenues and other sources over expenditures and uses -GAAP basis- Community Development only</b>	0
 <b><u>Revenues:</u></b>	
Increase of revenues susceptible to accrual recorded when received in cash on the budgetary basis	(392,335)
Revenues for non-budgeted Community Development funds	<u>(431,421)</u>
<b>Total</b>	<b><u>(823,756)</u></b>
 <b><u>Expenditures:</u></b>	
Decrease in expenditures recognized on a GAAP basis recorded when paid in cash on the budgetary basis	509,620
Expenditures for non-budgeted Community Development funds	478,554
Non budgeted expenditures for Community Development funds with budgets	<u>1,217,747</u>
<b>Total</b>	<b><u>2,205,921</u></b>
 <b><u>Other financing (sources) uses:</u></b>	
Decrease in operating transfers susceptible to accrual, but not budgeted	<u>(1,217,747)</u>
<b>Total</b>	<b><u>(1,217,747)</u></b>
 <b>Excess of revenues and other sources over expenditures and other uses - budgetary basis</b>	 <b><u>\$ 164,418</u></b>



**CITY OF PITTSBURGH**  
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**For the Year Ended December 31, 1994**

**NOTE 2(b) Reconciliation of Generally Accepted Accounting Principles to Budgetary Basis - Capital Projects**

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

	<u>Capital Projects</u>
<b>Excess of revenues and other sources over expenditures and uses - GAAP basis</b>	<b>\$5,460,094</b>
<b><u>Revenues:</u></b>	
Revenue and reimbursements to trust funds	(4,434,803)
Decrease in revenues susceptible to accrual, recorded when received in cash on budgetary basis	(1,470,026)
Operating transfer	<u>0</u>
<b>Total</b>	<b><u>(5,904,829)</u></b>
<b><u>Expenditures:</u></b>	
Trust fund expenditures	2,845,442
Increase in expenditures recognized on a GAAP basis but recorded when paid in cash on the budgetary basis	1,180,821
Operating transfers	<u>0</u>
<b>Total</b>	<b><u>4,026,263</u></b>
<b>Excess of revenues and other sources over expenditures and other uses - budgetary basis</b>	<b><u>\$3,581,528</u></b>

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**NOTE (3) Cash and Investments**

The City's cash and investments are subject to varying investment policies and custodial arrangements. Responsibility for cash and investments as of December 31, 1994, except the Stadium Authority, which is as of March 31, 1994, and the Public Parking Authority, which is as of September 30, 1994, is as follows:

<u>Current Unrestricted</u>	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
<b>Primary Government</b>			
City Treasurer (most governmental, expendable trust and agency funds)	\$9,362,466	\$57,333,856	\$66,696,322
Equipment Leasing Authority (special revenue and debt service funds)	191,794	3,308,163	3,499,957
Enterprise Funds	1,684,000	1,081,000	2,765,000
Water and Sewer Authority	23,615,377	78,421,215	102,036,592
Pension Trust Funds	72,528	0	72,528
Pittsburgh Sports and Festival Federation, Inc.	24,232	35,878,246	35,902,478
Deferred Compensation Plan	34,950,397	176,022,480	210,972,877
<b>Total Primary Government Unrestricted</b>	<b>34,950,397</b>	<b>176,022,480</b>	<b>210,972,877</b>
<b>Component Units</b>			
Stadium Authority	4,294,342	0	4,294,342
Public Parking Authority	492,983	2,825,592	3,318,575
<b>Total Component Units Unrestricted</b>	<b>4,787,325</b>	<b>2,825,592</b>	<b>7,612,917</b>
<b>Total Unrestricted</b>	<b>39,737,722</b>	<b>178,848,072</b>	<b>218,585,794</b>
<b>Restricted</b>			
<b>Primary Government</b>			
City Treasurer	0	3,569,250	3,569,250
Enterprise Funds	37,000	44,232,000	44,269,000
Water and Sewer Authority	37,000	47,801,250	47,838,250
<b>Total Primary Government Restricted</b>	<b>37,000</b>	<b>47,801,250</b>	<b>47,838,250</b>
<b>Component Units</b>			
Stadium Authority	1,635,963	0	1,635,963
Public Parking Authority	0	16,808,980	16,808,980
<b>Total Component Units Restricted</b>	<b>1,635,963</b>	<b>16,808,980</b>	<b>18,444,943</b>
<b>Total Restricted</b>	<b>1,672,963</b>	<b>64,610,230</b>	<b>66,283,193</b>
<b>Total Unrestricted &amp; Restricted</b>	<b>\$41,410,685</b>	<b>\$243,458,302</b>	<b>\$284,868,987</b>

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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The bank balances of cash and cash equivalents of the City and its component units are classified into three categories to give an indication of the level of risk assumed at year end. **Category 1** includes deposits insured or collateralized with securities held by a City entity or its agent in the City's name. **Category 2** includes deposits collateralized with securities held by the counterparty's trust department or agent in the City's name. **Category 3** deposits are those which are uncollateralized or which are collateralized with securities held by the counterparty or by the trust department or agent but not in the City's name. Deposits classified as Category 3 are secured by pooled collateral held by an agent of the City's banks in the bank's name as permitted by Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971 (Act 72).

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

**A. Governmental Funds, Expendable Trust Funds and Agency Funds**

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

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

1. U.S. Treasury Securities (bills, notes, bonds).
2. Obligations of specific agencies of the federal government where principal and interest is guaranteed by the U.S. government.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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

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

The carrying amount of all investments under the control of the City Treasurer at December 31, 1994, is presented in the accompanying table. Underlying balances are predominantly short-term investments.

Cost approximates market for all of the foregoing investments with the exception of pension investments where market exceeds cost.

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

**B. Equipment Leasing Authority**

Trust indentures authorize the Equipment Leasing Authority to invest in obligations of the U.S. government, repurchase agreements for government obligations and money market funds that invest solely in U.S. government obligations. Throughout

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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the year ended December 31, 1994, the Equipment Leasing Authority invested its funds in one or more of the above authorized investments.

The cost of all investments at December 31, 1994, for the funds of the Equipment Leasing Authority included in special revenue funds and debt service funds is presented in the accompanying table. Underlying balances are predominantly short-term investments.

**C. Enterprise Funds**

**Water and Sewer Authority**

The Water and Sewer Authority is authorized to invest in obligations of the U.S. Government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities; and highly rated bank promissory notes or investment funds or trusts. Throughout the year ended December 31, 1994, the Authority invested its funds in such authorized investments.

The underlying securities of the repurchase agreements and U.S. government securities are held in the bank's trust department in the bank's name in the Federal Reserve book entry system. The local government securities are also held in the bank's name. Pursuant to the trust indenture, the bank acts as a trustee for the bondholders, and in the bank's accounting records, investments are held in the name of the trust, created by the trust indenture, for the bondholders.

The Authority entered into an agreement whereby a portion of future interest to be earned by the debt service fund was paid to the Authority in December 1994 (\$1,265,000). In addition, future interest was guaranteed to be delivered to the Authority on a periodic basis over a ten year period. The Authority must purchase securities delivered to them which will mature at times to be available to meet future debt service requirements. The \$1,265,000 received in December 1994 was deferred, and it will be recognized over the life of the agreement.

**D. Pension Trust**

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

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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managers are generally restricted to those in which they specialize.

The assets of the Comprehensive Fund are invested under the direction of the Board with the assistance of the Executive Director and an outside Investment Consultant. The Investment consultant serves as a manager of the six to eight independent money managers of the fund.

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

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

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

The Long-Term Assets Fund requires an asset mix of 45% Large-Capital Domestic Equities, 15% Small-Capital Domestic Equities, and 40% Domestic Fixed Income securities or other investments specifically authorized by the board. Each class is to have a minimal cash reserve allocation. Acceptable investments include: Equities - high quality common stocks or convertible securities; Fixed Income Securities - including U.S Treasury and Agency Issues, U.S. Corporate Bonds, Mortgage Related Securities, Yankee Notes/Bonds and; Cash Equivalents - U.S. Treasury Bills and Repurchase Agreements, Money Market Funds, Commercial Paper and CDs of the custodian bank.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**E. Deferred Compensation Plan**

The City participates in a deferred compensation plan sponsored by the Allegheny League of Municipalities. The associated assets, carried at market, are held in pooled accounts. The trust indentures authorize the Deferred Compensation Plan to invest in obligations of U.S. Treasury and Money Market Mutual Funds.

**F. Stadium Authority**

The trust indentures authorize the Stadium Authority to invest in obligations of the U.S. government, certificates of deposit, and repurchase agreements. Throughout the year ended March 31, 1994, the Stadium Authority invested its funds in one or more of the above authorized investments.

**G. Public Parking Authority**

The trust indentures authorize the Public Parking Authority of Pittsburgh to invest in obligations of the U.S. government, corporate notes, municipal bonds, money market funds and certificates of deposit. The majority of the investments are restricted by terms and agreements of the Authority.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

The bank balances of cash and cash equivalents of the City and its component units are summarized by category as follows: Primary Government Unrestricted Category 1 - \$722,391, Category 2 - \$23,267,459, and Category 3 - \$7,400,214; Component Unit Unrestricted Category 1 - \$592,983 and Category 3 - \$4,194,342; Primary Government Restricted Category 1 - \$37,000; Component Unit Restricted Category 1 - \$100,000 and Category 3 - \$1,535,963.

The carrying amount, market value and category of risk for investments is as follows:

<u>Primary Government</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
<b>A. City Treasurer (most governmental, expendable trust and agency funds):</b>			
<b><u>Unrestricted:</u></b>			
Repurchase agreements	\$ 4,300,000	\$ 4,300,000	3
Money market mutual funds	17,950,000	17,950,000	N/A
Local government investment trust	8,983,688	8,983,688	N/A
Certificates of deposit	17,000,000	17,000,000	2
U.S. government & agency obligations	9,100,168	8,967,286	2
<b>Total</b>	<b>57,333,856</b>	<b>57,200,974</b>	
<b><u>Restricted:</u></b>			
Local government investment trust	3,569,250	3,569,250	N/A
<b>Total</b>	<b>3,569,250</b>	<b>3,569,250</b>	
<b>B. <u>Equipment Leasing Authority:</u></b>			
Money market mutual funds	3,308,163	3,308,163	N/A
<b>Total</b>	<b>3,308,163</b>	<b>3,308,163</b>	
<b>C. <u>Enterprise Funds</u></b>			
<b><u>Water &amp; Sewer Authority:</u></b>			
Repurchase agreement	19,000	19,000	3
Money market mutual funds	1,062,000	1,062,000	N/A
<b>Total</b>	<b>\$ 1,081,000</b>	<b>\$ 1,081,000</b>	



**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
<b>Enterprise Funds Restricted:</b>			
<b><u>Water &amp; Sewer Authority:</u></b>			
U.S. government & agency obligations	\$ 17,163,000	\$ 16,774,000	3
Repurchase agreements	25,739,000	25,739,000	3
Local government securities	1,330,000	1,272,000	3
<b>Total</b>	<b>44,232,000</b>	<b>43,785,000</b>	
<b>D. <u>Pension Trust:</u></b>			
Preferred and common stocks	41,200,185	46,699,259	2
U.S. government & agency obligations	23,470,594	22,896,861	2
Corporate & other obligations	13,750,436	13,491,219	2
<b>Total</b>	<b>78,421,215</b>	<b>83,087,339</b>	
<b>E. <u>Deferred Compensation:</u></b>			
Money market trust funds	35,878,246	35,878,246	N/A
<b>Total Primary Government</b>	<b>223,823,730</b>	<b>227,909,972</b>	
<b>Component Units:</b>			
<b>F. <u>Pittsburgh Parking Authority:</u></b>			
U.S. government & agency obligations	525,000	514,500	3
Local government securities	55,375	55,375	3
Money market mutual funds	2,245,217	2,245,217	N/A
<b>Total</b>	<b>2,825,592</b>	<b>2,815,092</b>	
<b><u>Pittsburgh Parking Authority Restricted:</u></b>			
Commercial paper	435,000	435,000	2
Corporate obligations	5,211,000	5,211,000	3
Money market mutual funds	2,425,562	2,425,562	N/A
U.S. government & agency obligations	8,737,418	8,201,922	3
<b>Total</b>	<b>16,808,980</b>	<b>16,273,484</b>	
<b>Total Component Units</b>	<b>19,634,572</b>	<b>19,088,576</b>	
<b>Grand Total</b>	<b>\$243,458,302</b>	<b>\$246,998,548</b>	

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**NOTE (4) Deferred Prepayment**

During 1993, cash in the Pittsburgh Water and Sewer Authority's Debt Service Reserve Fund related to their 1991 bonds was replaced with a surety bond. This resulted in excess funds which were used to prepay a portion of their future stream of contractual debt service payment obligations to the City. The Authority paid the City \$4,000,000 in December 1993, which is treated as a deferred prepayment on the City's financial statements. No amortization of this prepayment was required as of December 31, 1994. The obligation relates to debt service associated with bonds issued by the City for water and sewer projects prior to the formation of the Authority. The prepayment will reduce each of the future payments, for years 1995 through 2008, to the City by an equal percentage.

As of December 31, 1994, the Authority had reimbursed the City for approximately \$1,400,000 in excess of actual expenditures. The excess reimbursement will be applied against 1995 actual expenditures, and accordingly has been recorded as an increase to the deferred prepayment of \$4,000,000.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**NOTE (5) Trusted and Restricted Funds**

The following is a summary of trusted and restricted funds:

**PRIMARY GOVERNMENT**

	<u>Cash &amp; Investments</u>	<u>Other</u>	<u>Total</u>
<b><u>General Fund:</u></b>			
Local government investment	<u>\$ 3,569,250</u>	<u>\$ -</u>	<u>\$ 3,569,250</u>
<b><u>Pittsburgh Water &amp; Sewer Authority:</u></b>			
Construction	31,873,000	347,000	32,220,000
Debt Service	8,390,000	35,000	8,425,000
Operating Reserve	3,389,000	16,000	3,405,000
Self-Insured Escrow	<u>617,000</u>	<u>2,000</u>	<u>619,000</u>
Subtotal	<u>44,269,000</u>	<u>400,000</u>	<u>44,669,000</u>
Total Primary Government	<u>47,838,250</u>	<u>400,000</u>	<u>48,238,250</u>

**COMPONENT UNITS**

**Stadium Authority:**

Clearing	-	386,690	386,690
Parking routine maintenance	5,735	-	5,735
Parking non-routine maintenance	61,809	61,313	123,122
Event Deposits	<u>1,568,419</u>	<u>-</u>	<u>1,568,419</u>
Subtotal	<u>1,635,963</u>	<u>448,003</u>	<u>2,083,966</u>

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

	<u>Cash &amp;</u>		
<u>Parking Authority:</u>	<u>Investments</u>	<u>Other</u>	<u>Total</u>
Operating Reserve	2,030,566	-	2,030,566
Debt Service	2,719,569	-	2,719,569
Debt Service Reserve	5,228,005	-	5,228,005
Construction	2,003,125	-	2,003,125
Renewal and Replacement	2,495,875	-	2,495,875
Revenue	331,406	-	331,406
City Meter	916,053	-	916,053
City Wharf	313,603	-	313,603
Excess Coverage	<u>770,778</u>	<u>-</u>	<u>770,778</u>
Subtotal	<u>16,808,980</u>	<u>-</u>	<u>16,808,980</u>
Less: Non-current assets	<u>(10,525,224)</u>	<u>-</u>	<u>(10,525,224)</u>
Parking Authority Total	<u>6,283,756</u>	<u>-</u>	<u>6,283,756</u>
Total Component Units	<u>7,919,719</u>	<u>448,003</u>	<u>8,367,772</u>
Total Trusteed and Restricted Funds	<u>\$55,757,969</u>	<u>\$ 848,003</u>	<u>\$56,605,972</u>

**NOTE (6) Real Estate Taxes**

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by the 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 every three years.

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 annually or in three installments, at the taxpayers' option, due the last day of February, April 30, and July 31. A 2% discount is allowed on either the first installment or the full year tax payment, if paid by February 10. If no payment is received by the last day of February, the installment payment privilege is forfeited; and the entire tax for the year is considered delinquent. Penalty and interest at the rate of 1.5% per month is imposed on delinquent payments.

Property taxes or sewage charges that are at least one year delinquent are subject to Treasurer's sales. Delinquent taxes are liened every three years after the levy date.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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.

**NOTE (7) Fixed Assets**

A. The following is a summary of changes in the general fixed assets account group during 1994: (expressed in thousands)

	<u>Balance</u> <u>1/01/94</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/94</u>
Land & Buildings	\$103,469	215	-	-	103,684
Machinery & Equipment	51,823	1,833	(1,589)	5,202	57,269
Capital Leases	16,469	754	-	(5,202)	12,021
Construction in Progress	<u>10,598</u>	<u>1,229</u>	<u>-</u>	<u>-</u>	<u>11,827</u>
<b>Total General Fixed Assets</b>	<b><u>\$182,359</u></b>	<b><u>\$ 4,031</u></b>	<b><u>\$(1,589)</u></b>	<b><u>\$ -</u></b>	<b><u>\$184,801</u></b>

Construction in progress is comprised of expenditures for the Public Safety Complex and the Traffic Control Center.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

B. A summary of enterprise fund property, plant and equipment is as follows: (expressed in thousands)

<u>Primary Government:</u>	<u>1994</u>
Utility plant	\$138,503
Non-utility plant	6,170
Construction in progress (utility plant)	<u>46,307</u>
<b>Total</b>	<b>190,980</b>
Less: Accumulated depreciation	<u>18,524</u>
<b>Net Primary Government</b>	<b><u>\$ 172,456</u></b>

<u>Component Units:</u>	
Stadium Complex	\$61,822
Parking Facilities and Land	89,164
Machinery and Equipment	1,247
Construction in progress	<u>2,084</u>
<b>Total</b>	<b>154,317</b>
Less: Accumulated Depreciation	<u>49,472</u>
<b>Net Component Units</b>	<b><u>\$ 104,845</u></b>

**NOTE (8) Pension Plans**

**A. ORGANIZATION AND DESCRIPTION OF PLANS**

The City of Pittsburgh is responsible for the funding of retirement benefits for the three pension plans described below. Investments of the plans, in accordance with Act 205, are administered under the direction of the Comprehensive Municipal Pension Trust Fund Board.

**The Municipal Pension Fund**

The Municipal Pension Fund of the City of Pittsburgh (the Plan) was established by Act 259 of May 28, 1915, P.L. 596. Every full time employee of the City of Pittsburgh who is not covered by the Policemen's Plan or the Fireman's Plan is required to join the Plan after serving a ninety day probation period. The Plan is a single employer defined benefit plan, and its purpose is to provide retirement, disability, and other benefits to its members. The City of Pittsburgh and members of the Plan are

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required to make contributions to the Plan for the purpose of paying benefits and administrative expenses. At January 1, 1994, the date of the most recent actuarial valuation, the Plan had 2,737 active members and 1,875 retirees, disabled and survivors.

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

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

Retirement benefits for employees who were members of the Plan prior to January 1, 1975, equal 60% of three year average pay, but no less than \$130 monthly if such pay is less than \$450; or 55% of the first \$650 of three year average pay and 30% of the excess but not less than \$270 if such pay is greater than \$450. The benefit for employees who became members after January 1, 1975, is equal to 50% of three year average pay, four years average pay if hired after December 31, 1987, reduced at age 65 by 50% of the Social Security benefit. The aforementioned benefits are prorated for employees with less than 20 years of service. All members receive a service increment of 1% of three year average pay, four year average pay if hired after December 31, 1987, for each year of service in excess of 20, to a maximum of \$100 per month.

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

- a. If an employee is age 60 or older with eight years of service, he will receive his normal retirement benefit.

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

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

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

Upon termination, and prior to vesting, a member's contributions are refundable without interest to the member. Employee contributions to the Plan are 5% of pre-tax pay for employees hired prior to January 1, 1988, and 4% of pre-tax pay for those thereafter.



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**The Policemen's Relief and Pension Fund**

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

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Plan. At January 1, 1994, the Plan had 1,221 active members and 1,402 retirees, disabled and survivors.

Retirement benefits are available at the employee's option upon completion of 20 years service and attainment of age 50. Employees who become permanently disabled in the line of duty, and who are unable to perform the duties of their position, are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed 10 years of service.

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

Service increments of \$20 per month for each year service between 20 and 25 years and \$25 per month for each year in excess of 25 years are included in the retirement benefit. Disability benefits for those not eligible to retire are based upon 50% of earnings in the year prior to disability. A death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit may also be elected by plan participants which is applicable to deaths not in the line of duty.

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

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

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

**The Firemen's Relief and Pension Plan**

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

All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the fund. At January 1, 1994, the Plan had 890 active members and 1,041 retirees, disableds, and survivors.

Retirement benefits are available at the employee's option upon completion of 20 years service for any participant employed before January 1, 1976, or for those years employed thereafter, completion of 20 years service and attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed 10 years of service.

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

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

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

**B. FUNDING STATUS AND PROGRESS**

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (Recovery Act), which has significantly improved the administration and funding of all municipal pension plans. The Recovery Act made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities. Additionally, the Recovery Act changed the basis for distributing state pension aid, which has translated into a significant increase in the amount of state pension aid received by the City's plans.

