

**Competitive Bid New Issue
Book-Entry-Only**

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

In the opinion of Bond Counsel, assuming continued compliance with certain covenants described herein, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly attributable to a holder thereof) is excludable from the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations. Under the Code, interest on the Bonds is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax. See the information contained herein under the caption "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

\$70,150,000
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
General Obligation Bonds
\$20,295,000 Series A of 1997
\$29,735,000 Series B of 1997
\$20,120,000 Series C of 1997

Dated: December 1, 1997
Due: September 1, as shown on inside front cover
Denomination: Integral multiples of \$5,000

Interest Payable: March 1 and September 1
First Interest Payment Date: September 1, 1998
Form: Book-Entry-Only

Payable: The Series A of 1997 Bonds, the Series B of 1997 Bonds and the Series C of 1997 Bonds (collectively, the "Bonds"), will be initially issued by the City of Pittsburgh, Pennsylvania (the "City") 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 designated corporate trust office of Chase Manhattan Trust Company, National Association, Paying Agent (the "Paying Agent"). Interest on the Bonds is payable semi-annually on March 1 and September 1, commencing on September 1, 1998. 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: (1) fund certain projects included in the City's Capital Improvement Program, (2) fund certain capitalized interest on the Bonds, and (3) pay the costs and expenses related to the issuance of the Bonds.

Security: The Bonds are general obligations of the City. The full faith, credit and taxing power of the City have 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

Ambac

Grant Street Advisors acted as financial advisor to the City.

 **GRANT
STREET
ADVISORS** *financial consultants advising municipal and non-profit enterprises*

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality of issuance of the Bonds by Eckert Seamans Cherin & Mellott, LLC, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed on by Pepper, Hamilton & Scheetz LLP, Pittsburgh, Pennsylvania and R. Darryl Ponton and Associates, 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 23, 1997.

This Official Statement is dated November 19, 1997.

MATURITY SCHEDULE

\$70,150,000
City of Pittsburgh
(Commonwealth of Pennsylvania)
General Obligation Bonds

\$20,295,000 Series A of 1997

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Public Offering Yield*</u>
1999	\$2,155,000	4.500%	4.100%
2000	\$2,250,000	5.000%	4.200%
2001	\$2,355,000	4.250%	4.250%
2002	\$2,455,000	5.000%	4.350%
2003	\$2,580,000	4.750%	4.500%
2004	\$2,700,000	4.750%	4.600%
2005	\$2,830,000	5.000%	4.700%
2006	\$2,970,000	5.000%	4.750%

\$29,735,000 Series B of 1997

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Public Offering Yield*</u>
2007	\$3,120,000	4.600%	4.750%
2008	\$3,265,000	4.900%	4.900%
2009	\$3,425,000	5.000%	5.000%
2010	\$3,595,000	5.000%	5.080%
2011	\$3,775,000	5.000%	5.100%
2012	\$3,965,000	5.500%	5.277%
2013	\$4,180,000	5.500%	5.322%
2014	\$4,410,000	5.500%	5.363%

\$20,120,000 Series C of 1997

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Public Offering Yield*</u>
2015	\$4,655,000	5.125%	5.300%
2016	\$4,895,000	5.250%	5.300%

\$10,570,000 5.25% Term Bonds due September 1, 2018
Initial Public Offering Yield of 5.411%*

*Yields submitted by Underwriters on November 19, 1997.

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

DIRECTOR

OFFICE OF MANAGEMENT AND BUDGET

David Y. Miller, Ph.D.

CITY SOLICITOR

Jacqueline Morrow, Esquire

BOND COUNSEL

Eckert Seamans Cherin & Mellott, LLC
Pittsburgh, Pennsylvania

CO-DISCLOSURE COUNSEL

Pepper, Hamilton & Scheetz LLP
Pittsburgh, Pennsylvania
and
R. Darryl Ponton and Associates
Pittsburgh, Pennsylvania

PAYING AGENT

Chase Manhattan Trust Company, National Association
Pittsburgh, Pennsylvania

FINANCIAL ADVISOR

Grant Street Advisors
Pittsburgh, Pennsylvania

UNDERWRITERS

(ACTING SEVERALLY)

Belle Haven Investments L.P.
Gates Capital Inc.
Morgan Stanley & Co. Incorporated
William E. Simon & Sons Municipal Securities Inc.

BT Alex. Brown Incorporated
Hutchinson, Shockey, Erley & Co.
PNC Capital Markets
William R. Hough & Company

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.

TABLE OF CONTENTS

	Page		Page
INTRODUCTORY STATEMENT	1	THE GOVERNMENT OF PITTSBURGH	18
THE BONDS	1	City Officials	19
Security	1	Members of City Council	19
Authority to Issue	2	City Departments and Services	20
Purpose of the Issue	2	OTHER GOVERNMENTAL ENTITIES	20
Description of the Bonds	2	City Supported Authorities	20
Book-Entry-Only System	3	Self-Supporting Authorities	21
Optional Redemption	4	School District	22
Mandatory Redemption	4	Allegheny County	23
Notice of Redemption	4	Allegheny County Sanitary Authority	23
Municipal Bond Insurance	5	LITIGATION	23
CITY FINANCES	6	MUNICIPAL BANKRUPTCY	24
Budget Process	6	TAX EXEMPTION AND OTHER	
Basis of Accounting	7	TAX MATTERS	24
Financial Statements—Independent Audit	7	Federal Tax Exemption	24
DISCUSSION OF FINANCIAL OPERATIONS	7	Pennsylvania Tax Exemption	24
General Fund	7	Other Tax Matters	25
Operating Budget Forecasts	7	CONTINUING DISCLOSURE	26
Current Financial Situation	7	LEGALITY FOR INVESTMENT	27
REVENUE SOURCES OF THE CITY	8	FINANCIAL STATEMENTS	27
General	8	BOND RATINGS	27
Real Estate Assessments, Taxes and Collections	9	COMPETITIVE SALE OF BONDS	28
Regional Asset District	10	FINANCIAL ADVISOR	28
Municipal Service Payments	10	LEGAL OPINIONS	28
Real Estate Assessment Practices	11	FURTHER INFORMATION	29
Non-Real Estate Taxes	12	APPENDIX A – General Purpose Financial Statements	
Other Revenues	12	APPENDIX B – Financial and Operating Data	
EXPENDITURES (Cash Basis)	13	APPENDIX C – Certain Demographic and Economic	
Employee Relations	13	Information Pertaining to the City	
Employee Retirement Systems	14	APPENDIX D – Form of Bond Counsel Opinion	
CAPITAL IMPROVEMENT PROGRAM	15	APPENDIX E – Specimen Municipal Bond	
Anticipated Borrowings—1998-2003	15	Insurance Policy	
DEBT OF THE CITY	16	APPENDIX F – Debt Service Schedule	

The Table of Contents does not list all of the subjects in this Official Statement and in all instances reference should be made to the complete Official Statement to determine the subjects set forth herein.

OFFICIAL STATEMENT

\$70,150,000

City of Pittsburgh, Pennsylvania

General Obligation Bonds

\$20,295,000 Series A of 1997

\$29,735,000 Series B of 1997

\$20,120,000 Series C of 1997

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 \$70,150,000 aggregate principal amount of General Obligation Bonds, Series A of 1997, Series B of 1997 and Series C of 1997 (collectively, the "Bonds").