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

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

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

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

The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

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

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Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year, and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMO's developed and adopted late in 1991 and for use in 1992 budgets. Additionally, the provisions for payment of the MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year.

**ACTUARIAL ASSUMPTIONS**

The most recent actuarial reports disclosed the following information with respect to the plans as of January 1, 1994.

The actuarial reports dated January 1, 1994, included certain changes in the actuarial assumptions related to each plan. Among the most significant change affecting the assumptions for all plans was the adoption of a standard actuarial table (UP-1984) which more consistently correlates rates of assumed mortality with observed experience of the past several years. Mortality rates predicted by the table are higher than previously assumed (i.e., participants are not expected to live as long). The effect of this change and certain other less significant changes made in some of the plans was an aggregate reduction of \$38,124,601 to the unfunded benefit obligation and an aggregate reduction of the annual contribution of \$3,772,206.

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Significant assumptions underlying the actuarial computations for pension benefit obligation and contributions include mortality, termination, vesting, marital status and retirement estimates based upon tables provided by the actuary, as well as the following:

		<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
Assumed rate of return on investments	%	<u>8.75</u>	<u>8.75</u>	<u>8.75</u>
Assumed salary increases:				
Cost-of-living	%	3.75	4.50	4.50
Merit/Seniority	%	<u>0.75</u>	<u>1.25</u>	<u>1.25</u>
	%	<u>4.50</u>	<u>5.75</u>	<u>5.75</u>
Assumed post retirement benefit increases	%	<u>3.50</u>	N/A	N/A

**PLAN CHANGES**

On March 30, 1992, an arbitration award was signed between the City of Pittsburgh and Local 1 of the Fraternal Order of Police, the bargaining unit for its police officers. The arbitration award contains provisions which enable police officers who have attained age 50 and have completed 25 years of service to elect by September 1, 1992 to retire between 1993 and 1995 at 75% of their current pay on an annual basis. The City of Pittsburgh has determined that 410 police officers elected to participate, of whom 81 police officers retired in 1993 and 155 in 1994. The Plan's actuary has estimated changes in the unfunded accrued liability and in annual contribution amounts as shown.

	<u>Officer Count</u>	<u>Unfunded Accrued Liability</u>	<u>Annual Contribution If Replaced</u>
Current	236	\$26,280,000	\$3,200,000
Thereafter	<u>174</u>	<u>24,310,000</u>	<u>2,920,000</u>
<b>Total</b>	<b><u>410</u></b>	<b><u>\$50,590,000</u></b>	<b><u>\$6,120,000</u></b>

It is unknown how many officers will be replaced; however, the Plan's actuary has estimated reductions in annual contributions totalling \$2,810 for each replacement officer hired.

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**PENSION BENEFIT OBLIGATION**

The "pension benefit obligation", which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This is a funding status disclosure per GASB Statement No. 5, and differs from the unfunded actuarial accrued liability. The measure is intended to help users assess, on a going concern basis, the funding status of the Plans for which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the Plans.

The Plan's actuary uses the "unit credit actuarial cost" method to determine the pension benefit obligation. The following table summarizes the net unfunded pension benefit obligation by individual plan, according to the most recent actuarial report as of January 1, 1994: (in thousands)

<u>Pension Benefit Obligation</u>	<u>Comprehensive Board</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
<b>Vested Benefits:</b>					
Retirees and beneficiaries currently receiving benefits \$	-	\$106,348	134,499	86,518	327,365
Terminated members not yet receiving benefits	-	-	234	-	234
<b>Active members:</b>					
Accumulated employee contributions	-	29,211	21,387	20,700	71,298
Employer-financed-vested	-	17,989	50,169	24,993	93,151
<b>Total vested</b>	-	<b>\$153,548</b>	<b>\$206,289</b>	<b>\$132,211</b>	<b>\$492,048</b>
Employer-financed Non-vested	-	16,651	25,645	41,151	83,447
<b>Total pension benefit obligation</b>	-	<b>170,199</b>	<b>231,934</b>	<b>173,362</b>	<b>575,495</b>
Net assets available for benefits, at cost from December 31, 1993 financial statements (Market Value \$112,929)	102,933	28	49	17	103,027
<b>Unfunded pension benefit obligation</b>	<b>\$(102,933)</b>	<b>170,171</b>	<b>231,885</b>	<b>173,345</b>	<b>472,468</b>

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**CONTRIBUTIONS**

For funding purposes, the City utilizes actuarially determined contributions under Act 205. The actuarial assumptions used to determine funding requirements are the same as those used to determine pension benefit obligations. The Plan's actuary uses the "Entry Age Normal Actuarial Cost" method as described in Act 205 of 1984, which is independent of the actuarial method used to determine the PBO.

The actuarially required pension contributions for the plan year beginning January 1, 1994 is as follows:

**REQUIRED CONTRIBUTIONS**

	<u>Municipal Plan</u>	<u>Policemen's Plan</u>	<u>Firemen's Plan</u>	<u>Total</u>
Normal cost	\$3,522,678	\$ 4,624,982	\$4,221,166	\$12,368,826
Percent of covered payroll	5.15 %	10.57 %	10.48 %	8.11 %
Amortization payment	4,524,928	10,741,593	9,396,965	24,663,486
Percent of covered payroll	6.61 %	24.54 %	23.34 %	16.18 %
Estimated member contribution	<u>(3,454,696)</u>	<u>(2,693,408)</u>	<u>(2,574,845)</u>	<u>(8,722,949)</u>
Percent of covered payroll	5.05 %	6.15 %	6.40 %	5.72 %
<b>Required contributions</b>	<b><u>\$4,592,910</u></b>	<b><u>\$12,673,167</u></b>	<b><u>\$11,043,286</u></b>	<b><u>\$28,309,363</u></b>
Percent of covered payroll	<u>6.71 %</u>	<u>28.96 %</u>	<u>27.43 %</u>	<u>18.57%</u>
Total 1994 Payroll	\$74,077,893	\$56,612,249	\$41,529,303	\$172,219,445
Covered 1994 Payroll	\$68,445,873	\$43,763,576	\$40,259,510	\$152,468,959

**CONTRIBUTIONS MADE**

During 1994, the City contributed \$16,484,478 from the General Fund and \$1,834,858 from the Retirees Trust Fund. Plan participants contributed \$9,082,451, and state aid totaled \$16,855,628. (See table below) The \$1,834,858 contribution from the Retirees Trust Fund funded pension benefit increases, which are separate from the actuarially determined pension liability.



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Source of Contribution	Municipal	Police	Fire	Total
Participants	\$ 3,371,071	\$ 2,988,436	\$ 2,722,944	\$ 9,082,451
Percent of covered payroll	4.93 %	6.83 %	6.76 %	5.96 %
Commonwealth:				
General	3,632,789	6,949,684	5,212,263	15,794,736
Percent of covered payroll	5.31 %	15.88 %	12.95 %	10.36 %
Supplemental	244,005	466,792	350,095	1,060,892
Percent of covered payroll	0.36 %	1.07 %	0.87 %	0.70 %
City	4,135,656	8,152,320	6,031,360	18,319,336
Percent of covered payroll	6.04 %	18.63 %	14.98 %	12.02 %
Total	\$ <u>11,383,521</u>	\$ <u>18,557,232</u>	\$ <u>14,316,662</u>	\$ <u>44,257,415</u>
Percent of covered payroll	<u>16.63 %</u>	<u>42.40 %</u>	<u>35.56 %</u>	<u>29.03 %</u>

For financial reporting purposes, the City accounts for pension cost under APB #8. The net pension cost for 1994 under APB #8 was \$11,180,478. The City contributed \$16,484,478 from the General Fund. Contributions in excess of net pension costs of \$5,304,000 decreased the accrued pension cost in the General Long-Term Debt Account Group.

The required ten-year historical information designed to provide information about plan progress in accumulating sufficient assets to pay benefits when due is presented at the end of the notes to the general purpose financial statements.

For the three years ended December 31, 1992, 1993, and 1994, respectively, available assets were sufficient to fund 23.7%, 23.0%, and 25.5% of the municipal pension benefit obligation, 13.9%, 13.2%, and 15.2% of the police pension benefit obligation, and 13.5%, 11.8% and 14.1% of the fire pension benefit obligation. The unfunded pension benefit obligation represented 194.7%, 212.0% and 185.3% of the annual payroll for employees covered by the municipal pension plan; 473.7%, 477.8%, and 449.6% for the police pension plan; and 348.4%, 397.4%, and 369.8% for the fire pension plan for 1992, 1993, and 1994, respectively. For the three years ended December 31, 1992, 1993, and 1994, respectively, employer contributions represented 6.2%, 8.3%, and 6.0% of the municipal plan covered payroll; 7.7%, 9.7%, and 18.6% of the police plan covered payroll; and 15.5%, 18.9%, and 15.0% of the fire plan covered payroll. Employer contributions were made in accordance with actuarially determined requirements.

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At January 1, 1994, the membership of the three pension plans consisted of:

	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,875	1,404	1,041	4,320
Terminated employees-vested	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
	<u>1,875</u>	<u>1,406</u>	<u>1,041</u>	<u>4,322</u>
Active Members:				
Vested	1,223	524	243	2,290
Nonvested	<u>1,514</u>	<u>397</u>	<u>647</u>	<u>2,558</u>
	<u>2,737</u>	<u>1,221</u>	<u>890</u>	<u>4,848</u>
Total Membership	<u>4,612</u>	<u>2,627</u>	<u>1,931</u>	<u>9,170</u>

**NOTE (9) Other Postemployment Benefits**

In addition to the pension benefits, the City provides post-retirement health care and life insurance benefits to certain retired employees in accordance with applicable city statutes and labor agreements.

The City provides health care benefits to 1,029 retired non-union municipal, fire and police employees. In 1993 the City added a new retiree medical plan that provides health care benefits to police and fire retirees and their spouses that are over age 65. Prior to 1993, only those municipal, fire and police retirees under age 65 received benefits. The benefit is funded by partial contributions from the retirees receiving coverage and the remainder by the City on a pay-as-you-go basis. During 1994, post-retirement health care benefits expense paid by the City was \$3,257,335.

The City also provides life insurance benefits to retired police and fire employees. The amount of life insurance coverage varies from \$4,000 to \$7,500 depending upon the bargaining unit and the year of retirement. This benefit is paid entirely by the City. Life insurance benefits for employees that retired before January 1, 1988, are paid from a \$1.4 million trust fund that was established to pay for retiree life insurance benefits. There are 868 retirees in this group with a total cost during 1994 to the trust fund of \$180,409. Life insurance benefits for employees retiring after January 1, 1988 are paid by the City on a pay-as-you-go basis. There are 633 retirees in this group with a total cost to the City during 1994 of \$66,975.

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**NOTE (10) Long-term Debt**

The maximum amount payable for future maturities of bonds and interest on general long-term debt at December 31, 1994 and changes in bond principal for the year then ended are summarized below:

	<b>Principal</b>	
	<b>Outstanding at December 31, 1993</b>	<b>Bonds paid and discount amortized during 1994</b>
<b>Council and Public Election General Obligation Bonds:</b>		
Ten general obligation bond issues with rates ranging from 3.30% to 8.40%. The bonds are payable from general revenues:		
1994	\$ 19,350,000	19,350,000
1995	19,425,000	-
1996	22,155,000	-
1997	22,325,000	-
1998	22,285,000	-
1999	22,190,000	-
2000-2004	129,100,000	-
2005-2009	125,200,000	-
2010-2014	103,265,000	-
2015-2017	<u>19,910,000</u>	<u>-</u>
Subtotal	<u>505,205,000</u>	<u>19,350,000</u>
Less: Discount	(19,613,840)	(552,598)
Bonds funded by Stadium Authority	<u>( 34,025,129)</u>	<u>( 2,873,429)</u>
<b>Total</b>	<b><u>\$451,566,031</u></b>	<b><u>\$ 15,923,973</u></b>

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<u>Bonds issued during 1994</u>	<u>Outstanding at December 31, 1994</u>	<u>Interest</u>
-	-	-
1,115,000	20,540,000	29,400,285
1,160,000	23,315,000	28,273,128
1,205,000	23,530,000	27,198,608
1,260,000	23,545,000	26,135,633
1,320,000	23,510,000	25,021,789
7,655,000	136,755,000	109,736,614
9,970,000	135,170,000	66,210,219
13,315,000	116,580,000	27,590,379
<u>-</u>	<u>19,910,000</u>	<u>2,285,919</u>
<u>37,000,000</u>	<u>522,855,000</u>	<u>341,852,574</u>
-	(19,061,242)	-
<u>-</u>	<u>(31,151,700)</u>	<u>( 20,162,971)</u>
\$ <u>37,000,000</u>	\$ <u>472,642,058</u>	\$ <u>321,689,603</u>

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	<b>Principal</b>	
	<b>Outstanding at December 31, 1993</b>	<b>Bonds paid during 1994</b>
<b>Equipment Leasing Authority Revenue Bonds:</b>		
Two revenue bond issues with interest rates ranging from 5.75% to 6.5%. The bonds are payable from the General Fund:		
1994	\$ 5,015,000	\$ 5,015,000
1995	4,920,000	-
1996	5,230,000	-
1997	2,670,000	-
<b>Total</b>	<b>\$ 17,835,000</b>	<b>\$ 5,015,000</b>

**Public Auditorium Revenue Bonds:**  
Five bond issues with interest rates ranging from 4.1% to 8.60%. The City's share of debt service on these bonds is payable from general revenues:

1994	\$ 667,500	\$ 667,500
1995	702,500	-
1996	742,500	-
1997	782,500	-
1998	827,500	-
1999	875,000	-
2000-2004	3,810,000	-
2005-2009	2,350,000	-
2010-2014	-	-
2015-2019	-	-
<b>Total</b>	<b>10,757,500</b>	<b>667,500</b>

**CITY OF PITTSBURGH**  
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<u>Bonds issued during 1994</u>	<u>Outstanding at December 31, 1994</u>	<u>Interest</u>
\$ -	\$ -	\$ -
-	4,920,000	713,254
-	5,230,000	407,347
<u>-</u>	<u>2,670,000</u>	<u>121,756</u>
\$ <u>-</u>	\$ <u>12,820,000</u>	\$ <u>1,242,357</u>
\$ -	\$ -	\$ -
227,500	930,000	1,092,570
245,000	987,500	1,057,153
255,000	1,037,500	1,002,712
257,500	1,085,000	943,266
260,000	1,135,000	878,786
1,325,000	5,135,000	3,431,562
1,415,000	3,765,000	1,716,238
1,545,000	1,545,000	878,853
<u>1,280,000</u>	<u>1,280,000</u>	<u>288,185</u>
<u>6,810,000</u>	<u>16,900,000</u>	<u>11,289,325</u>

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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	<u>Principal</u>	
	<u>Outstanding at December 31, 1993</u>	<u>Bonds paid during 1994</u>
<b>Urban Redevelopment Authority Taxable Revenue Bonds:</b>		
One taxable revenue bond issue with interest rates ranging from 6.0% to 8.0%. The bonds are payable from general resources from the General Fund:		
1995	-	-
1996	-	-
1997	-	-
1998	-	-
1999	-	-
2000-2004	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
 <b>General Long-term Debt Account Group</b>	 <u><b>\$480,158,531</b></u>	 <u><b>\$21,606,473</b></u>



**CITY OF PITTSBURGH**  
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**For the Year Ended December 31, 1994**

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<u>Bonds issued during 1994</u>	<u>Outstanding at December 31, 1994</u>	<u>Interest</u>
595,000	595,000	624,570
630,000	630,000	581,432
675,000	675,000	539,852
720,000	720,000	492,940
770,000	770,000	441,100
<u>4,855,000</u>	<u>4,855,000</u>	<u>1,217,930</u>
<u>8,245,000</u>	<u>8,245,000</u>	<u>3,897,824</u>
<b>\$ <u>52,055,000</u></b>	<b>\$ <u>510,607,058</u></b>	<b>\$ <u>338,119,109</u></b>

**CITY OF PITTSBURGH**  
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**Stadium Authority Revenue Bonds and Note:**

One revenue bond issue with interest rates ranging from 7.0% to 7.1%, one revenue refunding bond issue with interest rates ranging from 3.25% to 5.0% and a note with variable interest rates based on the prime lending rate when yearly payments are due. The bonds are payable from revenue from Stadium operations:

	<b>Principal</b>			
	<b>Outstanding March 31, 1993</b>	<b>Bonds paid during 1994</b>	<b>Bonds issued during 1994</b>	<b>Outstanding at March 31, 1994</b>
1993	\$ 800,000	\$ 800,000	\$ -	\$ -
1994	28,795,000	28,795,000	-	-
1995	915,000	-	500,000	1,415,000
1996	975,000	-	527,300	1,502,300
1997	1,045,000	-	707,300	1,752,300
1998	1,120,000	1,120,000	1,837,300	1,837,300
1990	1,200,000	1,200,000	1,892,300	1,892,300
2000-2004	7,480,000	7,480,000	10,481,500	10,481,500
2005-2008	<u>3,845,000</u>	<u>3,845,000</u>	<u>4,372,300</u>	<u>4,372,300</u>
Subtotal	<b><u>\$46,175,000</u></b>	<b><u>\$43,240,000</u></b>	<b><u>\$20,318,000</u></b>	<b><u>\$23,253,000</u></b>
General Obligation bonds funded by Authority	-	-	27,060,000	<u>27,060,000</u>
Total Stadium Debt	<b><u>\$46,175,000</u></b>	<b><u>\$43,240,000</u></b>	<b><u>\$47,378,000</u></b>	<b><u>\$50,313,000</u></b>

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**Public Parking Authority Revenue Bonds and Notes:**

One revenue bond issue with interest rates ranging from 3.9% to 5.875%, and four notes: three with no interest, and one with a variable interest rate based on 65% of the prime lending rate. The bonds and notes are payable from revenue from Parking Authority operations and some of the notes are paid directly by parking facilities lessees:

	<b>Principal</b>			
	<b>Outstanding September 30, 1993</b>	<b>Bonds and notes paid during 1994</b>	<b>Bonds/notes issued during 1994</b>	<b>Outstanding September 30, 1994</b>
1994	\$ 2,025,000	\$ 2,025,000	\$ -	\$ -
1995	2,082,236	-	19,380	2,101,616
1996	2,155,000	-	19,380	2,174,380
1997	2,240,000	-	19,380	2,259,380
1998	2,260,000	-	19,380	2,279,380
1999	2,350,000	-	19,380	2,369,380
2000-2004	13,655,000	-	31,393	13,686,393
2005-2009	17,595,658	-	-	17,595,658
2010-2013	<u>18,010,000</u>	<u>-</u>	<u>-</u>	<u>18,010,000</u>
Subtotal	<b><u>\$62,372,894</u></b>	<b><u>\$ 2,025,000</u></b>	<b><u>\$ 128,293</u></b>	<b><u>\$60,476,187</u></b>
Less:				
Unamortized discount	<u>(1,519,816)</u>	<u>(79,991)</u>	<u>-</u>	<u>(1,439,825)</u>
Total Parking Debt	<b><u>\$60,853,078</u></b>	<b><u>\$ 1,945,009</u></b>	<b><u>\$ 128,293</u></b>	<b><u>\$59,036,362</u></b>

**CITY OF PITTSBURGH**  
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**For the Year Ended December 31, 1994**

**Water and Sewer Authority Revenue Bonds:**

One revenue bond issue with an interest rate of 5.0% and one revenue refunding bond issue with interest rates ranging from 3.4% to 6.5%. The bonds are payable from revenue from Water & Sewer operations:

	<u>Principal</u>			
	<u>Outstanding December 31, 1993</u>	<u>Bonds paid and premium amortized during 1994</u>	<u>Bonds issued and refunding loss amortized during 1994</u>	<u>Outstanding December 31, 1994</u>
1994	\$ 8,495,000	\$ 8,495,000	\$ -	\$ -
1995	4,355,000	-	-	4,355,000
1996	5,945,000	-	-	5,945,000
1997	6,865,000	-	-	6,865,000
1998	8,550,000	-	-	8,550,000
1999	8,885,000	-	-	8,885,000
2000-2004	50,450,000	-	-	50,450,000
2005-2009	63,395,000	-	-	63,395,000
2010-2014	82,265,000	-	-	82,265,000
2015-2019	43,940,000	-	-	43,940,000
2020-2023	<u>\$ 6,610,000</u>	<u>-</u>	<u>-</u>	<u>6,610,000</u>
Subtotal	<u>\$289,755,000</u>	<u>\$ 8,495,000</u>	<u>\$ -</u>	<u>\$281,260,000</u>
Plus:				
Net Bond Premium	393,000	43,000	-	350,000
Less:				
Refunding loss				
Series 1991	(35,457,000)	-	2,581,000	(32,876,000)
Total	<u>\$254,691,000</u>	<u>\$ 8,538,000</u>	<u>\$2,581,000</u>	<u>\$248,734,000</u>

**CITY OF PITTSBURGH**  
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**A. Council and Public Election General Obligation Bonds**

**General Obligation Bonds - Series of 1994**

In August, 1994 the City issued \$37,000,000 of General Obligation Bonds, Series 1994 with an average interest rate of 5.39%. The bonds consisted of serial bonds bearing various fixed rates ranging from 3.7% to 6.0% with maturities commencing on September 1, 1995 and continuing annually through September, 2014.