The Bonds will be issued pursuant to a Resolution adopted by City Council on November 19, 1997 (the "Resolution") and to the Pennsylvania Local Government Unit Debt Act, Title 53, Part VII, Subpart B of the Pennsylvania Consolidated Statutes (53 Pa. C.S. § 8001 to § 8271) (the "Act"). The Bonds will be issued to: (1) fund certain projects included in the City's Capital Improvement Program, (2) fund certain capitalized interest on the Bonds, and (3) pay the costs and expenses related to the issuance 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) have 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) to duly and punctually 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 the Bonds. All moneys for the payment of principal of, interest and premium, if any, on such bonds are required by the Act to be deposited in the Sinking Fund prior to or at the time when such payments become due and payable. Under the Act, all moneys in the Sinking Fund, including proceeds of investments, are subject to a perfected security interest for the equal benefit of the holders of all of the bonds for which the Sinking Fund is held, including the Bonds.

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

Under the Act, if the City fails to pay the principal of, 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 Ambac Assurance Corporation 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 and Economic Development of the Commonwealth to incur the debt evidenced by the Bonds. Such approval will indicate 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: (1) fund certain projects included in the City's Capital Improvement Program, (2) fund certain capitalized interest on the Bonds, and (3) pay the costs and expenses related to the issuance of the Bonds, estimated as follows:

Capital Improvement Program	\$ 68,940,000.00
Capitalized Interest	422,875.86
Costs of Issuance*	<u>635,011.69</u>
TOTAL	\$ 69,997,887.55

* Includes legal fees, municipal bond insurance premium, financial advisor, rating agency, clearing agent and paying agent fees, printing costs and other miscellaneous fees and expenses.

Description of the Bonds

The Bonds will be dated December 1, 1997, will bear interest from that date payable semiannually on each March 1 and September 1, commencing September 1, 1998, 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 the 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 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 City 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 September 1, 2008 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, 2007, or on any date thereafter, at the redemption price of 100% of the principal amount thereof together with accrued interest to the redemption date.

Mandatory Redemption

The Series C of 1997 Bonds maturing on September 1, 2018 are subject to mandatory redemption in part, prior to maturity, and by lot within a maturity, at par together with accrued interest to the redemption date, on the dates and in the amounts set forth below.

<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2017	\$5,150,000
2018	\$5,420,000*

*Maturity

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

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$2,813,000,000 (unaudited) and statutory capital of approximately \$1,605,000,000 (unaudited) as of September 30, 1997. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch Investors Service, L.P. have each assigned a triple-A claims-paying ability rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Municipal Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Corporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 and filed on March 31, 1997;
- 2) The Company's Current Report on Form 8-K dated March 12, 1997 and filed on March 12, 1997;
- 3) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1997 and filed on May 15, 1997;
- 4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1997 and filed on August 14, 1997; and
- 5) The Company's Quarterly Report on Form 10-Q for the fiscal period ended September 30, 1997 and filed on November 14, 1997.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

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. See "CAPITAL IMPROVEMENT PROGRAM".

Basis of Accounting

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

Financial Statements – Independent Audit

The City's general purpose financial statements for the fiscal year ended December 31, 1996, were audited by KPMG Peat Marwick, independent certified public accountants, and are presented 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.

DISCUSSION OF FINANCIAL OPERATIONS

General Fund

In 1996 cash basis revenues were \$311,781,000; whereas, in 1995 cash basis revenues were \$292,573,000. This increase is attributed to the sale of real estate tax liens and the restructuring of the Pittsburgh Water and Sewer Authority (PWSA) capital lease with the City. (See "OTHER GOVERNMENT ENTITIES – Self-Supporting Authorities – The Pittsburgh Water and Sewer Authority".)

The City is required by law to present a balanced budget. The 1997 budget of \$315,480,136 is approximately a \$6 million reduction from the previous year's budget of \$321,519,625. The budget contains no tax increases. The City's budget reduction can be attributed to the City's deficit reduction plan.

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.

The City experienced a GAAP fund surplus in 1996 of \$23.6 million and anticipates a year end fund balance of \$38.5 million in 1997. In 1995, the City had a GAAP deficit of \$12.1 million; in 1994, \$32.9 million. The conversion of the negative fund balance to a positive fund balance can be primarily attributed to the restructuring of the PWSA capital lease payments, restructuring the City's long-term debt, and controlling costs.

Operating Budget Forecast

The City presented a balanced budget in 1996 and 1997 without tax increases. On a GAAP basis, the beginning cash balance in 1996 was \$54.3 million, up from \$16.7 million the prior year. The City estimates that its 1997 year end cash balance will increase to approximately \$68.3 million. This positive change over the 1995 \$12.7 million fund balance deficit is due in large part to one time revenue items such as the sale of real estate tax liens and the PWSA Capital Lease agreement, as well as efforts to lower workers' compensation costs, lower healthcare costs, improve revenue forecasting, and overall cost cutting.

Current Financial Situation

The City's reversal of its negative fund balance can be attributed to the following:

The first major initiative to lower the deficit was the simultaneous transfer of the City's Department of Water and the restructuring of the capital lease with the 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's 1995 Budget. In March of 1995, the PWSA entered into a new capital lease agreement with the City. Under the terms of the new lease, the City received a total of approximately \$95 million, payable in installments in the years 1995, 1996 and 1997 as payment for certain assets to be transferred to the PWSA. A portion of these proceeds are being used by the City to liquidate current liabilities in the General Fund, thereby improving the fund balance. (See "OTHER GOVERNMENT ENTITIES – Self-Supporting Authorities – The Pittsburgh Water and Sewer Authority.") By pursuing this strategy, the City is committed to not using these funds as a one-time revenue source to fund future operating deficits.

In 1996, the Mayor established the Competitive Pittsburgh Task Force, composed of individuals from the public and private sectors. The mission of the task force was to review and propose changes to City service delivery in order to provide the services in the most cost-effective manner possible. On October 2, 1996, the Task Force released its report entitled "Establishing a Culture of Excellence" which concludes that the City financial problem is a structural deficit of \$39 million and contains 79 recommendations designed to make the City's workforce more competitive in the marketplace and to address the City's short and long-term financial challenges.

The 1997 budget incorporated most of the Competitive Pittsburgh Task Force recommendations into its new program budget. The 1997 budget contained 125 goals and 134 objectives. One hundred nine initiatives were also built into the budget. Twenty-one initiatives addressed collection and appropriation of revenues. Eighty-eight initiatives dealt with expenditure reduction. Some of the most notable achievements for 1997 include: (1) obtaining State funding for the operation of the Magistrate's Courts (\$4 million savings); (2) selling the City's delinquent real estate accounts to a private firm (\$8 million in revenue); and (3) having area hospitals underwrite most of the costs of the City's Emergency Medical Services operations (\$2.7 million savings).

Also in 1997, the City implemented a new accounting system. The new accounting system allows managers to see "real-time" expenditure and revenue activity. The Office of Management and Budget reviews expenditures weekly and takes appropriate action when necessary. Cash management was also improved through the new system. Processing time for tax revenue was reduced from three weeks to three days. Finally, the system is used to implement the City's new program of break-even centers. These centers are self-supporting operations within the City. The accounting system does not allow spending until the break-even center has enough revenue.