The net proceeds of \$36,468,117 (after payment of \$531,883 in underwriting fees) were used to provide funds for Capital Projects, pay cost of issuance associated with the sale of the bonds, and refund \$15,000,000 of General Obligation Notes, Series 1994. Interest of \$216,614 on the General Obligation Notes has been recorded in the Capital Projects Fund.

In 1985, 1986, 1991 and 1993 the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. At December 31, 1994, bonds outstanding of \$12,110,000, \$160,605,000, \$9,280,000 and \$33,335,000 refunded by the 1985, 1986, 1991 and 1993 issues, respectively, are considered defeased.

**B. Equipment Leasing Authority (ELA)**

As of December 31, 1994, future minimum lease payments under all lease agreements between the ELA and the City are as follows: (in thousands)

<u>December 31</u>	<u>Lease Payments</u>
1995	5,633
1996	5,638
1997	<u>2,791</u>
	<u>\$14,062</u>

The City has executed a separate lease agreement with the ELA for each of the two outstanding bond issuances. Pursuant to these agreements, the City is required to subsidize any deficiencies of the ELA debt service fund. Additionally, at the City's option, any earnings derived from the ELA investment and salvage accounts may be used as rental credits against the scheduled lease payments. It has been City policy to fully utilize such rental credits.

**CITY OF PITTSBURGH**  
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**For the Year Ended December 31, 1994**

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**C. Auditorium Authority**

In September 1994, the Authority issued \$3,370,000 Auditorium Bonds, 1994 Series A and \$10,250,000 Taxable Auditorium Bonds, Series 1994B, at an average interest rate of 7.42%. Under the Supporting Agreement included with the Bonds, the City and County have each unconditionally agreed to pay one half of the principal and interest on the Bonds as they become due and payable. The Series A Bonds consist of \$1,820,000 of serial bonds bearing various fixed interest rates ranging from 4.1% to 6.0% and \$1,550,000 of term bonds bearing interest rates ranging from 6.0% to 6.125%. The Series B Bonds consist of \$5,740,000 of serial bonds bearing various fixed rates ranging from 5.95% to 8.35% and \$4,510,000 of term bonds bearing interest rates ranging from 8.6% to 8.75%. The Series A&B Bonds commence payment on September 1, 1995 and continue annually through September 1, 2019.

The proceeds of the Series A Bonds are being used for capital improvements to the Civic Arena and to pay costs of issuing the bonds and the proceeds of the Series B Bonds were used to reimburse Hockey Associates for improvements previously made at the Civic Arena, and to pay costs of issuing the bonds.

The 1981 Series C Auditorium Bonds have not been included in the City's general long-term debt account group for the year ended December 31, 1994. The City does not fully subsidize the bond issue, but according to the supporting agreement, in event of default, the payment of bonds is guaranteed by the City and Allegheny County.

**D. Stadium Authority**

In October 1993, the Authority issued \$15,945,000 Guaranteed Stadium Refunding Bonds, Series 1993 at an average interest rate of 4.43%. These are serial bonds bearing various fixed interest rates ranging from 3.25% to 5.0% with maturities commencing on October 1, 1995 and continuing annually through October 1, 2005.

The net proceeds of \$15,768,965 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of \$13,645,000 principal plus related interest payments on the Authority's Guaranteed Stadium Funding Bonds, Series 1986. The deposits will generate enough interest to pay the periodic principal and interest payments. As a result, \$13,645,000 of the 1986 bonds are considered to be

**CITY OF PITTSBURGH**  
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deceased and neither the trust nor the obligation is included in the Authority's balance sheet. (\$2,935,000 of these bonds remained open on the Authority's balance sheet.)

The Authority's advance refunding of a portion of the 1986 bonds reduced its total debt service payments over the next 12 years by \$430,635. The transaction resulted in an economic gain (difference between the present value of debt service on the old and new debt) of \$421,930.

On January 19, 1994, the Authority entered into a contract with a vendor for the purchase of a new scoreboard for \$4,373,000. The Authority agreed to pay \$500,000 upon substantial completion of the installation and signed a promissory note for the remaining \$3,873,000. A principal payment of \$387,300 together with interest accruing at the highest prime rate published by the Wall Street Journal on the first business day of the month of a payment, is due each year on the anniversary date of the initial payment of \$500,000.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**E. Water and Sewer Authority**

The Authority initially financed its seven-year capital improvement program through the issuance of \$93,600,000 and \$134,700,000 revenue bonds in 1984 and June 1986, respectively. The 1984 bonds were later defeased with the issuance of refunding bonds.

In July 1986, the Authority issued \$264,090,000 Revenue Refunding Bonds, Series of 1986 (July 1986 Bonds), with the intention of refunding the 1985 and June 1986 Bonds on September 1, 1991 or sometime thereafter. Proceeds of \$241,411,000 from the issuance were placed in an escrow fund (July 1986 escrow fund) to provide for the refunding.

In July 1991, due to favorable interest rates, rather than implement the intended refunding of the July, 1986 bonds, the Authority decided to issue Refunding Bonds to pay off the outstanding bonds. In July 1991, the Authority issued \$248,329,024 of Water and Sewer Revenue Refunding Bonds. These funds along with the amount already in escrow to reduce the 1985 and June 1986 bonds were used to redeem the 1985 and June 1986 Bonds on September 1, 1991 and a sufficient amount was placed in escrow to defease the July 1986 bonds.

In November of 1993, the Authority issued \$278,970,000 Series A refunding Bonds, to advance refund the 1991 Bonds, and \$10,785,000 Series B Revenue Bonds, to provide funding for additional capital improvements. The net proceeds of the Series A Bonds of \$276,612,700 (after payment of \$3,402,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities, which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Bonds. As a result, the 1991 Bonds are legally defeased.

The Series A and B 1993 Bonds have a fixed rate of interest which ranges from 3.4% to 6.5%, and pay interest semiannually at March 1 and September 1 commencing March 1, 1994. The average effective interest rate on the 1993 bonds, including amortization of original issue premium and excluding the 1991 refunding loss is 5.0% for 1994. The bonds are insured under a Municipal Bond New Issue Insurance Policy issued by FGIC. A portion of the 1993 Bonds are subject to optional and mandatory redemption in various face amounts beginning September 1, 2003.



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Interest cost for 1994 on the 1993 Bonds, exclusive of the amortization of deferred interest, and the refunding loss is \$14,165,000.

Bond insurance premiums of \$1,269,000, and \$2,355,000 have been recorded as deferred interest in 1993, and 1991, respectively. Amortization of the deferred interest plus the 1991 Bond refunding loss amounted to \$2,795,000 in 1994, and is included in interest cost.

Interest earned on funds restricted for the purpose of capital improvements, net of related interest expense, is deferred and allocated to the cost of capital assets. For the year ended December 31, 1994, the Authority deferred interest earnings of \$1,726,000 less interest expense of \$4,411,000, exclusive of insurance premiums.

In accordance with the provisions of the trust indentures for the bonds payable, the Water and Sewer Authority has established both trustee and nontrustee funds with assets, principally short-term investments, which are restricted for specific purposes. A summary of the balances in these funds at December 31, 1994 is as follows:

	<u>1994</u>
Trustee funds:	
Construction funds	\$ 32,220,000
Debt service funds	8,425,000
Operating reserve account	<u>3,405,000</u>
	44,050,000
Self-insured Escrow Fund	<u>619,000</u>
 Total trustee and restricted funds	 <u>\$ 44,669,000</u>

In addition, the trust indentures require that all revenues be deposited in a Revenue fund. Amounts in the Revenue fund are to be first disbursed to other funds as provided for in the indentures.

Under the trust indentures, the Water and Sewer Authority has made certain covenants which essentially provide for rates to be set at levels sufficient to meet debt service requirements under one of two formulas.

Under the first formula, revenues as defined, must be sufficient to provide annually:

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- (a) Funds to pay all of its current expenses;
- (b) An amount equal to 100% of the debt service requirements with respect to its bonds during the then current fiscal year; and
- (c) Funds to pay indirect expenses billed by the City and the "additional payment".

The second formula varies from the above in that any unrestricted cash and investments in the revenue fund at the beginning of the year may be included with revenues, however 120% of the debt service requirements must be met in the determination.

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The Authority failed to meet the requirements of the rate covenant for the year ended December 31, 1993. Under the terms of the trust indenture, the Authority was required to revise its water rates, rent, and other charges in order to comply with the requirements of the rate covenant by December 31, 1994. A 4% rate increase was implemented by the Authority effective January 1, 1994, and a 9.5% rate increase was implemented on September 27, 1994. The Authority met the rate covenant for the year ended December 31, 1994.

**F. Urban Redevelopment Authority of Pittsburgh (URA)  
Guaranteed Tax Increment Financing Bonds - Series 1994A**

In March, 1994 the URA issued \$5,510,000 of Guaranteed Tax Increment Financing Bonds (T.I.F.), Series 1994A with an average interest rate of 6.59%. The bonds consisted of \$2,610,000 of serial bonds bearing various fixed rates ranging from 4.7% to 6.5% with maturities commencing on October 1, 1996 and continuing annually through October 1, 2006, and \$2,900,000 term bonds bearing a rate of 7.2% maturing on October 1, 2013.

The net proceeds of \$5,443,164 were used to finance the construction of a parking facility at the Pittsburgh Technology Center - a high tech research park which is being redeveloped on a former steel mill site.

In February 1994, the City executed a guarantee agreement with the Urban Redevelopment Authority of Pittsburgh (URA), whereby the City's full faith and credit was unilaterally pledged to guarantee debt service payments related to the URA's \$5,510,000 T.I.F.

Under separately executed agreements with the City, County, and Pittsburgh School District, each entity has pledged their entire share of all new real estate taxes generated by the newly approved tax increment district. The bonds are considered to be self-supporting based upon the pledged incremental taxes, tenant lease agreements, and other related agreements. Currently, agreements have been executed with Union Switch and Signal, who is building a multi-million dollar research facility on the site; and the other key participants: the University of Pittsburgh (Pitt) and Carnegie-Mellon University (CMU). Both Pitt and CMU have built research facilities on the site in the last few years. Union Switch and Signal has entered into separate agreements not to challenge the tax assessment on its new facility for as long as the bonds are outstanding.

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The guarantee agreement calls for the City to make debt service payments in the event that current revenues generated under these agreements are insufficient to make required debt service payments. The bond agreement calls for a debt service reserve fund equal to the highest year's debt service to be maintained. Average annual debt service is approximately \$560,000.

**Taxable Guaranteed Revenue Bonds - Series 1994B**

In June, 1994 the URA issued \$8,245,000 of Taxable Guaranteed Revenue Bonds, Series 1994B with an average interest rate of 7.48%. The bonds consisted of \$5,115,000 of serial bonds bearing various fixed rates ranging from 6.0% to 7.8% with maturities commencing on September 1, 1995 and continuing annually through September 1, 2001; and \$3,130,000 term bonds bearing a rate of 8.0% maturing on September 1, 2004.

The net bond proceeds of \$8,183,162 was used to fund the Business Reinvestment Fund to provide a working capital loan to Pittsburgh Baseball, Inc. as the sole general partner of Pittsburgh Associates. At December 31, 1994, no loans have been disbursed from this fund.

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

**CITY OF PITTSBURGH**  
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**G. Capital Lease Obligations**

From 1987 through 1994, the City of Pittsburgh entered into various agreements for the lease purchase of data processing equipment. Current lease payments are recorded in the City's General Fund. The future minimum lease payments under these lease agreements are as follows:

	1995	\$ 1,967,794
	1996	1,919,067
	1997	<u>925,864</u>
Total minimum lease payments		4,812,725
Less amount representing interest		<u>401,011</u>
Present value of net minimum lease payments		<u><b>\$ 4,411,714</b></u>

**H. Other Long-Term Obligations**

The following is a summary of transactions affecting all other long-term obligations of the City during 1994:

	<u>Deferred Loan</u>	<u>Capital Lease</u>	<u>Accrued Pension Costs</u>	<u>Accrued Workers' Compensation</u>	<u>Accrued Compensation Loan</u>	<u>Accrued Compensated Absences</u>
Balance, January 1, 1994	\$3,408,000	\$5,017,078	\$232,857,000	\$100,360,000	\$6,200,000	\$29,911,705
Additions	426,000	916,240	-	25,336,484	2,298,372	18,015,120
Reductions	<u>-</u>	<u>1,521,604</u>	<u>5,304,000</u>	<u>17,451,484</u>	<u>346,872</u>	<u>17,215,705</u>
Balance, December 31, 1994	3,834,000	4,411,714	227,553,000	108,245,000	8,151,500	30,711,120
Less: amounts accrued currently in:						
General Fund	-	-	-	17,000,000	3,000,000	17,366,120
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>851,500</u>	<u>-</u>
Long-term portion, December 31, 1994	<u><b>\$3,834,000</b></u>	<u><b>\$4,411,714</b></u>	<u><b>\$227,553,000</b></u>	<u><b>\$91,245,000</b></u>	<u><b>\$4,300,000</b></u>	<u><b>\$13,345,000</b></u>

**CITY OF PITTSBURGH**  
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**I. Deferred Loan**

The City records as a deferred loan amounts received under an agreement with the County of Allegheny and the Authority for Improvements in Municipalities (AIM) as more fully described in Note 18E.

The terms of repayment to the AIM for the deferred loan are not fixed and determinable. The loan plus 8% simple interest becomes payable in the event that the major league baseball franchise owned by Pittsburgh Associates is sold or if Pittsburgh Associates uses any profits generated from the operation of the major league baseball franchise to repay its economic development loan from the URA.

**NOTE (11) Operating Leases**

- A. The Stadium Authority has operating leases with Pittsburgh Associates, the Allegheny Club and Pittsburgh Steelers Sports, Inc. Under terms of the basic agreement dated January 1, 1982, these operating leases provide for guaranteed payments of approximately \$1,160,000 annually for a 40-year period which began April 1, 1971.

On March 23, 1989, the Authority entered into an agreement with the Commonwealth of Pennsylvania to lease certain property near Three Rivers Stadium to be used for public parking. The term of the lease is ten years renewable for four additional ten-year periods. Lease payments for the year ended March 31, 1994 and 1993 were \$58,200 and \$55,300, respectively.

- B. The Water and Sewer Authority operates from leased space. Rental expense was \$190,000 in 1994. Future minimum rental commitments are as follows:

**Year ended December 31**

1995	\$ 287,000
1996	196,000
1997	<u>118,000</u>
<b>Total</b>	<b>\$ <u>601,000</u></b>

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- C. Commencing on April 15, 1988, the City entered into a three-year, noncancelable, operating lease for office space used for the location and operation of the City's computer systems. The lease also includes a renewal option to extend the lease for additional years up to seven years. The City has exercised its second option to extend the lease three additional years through April 14, 1997.

The minimum monthly rental payments are subject to escalation for the City's pro rata share of any increases in real estate taxes and operating expenses over those incurred in the base year of the lease agreement. Such increases will not exceed established monthly maximum cap rates. The remaining minimum future rental payments required by the lease are:

1995	\$271,936
1996	279,797
1997	<u>70,325</u>
Total	<u>\$622,058</u>

**CITY OF PITTSBURGH**  
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**NOTE (12) Due From Other Governments**

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 1994:

	<u>Amount</u>
<b><u>General Fund</u></b>	
Commonwealth of Pennsylvania	\$ 660,489
Allegheny County Information Systems	20,209
Regional Asset District	<u>2,488,624</u>
	<u>3,169,322</u>
<b><u>Special Revenue</u></b>	
Job Training Partnership Program	1,168,376
Housing and Urban Development	3,097,627
Allegheny County - Public Safety	447,567
Allegheny County - Senior Citizens Program	<u>107,313</u>
	<u>4,820,883</u>
<b><u>Capital Projects</u></b>	
Commonwealth of Pennsylvania - Highway Funds	188,220
Federal Government - Highway Funds	1,453,095
Pittsburgh Water & Sewer Authority	
Design and Inspection Fees	189,887
Port Authority - Construction Projects	7,837
UPAAR Grant	33,334
Conrail - Bridge Inspection	<u>75,998</u>
	<u>1,948,371</u>
<b>Total Due From Other Governments</b>	<b>\$ <u>9,938,576</u></b>



**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**NOTE (13) Interfund Receivable and Payable Balances**

At December 31, 1994, the individual fund interfund receivable and payable balances were as follows:

	<u>Receivables</u>	<u>Payables</u>
<b>General Fund</b>	<b><u>\$ 5,458,005</u></b>	<b><u>\$ -</u></b>
<b>Special Revenue Funds:</b>		
JTPA	47,428	1,036,657
Housing	-	2,491,479
Civic and Cultural	3,099	1,022,715
Public Safety	-	<u>403,099</u>
<b>Total Special Revenue</b>	<b><u>50,527</u></b>	<b><u>4,953,950</u></b>
<b>Capital Projects Funds:</b>		
Engineering and Construction	4,992,040	122,536
Public Works	828,790	123,511
Other	<u>1,890,021</u>	<u>828,790</u>
<b>Total Capital Projects</b>	<b><u>7,710,851</u></b>	<b><u>1,074,837</u></b>
<b>Trust Funds:</b>		
Gifts and Donations	100,698	133,079
Parks Endowments	-	48,751
Workers' Compensation	-	4,992,040
<b>Pension:</b>		
Comprehensive Board	-	112,718
<b>Agency Funds:</b>		
Payroll withholding	-	1,457,971
Deposits	-	200
Other	<u>-</u>	<u>546,535</u>
<b>Total Trust and Agency</b>	<b><u>100,698</u></b>	<b><u>7,291,294</u></b>
<b>Total</b>	<b><u>\$13,320,081</u></b>	<b><u>\$13,320,081</u></b>

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**NOTE (14) Operating Transfers**

**Transfers between primary government funds:**

	<u>Transfers in</u>	<u>Transfers out</u>
<b>General Fund</b>	<u>\$9,539,504</u>	<u>\$54,119,835</u>
<b>Special Revenue Funds:</b>		
JTPA	48,333	-
Housing	1,217,747	-
Civic and Cultural	3,263,373	-
Public Safety	689,000	450,000
Liquid Fuels Tax	655	-
Equipment Leasing	701	1,363,921
<b>Total Special Revenue</b>	<u>5,219,809</u>	<u>1,813,921</u>
<b>Debt Service Fund:</b>		
General Obligation	44,191,538	-
Equipment Leasing	6,067,963	701
<b>Total Debt Service</b>	<u>50,259,501</u>	<u>701</u>
<b>Enterprise Fund:</b>		
Water and Sewer Authority	-	7,788,408
<b>Total Proprietary</b>	<u>-</u>	<u>7,788,408</u>
<b>Trust Funds:</b>		
Workers' Compensation	-	1,295,949
<b>Total Trust and Agency</b>	<u>-</u>	<u>1,295,949</u>
<b>Total transfers between primary government funds</b>	<u>\$ 65,018,814</u>	<u>\$65,018,814</u>

**Transfers between primary government and component units:**

<b>Debt Service Fund</b>	<u>3,270,000</u>	<u>-</u>
<b>Total transfers between primary government and component units ***</b>	<u>\$ 3,270,000</u>	<u>\$ -</u>

\*\*\* Transfers out of \$3,270,000 from the Stadium Authority to the Debt Service Fund are not included, due to the difference in fiscal year end.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**Other Transfers**

During 1994, \$1,295,949 of reimbursements for capital projects, were transferred to the Irrevocable Worker's Compensation Trust Fund. Past practice had been to deposit these reimbursements into the capital project funds from which the expenditures originated. This transfer was executed in anticipation of a determination from the Pennsylvania Department of Labor permitting a substitution of the trust with a letter of credit. In the event that a letter of credit is acceptable for the worker's compensation reserve, the transferred funds are due back to the capital projects fund. With the additional funds in the trust, a transfer of the same amount was made to the General Fund. This transaction is recorded as an operating transfer between the trust and the general fund.

**NOTE (15) Contributed Capital**

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.