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 1996, real estate taxes accounted for approximately 40.9% of the receipts of the General Fund, while Earned Income Tax accounted for 12.4%, Business Privilege Tax for 11%, and other taxes accounted for 17.3% of the receipts. Miscellaneous non-tax revenue accounted for 18.4%.

The Regional Asset District Tax (the "RAD Tax") changed the City's tax structure in 1995. The legislation governing the RAD Tax rescinded the Personal Property Tax, which both the City and 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 to incur a loss of revenue. The same legislation mandated that the City must replace this revenue to the School District from its share of RAD Tax proceeds. (See "Regional Asset District".) The City will pay the School District an annual amount of \$4 million.

The City shares several tax bases with the County of Allegheny (the "County") and with the School District of the City of Pittsburgh, a separate taxing body. 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 data on the four other shared tax bases: earned income tax, deed transfer tax, personal property tax and mercantile license tax.

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

<u>Year</u>	<u>Land</u>	<u>Building</u>	<u>Total City⁽¹⁾</u>	<u>School District</u>	<u>County⁽²⁾</u>	<u>Total</u>
1985	151.5	27.00	52.067	40.000	29.000	121.067
1986	151.5	27.00	51.802	40.000	31.250	123.052
1987	151.5	27.00	51.298	46.000	31.250	128.548
1988	151.5	27.00	49.883	46.000	31.250	127.133
1989	151.5	27.00	50.086	46.000	35.000	131.086
1990	184.5	32.00	59.070	46.000	36.500	141.570
1991	184.5	32.00	58.995	46.000	36.500	141.495
1992	184.5	32.00	58.626	59.700	36.500	154.826
1993	184.5	32.00	58.870	59.700	36.500	155.070
1994	184.5	32.00	58.573	59.700	36.500	154.773
1995	184.5	32.00	58.421	59.700	36.500	154.621
1996	184.5	32.00	58.569	59.700	25.200	143.469
1997	184.5	32.00	58.569	59.700	25.500	143.769

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.

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, Review and Registry 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 be assessed at approximately 25% of fair market value.

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.

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

In the Fall of 1996, the City and School District entered into a bulk sale agreement with National Tax Funding, L.P. to sell liens on delinquent real estate and sewage charges. Under this agreement the City received \$8 million in 1996 and \$8 million in 1997. The agreement further stipulates that the purchaser will purchase all subsequent liens on the same properties and all future liens on delinquent real estate for the next 3 years, with the City reserving the right to repurchase initial liens sold or withhold future liens from being sold, providing certain criteria are met. The agreement is designed to provide the City a 99% collection rate for real estate taxes for the next three years.

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 for the years 1987 to 1997.

Regional Asset District

State legislation signed into law in December, 1993, created a Regional Asset District (the "RAD") in the County. Beginning July 1, 1994, a 1% regional sales tax went into effect. The RAD Tax is expected to generate \$106 million annually. Half of the funds collected are distributed to the RAD. The remaining half of the funds are 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 received \$20.9 million from that portion of the RAD Tax distributed to the County and its municipalities in 1996. The City has assigned \$6.2 million of its 1996 RAD Tax proceeds to a sinking fund for debt service on Urban Redevelopment Authority of Pittsburgh (URA) bonds issued to establish a \$60 million development fund. This assignment of RAD Tax proceeds will continue for the life of the debt service due on the URA bonds. In addition, the City receives reimbursements from the Regional Asset District for regional parks located within the City and for debt service on General Obligation Debt used for capital improvements to the Pittsburgh Zoo, Phipps Conservatory, and the Aviary. For 1996 this additional support was approximately \$5 million. The City also received in 1996 \$9.65 million in RAD taxes recognized as General Fund revenues.

Total estimated 1997 RAD tax dollars are anticipated at \$21 million. Of that total, \$6.2 million are earmarked for debt service on URA bonds and \$5.2 million for regional parks and debt service for capital improvements to the Pittsburgh Zoo, Phipps Conservatory, and the Aviary.

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 (such as Central Blood Bank, University of Pittsburgh Medical Center, Shadyside Hospital, Allegheny General Hospital, St. Margaret Memorial Hospital, the University of Pittsburgh and Duquesne University) the City will receive payments totaling approximately \$3.2 million a year to offset the cost of police, fire, emergency medical, and other municipal services which these institutions receive.

There are several pending lawsuits within the Commonwealth regarding the tax-exempt status of several non-profit institutions that could be precedent setting. These cases could effect current and future agreements between the City and non-profit organizations. The City is currently pursuing agreements for municipal services payments with a goal of expanding the number of non-profit organizations making payments and a standardization of the method used to determine the appropriate annual payment amount for each organization.

**TABLE 2
CITY OF PITTSBURGH
TEN LARGEST REAL ESTATE TAXPAYERS
DECEMBER 31, 1996**

<u>Taxpayer</u>	<u>Principal Type of Business</u>	<u>1996 Assessed Valuation</u>	<u>Percentage of Total Tax Levied</u>
500 Grant Street Associates (One Mellon Bank Center)	Real Estate	52,000,000	2.55%
Market View Incorporated (Subsidiary of PPG Industries)	Real Estate	46,250,000	2.27%
Pittsburgh National Bank	Commercial Banking	43,250,000	2.12%
Oxford Development	Real Estate	33,643,000	1.65%
Gateway Trizec, Inc. (previously known as Equitable Life Assurance Society of the United States)	Real Estate	26,005,000	1.27%
Mellon Bank, N.A.	Commercial Banking	20,282,000	.99%
Grant Liberty Development Group Company	Real Estate	18,750,000	.92%
Penn Liberty Holding Co.	Commercial Banking	17,813,000	.87%
Urban Redevelopment Authority	Redevelopment	17,086,000	.83%
Harrah's Forest City Associates	Real Estate Development	<u>13,589,000</u>	<u>.66%</u>
		<u>\$288,668,000</u>	<u>14.13%</u>

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.

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 approximately 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.

In 1996, the Allegheny County Commissioners froze real estate assessments at 1995 levels. In 1997, the Court of Common Pleas of Allegheny County held that the 1996 freeze on real estate assessments was unconstitutional and directed the County to discontinue the freeze effective immediately. An outside contractor was hired and the reevaluation process is underway.

The City has an abatement program for new construction and a program of providing tax increment financing resulting in tax revenues being applied to tax increment bond financings.

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, are payable annually by April 15 or are payable quarterly or monthly.

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. In 1997 an exemption was granted for the first \$20,000 in gross receipts.

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, merchandise, restaurants and places of amusement.

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.

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>1997 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 PWSA reimbursements, licenses, various rents, charges and fines, and investment earnings. These revenues, budgeted at \$49 million in 1997, represent approximately 15.4% of budgeted revenues in 1996.

General Fund revenues from the Commonwealth of Pennsylvania were estimated to be \$5.8 million. This amount represents approximately 1.8% of budgeted General Fund revenues in 1996.

EXPENDITURES (CASH BASIS)

In 1996, approximately 40.5% of City operating funds were expended for employee wages with an additional 24.7% expended either to pay or fund retirement benefits. The balance of expenditures from operating funds in 1996 included 14.4% for debt service, 17% for non-salary departmental expenditures (contractual services, supplies and materials, equipment, repairs and utilities) and miscellaneous expenditures are estimated at 3.4%.