As of March 31, 1994, contributed capital for the Stadium Authority amounted to \$12,347,719. This number consisted of prior capital contributions in support of construction of additional seating, new lounge boxes, handicapped facilities, and a pedestrian ramp walkway. Additionally, this amount includes a \$3,199,088 contribution from the City of Pittsburgh resulting from an agreement between the City and the Authority related to a restructuring of the Authority's Series of 1985 Bonds.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**Note (16) Segment Information**

The City maintains Enterprise Funds which provide water services, operate the stadium complex, and operate parking facilities. Segment information for their respective year ends is as follows (in thousands):

	<u>Primary Government</u>	<u>Discrete Component Units</u>	
	<u>Water and Sewer Authority 12/31/94</u>	<u>Stadium Authority 3/31/94</u>	<u>Parking Authority 9/30/94</u>
Operating revenues	\$53,319	\$7,585	\$17,002
Depreciation and amortization	4,396	1,882	2,487
Operating income	21,943	898	2,548
Operating interfund transfers in and out	(7,788)	-	-
Net income (loss)	1,975	(5,105)	(576)
Property, plant & equip: Additions (Deletions)	14,008	1,775	7,646
Net working capital	21,926	4,429	(1,687)
Total assets	241,722	42,010	95,788
Bonds & other long-term liabilities, net	249,999	46,938	56,922
Equity (deficit):			
Contributed capital	5,277	12,348	-
Accumulated deficit	(19,181)	(47,451)	-
Total equity	\$(13,904)	\$(35,103)	\$32,336

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**NOTE (17) Fund Deficits**

**General Fund Deficit**

In an effort to cope with the continued erosion in the General Fund cash balance and GAAP basis fund balance over the last few years, the City has implemented cost-cutting measures; including layoffs and a strict Cash Management Program. Action taken during 1994 included the organization of a Cash Flow Management Group. This team monitors and manages the City's cash flow and enabled the City to maintain adequate cash levels through year end. The City's cash position necessitated the issuance of a \$25,000,000 TRAN (Tax and Revenue Anticipation Note) on January 3, 1995 to meet operating needs until tax revenues began to flow into the City in late January 1995. The TRAN is scheduled to be repaid in May of 1995, when the City's cash flow can withstand the large outlay. A prepayment of \$15 million in principal of the TRAN and associated interest was made on April 3, 1995.

Early analysis indicates that a cash shortfall will occur again in 1995, if the current trend were to continue. Several possible solutions to the cash problem are currently being examined by the administration. A plan that will alleviate the current cash deficit has been adopted. The Pittsburgh Water and Sewer Authority (PWSA) has a lease agreement with the City for the infrastructure (water and storm sewer lines) used by the Authority. A recently announced restructuring of this lease will infuse the City with an estimated \$85 million, distributed over at least three years. The PWSA will issue revenue bonds to finance this arrangement. The City expects to receive approximately \$50 million in mid-1995, with the remainder distributed over at least the next two years. The annual lease payments formerly made by the PWSA to the City will now be directed toward debt service on the new bond issue.

Other options related to a reorganization of the basic structure of the City are also being examined. Reductions in employee benefit costs, workers' compensation costs and the size of the City's work force through attrition are being aggressively pursued. Expenditure reduction and control will remain the primary focus of the Budget and Finance Departments.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**Stadium and Water and Sewer Authorities Deficits**

The deficit of the Water and Sewer Authority is expected to be eliminated through the rate setting process. The operating deficit of the Stadium Authority will be subsidized through future general fund appropriations and revenues from the Regional Asset District. No other individual funds had deficits in 1994.

**NOTE (18) Related Party Transactions**

- A. 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 agreement, the Water and Sewer Authority assumed responsibility for the operation and rehabilitation of the water and sewer system of the City. The current agreement will be superseded by a new cooperation agreement effective January 1, 1995. See subsequent events Note 24.

The original 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 system; fixed lease payments; 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 \$4,052,000 in 1990, increased 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 which provide water 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.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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. Future 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 as discussed above. For 1995, the "additional payment" has been budgeted at \$4,874,841. However, the full amount will not be collected due to changes in the cooperation agreement.

The fixed lease payments of the City which are to be funded by the Water and Sewer Authority are as follows:

<u>Year ended December 31</u>	<u>Amount</u>
1995	\$ 2,136,000
1996	2,134,000
1997	1,980,000
1998	1,838,000
1999	1,742,000
Later years	<u>18,499,000</u>
<b>Total minimum future lease payments</b>	<b><u>\$ 28,329,000</u></b>

The City is responsible to hold the Water and Sewer Authority harmless against any claims or judgments against the City or the Water and Sewer Authority related to the operation and maintenance of the system. The cost of indemnification may be passed on to the Authority.

Authority employees are eligible for retirement benefits under the City's Municipal Retirement Plan. The Authority records benefits expense based on amounts billed by the City.

The City is responsible for the billings and collections of the Authority's water charges. The Authority has adopted a collection policy which includes termination of service, filing of liens, accounts being turned over to collection agencies, and the sale of real property for delinquent accounts. At December 31, 1994, the reserve for uncollectible accounts was \$17,518,155.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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- B. Under the terms of agreements dated July 1, 1965, December 1, 1985 and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the Stadium complex and debt service on the Stadium bonds over the total funds available to the Stadium Authority for those purposes. The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the Stadium complex and debt service on the Stadium bonds. At March 31, 1994, aggregate grants from the City of Pittsburgh were approximately \$20.5 million of which \$4,356,419 were made during the year then ended. \$3,199,088 of grants payable were waived by the City and the Authority recorded those to contributed capital.
- C. In 1986, the City disbursed \$20,000,000 to the URA, which is not a component unit of the City, to fund its Business Reinvestment Fund. Under the terms of a cooperation agreement between the two, these funds were then used to make a loan to a private coalition organized to acquire the assets of the Pittsburgh Athletic Company, Inc. (owner of the Pittsburgh Pirates). The URA is obligated to repay the \$20,000,000 if funds become available through the occurrence of certain events, principally the sale of the Pittsburgh Pirates major league baseball franchise.
- D. The URA, acting as the City's agent under a 1981 cooperation agreement, made two loans from prior years' Urban Redevelopment Action Grant (UDAG) funds to a Development Company to assist in the construction of Parkway Center Mall in the City's West End, which was completed in November 1982. Neither of these loans are reflected as a receivable in the City's financial statements due to the contingent nature of repayments and unspecified terms when the loans were made.

The first loan of \$2,000,000 was made under an agreement dated October 30, 1981, as amended April 22, 1982 and April 2, 1984, the purpose of which was to assist in the construction costs of the mall; repayments are contingent upon positive cash flows and other factors. The loan, which has a 27 year term with varying interest rates, is to be repaid to the City by the URA at the City's discretion. The balance of the receivable from the URA, should the City continue to exercise its option, at December 31, 1994, was \$1,630,422.



**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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The second loan of \$6,819,972, with additional available borrowings of \$354,028, was made under an agreement dated April 2, 1984, for the construction of highway ramps to connect the mall with I-279. This loan agreement was amended on July 13, 1992. Repayment of the loan was to commence on June 1, 1992. The term of the loan is 30 years with varying fixed interest rates. When the loan agreement was amended, URA received an advance payment of \$1 million with applied credits of \$317,955 leaving a loan balance at December 31, 1994 of \$5,502,017 plus interest accruing from June 1, 1992. No payments were made on this loan in 1993 or 1994.

- E. The City has entered into an intergovernmental cooperation agreement with the County of Allegheny, Pennsylvania, setting forth their mutual understandings regarding financial assistance to be provided by the County in connection with the City's efforts to retain the Pittsburgh Pirates major league baseball franchise.

In connection with this agreement, the County has agreed to make annual grants through the year 2011 to the Authority for Improvements in Municipalities (AIM) in an amount equal to (a) all County real estate taxes generated by virtue of the taxability of Three Rivers Stadium and (b) \$426,000. AIM has agreed to make annual grants equal to the amounts described in (a) above and deferred loans of \$426,000 to the City for projects and facilities located within the City (see note 10I). The amount due under (a) above was related to a proposed sale of Three Rivers Stadium. The sale of the stadium to private owners has not taken place. Accordingly, no amount is due under (a) above.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

**NOTE (19) Construction and Other Significant Commitments**

As of December 31, 1994, \$184 million has been spent, and an additional \$8 million has been committed for noncancelable construction contracts under the \$194 million Pittsburgh Water and Sewer Authority Seven Year Capital Improvements Program.

In September 1986, the Water and Sewer Authority entered into an agreement with Pennsylvania American Water Company (PAWC) (formerly West Penn Water Company) to provide four to twelve million gallons of water per day at normal bulk rates for resale to PAWC customers. Sales of water under this agreement commenced in April 1988 for an initial term of ten years. Sales to PAWC amounted to \$3,109,000 in 1994.

As of December 31, 1994 the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Municipal Courts Facility	\$6,723,730	October 1995
Reconstruction - Grant & Liberty	5,790,890	April 1996
Computerized Traffic Response	2,284,251	October 1996
Schenley Park Bridge Rehab	882,474	June 1995
Sheridan Senior Citizen Center	277,658	July 1995
Davis Playground	<u>211,831</u>	June 1995
	<u>\$16,170,834</u>	

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**NOTE (20) Regional Asset District Revenues**

In December 1993, the Commonwealth of Pennsylvania legislature approved Act 77 of 1993 authorizing the creation of the Allegheny Regional Asset District (RAD) by Allegheny County. The RAD is a special purpose district whose primary purpose is to provide support and financing for regional community assets that were historically funded by the City, County or local municipalities. These community assets include regional parks of the City and County, municipal libraries, the Pittsburgh Zoo, the Pittsburgh Aviary, Phipps Conservatory, Three Rivers Stadium, and community cultural facilities.

Revenue for the support of the activities of the RAD are derived by the imposition of a 1% increase in the sales and use tax, and hotel occupancy tax on certain transactions which occur within the County. This tax is estimated to produce over \$106,000,000 in annual revenues to the RAD. One-half of this amount will be dedicated to funding regional community assets; and approximately \$14,000,000 will be for tax relief within the City, \$26,500,000 for County tax reform, and \$12,500,000 for other municipalities in Allegheny County, two-thirds of which are required to be used for reducing other taxes.

Pursuant to Act 77, the County imposed the sales tax increase as of July 1, 1994. During the period from July 1 through December 31, 1994, \$6,057,874 was recorded as tax revenues in the General Fund in the accompanying financial statements. Act 77 requires cash received from the RAD during 1994 to be restricted until 1995 and available for use only under certain prescribed conditions, including short-term borrowing for operating purposes. Hence, \$3,569,250, received prior to December 31, is included as restricted cash in the accompanying Combined Balance Sheet as of December 31, 1994. Pursuant to the issuance of the Tax and Revenue Anticipation Notes, Series of 1995, as discussed in Note 24, this restricted cash was utilized for operating purposes in 1995.

Act 77 requires, among other things, that the City make the following tax reductions: (a) elimination of the personal property tax (estimated effect for 1995 is \$4,000,000 revenue decrease), (b) reduction in the city amusement tax (estimated effect for 1995 is \$5,600,000 revenue decrease) and, (c) establishment of real estate tax exemption or deferral programs

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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for longtime senior citizen occupants of personal residences (estimated effect for 1995 is a \$400,000 decrease). Additionally, the City will be required to pay the School District of Pittsburgh approximately \$4,000,000 annually for elimination of the School District's personal property tax.

Subsequent to December 31, 1994, as further discussed in Note 24, the City has irrevocably allocated/pledged a portion of its future RAD revenues to the Urban Redevelopment Authority of Pittsburgh for the establishment of the Pittsburgh Development Fund (PDF). The PDF is an economic development fund that will be used for making loans to and investments in certain projects located within the City. The amounts are pledged for the next twenty years with \$6,200,000 annually allocated for the first ten years and \$7,500,000 annually thereafter.

Despite the reduced revenues and pledging of a portion of new revenues, the City estimates that it will achieve significant annual cost reductions/savings related to the regional assets it previously subsidized.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**NOTE (21) Adoption of GASB Statement No. 22, Accounting for Taxpayer Assessed Revenues in Governmental Funds**

For the year ended December 31, 1994, the City elected to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 22, "Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds," which establishes that revenues from taxpayer-assessed taxes, net of refunds, should be recognized in the period in which they become susceptible to accrual, as discussed in Note 1. Taxpayer-assessed revenues of the City consist primarily of Earned Income and Parking Taxes.

The effects of this adoption have been applied retroactively. Accordingly, the fund balance of the General Fund as of December 31, 1993 has been restated, increasing by \$7,290,806 to reflect net taxpayer-assessed taxes. Additionally, taxpayer-assessed taxes receivable of \$7,559,040 has been included in the accompanying balance sheet of the General Fund as of December 31, 1994.

**NOTE (22) Adoption of GASB Statement No. 16, Accounting for Compensated Absences**

For the year ended December 31, 1994, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences," which requires the accrual for absences such as vacation and sick leave which will be paid to employees. In prior years, the City has specifically accrued for only vacation and personal days. The new statement requires that sick days paid as termination benefits be accrued. A salary-related payment representing FICA for municipal employees is also accrued at December 31, 1994.

The effects of this adoption have been applied retroactively in both the General Fund and the General Long-Term Debt Account Group. Accordingly, the fund balance of the General Fund as of December 31, 1993 has been restated, decreasing by \$3,840,575 to reflect the current portion of the sick day liability component. Additionally, accrued compensated absences have been increased by \$3,885,699 in the accompanying balance sheet of the General Fund as of December 31, 1994. Accrued

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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compensated absences in the General Long-Term Debt Account Group have been increased by \$13,345,000 as of December 31, 1994.

**NOTE (23) Contingencies**

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

There are currently a number of real estate appeals in process for which the outcome and possible further reduction in the real estate tax levy cannot be determined at this time.

The City receives federal and state grants under a number of programs. The expenditures of the City under such programs are subject to audit and possible disallowance. Historically, such audits have not resulted in significant disallowances of program costs, and City management believes that audits of existing programs will not result in significant liability to the City.

The Municipal Pension Fund and its Board are defendants in certain legal actions involving benefit claims, benefit calculations, and the compensation of board members. At present the ultimate outcomes of the pending litigation are not determinable, nor can the potential liabilities in the event of unfavorable outcomes be determined. Consequently, no provision for losses has been recorded in the accompanying financial statements.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**NOTE (24) Subsequent Events**

**A. Pledge of Regional Asset District Revenues**

Effective March 1, 1995, the City entered into a Cooperation Agreement with the Urban Redevelopment Authority of Pittsburgh to irrevocably assign to the Authority its right to receive (a) the first \$6,200,000 of the City's allocation of RAD revenues for each of the ten years beginning March 1, 1995 and (b) the first \$7,500,000 of the City's allocation of RAD revenues for each of the ten years beginning March 1, 2005. The purpose of this allocation is to pay the debt service on the Authority's Special Tax Development Bonds, Series of 1995 (Bonds), the proceeds of which will be to fund the Pittsburgh Development Fund (PDF).

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

**B. Tax and Revenue Anticipation Note (TRAN)**

On January 3, 1995, the City issued a Tax and Revenue Anticipation Note (TRAN), Series of 1995, totalling \$25,000,000. The TRAN bears interest at the LIBOR rate, as defined in the TRAN agreement, and matures on May 3, 1995. This interest rate amounted to an annual rate of 6.5% during the period from January 3 through April 28, 1995. The City prepaid \$15,000,000 plus interest of \$243,125 on April 3, 1995.

**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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**C. Pittsburgh Water and Sewer Authority (PWSA)**  
**Lease and Management Agreement**

Effective January 1, 1995, the City's role as agent for the PWSA (pursuant to the original Lease and Management Agreement described in Note 18A) was terminated, whereupon the PWSA assumed direct responsibility for operating the System. Among the changes entailed with elimination of the City's agency role was the transfer of 259 employees of the City's Water Department on December 31, 1994 to the PWSA on January 1, 1995. The new relationship between the City and PWSA will be formalized under a Cooperation Agreement retroactive to January 1, 1995, which will replace the original Lease and Management Agreement between the City and the PWSA dated March 29, 1984. For an indefinite time period, the Authority will continue to acquire selected services from the City. This transfer has no effect on the City's financial statements at December 31, 1994. The financial impact of this initiative is expected to be a reduction of approximately \$20.6 million in both the revenue and the expenditure budget in the City's general fund for 1995.

In a separate transaction in March, 1995, the Board of the PWSA ratified a proposal to establish a capital lease for the Water System and terminate the existing operating lease, thus eliminating the additional payment and the fixed lease payments (see Note 18A.) On April 11, 1995, City Council approved a resolution which took substantially the same form as the PWSA proposal. The terms of the capital lease agreement are expected to include payments to the City of approximately \$50 million in 1995, \$25 million in 1996, and \$10 million in 1997. Subsequent to 1997, no other lease payments will be due. However, the PWSA will have the option to purchase the System for one dollar at the conclusion of the thirty year lease term. The PWSA expects to issue revenue bonds in 1995 to provide proceeds which, together with amounts prepaid to the City, will be used to meet its obligations under the capital lease.

**D. Consolidation of Management and Operations**

**Parking Code Enforcement**

To reduce fragmentation in the City's parking code enforcement, 35 City employees were transferred to the Pittsburgh Parking Authority under a Cooperation Agreement effective February 5,



**CITY OF PITTSBURGH**  
**Notes to General Purpose Financial Statements**  
**For the Year Ended December 31, 1994**

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1995. Prior to the 1995 consolidation, parking code enforcement was performed by City employees from the Departments of Public Safety and City Planning and by Pittsburgh Parking Authority employees. To facilitate the transfer of the City personnel to the Authority, the terms of an agreement between the City and the Authority dated December 18, 1985 were amended. The amendments under the new Cooperation Agreement resulted in revisions in the allocation of meter revenues, collection of residential parking permit fees by the Authority and the amount of in lieu of taxes payments due to the City. This transfer has no effect on the City's financial statements at December 31, 1994. In 1995 this transaction should result in an estimated \$750,000 savings to the City.

**Pittsburgh Zoo**

To complete the privatization of the Pittsburgh Zoo, started in 1993, 37 employees from the City's Department of Parks and Recreation were terminated by the City and hired by the Pittsburgh Zoological Society, a non-profit organization. This transfer has no effect on the City's financial statements at December 31, 1994. General Fund savings of \$750,000 are expected in 1995.

**CITY OF PITTSBURGH, PENNSYLVANIA**  
**Pension Trust Fund Revenues by Source\***  
**Last Ten Fiscal Years**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Pension Plan</u>	<u>Participant Contribution</u>	<u>Employer Contribution</u>	<u>Employer Contribution as a percentage of covered Payroll</u>	<u>State Contribution</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
1985	Municipal	2,789	7,523	10.4%	4,114	3,863	0	18,289
	Police	2,101	3,239	9.6%	2,459	182	0	7,981
	Fire	<u>1,964</u>	<u>1,865</u>	<u>6.8%</u>	<u>2,111</u>	<u>94</u>	<u>28</u>	<u>6,062</u>
	Total	6,854	12,627	9.5%	8,684	4,139	28	32,332
1986	Municipal	2,722	7,772	10.8%	5,058	4,250	0	19,802
	Police	2,066	5,131	15.7%	3,915	136	0	11,248
	Fire	<u>2,065</u>	<u>2,992</u>	<u>10.6%</u>	<u>3,255</u>	<u>106</u>	<u>28</u>	<u>8,446</u>
	Total	6,853	15,895	12.0%	12,228	4,492	28	39,496
1987	Municipal	2,592	8,478	12.4%	9,100	5,525	0	25,695
	Police	1,917	4,644	14.7%	3,975	237	0	10,773
	Fire	<u>2,005</u>	<u>3,161</u>	<u>11.4%</u>	<u>3,549</u>	<u>248</u>	<u>22</u>	<u>8,985</u>
	Total	6,514	16,283	12.8%	16,624	6,010	22	45,453
1988	Municipal	3,072	7,865	11.0%	15,359	2,257	22	28,575
	Police	2,101	5,544	16.0%	6,769	355	0	14,769
	Fire	<u>2,080</u>	<u>3,508</u>	<u>9.1%</u>	<u>6,042</u>	<u>300</u>	<u>6</u>	<u>11,936</u>
	Total	7,253	16,917	12.5%	28,170	2,912	28	55,280
1989	Municipal	3,462	1,331	2.0%	7,705	3,889	0	16,387
	Police	2,336	5,586	17.2%	11,858	1,229	0	21,009
	Fire	<u>2,262</u>	<u>2,478</u>	<u>9.3%</u>	<u>8,814</u>	<u>818</u>	<u>1</u>	<u>14,373</u>
	Total	8,060	9,395	7.5%	28,377	5,936	1	51,769
1990	Municipal	3,382	1,482	2.1%	4,461	2,548	0	11,873
	Police	2,372	4,383	12.3%	9,034	1,006	4	16,799
	Fire	<u>2,364</u>	<u>1,858</u>	<u>16.0%</u>	<u>6,777</u>	<u>638</u>	<u>1</u>	<u>11,638</u>
	Total	8,118	7,723	5.7%	20,272	4,192	5	40,310
1991	Municipal	3,573	2,920	4.1%	3,380	3,767	0	13,640
	Police	2,654	5,599	15.1%	8,832	2,005	0	19,090
	Fire	<u>2,486</u>	<u>4,420</u>	<u>13.9%</u>	<u>6,754</u>	<u>1,323</u>	<u>1</u>	<u>14,984</u>
	Total	8,713	12,939	9.2%	18,966	7,095	1	47,714
1992	Municipal	3,297	2,894	6.2%	3,200	3,506	0	12,897
	Police	2,580	5,536	7.7%	8,410	2,401	6	18,933
	Fire	<u>2,469</u>	<u>4,326</u>	<u>15.5%</u>	<u>6,408</u>	<u>1,615</u>	<u>2</u>	<u>14,820</u>
	Total	8,346	12,756	8.9%	18,018	7,522	8	46,650
1993	Municipal	3,967	3,975	8.3%	4,023	4,568	0	16,533
	Police	2,498	7,153	9.7%	7,695	3,130	0	20,476
	Fire	<u>2,303</u>	<u>5,745</u>	<u>18.9%</u>	<u>5,772</u>	<u>2,102</u>	<u>2</u>	<u>15,924</u>
	Total	8,768	16,873	11.4%	17,490	9,800	2	52,933
1994	Municipal	3,371	4,136	6.0%	3,877	1,957	0	13,341
	Police	2,988	8,152	18.6%	7,416	1,833	1	20,390
	Fire	<u>2,724</u>	<u>6,031</u>	<u>15.0%</u>	<u>5,563</u>	<u>1,158</u>	<u>1</u>	<u>15,477</u>
	Total	9,083	18,319	12.0%	16,856	4,948	2	49,208

\*Does not include amounts from Retirees' Trust Fund.

**CITY OF PITTSBURGH, PENNSYLVANIA**  
**Pension Trust Fund Expenses by Type\***  
**Last Ten Fiscal Years**  
(in thousands)

<u>Fiscal Year</u>	<u>Pension Plan</u>	<u>Benefit Payment and Dues Refunds</u>	<u>Administrative and Other Expenses</u>	<u>Fees for Professional Services</u>	<u>Total</u>
1985	Municipal	\$ 11,441	122	127	11,690
	Police	8,541	127	8	8,676
	Fire	<u>6,729</u>	<u>66</u>	<u>8</u>	<u>6,803</u>
	Total	26,711	315	143	27,169
1986	Municipal	11,910	115	275	12,300
	Police	9,377	147	5	9,529
	Fire	<u>7,119</u>	<u>76</u>	<u>3</u>	<u>7,198</u>
	Total	28,406	338	283	29,027
1987	Municipal	12,322	106	318	12,746
	Police	10,517	178	7	10,702
	Fire	<u>8,032</u>	<u>95</u>	<u>6</u>	<u>8,133</u>
	Total	30,871	379	331	31,581
1988	Municipal	13,397	198	187	13,782
	Police	10,932	132	29	11,093
	Fire	<u>8,890</u>	<u>86</u>	<u>25</u>	<u>9,001</u>
	Total	33,219	416	241	33,876
1989	Municipal	14,230	380	192	14,802
	Police	11,941	227	61	12,229
	Fire	<u>9,689</u>	<u>141</u>	<u>41</u>	<u>9,871</u>
	Total	35,860	748	294	36,902
1990	Municipal	14,123	846	198	15,167
	Police	13,065	374	78	13,517
	Fire	<u>9,865</u>	<u>240</u>	<u>49</u>	<u>10,154</u>
	Total	37,053	1,460	325	38,838
1991	Municipal	15,810	805	199	16,814
	Police	12,978	497	106	13,581
	Fire	<u>10,372</u>	<u>331</u>	<u>70</u>	<u>10,773</u>
	Total	39,160	1,633	375	41,168
1992	Municipal	17,050	430	179	17,659
	Police	13,716	363	123	14,202
	Fire	<u>11,029</u>	<u>236</u>	<u>83</u>	<u>11,348</u>
	Total	41,795	1,029	385	43,209
1993	Municipal	16,411	297	190	16,898
	Police	14,874	297	130	15,301
	Fire	<u>11,324</u>	<u>194</u>	<u>89</u>	<u>11,607</u>
	Total	42,609	788	409	43,806
1994	Municipal	17,643	354	162	18,159
	Police	18,445	382	152	18,979
	Fire	<u>11,810</u>	<u>241</u>	<u>95</u>	<u>12,146</u>
	Total	47,898	977	409	49,284

\* Does not include amounts from Retirees' Trust Fund.

**CITY OF PITTSBURGH, PENNSYLVANIA**  
**Analysis of Pension Funding Progress\***  
**Last Ten Fiscal Years**  
(in thousands)

<u>Fiscal Year</u>	<u>Pension Plan</u>	<u>Net Assets Available For Benefit</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Pension Benefit Obligation As a Percentage of Annual Covered Payroll</u>
1985	-	N/A	N/A	N/A	N/A	N/A	N/A
1986	Municipal	31,474	146,550	21.5%	115,076	71,791	160.3%
	Police	3,759	164,705	2.3%	160,946	32,644	493.0%
	Fire	<u>3,089</u>	<u>121,165</u>	2.5%	<u>118,076</u>	<u>28,265</u>	417.7%
	Total	38,322	432,420	8.9%	394,098	132,700	297.0%
1987	Municipal	40,433	150,150	26.9%	109,717	68,266	160.7%
	Police	3,972	175,753	2.3%	171,781	31,517	545.0%
	Fire	<u>4,386</u>	<u>127,162</u>	3.4%	<u>122,776</u>	<u>27,817</u>	441.4%
	Total	48,791	453,065	10.8%	404,274	127,600	316.8%
1988	Municipal	48,576	150,798	32.2%	102,222	71,550	142.9%
	Police	7,639	185,035	4.1%	177,395	34,695	511.3%
	Fire	<u>6,448</u>	<u>133,533</u>	4.8%	<u>127,085</u>	<u>28,755</u>	442.0%
	Total	62,663	469,366	13.4%	406,702	135,000	301.2%
1989	Municipal	44,127	152,218	29.0%	108,091	65,664	164.6%
	Police	13,944	196,014	7.1%	182,070	32,396	562.0%
	Fire	<u>9,289</u>	<u>144,107</u>	6.4%	<u>134,818</u>	<u>26,540</u>	508.0%
	Total	67,360	492,339	13.7%	424,979	124,600	341.1%
1990	Municipal	49,962	157,315	31.8%	107,353	71,914	149.3%
	Police	19,734	195,815	10.1%	176,081	35,548	495.3%
	Fire	<u>12,531</u>	<u>139,416</u>	9.0%	<u>126,885</u>	<u>28,738</u>	441.5%
	Total	82,227	492,546	16.7%	410,319	136,200	301.3%
1991	Municipal	44,443	166,390	26.7%	121,947	71,706	170.1%
	Police	23,645	206,625	11.4%	182,980	37,118	493.0%
	Fire	<u>15,610</u>	<u>143,723</u>	10.9%	<u>128,113</u>	<u>31,776</u>	403.2%
	Total	83,698	516,738	16.2%	433,040	140,600	308.0%
1992	Municipal	42,072	177,557	23.7%	135,485	69,592	194.7%
	Police	28,815	206,834	13.9%	178,019	37,583	473.7%
	Fire	<u>19,358</u>	<u>143,828</u>	13.5%	<u>124,470</u>	<u>35,725</u>	348.4%
	Total	90,245	528,219	17.1%	437,974	142,900	306.5%
1993	Municipal	43,744	190,139	23.0%	146,395	69,050	212.0%
	Police	29,961	226,280	13.2%	196,319	41,090	477.8%
	Fire	<u>20,127</u>	<u>170,883</u>	11.8%	<u>150,756</u>	<u>37,931</u>	387.4%
	Total	93,832	587,302	16.0%	493,470	148,071	333.3%
1994	Municipal	43,364	170,199	25.5%	126,835	68,446	185.3%
	Police	35,184	231,934	15.2%	196,750	43,763	449.6%
	Fire	<u>24,479</u>	<u>173,362</u>	14.1%	<u>148,883</u>	<u>40,260</u>	369.8%
	Total	103,027	575,495	17.9%	472,468	152,469	309.9%

N/A Indicates that information is not available

\* Does not include amounts from Retirees' Trust Fund.

**APPENDIX B**

**CITY OF PITTSBURGH**

**Financial and Operating Data**

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Table B-1 presents a summary of the revenues and expenditures of the City's General Fund for fiscal years 1991 to 1994 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 1995 adopted budget.

**TABLE B-1  
GENERAL FUND  
SUMMARY OF OPERATIONS (CASH BASIS)  
FISCAL YEARS 1991 THROUGH 1994 (ACTUAL) AND 1995 (BUDGETED)**

	1991	1992	1993	1994	1995
<b>Revenues:</b>					
Taxes .....	\$234,473,004	\$242,960,775	\$245,502,127	\$242,389,986	\$242,419,425
Penalties and interest .....	4,147,091	4,496,993	4,191,641	4,341,285	4,263,000
Interest earnings .....	3,447,141	2,518,950	1,926,914	2,139,182	1,706,000
Fines and forfeits .....	5,306,929	4,749,651	5,258,476	5,670,179	6,284,000
Licenses .....	3,379,019	3,704,330	1,586,897	1,546,854	1,410,000
Rentals .....	10,332,651	9,856,521	9,159,333	8,635,170	10,766,828
Pittsburgh Zoo receipts <sup>(a)</sup> .....	1,948,564	1,976,629	—	—	—
Public Parking Authority .....	1,985,000	1,950,000	950,000	1,050,000	1,400,000
Sale of Public Property .....	—	—	—	—	4,000,000
Water and Sewer Authority reimbursements and transfers .....	37,318,533	39,914,199	43,915,987	37,712,507	19,576,971
Intergovernmental revenues .....	4,947,525	9,089,029	5,791,878	11,336,525	30,608,216
Trust Fund reimbursement .....	5,000,000	—	3,696,090	1,295,949	592,454
Miscellaneous .....	3,152,846	1,570,735	1,834,072	1,605,643	2,000,000
<b>Total revenues .....</b>	<b>\$315,438,303</b>	<b>\$322,787,812</b>	<b>\$323,813,415</b>	<b>\$317,723,280</b>	<b>\$325,026,894</b>
<b>Expenditures:</b>					
<b>Current operating:</b>					
General government .....	\$21,254,904	\$20,859,956	\$21,850,959	\$20,617,635	\$23,309,987
Public safety .....	109,680,626	106,594,716	110,474,912	110,653,208	106,989,135
Public works .....	36,975,776	39,512,664	60,205,636	53,151,782	27,353,848
Sanitation <sup>(b)</sup> .....	14,726,047	15,335,156	—	—	—
Water .....	15,787,968	16,828,896	18,171,182	15,813,520	3,328,000
Community, recreation and cultural programs .....	20,738,324	19,234,250	13,114,990	12,335,000	29,553,237
Employee benefits .....	53,457,315	39,710,231	46,168,560	57,995,617	74,170,887
Claims and judgments .....	1,038,198	1,791,931	1,104,707	346,872	789,500
Postage and refunds .....	4,140,143	3,960,756	3,675,515	3,670,904	4,214,000
Purchase of delinquent sewer charges ..	1,525,440	1,966,101	2,331,648	1,480,171	2,210,000
Utilities .....	—	—	—	—	7,830,923
Miscellaneous .....	7,555,669	7,795,442	8,127,837	6,516,815	—
<b>Debt Service:</b>					
Principal .....	12,820,000	13,418,500	14,663,335	17,353,000	17,269,999
Interest .....	24,537,453	22,978,500	28,075,745	27,091,537	29,192,129
Expenses .....	60,000	60,000	45,206	47,000	50,000
Stadium Authority subsidy .....	2,143,809	1,346,934	3,767,672	1,847,311	2,145,000
Auditorium Authority subsidy .....	1,294,781	1,285,136	1,346,427	1,471,645	1,620,250
<b>Total expenditures .....</b>	<b>\$327,736,455</b>	<b>\$312,679,168</b>	<b>\$333,124,332</b>	<b>330,392,022</b>	<b>329,026,895</b>
Excess (deficiency) of revenue over expenditures .....	(12,298,152)	10,108,644	(9,310,917)	(12,668,742)	(4,000,001)
Fund balance - budgetary basis, beginning of year .....	32,688,323	20,390,171	30,498,815	21,187,898	4,000,001
Fund balance - budgetary basis, end of year .....	<u>\$20,390,171</u>	<u>\$30,498,815</u>	<u>\$21,187,898</u>	<u>\$8,519,156</u>	<u>-0-</u>
<b>Adjustments to generally accepted accounting principles (GAAP) basis:<sup>(c)</sup></b>					
<b>Cumulative difference between budgetary basis and GAAP basis</b>					
beginning of year .....	(19,983,478)	(21,742,493)	(36,173,984)	(37,870,656)	
Net effect of GAAP basis recognition of revenue .....	(2,094,834)	(9,950,563)	(10,014,789)	(378,504)	
Net effect of GAAP basis recognition of expenditures .....	336,624	(13,927,629)	(1,104,920)	(3,250,957)	
Net effect of GAAP basis recognition of other financing sources .....	(805)	9,446,700	5,972,805	77,353	
Prior Period Adjustment .....	—	—	—	—	
Restatement for GASB 16 & 22 .....	—	—	3,450,231	—	
Fund balance - GAAP basis, end of year .....	<u>(\$1,352,322)</u>	<u>(\$5,675,170)</u>	<u>(16,682,759)</u>	<u>(32,903,608)</u>	

(a) Moved to special revenue trust fund in 1993.

(b) Combined with Public Works in 1993.

(c) See Footnote 2 of Notes to Financial Statements for further discussion of GAAP principles.

Source: City of Pittsburgh Comprehensive Annual Finance Reports  
City of Pittsburgh 1995 Budget

Table B-2 presents the balance sheets of the General Fund as of December 31, 1993 and 1994, and Table B-3 presents the statements of revenues, expenditures and changes in fund balances for the General Fund for the years ended on such dates. The information appearing in Tables B-2 and B-3 has been extracted from the City's general purpose financial statements which have been prepared in accordance with generally accepted accounting principles.

**TABLE B-2  
CITY OF PITTSBURGH  
BALANCE SHEETS  
GENERAL FUND  
December 31, 1994 and 1993**

	<b>1994</b>	<b>1993</b>
<b>Assets:</b>		
Cash, and short term investments at cost which approximates market .....	\$ 6,215,937	\$21,950,990
<b>Receivables</b>		
Real estate taxes (net of allowance for uncollectible accounts of \$15,770,583 in 1994 and \$12,290,205 in 1993) .....	4,701,517	4,751,179
Sewage charges (net of allowance for uncollectible accounts of \$6,529,404 in 1994 and \$5,453,000 in 1993) .....	1,433,284	1,279,065
Personal property taxes (net of allowance for uncollectible accounts of \$297,000 in 1994 and \$291,000 in 1993) .....	17,926	23,090
Other taxes receivable .....	7,559,040	7,290,806
Receivable from PWSA .....	0	2,124,572
Other .....	3,236,515	2,331,837
Accrued interest .....	98,474	19,638
Prepaid expenditures .....	1,322,505	2,489,362
Due from other funds .....	5,458,005	3,288,893
Due from other governments .....	3,169,322	759,254
Inventories, at cost .....	1,724,173	1,725,388
Restricted cash .....	3,569,250	0
Total assets .....	<b>\$ 38,505,948</b>	<b>\$48,034,074</b>
<b>Liabilities:</b>		
Accounts payable .....	16,661,649	7,943,445
Accrued liabilities .....	5,455,245	5,435,346
Due to other funds .....	0	1,395,475
Due to other governments .....	1,488,479	1,850,776
Accrued workers' compensation .....	17,000,000	18,700,000
Accrued compensated absences .....	17,366,120	17,215,705
Accrued claims and judgments .....	3,000,000	3,000,000
Deferred revenue, principally real estate taxes .....	5,038,338	5,176,086
Deferred prepayment .....	5,399,725	4,000,000
Total liabilities .....	<b>71,409,556</b>	<b>64,716,833</b>
<b>Fund Balances:</b>		
Reserved:		
Inventories .....	1,724,173	1,725,388
Encumbrances .....	1,393,042	2,316,329
Prepaid expenditures .....	1,322,505	2,489,362
Unreserved:		
Undesignated .....	(37,343,328)	(23,213,838)
Total fund balances .....	<b>(32,903,608)</b>	<b>(16,682,759)<sup>(1)</sup></b>
Total liabilities and fund balances .....	<b>\$ 38,505,948</b>	<b>\$ 48,034,074</b>

Source: City of Pittsburgh's Comprehensive Annual Financial Reports

(1) The Fund Balance as of December 31, 1993 was restated from (\$20,132,990) to (\$16,682,759), a net change of \$3,450,231, to reflect retroactive adoption of new GASB Statements Adoption of GASB Statement No. 22, Accounting for Taxpayer Assessed Revenues in Governmental Funds, resulted in a favorable adjustment of \$7,290,806 and the adoption of GASB Statement No. 16, Accounting for Compensated Absences, resulted in an unfavorable adjustment of \$3,840,575.



**TABLE B-3**  
**CITY OF PITTSBURGH**  
**STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**For the Years Ended December 31, 1994 and 1993**

	<u>1994</u>	<u>1993</u>
<b>Revenues:</b>		
Taxes, including penalties and interest .....	\$248,829,433	\$239,500,069
Payment in lieu of taxes .....	4,644,016	4,646,423
Interest and dividends .....	2,322,971	2,031,113
Fines and forfeits .....	6,471,009	5,233,921
Licenses and fees .....	9,510,783	8,155,007
Intergovernmental revenues .....	4,199,924	3,893,006
Miscellaneous .....	2,321,890	3,130,741
<b>Total revenues</b> .....	<u><u>278,300,026</u></u>	<u><u>266,590,280</u></u>
<b>Expenditures:</b>		
<b>Current operating:</b>		
General government .....	17,882,204	16,817,612
Public safety .....	113,919,506	112,070,928
Public works .....	30,711,926	33,427,140
Sanitation .....	11,965,416	15,366,091
Community, recreation and cultural .....	8,064,084	10,794,559
Employee benefits .....	60,129,155	51,919,974
Claims and judgments .....	312,925	1,778,180
Miscellaneous .....	3,075,223	2,718,772
<b>Debt Service:</b>		
Principal retirement of capital leases .....	1,480,628	2,823,933
Interest on capital leases .....	260,373	476,157
Stadium Authority subsidy .....	1,847,311	2,967,672
Public Auditorium Authority subsidy .....	1,471,645	1,346,427
<b>Total expenditures</b> .....	<u><u>251,120,396</u></u>	<u><u>252,507,445</u></u>
<b>Excess of revenues over expenditures</b> .....	<u><u>27,179,630</u></u>	<u><u>14,082,835</u></u>
<b>Other financing sources (uses):</b>		
Capital lease obligation proceeds .....	753,852	634,724
Deferred loan proceeds .....	426,000	426,000
Operating transfer from trust & agency .....	1,295,949	11,064,370
Operating transfer from special revenue .....	455,147	1,494,963
Operating transfer from enterprise .....	7,788,408	8,636,396
Operating transfer to special revenue .....	(5,219,108)	(4,920,342)
Operating transfer to debt service .....	(48,900,727)	(47,789,651)
Operating transfer to trust & agency .....	0	(37,000)
<b>Total other financing sources (uses)</b> .....	<u><u>(43,400,479)</u></u>	<u><u>(30,490,540)</u></u>
Deficiency of revenues and other financing sources under expenditures and other financing uses .....	(16,220,849)	(16,407,705)
<b>Fund balance at beginning of year</b> .....	(16,682,759)	(5,675,170)
<b>Cumulative effect of change in     accounting principles</b> .....	0	5,400,116
<b>Fund balance at beginning of year, as restated</b> .....	<u><u>(16,682,759)</u></u>	<u><u>(275,054)</u></u>
<b>Fund balance at end of year</b> .....	<u><u>\$ (32,903,608)</u></u>	<u><u>\$ (16,682,759)</u></u>

Source: City of Pittsburgh's Comprehensive Annual Financial Reports

**TABLE B-4**  
**CITY OF PITTSBURGH**  
**ASSESSED VALUE, TAX RATES, LEVY, AND COLLECTIONS**  
**1984-1995**

Year	Assessed Valuation of Land & Buildings	Land	Building	Original Levy	Adjusted Net Levy <sup>(1)</sup>	Budget	Receipts	Percent of Adjusted Net Levy Collected	Delinquent Taxes Collected	Total Collections as a Percent of Adjusted Levy
1985	1,767,939,639	151.5 mills	27.0 mills	92,051,888	91,593,532	84,867,870	85,609,165	93.5	5,128,169 <sup>(2)</sup>	99.1
1986	1,803,933,586	151.5 mills	27.0 mills	93,446,719	92,838,844	89,222,736	87,353,306	94.1	3,415,286	97.8
1987	1,842,642,781	151.5 mills	27.0 mills	94,523,920	93,453,230	88,813,466	88,253,629	94.4	4,534,392	99.3
1988	1,965,627,614	151.5 mills	27.0 mills	96,861,871	96,889,675	91,180,430	91,089,362	94.0	4,248,170	98.4
1989	1,978,453,320	151.5 mills	27.0 mills	99,032,985	98,262,261	94,000,000	91,446,973	93.1	4,501,190	97.6
1990	2,071,085,416	184.5 mills	32.0 mills	122,927,018	120,327,168	114,500,000	112,330,484	93.4	5,988,844	98.3
1991	2,085,143,100	184.5 mills	32.0 mills	125,344,790	119,605,943	114,500,000	111,266,999	93.0	5,280,611	97.4
1992	2,120,326,000	184.5 mills	32.0 mills	124,187,003	118,774,928	113,000,000	112,971,315	95.2	4,942,060	99.3
1993	2,055,751,264	184.5 mills	32.0 mills	121,026,000	117,662,000	113,200,000	112,390,000	95.5	4,932,000	99.7
1994	2,070,364,322	184.5 mills	32.0 mills	121,268,708	119,694,000	111,500,000	110,463,000	92.3	4,371,000	99.1
1995*	2,049,288,182	184.5 mills	32.0 mills	120,016,648	—	112,177,000	—	—	—	—

1. Represents net levy as of December 31 of the tax year (reflects exonerations, abatements and discounts made to the tax base in that year.)