Wages are budgeted at 44.9% of City operating funds for 1997 and 27.7% of expenditures are budgeted for retirement and other employee benefits. Debt service is budgeted at 14.6% of operating funds. Non-department expenditures are 8.3% of the budget and miscellaneous expenditures are estimated at 4.5%. Changes between 1996 and 1997 percentages are a result of implementation in 1997 of a new chart of accounts.

Employee Relations

Of the City's approximately 4,155 budgeted positions, less than 1% of the employees are not represented by a labor organization under Act 195 of 1970 ("Act 195") or Act 111 of 1968 ("Act 111") of the Commonwealth.

As shown in Table 4, the City has reduced the number of actual employees from 1985 to 1997 by 917 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>
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
1996	4,331	4,321
1997	4,155	4,146

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 that bargain under Act 195. Act 195 requires that bargaining commence at least six months prior to the budget submission date. Act 195 also requires mediation if an impasse is reached. The following are the representatives under Act 195:

Blue Collar Employees – Pittsburgh Joint Collective Bargaining Committee;
Refuse Employees – General Teamsters, Chauffeurs and Helpers, Local Union No. 249;
White Collar Employees – American Federation of State, County and Municipal Employees (AFSCME), Local No. 2719;
Paramedics – Fraternal Association of Professional Paramedics;
School Crossing Guards – Service Employees International Union, Local No. 192-B;
First Level Blue Collar Supervisors – American Federation of State, County and Municipal Employees (AFSCME), Local No. 2037;

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

In 1994, the City entered into a 4-year contract with the blue collar workers and a 3-year contract with the recreation employees union. Blue collar employees received approximately 3% increases in 1995, and close to 4% in the final three years. Recreation employees received a 3% increase in 1995, 1996, and 1997. School crossing guards received 3% in 1995, 1.5% increase effective January 1, 1996, 1.5% increase effective July 1, 1996, and a 3% increase in 1997.

The Teamsters contract, negotiated in 1995, awarded refuse employees with a 3% increase in 1995, 1996, 1997, and 1998.

The Pittsburgh Firefighters Local No. 1 and the City entered into binding arbitration in 1997. A settlement was reached on February 24, 1997 for a 2-year contract. The firefighters received no increase in 1997. Beginning in 1998, the base salary for a fourth year firefighter will be 97% of a fifth year police officer. Effective January 1, 1999, the base salary of a fourth year firefighter will be 100% of the base salary of a fifth year police officer. This rate structure suggests that should the police be awarded a 3% increase in 1998 and 1999, the firefighters would earn 6% increases in both years.

Several union contracts expire on December 31, 1997. The City will conduct labor negotiations with the Fraternal Order of Police, AFSCME, Local No. 2719 and Local No. 2037, Fraternal Association of Professional Paramedics, School Crossing Guards, and the Pittsburgh Recreation Teachers Union in 1997.

Employee Retirement Systems

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

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

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

The City also established the Pittsburgh Pension Trust Fund, as a reserve fund, to assist in funding the City's pension liability. It was terminated in 1991 and the proceeds used over a two year period to fund pensions. Approximately \$10.8 million was transferred in 1992 to satisfy the City's Minimum Municipal Obligation and the remaining \$7 million transferred in January 1993 to fund a portion of the City's 1993 Minimum Municipal Obligation.

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

See Appendix B, Table B-6 for a history of the City's pension contributions, and Table B-7 for projections of the City's anticipated 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 five objectives, (1) maintaining existing facilities rather than building new facilities, (2) establishing ongoing maintenance and repair programs to minimize long-term capital costs, (3) matching the City's infrastructure needs to anticipated demographic shifts, while recognizing those shifts which have already occurred, (4) fostering economic development through public-private investment, and (5) continued housing development for the retention and expansion of the tax base. 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 – 1998-2003

The 1998-2003 Capital Improvement Program emphasized the maintenance of roads, bridges, existing parks and recreation facilities, in addition to other transportation, economic and housing development projects.

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 legislation by the Pennsylvania legislature committing the Commonwealth to bridge improvements through a combination of federal, state, and local funding. As a result, it is anticipated that the Commonwealth 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 and 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 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 1996 Community Development Block Grant totaled \$21,335,900. Grants for a variety of economic development and housing purposes are also received through several Federal and Commonwealth grant programs.

The total 1998-2003 Capital Improvement Program, excluding private investment, totals \$902.8 million.

DEBT OF THE CITY

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

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

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

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

The Bonds will be issued as nonelectoral debt of the City, without the approval of the electorate. 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 and Economic Development 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 October 1, 1997. Table B-9 of Appendix B details the debt service obligations on outstanding debt of the City as of October 1, 1997.

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
OCTOBER 1, 1997

	Fiscal Year		
	1994	1995	1996
DEBT INCURRING MARGIN			
Total Net Revenue of City	\$336,116,213	\$316,596,545	\$327,151,967
Borrowing Base			<u>\$326,621,575</u>
	<u>Net Nonelectoral Debt</u> <u>(Borrowing Base x 250%)</u>	<u>Net Nonelectoral and</u> <u>Lease Rental Debt</u> <u>(Borrowing Base x 350%)</u>	
Debt Limitations	\$ 816,553,938	\$1,143,175,513	
Less: Net Debt As of October 1, 1997	<u>537,513,702</u>	<u>639,539,792</u>	
Subtotal	\$ 279,040,236	\$ 503,635,721	
Less: General Obligation Bonds Series A of 1997, Series B of 1997 and Series C of 1997	<u>70,150,000</u>	<u>70,150,000</u>	
Remaining Debt Incurring Margin	<u>\$ 208,890,236</u>	<u>\$ 433,485,721</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
1992-1996

	December 31,				
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Gross Bonded Debt (in millions)	\$484.8	\$485.6	\$503.8	\$548.0	\$579.2
Gross Direct Debt (in millions)	819.4	828.4	819.3	697.5	725.3
Net Direct Debt (in millions)	549.6	517.3	548.3	686.6	693.5
Overall Net Debt (in millions)	875.5	851.4	893.7	994.1	1,022.5
Net Direct Debt/Per Capita	\$1,485.98	\$1,398.48	\$1,482.32	\$1,856.41	\$1,874.94
Overall Net Debt/Per Capita	\$2,367.05	\$2,301.75	\$2,416.24	\$2,687.75	\$2,764.42
Net Direct Debt/A.V.	25.92%	25.16%	26.48%	33.53%	34.05%
Overall Net Debt/A.V.	41.29%	41.41%	43.17%	48.55%	50.21%
Net Direct Debt/F.M.V.	6.48%	6.29%	6.62%	8.38%	8.51%
Overall Net Debt/F.M.V.	10.32%	10.35%	10.79%	12.14%	12.55%

Note: City Population is 369,879 for 1992-96.

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

THE GOVERNMENT OF PITTSBURGH

Three principal government entities provide services in the Pittsburgh area: the City, 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, 1991 and 1995. 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.

DAVID MILLER, Ph.D., Director, Office of Budget and Management — Mr. Miller holds a Ph.D. in Public Policy Research and Analysis from the University of Pittsburgh. Prior to his position with the City, he was the Managing Director of the Pennsylvania Economy League. He has served 12 years as a town manager. He serves on the Board of the Three Rivers Labor-Management Committee and The Local Government Academy. He is an adjunct professor at the University of Pittsburgh.