2. Includes approximately \$2.1 million in collections due to settlement of prior year assessment appeals.

\*Unaudited

Source: City of Pittsburgh - Department of Finance.

**TABLE B-5**  
**CITY OF PITTSBURGH**  
**NON-REAL ESTATE TAX GROSS RECEIPTS**  
**1985-1994 (ACTUAL) AND 1995 (BUDGETED)**  
**1985-1990 (CASH BASIS) AND 1991-1994 (GAAP BASIS)**  
**(AMOUNTS IN MILLIONS OF DOLLARS)**

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>Budget 1995</u>
Earned Income <sup>(1)</sup>	\$55.571	\$57.085	\$58.685	\$63.660	\$54.067	\$40.113	\$36.675	\$37.337	\$37.508	\$ 38.43	\$40.194
Business Privilege <sup>(2)</sup>	18.801	19.632	21.576	23.615	25.285	28.206	31.115	31.156	31.280	33.529	34.822
Parking <sup>(3)</sup>	11.264	12.599	14.640	14.857	14.210	17.325	17.696	19.683	20.609	21.509	23.004
Amusement <sup>(4)</sup>	4.359	4.693	5.663	7.656	7.564	8.982	10.987	11.052	11.056	8.598	5.592
Mercantile Tax <sup>(5)</sup>	5.375	5.815	5.960	6.096	6.502	6.694	6.826	6.457	7.077	6.704	7.195
Occupation Privilege <sup>(6)</sup>	2.889	2.820	2.885	3.007	3.072	3.196	3.346	3.097	3.109	3.141	3.213
Deed Transfer <sup>(7)</sup>	4.372	6.497	5.309	6.173	6.272	5.857	4.716	5.280	5.932	5.689	5.954
Personal Property <sup>(8)</sup>	1.752	2.044	2.285	2.151	2.340	2.627	2.737	3.125	3.685	4.276	0
Institution Service Privilege <sup>(9)</sup>	<u>0.053</u>	<u>0.193</u>	<u>0.184</u>	<u>0.273</u>	<u>0.216</u>	<u>0.341</u>	<u>0.656</u>	<u>0.642</u>	<u>0.542</u>	<u>0.671</u>	<u>0.68</u>
Total	\$104.436	\$111.378	\$117.187	\$127.488	\$119.528	\$113.341	\$114.754	\$117.829	\$120.798	\$122.547	\$120.654

(1) 2.125% 1984-1988; 1.625% 1989; 1% 1990-1995

(2) 6 mills 1984-1995

(3) 25% 1984-1991, 26% 1992-1995

(4) 10% 1984-1994; 5% 1995

(5) 1984-1995 2 mills retail; 1 mill wholesale

(6) \$10 1984-1995

(7) 1.5% 1984-1995

(8) 4 mills 1984-1994; rescinded 1995

(9) 6 mills 1984-1995

Source: City of Pittsburgh – Department of Finance

**TABLE B-6**  
**CITY OF PITTSBURGH**  
**HISTORY OF PENSION CONTRIBUTIONS 1990-1994**  
**ESTIMATED 1995**

<u>Source</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>Estimated 1995</u>
City of Pittsburgh	\$7,723,000	\$12,939,000	\$12,756,569	\$16,873,000	\$18,319,336	15,144,015
Employees	8,118,000	8,713,217	8,345,837	8,767,862	9,082,451	8,067,495
State	<u>20,271,780</u>	<u>18,965,704</u>	<u>18,017,777</u>	<u>17,490,088</u>	<u>16,855,628</u>	<u>16,601,256</u>
Total	<u>\$36,112,780</u>	<u>\$40,617,921</u>	<u>\$39,120,183</u>	<u>\$43,130,950</u>	<u>\$44,257,415</u>	<u>\$39,812,766</u>

Source: City of Pittsburgh – Department of Finance

Table B-7 presents the planned future City pension contributions as projected for 1995 by Mockenhaupt, Mockenhaupt, Cowden & Parks, Inc., the City's actuarial consultants. An explanation of the columns is as follows:

**Covered Payroll** – projection of the City's total payroll costs for the year indicated.

**Unfunded Liability** – the projected future pension benefit expense of all the current retirees net of current pension assets.

**Normal Cost** – the portion of the total pension contribution that covers the future pension benefit costs of all current employees.

**Administrative Expenses** – expenses to administer the three Pension Plans of the City.

**Amortization Payment** – the payment which amortizes the unfunded liability over a period of 40 years.

**Member Contributions** – the projected amount of employee pension contributions.

**Minimum Municipal Obligation** – the City's required annual pension contribution as required by the Recovery Act; derived by subtracting the member contributions from the sum of the normal cost and amortization payment.

**Anticipated State Aid** – the projected general state aid to the City.

**Anticipated Required City Contribution** – the minimum anticipated amount that the City will have to contribute from its General Fund. Equal to Minimum Municipal Obligation minus Anticipated State Aid.

**TABLE B-7**  
**CITY OF PITTSBURGH PENSION PLANS – PROJECTION OF CONTRIBUTIONS**  
(As of October 16, 1995)  
**Act 205 Contribution Determination**

Year	Covered Payroll	Unfunded Liability	Normal Cost	Administrative Expenses	Amortization Payment	Member Contribution	MMO	Anticipated State Aid	Anticipated Required City Contribution	Planned City Appropriation
1996	\$177,716,928	\$529,794,057	\$14,328,889	\$1,512,306	\$29,518,975	\$(10,527,191)	\$34,832,979	\$(16,500,000)	\$18,332,979	\$18,332,979
1997	187,030,519	544,049,152	15,108,268	1,592,928	30,449,561	(11,087,080)	36,083,677	(17,000,000)	19,063,677	19,063,677
1998	196,838,910	558,539,555	15,930,458	1,677,900	31,907,315	(11,677,117)	37,838,556	(17,500,000)	20,338,556	20,338,556
1999	207,168,720	572,712,561	16,797,828	1,767,460	32,409,688	(12,298,946)	38,678,030	(18,000,000)	20,676,030	20,676,030
2000	218,048,014	587,579,374	17,712,883	1,861,859	33,986,394	(12,994,298)	40,606,838	(18,500,000)	22,106,838	22,106,838
2001	229,506,388	602,032,366	18,678,268	1,961,360	36,054,105	(13,645,001)	43,048,732	(19,000,000)	24,048,732	24,048,732
2002	241,575,045	615,501,359	19,696,774	2,066,243	38,265,484	(14,372,980)	45,655,521	(19,500,000)	26,155,521	26,155,521
2003	254,286,892	627,744,014	20,771,345	2,176,801	40,115,444	(15,140,271)	47,923,319	(20,000,000)	27,923,319	27,923,319
2004	267,676,629	639,046,070	21,905,096	2,293,344	44,062,357	(15,949,019)	52,311,778	(20,500,000)	31,811,778	31,811,778
2005	281,780,845	647,044,788	23,101,309	2,416,201	47,185,619	(16,801,489)	55,901,640	(21,000,000)	34,901,640	34,901,640
2006	296,638,131	652,346,846	24,363,454	2,545,717	47,485,656	(17,700,068)	56,674,759	(21,500,000)	35,174,759	35,174,759
2007	312,289,180	657,808,294	25,695,194	2,682,256	30,249,119	(18,647,279)	59,979,290	(22,000,000)	37,979,290	37,979,290
2008	328,776,911	660,720,603	27,100,398	2,826,204	49,405,625	(19,645,779)	59,686,448	(22,500,000)	37,186,448	37,186,448
2009	346,146,585	664,805,039	28,583,149	2,977,965	52,805,435	(20,698,376)	63,668,173	(23,000,000)	40,668,173	40,668,173
2010	364,445,942	665,549,569	30,147,760	3,137,970	56,754,009	(21,808,030)	68,231,709	(23,500,000)	44,731,709	44,731,709
2011	383,725,329	662,065,172	31,798,785	3,306,669	59,126,581	(22,977,868)	71,254,167	(24,000,000)	47,254,167	47,254,167
2012	404,037,849	655,695,718	33,541,033	3,484,541	63,122,049	(24,211,185)	75,936,438	(24,500,000)	51,436,438	51,436,438
2013	425,439,512	644,423,865	35,379,580	3,672,089	65,747,382	(25,511,462)	79,287,589	(25,000,000)	54,287,589	54,287,589
2014	447,989,397	629,310,675	37,319,798	3,869,844	71,672,453	(26,882,370)	85,979,718	(25,500,000)	60,479,718	60,479,718
2015	471,749,822	606,431,566	39,367,331	4,078,367	73,828,558	(28,327,786)	88,946,470	(26,000,000)	62,946,470	62,946,470
2016	496,786,517	579,205,771	41,528,178	4,298,250	76,781,701	(29,851,800)	92,756,329	(26,500,000)	66,256,329	66,256,329

State Aid assumed to increase by \$500,000 annually.

Note: The City and other similarly situated municipalities are currently having discussions with legislative leaders to ensure that increases in State Aid will be made available in future years. If State Aid does not increase, the City will be mandated to increase its contributions to the Pension Fund.

Source: Mockenhaupt, Mockenhaupt, Cowden & Parks, Inc.

**TABLE B-8**  
**CITY OF PITTSBURGH**  
**STATEMENT OF DIRECT AND OVERLAPPING DEBT\***  
**As of September 1, 1995**

GROSS BONDED DEBT <sup>(1)</sup> .....		\$484,634,786
Plus:		
Stadium Authority <sup>(2)</sup> .....	\$21,450,700	
Auditorium Authority <sup>(3)</sup> .....	15,970,000	
Redevelopment Authority <sup>(4)</sup> .....	13,211,000	
Leasing Authority <sup>(5)</sup> .....	9,190,000	
		<u>\$59,821,700<sup>(6)</sup></u>
GROSS DIRECT DEBT .....		\$544,456,486
Less: Moneys in Sinking Fund <sup>(7)</sup> .....		<u>(\$85,859)</u>
Subtotal .....		<u>\$544,370,627</u>
Less: Self-Supporting Debt		
Redevelopment Authority .....	5,510,000	
		<u>(5,510,000)</u>
NET DIRECT DEBT .....		\$538,860,627
Overlapping Debt		
School District <sup>(8)</sup> .....	\$138,442,798	
County <sup>(9)</sup> .....	175,163,934**	
		<u>313,606,732</u>
OVERALL NET DEBT .....		<u>\$852,467,359</u>
 DEBT SUMMARY		
Assessed Valuation of Real Estate .....	\$2,070,364,322	
Market Valuation of Real Estate .....	\$8,281,457,288	
Population .....	369,879***	
Gross Bonded Debt .....	\$484,634,789	
Gross Direct Debt .....	\$544,456,486	
Net Direct Debt .....	\$538,860,627	
Overall Net Debt .....	\$852,467,359	

\* Does not include the Bonds.

\*\* Preliminary unaudited

\*\*\* U.S. Census Bureau, 1990

Source: City of Pittsburgh

- (1) Amount represents total principal debt of \$502,315,000 less unamortized discount on capital appreciation bonds of \$17,680,214.
- (2) As of September 1, 1995, the Stadium Authority has outstanding \$2,020,000 Guaranteed Stadium Refunding Bonds, Series 1986 and \$15,945,000 Guaranteed Stadium Bonds, Series 1993. The City has guaranteed the repayment of this debt and the payment of the Authority's annual operating expenses to the extent that the Stadium Authority's annual operating revenues prove insufficient for these purposes. The Stadium Authority also has an outstanding balance of \$3,485,700 on a 1994 Note for the purchase of a new scoreboard.

- (3) Pursuant to agreements among the City, the County and the Auditorium Authority, the City and the County have agreed to make equal annual grants to the Auditorium Authority in an aggregate amount equal to maximum annual debt service on the Authority's outstanding \$10,410,000 Auditorium Bonds, 1978 Series C, \$13,470,000 Auditorium Bonds, 1991 Series A, \$6,245,000 Auditorium Bonds, 1991 Series B, \$3,320,000 Auditorium Bonds, 1994 Series A, and \$9,845,000 Auditorium Bonds 1994 Series B. In addition, the City and the County have agreed to make annual rental payments of \$325,000 from 1992 through 2007 to provide for the debt service on the Urban Redevelopment Authority of Pittsburgh's Urban Renewal Bonds, Series 1985. The agreement among the City, the County and the Auditorium Authority does not, however, extend to any operating deficit with respect to the Civic Arena's activities. The outstanding debt of the Auditorium Authority as of September 1, 1995 totaled \$42,350,000 of which \$21,175,000 is attributable to the City in accordance with the agreements. In December 1991, the City, the County and the Auditorium Authority signed an agreement which provides that the County will use any "remaining revenues" after initial distribution of the County Hotel Tax to reimburse the City for payments made by the City on the debt service of the Auditorium Authority bonds.
- (4) As of September 1, 1995, the Redevelopment Authority has outstanding \$102,000 (of which \$51,000 is attributable to the City) Series 1958, Urban Renewal Bonds which are due serially each November 1 through 1995, payable from lease rentals from the Auditorium Authority. The City and the County each guarantee \$50,133 with respect to these rentals. In March of 1994, the Redevelopment Authority issued \$5,510,000 Guaranteed Tax Increment Financing Bonds, Series 1994. The proceeds will be used to finance the construction of a parking garage for lease to the Regional Industrial Development Corporation. Revenues received from tax and non-tax payments levied on the property to be occupied by Union Switch & Signal will be used to pay principal of and interest on the 1994 Bonds while they remain outstanding. As such, this debt is self-liquidating.
- In June 1994, the Redevelopment Authority issued \$8,245,000 Series 1994B, Taxable Guaranteed Revenue Bonds, which are paid and guaranteed by the City to be used to provide a loan to Pittsburgh Baseball Inc.
- (5) As of September 1, 1995, the Leasing Authority has outstanding \$4,000,000 Equipment Revenue Bonds, Series 1990 and \$5,190,000 Revenue Bonds, Series 1991. The Leasing Authority has entered into lease agreements with the City pursuant to which the City has covenanted to pay debt service on the bonds. The City's obligation is paid from General Fund revenues.
- (6) Does not include Pittsburgh Water & Sewer Authority (PWSA) debts of \$244,379,000. These are revenue bonds and are self-liquidating. Retroactive to January 1, 1995, a new cooperative agreement between the City and the PWSA went into effect. The City's role as agent for PWSA was terminated, whereupon the PWSA assumed direct responsibility for operating the System. (See Note 24C to Financial Statements for further discussion.)
- (7) As of September 1, 1995, the City and the Equipment Leasing Authority Sinking Funds had a total cash balance of \$85,859. This balance represents funds for debt service payments to be made in 1995.
- (8) 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. As of September 1, 1995 the Board had \$121,147,798 in debt outstanding.
- (9) As of September 1, 1995, the gross indebtedness of the County and the Allegheny County Institution District (excluding Tax Anticipation borrowings) less the debt that is attributable to the Pittsburgh International Airport was \$625,585,512. Since rents, charges and fees from the airport operations exceed operating, maintenance and debt service expenses, this debt is considered self-liquidating. The City's overlapping share is 28% of the County's net indebtedness or \$175,163,934.

**TABLE B-9**  
**CITY OF PITTSBURGH GENERAL OBLIGATION DEBT SERVICE**  
**SEPTEMBER 1, 1995**  
(In Thousands)

<u>Period Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Lease Payments</u>	<u>Total Debt Service and Lease Payments</u>
1995	-	-	-	5,633	5,633
1996	23,315	28,273	51,588	5,637	57,225
1997	23,530	27,198	50,728	2,792	53,520
1998	23,545	26,136	49,681		49,681
1999	23,510	25,022	48,532		48,532
2000	24,780	23,868	48,648		48,648
2001	26,095	23,517	49,612		49,612
2002	27,430	22,356	49,786		49,786
2003	28,825	21,086	49,911		49,911
2004	29,625	18,910	48,535		48,535
2005	31,275	16,513	47,788		47,788
2006	33,150	14,652	47,802		47,802
2007	28,610	12,879	41,489		41,489
2008	20,525	11,586	32,111		32,111
2009	21,610	10,581	32,191		32,191
2010	22,745	9,497	32,242		32,242
2011	21,435	6,538	27,973		27,973
2012	22,740	5,248	27,988		27,988
2013	24,095	3,880	27,975		27,975
2014	25,565	2,427	27,992		27,992
2015	7,385	1,227	8,612		8,612
2016	7,845	771	8,616		8,616
2017	4,680	287	4,967		4,967
	<u>502,315</u>	<u>312,452</u>	<u>814,767</u>	<u>14,062</u>	<u>828,829</u>

Source: City of Pittsburgh



**APPENDIX C**

**CITY OF PITTSBURGH**

**Certain Demographic and Economic Information Pertaining to the City of Pittsburgh**

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## INTRODUCTION

The City of 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 Allegheny County and which serves as the County seat, covers an area of 55.5 square miles and has a 1990 Census population of 369,879.

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

Pittsburgh has developed as the regional center of southwestern Pennsylvania, eastern 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.

Pittsburgh's Golden Triangle is one of the nation's most compact and efficient downtowns, with over 150,000 daily workers and visitors and almost 23 million square feet of total office space contained within the land area of a modest college campus. Home to internationally renowned cultural institutions, Fortune 500 firms, and several of the largest financial institutions in the world, the Golden Triangle remains the single most competitive and productive business location in the region, and the single largest job generator in Western Pennsylvania.

The economic vitality of the City and its region are further enhanced by a comprehensive transportation network. Excellent ground transportation is available through a well developed road system that includes Interstate Routes 70, 76 (Pennsylvania Turnpike), 79, 80, 276 and 279. 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 Pittsburgh International Airport, which is utilized by seventeen air carriers and commuter carriers, and the Allegheny County Airport, which primarily services privately owned aircraft.

## ECONOMIC DEVELOPMENT

Pittsburgh's transformation in response to dramatic economic change has been the product of unparalleled partnerships. Steady business and employment growth in health care, technology, education and business services now complement a more efficient manufacturing base to compete for a global customer base, all fostered by a decade of public/private leadership initiatives. Over the past twenty years, the Pittsburgh region's economic base has adjusted to new realities, and relative to cities and regions across the globe, is well positioned to support again the creation of jobs, income and investment for its communities.

### Major Initiatives

Notable developments in 1995 include the construction of the Lazarus Department Store in downtown Pittsburgh, the expansion of Blue Cross of Western Pennsylvania into downtown, and the re-use of the Hays Ammunition Plant by a high technology manufacturing company. Equally important, the City has begun to aggressively plan the construction of five new garages within downtown and its fringe: The First Avenue Garage, Lazarus Department Store, North Shore, the Tower at Theater Square, and the former Buyer's Mart.

In the following summary of the major initiatives, downtown Pittsburgh emerges as a strong focus for revitalization. The attention to downtown points to its continuing importance in the City and the region. Downtown Pittsburgh remains the premier corporate address as evidenced by the headquarters of eight Fortune 500 companies, ranking Pittsburgh seventh in the United States.

A number of initiatives formerly in the planning stage came to fruition in 1995. The defining objectives of the current Administration, industrial site re-use, downtown revitalization, neighborhood development, and riverfront development, are evident in the major initiatives. Furthermore, the major initiatives bring the City closer to the growth necessary to compete viably as a hub of innovation, high technology, and a destination point. Following is a summary of the major initiatives:

#### *Pittsburgh Development Fund*

The Pittsburgh Development Fund (PDF) is an economic development fund designed to provide low cost, deferred, and subordinate debt and equity financing to fill real estate appraisal "gaps" and shortfalls resulting from conventional debt coverage ratios. Funds are available upfront and can be used for property acquisition or remediation. Eligible projects include residential, commercial, and industrial developments within the City of Pittsburgh. PDF loans are for a maximum of 30% of total project costs for projects greater than \$1.5 million; the maximum loan amount is \$5 million. The rate and terms are variable.

Total Cost: \$60 million

#### *The Tower at Theater Square*

The Tower at Theater Square will include an office building, a new home for the 800-seat Pittsburgh Public Theater, a 400-space parking structure, and a public plaza and park. The Tower at Theater Square will complement the surrounding theaters and riverfront. Construction of this new project is anticipated by the Fall of 1995.

Total Cost: \$70 million

#### *Heinz Hall Renovation*

Heinz Hall forms the western anchor of the Cultural District. In 1995, the Pittsburgh Symphony Society enhanced Heinz Hall from a multi-purpose hall for music, theater, and dance to a premier concert hall. Renovations to Heinz Hall included improvements to the heating, ventilation, and air conditioning systems, upgrading the acoustical systems to support the Pittsburgh Symphony's expanded classical recordings, and replacing and repairing worn fixtures. Additionally, the unfinished basement space was converted into a black box theater.

Total Cost: \$5 million

#### *Station Square Expansion*

Harrah's Forrest City Associates has recently purchased the Station Square development located on the City's South Side. The Station Square expansion will include a new hotel, office buildings, additional shops, restaurants, entertainment facilities, and a riverfront park. In addition, the Lawrence Paint Building will be renovated and converted into residential units. The expansion of Station Square forms an important component of the City's riverfront development strategy.