Members of City Council

JIM FERLO, President of City Council — Mr. Ferlo has been a member of City Council since January 1988. He serves as Chairman of the Hearings 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 first elected to City Council in November 1989. He is Chairman of the Public Safety Services 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. He is a member of the Auditorium Authority.

JOSEPH CUSICK — Mr. Cusick was elected to City Council in November 1993. Mr. Cusick serves as Chairman of the Parks and Recreation and Youth Policy Committee. He is also a member of the ALCOSAN Board. 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 Lands, Buildings and Procurement Committee and sits on the Board of the Urban Redevelopment Authority. 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 Chairman of the Housing, Economic Development and Promotion Committee and is a member of the Public Parking Authority. Prior to being elected to City Council she was the President of the Board of Public Education of the School District of Pittsburgh.

BOB O'CONNOR — Mr. O'Connor has been a member of City Council since January 1992 and he is Chairman of the Engineering and Construction Committee. Mr. O'Connor is also a member of the Equipment Leasing Authority. 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. Mr. O'Connor 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. Mr. O'Connor is the chairman of Pittsburgh's annual "Be a Sport Day."

DAN ONORATO — Mr. Onorato was first elected to City Council in November 1991. He is Chairman of the Planning, Zoning and Land Uses Committee and a member of the Stadium Authority. 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 first elected to City Council in November 1989 and serves on the Public Works, Water and Environmental Services Committee. Mr. Ricciardi is also a member of the Pittsburgh Water & Sewer Authority. Prior to being elected to Council, he worked as Urban Planner for the Allegheny County Department of Planning for ten years. Mr. Ricciardi is on the Board of Directors of the Brashear Association, the Southside Community Council and the Three Rivers Rotary Club.

SALA UDIN — Mr. Udin was first elected to City Council in May 1995 in a special election. Mr. Udin is Chairman of the Finance and Budget Committee and a member of the Housing Authority.

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, as well as enforcement of building codes. The Department of Public Works exercises responsibility for the maintenance of all the City's streets, sewers, bridges and steps, for the construction of minor public works capital improvements, and maintains sanitation services. The Department of Engineering and Construction is responsible for engineering and 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.

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 who are 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. In 1996, an investor group headed by Kevin McClatchy purchased the Pirates.

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 1997 operating budget is approximately \$25 million. The Stadium received in 1997 \$10.3 million in Regional Asset District (RAD) tax revenue with remaining revenues generated through concessions, rental income from all non-Pirate/Steeler events, and advertising. RAD dollars relieve the City of any subsidies. 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. RAD dollars are designed to fund debt service obligations of the Stadium Authority.

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. All Leasing Authority bonds were retired as of September 1, 1997. 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. By the terms of the Consent to Assignment of Sublease, 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 October, 1994, the Auditorium Authority issued two series of bonds: 1994 Series A Bonds in the aggregate principal amount of \$3,370,000 and 1994 Series B Bonds in the aggregate principal amount of \$10,250,000. The City and the County are each obligated to pay one-half of the debt service on the 1994 Series A Bonds as it becomes due. The Pittsburgh Hockey Associates (the "Penguins") are primarily obligated to pay debt service on the 1994 Series B Bonds. However, the City and County have agreed to pay the debt service on the 1994 Series B Bonds to the extent the Penguins fail to pay such debt service.

In addition, the Auditorium Authority leases for a nominal rent the David L. Lawrence Convention Center located within City limits. Operating expenses of the Convention Center are paid from operating revenues and a 5% percent County-wide hotel tax. The City and County have agreed to share equally in any operating deficits. To date, the Convention Center has been self-sufficient with hotel tax revenue exceeding operating needs.

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 and operates the David L. Lawrence Convention Center.

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") currently owns ten (10) parking garages, four (4) surface parking lots, and thirty-seven (37) off-street metered parking lots. The total number of spaces is 15,661. Pursuant to a cooperative agreement with the City, the Parking Authority collects and receives a portion of on-street parking meter charges and ticket revenue. 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 PWSA 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 City-owned water distribution and wastewater collection systems. Pursuant to a lease and management agreement dated March 29, 1984 between the PWSA and the City (the "Lease"), the Water and Sewer System was leased to the PWSA. The Lease appointed the City as the PWSA's agent to manage, operate and maintain the systems for the term of the lease, subject to the general supervision, direction and control of the PWSA.

Pursuant to a Capital Lease Agreement dated July 15, 1995 (the "Capital Lease Agreement"), the PWSA and the City terminated the Lease. The Capital Lease Agreement, which has a term of 30 years, provides for cash payments totalling approximately \$95 million made to the City during the initial three years and further provides that on September 1, 2025, upon payment of one dollar (\$1.00) the PWSA will acquire title to the Water and Sewer System. PWSA provided the City's General Fund approximately \$35 million in 1995, \$40 million in 1996 and \$20 million in 1997.

Concurrently with entering into the Capital Lease Agreement, the City and the PWSA entered into a Cooperation Agreement, dated as of June 15, 1995 pursuant to which the City will provide certain specified engineering, communications, vehicle maintenance, legal, information and financial services to the PWSA on a fee for services basis and the PWSA 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 Water and Sewer System.

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.

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 39,955 as of October, 1996.

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 1996 call for 39.8% of the District's receipts to be from the Commonwealth reimbursements.

The total appropriation for the General Fund operating budget adopted for the 1997 calendar year is \$391,350,000. 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 was no longer authorized to levy a personal property tax. In its place, the Legislature has directed the City to pay the School District a sum equal to the projected loss of revenue from the City's share of the RAD Tax.

In 1997, the School District operated 90 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 1996 program was funded through the issuance of \$32,415,000 of general obligation bonds.

The School District has \$181,742,798 of outstanding debt as of October 1, 1997. Approximately 5.56% of the School District's 1995 operating budget was applied to debt service.

The School District's approximately 3,890 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 (negotiations are in progress), and approximately 72 skilled trade employees who are members of the Pittsburgh Building and Construction Trades Council whose contract expires on January 15, 2000. 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 health and welfare services to the residents of the City and County including care of the aged, the dependent and the indigent ill, and dependent neglected children. To provide these services, the County operates the John J. Kane Regional Hospitals, the Department of Children and Youth Services, the Department of Aging 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 by the County in 1946, to provide sewage collection and treatment service throughout the County. In 1955, the City became a member of Alcosan. In 1959, it completed consolidation of a sewer system which now serves the City and 82 other municipalities in the County. The consolidated system encompasses approximately 225 square miles with a population of 1,015,000. Appointments to the Alcosan seven-member board are made by the City (three members) and the County (three members) and by the City and County jointly (one member). The City guarantees payment of any delinquent sewage accounts of City residents.

LITIGATION

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

Under the Political Subdivision Tort Claims Act (the "Tort Claims Act") the City is immune from liability for negligence unless a claim arises within eight areas of activity described in the Tort Claims 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 Tort Claims Act. The City may also be subject to delay damages which are calculated on the entire verdict. Delay damages are calculated at the prime rate listed in the first edition of the Wall Street Journal published for each calendar year for which damages are awarded, plus one percent, not compounded. The City has appealed a number of verdicts which appeals, if not successful, would subject the City to significant assessments of delay damages.

In February, 1996, the U.S. Supreme Court, in *Fulton Corporation v. Faulkner*, 116 S. Ct. 848, declared the North Carolina intangible tax on corporate stock to be unconstitutional on the basis that it discriminates against interstate commerce. The City formerly levied its Personal Property Tax which a court could find to be similar to the North Carolina intangible tax. The City's Personal Property Tax was repealed effective January 1, 1995. To date, approximately 15 lawsuits have been filed, one of which is a class action, seeking refunds from the City of past Personal Property Tax payments. If the City's Personal Property Tax is found to be unconstitutional, Pennsylvania case law is not clear that the Courts would grant relief retroactively. Furthermore, it is not clear that the courts would apply the Commonwealth 3-year statute-of-limitations or the City's 2-year statute-of-limitations to any refunds. In any event, total City Personal Property Taxes paid in 1993 and 1994 were approximately \$8 million.

MUNICIPAL BANKRUPTCY

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

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

Under Chapter 9, the debtor is required to file a plan, 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.

The City has no present plans to seek relief under Chapter 9.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Tax Exemption

In the opinion of Bond Counsel, to be delivered contemporaneously with the delivery of the Bonds, interest on the Bonds (1) is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions and (2) is not an item of tax preference for purposes of federal alternative minimum tax on individuals and corporations. However, Bond Counsel is also of the opinion that for certain corporations interest on the Bonds is included in the "adjusted current earnings" (i.e., alternative minimum taxable income as adjusted for certain items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). See "Other Tax Matters – Tax Treatment of Original Issue Discount" below for a discussion of circumstances under which accrued original issue discount may be excluded from gross income for federal income tax purposes by the initial purchasers of certain Bonds. The opinion to be rendered by Bond Counsel on the date of delivery of the Bonds is expected to be in substantially the form of Appendix D hereto.

Pennsylvania Tax Exemption

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

The opinion of Bond Counsel will assume continuing compliance with the covenants of the City pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. If the City should fail to comply with such covenants, or if the representations relied upon should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above and under "Other Tax Matters" below Bond Counsel will not express any opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel will not express any opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S Corporations and foreign corporations operating branches in the United States), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel will not express any opinion regarding any pending or proposed federal tax legislation.

Other Tax Matters

Tax Treatment of Original Issue Discount

The difference (if any) between the initial public offering price to the public and the principal payable at maturity with respect to the Bonds constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes subject to the caveats and provisions described above. The Bonds sold at an original issue discount are, in the following paragraphs, referred to as "OID Bonds".

In the case of an owner of an OID Bond, the amount of original issue discount which is treated as having accrued with respect to such OID Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such OID Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual OID Bond bearing original issue discount, on days which are determined by reference to the maturity of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (i) the product of (a) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, (ii) less the amount of any payments on such OID Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which would have been treated as original issue discount for such purposes during all prior periods. If such OID Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period. Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to OID Bonds as of any date, with respect to the accrual of original issue discount for such OID Bonds purchased in the secondary markets and with respect to the state and local tax consequences of owning OID Bonds.

Tax Treatment of Premium

Certain of the Bonds will be reoffered at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is

required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

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, 1997, to be delivered on the date of delivery of the Bonds, to cause the following information, for the benefit of the Bondholders, 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" (collectively, "annual financial information"); such information shall be provided on or before August 1, 1998 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. If audited financial statements are not available, the City will supply unaudited financial statements by the due date, and provide audited financial statements as soon as practicable.
- (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 City 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.

Pursuant to the issuance of its \$75,000,000 General Obligation Bonds, Series A of 1995, \$104,705,000 General Obligation Refunding Bonds, Series B of 1995, \$162,535,000 General Obligation Refunding Bonds, Series A of 1996, and \$37,710,000 Taxable General Obligation Pension Bonds, Series B of 1996, the City, in its Resolutions and Continuing Disclosure Certificates dated as of December 12, 1995 and December 15, 1996, covenanted in undertakings pursuant to Rule 15c2-12, to convey to each NRMSIR and SID (if one came into existence) by August 1, 1997 "annual financial information" to include audited financial statements. The City did, in a timely manner, convey all of the "annual financial information", excluding the audited financial statements, which could not be included because they were not available. The audited financial statements were forwarded to the NRMSIRs on September 16, 1997.

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, 1996 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

Fitch Investors Service, Inc., Moody's Investors Service, Inc. and Standard & Poor's Rating Group have assigned ratings of "AAA", "Aaa" and "AAA", respectively, to the Bonds, with the understanding that, upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Ambac Assurance Corporation. 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: Fitch Investors Service, Inc., One State Street Plaza, New York, New York 10004, 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.

COMPETITIVE SALE OF BONDS

After competitive bidding on November 18, 1997 the Bonds were awarded to the following underwriters (the "Underwriters"):

<u>Maturity</u> <u>(September 1)</u>	<u>Underwriter</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Underwriter</u>
1999	BT Alex. Brown Incorporated	2009	Hutchinson Shockey Erley & Co.
2000	BT Alex. Brown Incorporated	2010	Belle Haven Investments L.P.
2001	PNC Capital Markets	2011	William R. Hough & Company
2002	Hutchinson Shockey Erley & Co.	2012	Morgan Stanley & Co. Incorporated
2003	Hutchinson Shockey Erley & Co.	2013	Morgan Stanley & Co. Incorporated
2004	Hutchinson Shockey Erley & Co.	2014	Morgan Stanley & Co. Incorporated
2005	Gates Capital Inc.	2015	William E. Simon & Sons Municipal Securities Inc.
2006	Hutchinson Shockey Erley & Co.	2016	Belle Haven Investments L.P.
2007	William R. Hough & Company	2017	William E. Simon & Sons Municipal Securities Inc.
2008	Hutchinson Shockey Erley & Co.	2018	William E. Simon & Sons Municipal Securities Inc.

at an aggregate purchase price of \$69,997,887.55 plus accrued interest, but without any Underwriters' discount, upon the terms and conditions set forth in the Notice of Sale dated November 3, 1997. The Underwriters have supplied the information as to the initial public offering yields of the Bonds set forth on the inside front cover hereof. The Underwriters may change the public offering yields or prices from time to time. The Underwriters will not be paid a fee by the City.

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 Underwriters is subject to the receipt of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Pittsburgh, Pennsylvania, Bond Counsel. The approving opinion of Bond Counsel will be printed on the Bonds in substantially the form attached to this Official Statement as Appendix D.

Certain legal matters relating to the City will be passed upon by Jacqueline Morrow, Esquire, the City Solicitor. Certain other legal matters will be passed upon by Pepper, Hamilton & Scheetz LLP, Pittsburgh, Pennsylvania and R. Darryl Ponton and Associates, 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, the Charter and the Resolution, and documents, agreements and court decisions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the Director of Finance.

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

This Official Statement has been duly executed and delivered on behalf of the City by the City Controller and the 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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KPMG Peat Marwick LLP

One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telefax 412 391 8963

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, 1996, 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 Sports and Festival Federation, Inc., the Urban Redevelopment Authority of Pittsburgh, the Public Parking Authority of Pittsburgh, the Stadium Authority of the City of Pittsburgh and the Pittsburgh Water and Sewer Authority, 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 71 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 misstatement. 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 purposes financial statements referred to above present fairly, in all material respects, the financial position of the City of Pittsburgh, Pennsylvania, at December 31, 1996, and the results of its operations and the cash flows of its discretely presented component units for the year then ended in conformity with generally accepted accounting principles.