Total Cost: \$100 million

#### *The Senator John Heinz Pittsburgh Regional History Museum*

The Senator John Heinz Pittsburgh Regional History Museum will open in April 1996. The museum will focus exclusively on the history of Western Pennsylvania. It will contain, in addition to gallery space, a research center, library and archives, a 300-seat theater, classrooms for educational programs, and a Discovery Hall for children. The Pittsburgh Regional history Museum represents a cultural anchor for the development of the Strip District. It is expected to attract 300,000 visitors in the first year.

Total Cost: \$36 million

#### *Washington's Landing*

Washington's Landing offers investors new opportunities for locating in the City and increases the housing options for residents of the City. Specifically, 8 acres remain available for development. The first phase of 100 units of upscale housing has begun; it will be complete in the Fall of 1995. Currently, the 42 acres of Washington's Landing holds a tennis equipment manufacturer, a marina, a rowing center, a river trail park, and two office complexes. Additionally, an office building is underway; it is scheduled for completion by Spring of 1996.

Total Cost: \$65 million

### *Pittsburgh Technology Center*

The Pittsburgh Technology Center harnesses the expertise of leading researchers and the private market to expedite the commercialization of technology. In total, PTC's \$85 million public/private investment will yield an estimated 2,500 jobs. The University of Pittsburgh has located its biotechnical and bioengineering research center in a 90,000 square foot building. Carnegie Mellon University Research Institute, the research contracting arm of Carnegie Mellon University, occupies 85,000 square feet. Union Switch & Signal's research and engineering facility occupies 175,000 square feet. Presently, plans are to construct an additional 70,000 square feet of office space for high tech firms. Construction will begin in the Fall of 1995.

Total Cost: \$85 million

### *The New Granada Theater*

The vacant New Granada Theater, symbolic of the Hill District's history, will be restored into a cultural center, performing arts facility, and college and training classrooms. Adjacent to the New Granada Theater will be a new office complex. The Commonwealth of Pennsylvania's Strategy 21 program will contribute \$4 million in funding.

Total Cost: \$8.3 million

### *Hill Phoenix Shopping Center*

The Hill Phoenix Shopping Center reinforces the Crawford Square Housing development. Construction of the shopping center is anticipated by the end of 1995. Commercial plans call for the establishment of a bank, a full service grocery store, a drug store, and other retail outlets.

Total Cost: \$5 million

### *Crawford Square*

Crawford Square, the City's largest residential undertaking in the past 25 years, will include 500 for-sale and rental units. Upon completion in 1996, the development will have created a mixed-income community in the Hill District, as well as provide housing near the downtown. Currently, over 300 units are complete. The Urban Redevelopment Authority (URA) is planning the third and final phase of the project.

Total Cost: \$50 million

### *Western Restoration Center*

Western Restoration Center, located in the Hill District, is a three phase housing complex for senior citizens which will hold over 100 units upon completion in 1997. Western Manor, the first phase, was completed in 1993 with 32 units. The second phase with 40 units, Milliones Manor, will be completed by fall of 1995 and will include a community-based health clinic. Riverview Terrace, scheduled for construction in 1996, completes the development with 41 units planned.

Total Cost: \$13.3 million

### *Federal North Redevelopment*

The construction of a research/laboratory building for Allegheny General Hospital forms the cornerstone of the Federal North Redevelopment strategy. Additionally, several other properties in the area will be acquired by the Urban Redevelopment Authority and renovated for its re-use. The Federal North Redevelopment project forms part of the renewed development and residential interest on the North Side. The project is expected to commence in 1995.

Total Cost: \$24 million

### *Three Rivers Stadium Enhancements*

The Stadium Economic Enhancements, an undertaking by the Pittsburgh Pirates, the Pittsburgh Steelers, the Stadium Authority, and the City of Pittsburgh, contribute to the City of Pittsburgh's revitalization efforts on the North Side. Three Rivers Stadium will undergo internal and external improvements to create retail and commercial space, a pedestrian access bridge, and generally enhance the entertainment and recreational facilities of the North Shore. The Commonwealth of Pennsylvania's Strategy 21 program will contribute \$13.5 million.

Total Cost: \$27 million

#### *North Shore Place Housing*

In the Fall of 1995, Lincoln Properties intends to develop 230 units of upscale, riverfront, rental housing.

Total Cost: \$24 million

#### *ALCOA*

ALCOA plans to construct its new headquarters on the North Shore of the Central Business District in a 275,000 square foot building. Construction will start in early 1996.

Total Cost: \$37 million

#### *South Side Riverfront Development*

The South Side is an integral part of Pittsburgh's Riverfront Redevelopment strategy. The 8.3 acres of prime riverfront land will include 275 rental and for-sale units of mixed income housing. Additionally, a modest amount of commercial space is planned. Currently, Phase 1, the 26 units of Fox Way Commons, is complete. Phase 2 of this development, 11 for-sale units, began in the Fall of 1995. The Commonwealth of Pennsylvania's Strategy 21 program will contribute \$3 million.

Total Cost: \$40 million

#### *LTV Site Redevelopment*

The Mon Valley/LTV Site on Pittsburgh's South Side comprises 130 acres of in-city, cleared, riverfront land. Upon completion, the site will encompass a high quality, mixed-use development. Currently, the URA has engaged the services of a national architectural and planning firm to prepare the master plan for the site.

Total Cost: To be determined

#### *Nine Mile Run*

In 1995, the URA acquired the 238 acres of Nine Mile Run for commercial and residential development and is now reviewing several options for development. It has engaged the services of a national architectural and planning firm to prepare the master plan for the site.

Total Cost: To be determined

#### *Hays Ammunition Plant*

After 25 years of vacancy, Galvtech, a galvanizing plant, acquired this former ammunition plant. Galvtech projects to create 75 jobs over the next three years. Renovation of the Hays Ammunition Plant is scheduled to begin by the end of 1995.

Total Cost: \$36.5 million

#### *DAXUS*

A renovated historic structure in the Cultural District serves as the new corporate headquarters for Daxus. Daxus, a growing computer system integrator for process manufacturing and distributing companies, assists companies in meeting productivity, quality, and customer service goals. Renovation of the plaza includes historic renovation at the street level and the mezzanine facade.

Total Cost: \$10 million

#### *Downtown Library Center*

The Downtown Library Center will occupy the historic Bank Center complex in the former financial district of Pittsburgh. It will house the Carnegie Library of Pittsburgh's Downtown and Business Information Center and the Point Park College Library by 1997. The project will enhance Pittsburgh's Central Business District; it will provide an essential business support service, increase traffic for the retail district and bring much needed capital to a currently vacant commercial complex.

Total Cost: \$5.5 million

#### *Lazarus*

Lazarus will relocate from their existing building at Penn Avenue and Stanwix Street to Fifth Avenue and Wood Street, a more central location. Lazarus plans a four story, 240,000 square foot building and a below-grade, 500-space parking garage. Lazarus projects to complete the new department store by October 1996.

Total Cost: \$78 million

#### *Penn Avenue Place*

The present Lazarus Department Store will be renovated into Penn Avenue Place, an office building for Blue Cross of Western Pennsylvania which will occupy 78% of the building. Blue Cross intends to relocate its present operations on Wood Street and Greentree, which employ 650, to Penn Avenue Place and projects an additional 400 new employees at the new location. The renovation of Penn Avenue Place will be completed by the Fall of 1996.

Total Cost: \$50 million

#### *Convention Center Expansion*

The convention center improvements form part of the overall plan to develop the Pittsburgh Cultural District. Improvements to the existing David L. Lawrence Convention Center include the construction of a new lobby and circulation area as well as upgrades to the finishes and mechanical systems.

Total Cost: \$7 million

#### *Penn Liberty Plaza/Strip District Redevelopment*

The redevelopment of the former Buyer's Mart in Strip District into Penn Liberty Plaza will advance the City's goal to establish Pittsburgh as a destination point and develop its riverfronts. Penn Liberty Plaza will be a 374,000 square foot office building with an adjoining garage. At a minimum, the garage will hold 900 spaces. Construction on the office building will be completed by the end of 1996.

Total Cost (office building): \$15.7 million

Total Cost (garage): \$12.5 million

#### *Carnegie Institute Dinosaur Hall*

The Carnegie Institute Dinosaur Hall in Oakland will undergo renovations.

Total Cost: \$5 million

#### *University of Pittsburgh*

The University of Pittsburgh is in the process of constructing a 100,000 square foot Bioresearch Facility.

Total Cost: \$23 million

#### *Magee Women's Hospital*

Magee Women's Hospital is currently expanding its outpatient services research function.

Total Cost: \$50 million

#### *Iroquois Building*

The project entails renovating the Iroquois Building and constructing an addition to the University of Pittsburgh Medical Center (UPMC). The addition to UPMC will include office, research, and retail space, as well as a 630-car garage. Renovations to the Iroquois Building have been completed.

Total Cost: \$50 million

#### *University of Pittsburgh*

The University of Pittsburgh plans a Convocation Center and Basketball Arena, a Multipurpose Academic Complex, renovation of Bellefield Hall for the performing arts, a Western Psychiatric Institute Child and Youth Center, an addition to Hillman Library, the renovation of the Masonic Building, and an Undergraduate Business School.

Total Cost: \$93 + million

### **Major Infrastructure Developments**

#### *Fort Duquesne Boulevard*

The City is planning to improve Fort Duquesne Boulevard with granite curbs and sidewalk replacements and new street lighting. Additionally, the project includes relocating Fort Duquesne Boulevard to construct upper and lower riverfront parks. Work on the lower level park will begin by mid-1996.

Total Cost: \$10 million (cost is for roadway and sidewalk work only)

#### *Fort Pitt Boulevard*

The Fort Pitt Boulevard will be transformed into a two level riverfront park as Interstates 376 and 279 are lowered and Fort Pitt Boulevard (eastbound) will be moved westward. Fort Pitt Boulevard will be reconstructed to allow greater pedestrian access to the bridge.

Total Cost: \$18 million (cost is for roadway and sidewalk work only)

#### *Fifth and Forbes Avenues Reconstruction*

This two-phased project will replace the current pattern of asphalt and concrete sidewalks with granite sidewalks and rustic terrazzo curbs. The first phase began in March 1995. The second phase, still in the design stage, is anticipated to begin by mid-1996.

Total Cost: \$11 million (phases 1 & 2)

#### *Liberty Avenue*

The Liberty Avenue project is the third phase of a major reconstruction effort for this section of the Cultural District. The project calls for total reconstruction of the street, including new signalization, lighting, granite curbs, brick sidewalks, street trees, vault abandonment, roadway reconstruction, sewer lines and water lines. Liberty Avenue reconstruction began in January of 1995 and is expected to be complete by September 1996.

Total Cost: \$6 million

#### *Wood Street*

Wood Street reconstruction is a two-phased project extending from Fourth Avenue to Liberty Avenue. It will focus on vault and sidewalk reconstruction and replace the current pattern of asphalt and concrete sidewalks with granite sidewalks and rustic terrazzo curbs. Construction is expected to begin in early 1996.

Total Cost: \$10 million

#### *Wabash Bridge/Tunnel*

Port Authority Transit of Allegheny County has planned the construction of an 8 mile exclusive Busway from Carnegie to Station Square on the south shore of the Monongahela River to the Wabash Bridge and terminating on Market Street. Eight park-n-ride lots will be located along the Airport Busway. Currently, the Wabash Tunnel is under construction. Port Authority expects to complete the entire project in early 1998.

Total Cost: \$50 million

#### *First Avenue Garage*

The City of Pittsburgh plans the construction of an intermodal garage on First Avenue in Downtown Pittsburgh. Upon completion, the First Avenue Garage will contain nearly 2,000 parking spaces, a subway stop, a bus stop, and shuttle service to downtown offices.

Total Cost: \$20 million

#### *North Shore Parking Garage*

The North Shore Parking Garage will serve the new housing and office developments planned for the North Shore. It will have approximately 1,000 spaces. Tentatively, completion is expected by the end of 1996.

Total Cost: To be determined



## OTHER ECONOMIC DEVELOPMENTS

### Sale of Pittsburgh Pirates Baseball Team

In August of 1994, the owners of the Pittsburgh Pirates put the baseball team up for sale after failing to reach agreement with the City on stadium lease and other issues. The Pirates owners gave the City six months to find a buyer or face the team's possible departure from Pittsburgh. The prospective buyer the City identified was unable to come to agreement with the Pirates before the 6-month deadline passed. In May, 1995, the same prospective buyer did reach an agreement with the Pirates. However, it was rejected by Major League Baseball because the proposal lacked sufficient cash and did not meet its stringent debt-to-equity ratio.

Subsequently, both the Pirates and the City made a national search to identify another purchaser who would keep the team in Pittsburgh. In September, 1995, another group lead by California newspaper heir Kevin McClatchy reached an agreement in principle with the Pirates and subsequently received the preliminary approval from Major League Baseball. Although terms of the agreement have not been disclosed, McClatchy has expressed a desire to keep the baseball franchise in Pittsburgh. The McClatchy group and the Pirates are currently negotiating a final sales agreement, which will be resubmitted to Major League Baseball for formal approval of the sale of the baseball team.

The Pirates have been owned since 1985 by a public-private consortium composed of PPG, USX, Westinghouse, ALCOA, PNC Bank and Mellon Bank, Carnegie Mellon University and three private investors.

### Integra Merger

On August 28, 1995, Integra Bank, Pittsburgh's third-largest bank, announced plans to be acquired by National City Corporation of Cleveland, Ohio. The transaction, which would create the 18th largest bank in the country, would represent the first major purchase of a local bank by a bank not headquartered in the City.

To help defray acquisition costs, National City will seek \$85 million in annual savings from combined operations with 21% coming from employee-related expenses. A 21% reduction in Integra's work force represents over 1,100 jobs. The bulk of reductions would occur in Integra's administrative, data processing and other office operations that employ a majority of its 2,000 downtown and Northside workers.

### Building Activity

Building activity was strong in 1994. According to the City's Bureau of Building Inspection, total construction value within the City was nearly \$202 million. Approximately seven percent of the construction value represented new housing construction. New commercial construction represented 32 percent of the total value. The remaining percentage represented construction value of extensions and alterations of existing structures.

The Table C-1 below sets forth the number and dollar value of residential and commercial building permits issued in the City in the years 1984 to 1994:

**TABLE C-1  
CITY OF PITTSBURGH  
NUMBER AND VALUE OF BUILDING PERMITS, 1984-1994**

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Dollar Value</u>
1984 .....	3,858	\$140,202,824
1985 .....	3,910	320,396,045
1986 .....	3,599	254,222,123
1987 .....	3,253	154,214,516
1988 .....	3,281	213,563,663
1989 .....	3,233	338,506,723
1990 .....	3,099	140,748,508
1991 .....	3,500	146,969,312
1992 .....	3,368	213,314,419
1993 .....	3,363	212,451,629
1994 .....	3,148	201,982,565

Source: City of Pittsburgh, Bureau of Building Inspection

## ECONOMY

### Employment

For more than 150 years, the City has been a center for business and industry. While the steel industry continues to be a major factor in the local economy, its importance as a source of employment in absolute and relative terms has been diminishing. As a result, the City's economy is becoming more diversified with increasing reliance on the health, education and financial industries.

**TABLE C-2**  
**CITY OF PITTSBURGH**  
**15 LARGEST PUBLIC COMPANIES**  
**WITH HEADQUARTERS IN PITTSBURGH**  
**(RANKED BY 1994 REVENUE)**

	<u>1994 Revenue</u>
USX Corporation .....	\$18 billion
ALCOA .....	\$9 billion
Westinghouse Electric Corporation .....	\$8.8 billion
H.J. Heinz Co. ....	\$7.1 billion
PPG Industries Inc. ....	\$5.7 billion
Consolidated Natural Gas Co. ....	\$3.18 billion
Armco Inc. ....	\$1.66 billion
DQE Inc. ....	\$1.2 billion
Weirton Steel Corp. ....	\$1.2 billion
Allegheny Ludlum Corp. ....	\$1.1 billion
Equitable Resources Inc. ....	\$1.1 billion
Wheeling-Pittsburgh Corp. ....	\$1.05 billion
Quaker State Corp. ....	\$759.2 million
J&L Specialty Steel Inc. ....	\$648 million
Kennametal Inc. ....	\$598.5 million

Source: Pittsburgh Business Times

As set forth in Table C-3, total employment in the City has fluctuated during the past ten years from 282,000 in 1984 to 314,525 in 1994.

**TABLE C-3  
CITY OF PITTSBURGH  
TOTAL NUMBER OF JOBS IN THE CITY  
1984-1994**

1984 .....	282,800
1985 .....	288,900
1986 .....	282,000
1987 .....	288,500
1988 .....	300,700
1989 .....	307,200
1990 .....	319,600
1991 .....	327,600
1992 .....	318,404
1993 .....	314,758
1994 .....	314,525

Source: City of Pittsburgh Tax Files.

City and regional labor force and employment have stabilized since 1986 after sharp declines in the early 1980's due to the steel recession.

**TABLE C-4  
RESIDENT CIVILIAN LABOR FORCE DATA  
CITY, PMSA/MSA, COMMONWEALTH, U.S.  
1990-1994**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Labor Force</b>					
City of Pittsburgh	174,300	175,600	176,800	167,900	166,100
Pittsburgh PMSA/MSA <sup>(1)</sup>	993,200	1,004,800	1,032,700	1,151,900	1,137,000
Pennsylvania	5,901,000	5,933,000	6,004,000	5,885,000	5,829,000
U.S.	124,787,000	125,303,000	127,000,000	128,040,000	131,056,000
<b>Employment</b>					
City of Pittsburgh	166,400	166,200	165,100	156,600	155,600
Pittsburgh PMSA/MSA <sup>(1)</sup>	945,300	944,500	962,600	1,072,800	1,066,000
Pennsylvania	5,583,000	5,524,000	5,554,000	5,472,000	5,468,000
U.S.	117,914,000	116,877,000	117,600,000	119,306,000	123,060,000
<b>Unemployed</b>					
City of Pittsburgh	7,900	9,400	11,600	11,300	10,500
Pittsburgh PMSA/MSA <sup>(1)</sup>	47,900	60,300	70,100	79,100	71,000
Pennsylvania	318,000	409,000	450,000	413,000	361,000
U.S.	6,874,000	8,426,000	9,400,000	8,734,000	7,996,000
<b>Unemployment Rate (%)</b>					
City of Pittsburgh	4.5%	5.4%	6.6%	6.7%	6.3%
Pittsburgh PMSA/MSA <sup>(1)</sup>	4.8%	6.0%	6.8%	6.9%	6.2%
Pennsylvania	5.4%	6.9%	7.5%	7.0%	6.2%
U.S.	5.5%	6.7%	7.4%	6.8%	6.1%

(1) The figures for years 1990-1992 reflect the Pittsburgh PMSA, which includes the counties of Allegheny, Fayette, Washington and Westmoreland. The figures for the years 1993 and 1994 reflect the Pittsburgh MSA, which includes the counties of Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland.

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.

### Commercial Banks

The City is one of the five major banking centers in the nation. Major banks which are headquartered in the City include Mellon Bank N.A. and PNC Bank. Each has full service capability and extensive overseas operations. Pittsburgh is a branch office city of the Cleveland District of the Federal Reserve System.

**TABLE C-5  
CITY OF PITTSBURGH  
COMMERCIAL BANKS  
RANKED BY TOTAL ASSETS**

	<u>Total Assets as of Dec. 31, 1994</u>
PNC Bank N.A. ....	\$40,614,133,000
Mellon Bank N.A. ....	29,294,120,000
Integra Bank/Pittsburgh .....	8,007,195,000
Three Rivers Bank Trust Co. ....	340,123,000
Peoples Bank of Unity .....	293,491,000
Northside Bank .....	228,208,000
Allegheny Valley Bank .....	203,817,000

Source: Pittsburgh Business Times

### Foreign Banks

In recent years, a number of major foreign banks have established offices in the City. This activity reflects the international economic importance of the area, as well as the growth of foreign firms who have located in the City and its environs or who have significant business commitments in the area.

**Education**

*Colleges and Universities*

The major colleges and universities located in the Pittsburgh area are shown in Table C-6.

**TABLE C-6  
PITTSBURGH AREA  
COLLEGES AND UNIVERSITIES  
(RANKED BY 1993 UNDERGRADUATE FULL-TIME ENROLLMENT)**

	<u>Undergraduate Enrollment</u>	
	<u>full-time</u>	<u>part-time</u>
Community College of Allegheny County (all four campuses) .....	16,400	16,883
University of Pittsburgh .....	13,318	4,289
Slippery Rock University .....	6,259	1,418
Duquesne University .....	5,730	2,880
California University of Pennsylvania .....	4,631	706
Carnegie Mellon University .....	4,146	156
Robert Morris College .....	2,621	2,724
Westmoreland County Community College .....	2,580	4,331
Butler County Community College .....	1,478	1,643
Community College of Beaver County .....	1,430	1,428
Geneva College .....	1,306	258
Point Park College .....	1,173	1,402
Washington and Jefferson College .....	1,098	12
University of Pittsburgh at Greensburg .....	1,065	380
Saint Vincent College .....	1,035	182
Carlow College .....	809	1054
Seton Hill College .....	752	210
Penn State New Kensington Campus .....	661	457
Penn State McKeesport Campus .....	659	272
La Roche College .....	650	821
Chatham College .....	630*	—
Penn State Beaver Campus .....	553	123

\*Represents total student body. Breakdown of full-time and part-time students not available.