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

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

The schedules of supplementary pension disclosures listed in the accompanying table of contents are not a required part of the basic financial statements but are 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 and, therefore, express no opinion thereon.

KPMG Peat Marwick LLP

Pittsburgh, Pennsylvania
July 30, 1997

CITY OF PITTSBURGH, PENNSYLVANIA

General Purpose Financial Statements

Year Ended December 31, 1996

Table of Contents

	<u>Page</u>
Financial Section:	
General Purpose Financial Statements (Combined Statements):	
Combined Balance Sheet - All Fund Types, Accounts Groups and Discretely Presented Component Units	1
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	5
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	9
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - Pension Trust Funds and Discretely Presented Component Units	13
Combined Statement of Cash Flows - Discretely Presented Component Units	15
Notes to General Purpose Financial Statements:	
1. Organization and Summary of Significant Accounting Policies	17
A. The Financial Reporting Entity	17
B. Individual Component Unit Disclosures	18
C. Fund Accounting Structure	27
D. Measurement Focus	29
E. Basis of Accounting	29
F. Budgetary Data	30
G. Cash and Cash Equivalents	32

CITY OF PITTSBURGH, PENNSYLVANIA

General Purpose Financial Statements

Table of Contents, Continued

	<u>Page</u>
Notes to General Purpose Financial Statements, continued:	
1. Organization and Summary of Significant Accounting Policies, continued	
H. Investments	32
I. Other Assets	33
J. Lease Receivable	33
K. Prepaid Expenditures	33
L. Fixed Assets	33
M. Compensated Absences	34
N. Pensions	35
O. Deferred Compensation Plan	35
P. Self-Insurance Arrangements	36
Q. Reclassification of Prior Year Statements	37
R. Adoption of New Pronouncement	37
S. Total Columns on Combined Statements	37
2. Reconciliation of Generally Accepted Accounting Principles to Budgetary Basis	38
A. General Fund	38
B. Special Revenue Community Development	39
C. Capital Projects	40
3. Cash and Investments	41
A. Governmental Funds, Expendable Trust Funds and Agency Funds	42
B. Equipment Leasing Authority	43
C. Pension Trust	44
D. Deferred Compensation Plan	45
E. Water and Sewer Authority	45
F. Stadium Authority	46
G. Public Parking Authority	46
4. Transactions With the Pittsburgh Water and Sewer Authority	48
5. Trusteed and Restricted Funds	51
6. Real Estate Taxes	52

CITY OF PITTSBURGH, PENNSYLVANIA

General Purpose Financial Statements

Table of Contents, Continued

	<u>Page</u>
Notes to General Purpose Financial Statements, continued:	
7. Fixed Assets	53
8. Pension Plans	54
A. Organization and Description of Plans	54
B. Funding Status and Progress	60
9. Other Postemployment Benefits	66
10. Long-Term Debt	68
A. Council and Public Election General Obligation Bonds	80
B. Equipment Leasing Authority	82
C. Auditorium Authority	82
D. Stadium Authority	83
E. Pittsburgh Water and Sewer Authority	84
F. Urban Redevelopment Authority of Pittsburgh	85
G. Capital Obligations	91
H. Other Long-Term Obligations	91
11. Operating Leases	92
12. Due From Other Governments	92
13. Interfund Receivable and Payable Balances	93
14. Operating Transfers	94
15. Contributed Capital	95
16. Segment Information	96
17. Fund Deficits	97
18. Related Party Transactions	98
19. Construction and Other Significant Commitments	99

CITY OF PITTSBURGH, PENNSYLVANIA

General Purpose Financial Statements

Table of Contents, Continued

	<u>Page</u>
Notes to General Purpose Financial Statements, continued:	
20. Regional Asset District Revenues	99
21. Contingencies	100
22. Risk Management	101
23. Sale of Pittsburgh Pirates	102
Additional Pension Disclosures:	
Required Supplementary Pension Disclosures:	
Pension Trust Fund Revenues by Source	104
Pension Trust Fund Expenses by Type	106
Analysis of Pension Funding Progress	108

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Balance Sheet - All Fund Types, Account
Groups and Discretely Presented Component Units

December 31, 1996

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and other debits:				
Assets:				
Cash and investments (note 3)	\$ 54,331,612	15,952,339	22,893,211	41,297,156
Receivables:				
Real estate tax (net of uncollectible accounts of \$7,753,269)	10,372,588	-	-	-
Other taxes receivable	9,777,891	-	-	-
Other (net of allowance for uncollectible accounts of \$1,465,000)	2,964,786	2,584,084	-	24,851
Accounts receivable (net of uncollectible accounts of \$7,250,000)	-	-	-	-
Receivable from PWSA (note 4)	19,367,000	-	-	-
Contributions receivable	-	-	-	-
Accrued interest	235,636	11,908	939,427	-
Prepaid expenditures	1,334,210	-	-	-
Due from other funds (note 13)	5,388,046	291,233	-	6,661,764
Due from primary government	-	-	-	-
Due from other governments (note 12)	3,804,267	5,978,287	-	1,706,837
Grant receivable - Allegheny Regional Asset District	-	-	-	-
Inventories, at cost	-	-	-	-
Trusted and restricted funds (note 5)	-	-	-	-
Property, plant and equipment (Component Units net of \$90,001,554 accumulated depreciation) (note 7)	-	-	-	-
Assets held for sale	-	-	-	-
Other noncurrent assets	-	-	-	-
Other debits:				
Amount available in debt service funds for retirement of bonds	-	-	-	-
Amount to be provided for retirement of bonds	-	-	-	-
Amount to be provided for other long-term obligations	-	-	-	-
Total assets	\$ <u>107,576,036</u>	<u>24,817,851</u>	<u>23,832,638</u>	<u>49,690,608</u>

Fiduciary Fund Type Trust and Agency	Account Group		Primary Government (Memorandum Only)	Discretely Presented Component	Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Debt	Total	Units	Total
200,265,253	-	-	334,739,571	195,185,796	529,925,367
-	-	-	10,372,588	-	10,372,588
-	-	-	9,777,891	-	9,777,891
22,673	-	-	5,596,394	216,177,473	221,773,867
-	-	-	-	25,207,253	25,207,253
-	-	-	19,367,000	-	19,367,000
370,680	-	-	370,680	-	370,680
860,032	-	-	2,047,003	212,538	2,259,541
-	-	-	1,334,210	-	1,334,210
174,954	-	-	12,515,997	3,804,180	16,320,177
-	-	-	-	151,000	151,000
-	-	-	11,489,391	2,354,527	13,843,918
-	-	-	-	7,250,000	7,250,000
-	-	-	-	4,043,000	4,043,000
-	-	-	-	152,751,356	152,751,356
-	170,560,869	-	170,560,869	451,013,729	621,574,598
-	-	-	-	25,544,090	25,544,090
-	-	-	-	17,485,681	17,485,681
-	-	23,145,292	23,145,292	-	23,145,292
-	-	651,006,703	651,006,703	1,555,000	652,561,703
-	-	298,868,473	298,868,473	161,610	299,030,083
<u>201,693,592</u>	<u>170,560,869</u>	<u>973,020,468</u>	<u>1,551,192,062</u>	<u>1,102,897,233</u>	<u>2,654,089,295</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Balance Sheet - All Fund Types, Account
Groups and Discretely Presented Component Units, Continued