Source: Pittsburgh Business Times

*Vocational-Technical Schools*

In addition, vocational-technical schools in the area provide a broad array of training in a variety of fields. Vocational-technical training is offered by both proprietary schools and by the public school systems. There are approximately 20 proprietary vocational schools and approximately 12 public vocational schools in the City and surrounding areas.

## TRANSPORTATION

### Air Transportation

Pittsburgh International Airport ("PIA") serves the region. The 12,080 acre airport, located in Allegheny County 16 miles from the downtown area, is the fourth largest in the country.

The state-of-the-art user friendly terminal complex located between the runways opened October 1, 1992, replacing the 40-year old Main Terminal Building. It has 75 jet gates and 25 commuter gates. Built with the latest technologies and designed for incremental expansion to meet forecasted growth, the entire complex is able to expand with relative ease.

Passenger conveniences include an underground people mover system, moving walkways, easy-to-read signs and direct access to 17,420 parking spaces. The X-shaped airside terminal allows connecting passengers access to all 75 jet gates without changing levels or terminals. The airside terminal also houses a retail area featuring more than 60 local, national, and international retailers and restaurateurs required to charge prices no higher than those charged at their off-airport locations.

PIA's service area includes 18 counties in western Pennsylvania, six counties in southeastern Ohio, 12 counties in northern West Virginia, and 2 counties in western Maryland. Passenger traffic at PIA shows steady and sustained growth since 1981. The trends in passenger volume at Pittsburgh International Airport from 1979 through 1994 are set forth in Table C-7 as follows.

**TABLE C-7  
CITY OF PITTSBURGH  
PASSENGER VOLUME TREND  
PITTSBURGH INTERNATIONAL AIRPORT**

<u>Year</u>	<u>Passenger Volume</u>	<u>Percentage Change Over Prior Year</u>
1979 .....	11,139,164	—
1980 .....	11,452,512	2.8%
1981* .....	10,112,266	-11.7
1982* .....	9,986,374	-1.2%
1983 .....	11,885,118	19.0%
1984 .....	13,414,626	12.9%
1985 .....	15,058,178	12.3%
1986 .....	15,989,507	6.2%
1987 .....	17,457,801	9.2%
1988 .....	17,987,040	3.0%
1989 .....	17,145,272	-4.7%
1990 .....	17,145,831	0.0%
1991 .....	16,735,015	-2.4%
1992 .....	18,748,884	12.0%
1993 .....	18,446,663	-1.6%
1994 .....	19,490,709	5.7%

\* Air Traffic Controllers Strike

Source: Allegheny County Department of Aviation.

The following airlines serve Pittsburgh International Airport (ranked by number of 1993 passengers):

1. USAir Group Inc.
2. Chautauqua Airlines/USAir Express<sup>(1)</sup>
3. Delta Airlines
4. Jetstream International/USAir Express<sup>(2)</sup>
5. American Airlines
6. Crown Airways Inc./USAir Express<sup>(1)</sup>
7. United Airlines
8. Trans World Airlines Inc.
9. Northwest Airlines
10. Continental Airlines
11. Allegheny Commuter/USAir Express<sup>(2)</sup>
12. American Eagle/American Airlines<sup>(3)</sup>
13. British Airways
14. Continental Express/Continental Airlines
15. Trans World Express<sup>(4)</sup>
16. United Express/United Airlines<sup>(5)</sup>
17. Comair<sup>(6)</sup>

Source: Pittsburgh Business Times.

- (1) Chautauqua and Crown Airways are both privately held companies but operate under a code-sharing and marketing agreement with USAir Group Inc.
- (2) Jetstream International and Allegheny Commuter are wholly owned subsidiaries of USAir Group Inc.
- (3) American Eagle is a subsidiary of American Airlines, Inc.
- (4) Trans World Express is a subsidiary of United Airlines.
- (5) United Express is a subsidiary of United Airlines.
- (6) Comair has a code-sharing agreement with Delta Airlines.

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 130 publicly and privately owned terminals with barge landings in the Port of Pittsburgh operated primarily for diversified commercial purposes. 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.

Ten major barge lines operate on Port of Pittsburgh waters as common carriers. These barge lines utilize both private- and public-use terminals. A number of regulated contract carriers and other private carriers for hire also operate extensively into and out of the Port of Pittsburgh.

Water transport equipment currently in service includes open hopper barges, covered dry cargo barges, tank and deck barges. Typical tows move from the Port of Pittsburgh to St. Louis in about seven days. Specialized tows, such as unit tows for bulk liquids, cover the Port of Pittsburgh to New Orleans route in eight to twelve days.

Complete facilities for construction and repair of river boats of all types are in operation in the Port of Pittsburgh.

### **Rail Service**

There are numerous trunk, short-line, switching and connecting railroads serving the region. It is estimated that ten percent of all U.S. rail freight originates or passes through the nine-county region surrounding the City. On-line trunk railroads serving the area include:

Amtrak  
Bessemer and Lake Erie Railroad  
CSX  
Conrail  
Norfolk and Southern Railroad  
Pittsburgh & Lake Erie Railroad

### **Motor Freight Service**

The area is served by over 250 interstate and local trucking firms, 26 freight forwarders, and 81 household goods movers. The City is a strategically located transportation center, with overnight access by motor freight to the major markets of the Northeast and Midwest.

### **Mass Transit**

The Port Authority of Allegheny County (PAT) is the regional transit agency serving Pittsburgh and Allegheny County. PAT is the ninth largest transit operation in the United States, serving approximately 300,000 passengers daily. A downtown subway system was completed and opened for passenger services 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**

Greyhound Bus Lines provides regularly scheduled interstate bus service to the City. The Port Authority of Allegheny County provides local bus and rail service. In addition, a variety of local bus companies provide intrastate, commuting, and charter services.

## **UTILITIES**

### **Electricity**

The City relies primarily upon coal as an energy source and is not heavily dependent upon oil and gas for the production of electricity. Some nuclear energy is used. In the region, the currently installed electric power generation capacity is 80% coal, 15% nuclear and 5% oil, the latter used mostly for peak capacity.

The electric power requirements of residential, commercial and industrial users in the City are provided primarily by the Duquesne Light Company which serves more than 569,000 customers in Allegheny and Beaver Counties and has a generating capacity in excess of 2,836,000 kilowatts. The Company is subject to regulation by the Pennsylvania Public Utilities Commission.

### **Natural Gas**

The City's suppliers of natural gas are the Equitable Gas Company, People's Natural Gas Company, and Columbia Gas of Pennsylvania. Together they serve 128,807 customers in the City of Pittsburgh (118,723 residential; 9,963 commercial; and 121 industrial). All three are investor-owned utilities whose service areas cover large portions of Pennsylvania and neighboring states.



## Water and Sewer

The Pittsburgh Water and Sewer Authority provides water service to the majority of water customers within the City and sewage collection service to the entire City. The climate and river valleys within the City region provide abundant water at reasonable cost.

Sewage treatment service is provided by Alcosan. Its service area includes the City, 77 neighboring municipalities in the County and parts of communities in Washington and Westmoreland Counties. Alcosan serves an area of 221 square miles with 297,000 customers.

## DEMOGRAPHIC DATA

### Population

Table C-8 shows the population trends for the City, the County and the Pittsburgh Metropolitan Statistical Area (PMSA) from 1970 to 1990.

**TABLE C-8  
POPULATION  
CITY, COUNTY, PMSA  
1970-1990**

	<u>City of Pittsburgh</u>		<u>Allegheny County<sup>(1)</sup></u>		<u>Pittsburgh PMSA<sup>(2)</sup></u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
1970	520,089		1,085,044		796,229	
1980	423,938	(18.5%)	1,026,147	(5.4%)	813,809	2.2%
1990	369,879	(12.8%)	966,570	(5.8%)	720,256	(11.5%)

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

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

Source: U.S. Census Bureau.

## Housing

Housing in Pittsburgh is very affordable when compared to the nation. According to the U.S. Census, Pittsburgh has the third most affordable housing in the nation.

Detached single family housing continues to dominate residential construction in the County, although in Pittsburgh, apartment and townhouse construction predominates.

Because Pittsburgh was almost completely built up by 1950, more than 75% of the housing stock in the City is over forty years old and 50% is over sixty years old. The housing stock of the City, County, PMSA and Commonwealth is characterized as follows:

**TABLE C-9  
CITY, COUNTY, PMSA, AND COMMONWEALTH  
CHARACTERISTICS OF HOUSING UNITS COMPARISON**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
<b>Total Housing Units:</b>				
City of Pittsburgh .....	188,366	189,840	179,191	170,159
County of Allegheny .....	503,006	533,520	570,970	580,738
Pittsburgh PMSA .....	720,787	789,771	874,050	879,811
Pennsylvania .....	3,581,877	3,924,757	4,597,412	4,938,140
<b>Percent Owner-Occupied:</b>				
City of Pittsburgh .....	48.8%	50.3%	51.2%	52.3%
County of Allegheny .....	62.7%	64.8%	61.9%	66.2%
Pittsburgh PMSA .....	63.4%	67.8%	69.0%	72.6%
Pennsylvania .....	68.3%	68.0%	64.2%	70.6%
<b>Median Value of Owner-Occupied Housing:</b>				
City of Pittsburgh .....	\$11,000	\$12,500	\$31,500	\$41,200
County of Allegheny .....	12,300	16,000	43,300	57,100
Pittsburgh PMSA .....	12,900	15,300	42,800	51,800
Pennsylvania .....	10,200	13,600	39,100	69,700
<b>Number of Persons per Housing Unit:</b>				
City of Pittsburgh .....	3.1	2.8	2.4	2.5
<b>Total County Housing Units:</b>				
Percent of City of Pittsburgh .....	37.4%	35.5%	31.4%	29.3%

Source: U.S. Census of Housing

From 1960 to 1990 the number of housing units in the County increased by 15.5%, while the number of housing units in the City decreased by 9.7%. Over the same period, the number of persons per housing unit in the City decreased 19% and the population declined by 27.1%.

**TABLE C-10**  
**COUNTY OF ALLEGHENY**  
**AVERAGE SALE PRICE OF RESIDENTIAL PROPERTY**  
**1982 TO 1994**  
**(MARKET TRANSACTIONS)**

<u>Year</u>	<u>County of Allegheny</u>
1982 .....	\$ 60,520
1983 .....	62,347
1984 .....	62,598
1985 .....	65,052
1986 .....	69,002
1987 .....	74,298
1988 .....	78,609
1989 .....	82,247
1990 .....	88,623
1991 .....	99,818
1992 .....	102,742
1993 .....	105,538
1994 .....	105,399

Source: City of Pittsburgh, Department of City Planning  
West Penn Multi-List

The Redevelopment Authority provides low-cost home improvement loans to low- and moderate-income families utilizing Community Development Block Grant ("CDBG"), HOME, 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 twenty-year housing rehabilitation loans or rehabilitation grants funded by HUD.

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

**Income**

*Per Capita Income*

The data in Table C-11 shows the trend in per capita income for the Pittsburgh PMSA, Allegheny County and Commonwealth.

**TABLE C-11**  
**PITTSBURGH PMSA, COUNTY AND COMMONWEALTH**  
**PER CAPITA INCOME**

	<u>1969</u>	<u>1979</u>	<u>1989</u>	<u>% Change 1979-1989</u>
Pittsburgh PMSA .....	\$3,149	\$7,698	\$13,785	+79.1%
Allegheny County .....	\$3,321	\$7,986	\$15,115	+89.3%
Pennsylvania .....	\$3,066	\$7,077	\$14,068	+98.8%

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**APPENDIX D**

**CITY OF PITTSBURGH**

**Form of Opinion of Bond Counsel**

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December \_\_, 1995

RE: City of Pittsburgh, Pennsylvania, General Obligation Bonds, Series A of 1995  
and General Obligation Refunding Bonds, Series B of 1995

To the Purchasers of the Above-Captioned Bonds

We have acted as Bond Counsel in connection with the issuance by the City of Pittsburgh, Pennsylvania (the "City") of its General Obligation Bonds, Series A of 1995 and its General Obligation Refunding Bonds, Series B of 1995 in the aggregate principal amount of \$\_\_\_\_\_ (collectively, the "Bonds") pursuant to the Local Government Unit Debt Act, Act of July 12, 1972, P.L. 781, No. 185, reenacted April 28, 1978, P.L. 124, No. 52, as amended (the "Act"), and a Resolution adopted by the City Council of the City on November \_\_, 1995 (the "Resolution").

As Bond Counsel we have examined originals or certified copies of the transcript of the proceedings of the City filed with and approved by the Department of Community Affairs of the Commonwealth of Pennsylvania (the "Commonwealth"), the Resolution, the form of the Bonds, such constitutional and statutory provisions and such other certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify those facts by independent investigation.

We express no opinion with respect to any matters not specifically set forth herein.

Based on such examination and the certifications and representations of fact contained in the proceedings relating to the issuance of the Bonds, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City.
2. The Bonds are payable from such moneys as may be available for that purpose, including ad valorem taxes which the City is authorized to levy upon taxable real property within its boundaries without limitation as to rate or amount.

3. The City has covenanted to include the amount of the debt service on the Bonds for each fiscal year in which such sums are due in its budget for that year, to appropriate such amounts to the payment of such debt service and to punctually pay or cause to be paid the principal of the Bonds and the interest thereon on the dates, at the places and in the manner stated in the Bonds.

4. Under the laws of the Commonwealth, as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

5. Under existing laws, regulations and judicial decisions, interest on (including any original issue discount properly allocable to a holder thereof) on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as defined for federal income tax purposes). However, with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

Very truly yours,

KLETT LIEBER ROONEY & SCHORLING,  
A Professional Corporation



**APPENDIX E**

**CITY OF PITTSBURGH**

**Specimen Municipal Bond Insurance Policy**

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Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
212-312-3000  
800-352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
212-312-3000  
800-352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
212 312-3000  
800 352-0001



A GE Capital Company

**Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

**Policy Number:**

**Control Number:**

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder 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.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in mesquite to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**

**State Street Bank and Trust Company, N.A., as Fiscal Agent**

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

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**APPENDIX F**

**CITY OF PITTSBURGH**

**Debt Service Schedule**

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**DEBT SERVICE REQUIREMENTS**

1995 Series A Bonds				1995 Series B Bonds				Total	
Date	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Debt Service		
Mar. 1, 1996		972,965.00	972,965.00		1,274,377.19	1,274,377.19	2,247,342.19		
Sep. 1, 1996		1,945,930.00	1,945,930.00		2,548,754.38	2,548,754.38	4,494,684.38		
Mar. 1, 1997		1,945,930.00	1,945,930.00	5,000.00	2,548,754.38	2,553,754.38	4,499,684.38		
Sep. 1, 1997		1,945,930.00	1,945,930.00		2,548,654.38	2,548,654.38	4,494,584.38		
Mar. 1, 1998		1,945,930.00	1,945,930.00	5,000.00	2,548,654.38	2,553,654.38	4,499,584.38		
Sep. 1, 1998		1,945,930.00	1,945,930.00		2,548,554.38	2,548,554.38	4,494,484.38		
Mar. 1, 1999	355,000.00	1,945,930.00	2,300,930.00	1,180,000.00	2,548,554.38	3,728,554.38	6,029,484.38		
Sep. 1, 1999		1,938,652.50	1,938,652.50		2,524,364.38	2,524,364.38	4,463,016.88		
Mar. 1, 2000	375,000.00	1,938,652.50	2,313,652.50	3,830,000.00	2,524,364.38	6,354,364.38	8,668,016.88		
Sep. 1, 2000		1,930,777.50	1,930,777.50		2,443,934.38	2,443,934.38	4,374,711.88		
Mar. 1, 2001	390,000.00	1,930,777.50	2,320,777.50	4,005,000.00	2,443,934.38	6,448,934.38	8,769,711.88		
Sep. 1, 2001		1,922,392.50	1,922,392.50		2,357,826.88	2,357,826.88	4,280,219.38		
Mar. 1, 2002	405,000.00	1,922,392.50	2,327,392.50	4,165,000.00	2,357,826.88	6,522,826.88	8,850,219.38		
Sep. 1, 2002		1,913,482.50	1,913,482.50		2,266,196.88	2,266,196.88	4,179,679.38		
Mar. 1, 2003	425,000.00	1,913,482.50	2,338,482.50	4,385,000.00	2,266,196.88	6,651,196.88	8,989,679.38		
Sep. 1, 2003		1,903,920.00	1,903,920.00		2,167,534.38	2,167,534.38	4,071,454.38		
Mar. 1, 2004	445,000.00	1,903,920.00	2,348,920.00	4,610,000.00	2,167,534.38	6,777,534.38	9,126,454.38		
Sep. 1, 2004		1,893,685.00	1,893,685.00		2,061,504.38	2,061,504.38	3,955,189.38		
Mar. 1, 2005	465,000.00	1,893,685.00	2,358,685.00	4,885,000.00	2,061,504.38	6,946,504.38	9,305,189.38		
Sep. 1, 2005		1,882,757.50	1,882,757.50		1,946,706.88	1,946,706.88	3,829,464.38		
Mar. 1, 2006	485,000.00	1,882,757.50	2,367,757.50	6,380,000.00	1,946,706.88	8,326,706.88	10,694,464.38		
Sep. 1, 2006		1,870,935.63	1,870,935.63		1,793,586.88	1,793,586.88	3,664,522.50		
Mar. 1, 2007	510,000.00	1,870,935.63	2,380,935.63	12,645,000.00	1,793,586.88	14,438,586.88	16,819,522.50		
Sep. 1, 2007		1,858,185.63	1,858,185.63		1,483,784.38	1,483,784.38	3,341,970.00		
Mar. 1, 2008	530,000.00	1,858,185.63	2,388,185.63	28,955,000.00	1,483,784.38	30,438,784.38	32,826,970.00		
Sep. 1, 2008		1,844,670.63	1,844,670.63		759,909.38	759,909.38	2,604,580.00		
Mar. 1, 2009	1,325,000.00	1,844,670.63	3,169,670.63	29,655,000.00	759,909.38	30,414,909.38	33,584,580.00		
Sep. 1, 2009		1,810,717.50	1,810,717.50				1,810,717.50		
Mar. 1, 2010	32,580,000.00	1,810,717.50	34,390,717.50				34,390,717.50		
Sep. 1, 2010		963,637.50	963,637.50				963,637.50		
Mar. 1, 2011	34,295,000.00	963,637.50	35,258,637.50				35,258,637.50		
Sep. 1, 2011		63,393.75	63,393.75				63,393.75		
Mar. 1, 2012	2,415,000.00	63,393.75	2,478,393.75				2,478,393.75		
<b>Total</b>	<b>75,000,000.00</b>	<b>56,242,961.25</b>	<b>131,242,961.25</b>	<b>104,705,000.00</b>	<b>56,177,000.94</b>	<b>160,882,000.94</b>	<b>292,124,962.19</b>		

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G-36

60356

1-2. NAME OF ISSUER AND DESCRIPTION OF ISSUE : CITY OF PITTSBURGH, PENNSYLVANIA  
General Obligation Bonds

3. STATE : A: PA,B: PA

4. DATED DATE : A: 12/01/1995,B: 12/01/1995

5. DATE OF FINAL MATURITY OF OFFERING : 03/01/2012A 6. DATE OF SALE : A: 11/09/1995,B: 11/09/1995

7. PAR VALUE OF OFFERING : \$ 179,705,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate): \$ 179,705,000

9. AMENDED OR STICKERED OS? NO NUMBER OF SERIES IN OS : 2  
(Enter Y or N) (Fill out one form for each series)

10. CHECK ALL THAT APPLY:

a.  At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

b.  At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

c.  This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and or sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, with a view toward distributing the securities.

11. MANAGING UNDERWRITER : Lehman Brothers

16. CUSIP NUMBERS (and corresponding maturity dates)

03/01/1997B	7252082Y7	03/01/1998B	7252082Z4
03/01/1999A	7252082J0	03/01/1999B	7252083A8
03/01/2000A	7252082K7	03/01/2000B	7252083B6
03/01/2001A	7252082L5	03/01/2001B	7252083C4
03/01/2002A	7252082M3	03/01/2002B	7252083D2
03/01/2003A	7252082N1	03/01/2003B	7252083E0
03/01/2004A	7252082P6	03/01/2004B	7252083F7
03/01/2005A	7252082Q4	03/01/2005B	7252083G5
03/01/2006A	7252082R2	03/01/2006B	7252083H3
03/01/2007A	7252082S0	03/01/2007B	7252083J9
03/01/2008A	7252082T8	03/01/2008B	7252083K6
03/01/2009A	7252082U5	03/01/2009B	7252083L4
03/01/2010A	7252082V3	03/01/2011A	7252082W1
03/01/2012A	7252082X9		

17. MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment:

18. Submit two copies of the completed form along with the official statement to: Municipal Securities Rulemaking Board, 1640 King Street, Suite 300, Alexandria, VA 22314. Incomplete submissions will be returned for correction.