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, equity and other credits:				
Liabilities:				
Accounts payable	\$ 8,549,097	5,609,798	-	3,188,802
Retainage payable	-	56,075	-	935,773
Accrued interest payable	-	-	512,663	-
Accrued liabilities	5,925,187	1,131,968	-	181,355
Deferred compensation payable	-	-	-	-
Accounts payable - primary government	-	-	-	-
Due to other funds (note 13)	52,045	4,913,286	-	1,010,774
Due to Water & Sewer Authority	151,000	-	-	-
Due to other governments	3,542,901	495,523	-	-
Deposits held in trust	-	-	-	-
Grants payable from the primary government	-	-	-	-
Bonds payable, net (note 10)	-	-	-	-
Capital lease obligations (note 10G and 10H)	-	-	-	-
Deferred loan (note 10H)	-	-	-	-
Accrued pension costs (notes 8 and 10H)	-	-	-	-
Accrued workers' compensation	16,647,000	-	-	-
Accrued compensated absences	13,717,000	-	-	-
Accrued claims and judgments	6,000,000	-	-	600,000
Deferred revenue	9,938,786	-	-	-
Deferred revenue - lease (note 4)	19,367,000	-	-	-
Total liabilities	83,890,016	12,206,650	512,663	5,916,704
Equity and other credits:				
Contributed capital (note 15)	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings (accumulated deficit) (note 17)	-	-	-	-
Fund balances (deficit):				
Reserved for:				
Endowments	-	-	-	-
Encumbrances	1,868,215	683,447	-	10,587,655
Employee retirement system	-	-	-	-
Prepaid expenditures	1,334,210	-	-	-
Unreserved:				
Designated for debt service	-	-	23,319,975	-
Designated for subsequent years' expenditures	-	544,522	-	33,186,249
Undesignated (note 17)	20,483,595	11,383,232	-	-
Total fund equity and other credits	23,686,020	12,611,201	23,319,975	43,773,904
Total liabilities, equity and credits	\$ 107,576,036	24,817,851	23,832,638	49,690,608

See accompanying notes to financial statements.

Fiduciary Fund Type Trust and Agency	Account Group		Primary Government (Memorandum Only)	Discretely Presented Component	Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Debt	Total	Units	Total
-	-	-	17,347,697	19,060,869	36,408,566
-	-	-	991,848	-	991,848
-	-	-	512,663	9,808,557	10,321,220
1,745,512	-	-	8,984,022	5,112,000	14,096,022
46,597,219	-	-	46,597,219	1,129,965	47,727,184
-	-	-	-	467,729	467,729
6,539,892	-	-	12,515,997	3,804,180	16,320,177
-	-	-	151,000	-	151,000
91,556	-	-	4,129,980	17,989,595	22,119,575
883,033	-	-	883,033	-	883,033
-	-	-	-	22,775,168	22,775,168
-	-	674,151,995	674,151,995	752,999,708	1,427,151,703
-	-	907,473	907,473	21,017,000	21,924,473
-	-	3,834,000	3,834,000	-	3,834,000
-	-	189,289,000	189,289,000	-	189,289,000
-	-	83,233,000	99,880,000	-	99,880,000
-	-	15,405,000	29,122,000	161,610	29,283,610
-	-	6,200,000	12,800,000	-	12,800,000
-	-	-	9,938,786	113,594,513	123,533,299
-	-	-	19,367,000	-	19,367,000
55,857,212	-	973,020,468	1,131,403,713	967,920,894	2,099,324,607
-	-	-	-	19,889,273	19,889,273
-	170,560,869	-	170,560,869	13,864,614	184,425,483
-	-	-	-	75,306,736	75,306,736
41,367	-	-	41,367	-	41,367
57,214	-	-	13,196,531	9,100,196	22,296,727
144,067,535	-	-	144,067,535	-	144,067,535
-	-	-	1,334,210	-	1,334,210
-	-	-	23,319,975	-	23,319,975
-	-	-	33,730,771	10,750,884	44,481,655
1,670,264	-	-	33,537,091	6,064,636	39,601,727
145,836,380	170,560,869	-	419,788,349	134,976,339	554,764,688
201,693,592	170,560,869	973,020,468	1,551,192,062	1,102,897,233	2,654,089,295

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, 1996

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Taxes, including penalty and interest	\$ 269,212,641	-	-	-
Payment in lieu of taxes	3,582,814	-	-	-
Interest and dividends	4,458,800	288,218	4,194,782	-
Fines and forfeits	6,860,993	-	-	-
Licenses and fees	8,322,745	-	-	-
Intergovernmental revenues	6,279,794	47,350,552	-	5,520,645
Charges for user services and rental income	-	17,696,556	-	760,702
Loan repayments	-	-	-	-
Miscellaneous	<u>1,012,563</u>	<u>128,885</u>	-	-
Total revenues	299,730,350	65,464,211	4,194,782	6,281,347
Expenditures:				
Current operating:				
General government	22,892,693	8,798,374	-	-
Public safety	117,120,433	17,481,784	-	-
Public works	23,872,089	12,615,226	-	-
Sanitation	12,769,389	-	-	-
Community, recreational and cultural	3,826,927	4,730,049	-	-
Employee benefits	89,521,346	-	-	-
Claims and judgments	4,771,034	-	-	(335,000)
Urban development	-	-	-	-
Administrative	-	-	-	-
Miscellaneous	1,191,832	-	-	-
Intergovernmental programs	-	23,559,506	-	-
Capital projects	-	814,517	-	45,302,418
Bond issuance cost	558,969	-	1,092,354	-
Debt service:				
Principal retirement and lease payments	1,723,724	-	17,021,331	-
Interest and fiscal charges	128,004	-	24,324,084	-
Authorities debt subsidies	<u>9,020,666</u>	-	-	-
Total expenditures	<u>287,397,106</u>	<u>67,999,456</u>	<u>42,437,769</u>	<u>44,967,418</u>
Excess (deficiency) of revenues over (under) expenditures	12,333,244	(2,535,245)	(38,242,987)	(38,686,071)

Fiduciary Fund Type Expendable Trust	Primary Government Totals (Memorandum Only) 1996	Discretely Presented Component Units	Reporting Entity (Memorandum Only)
-	269,212,641	-	269,212,641
-	3,582,814	-	3,582,814
288,150	9,229,950	1,214,157	10,444,107
-	6,860,993	-	6,860,993
-	8,322,745	-	8,322,745
-	59,150,991	39,650,396	98,801,387
792,688	19,249,946	1,578,966	20,828,912
-	-	7,154,099	7,154,099
<u>497,278</u>	<u>1,638,726</u>	<u>3,865,578</u>	<u>5,504,304</u>
1,578,116	377,248,806	53,463,196	430,712,002
-	31,691,067	-	31,691,067
-	134,602,217	-	134,602,217
-	36,487,315	-	36,487,315
-	12,769,389	-	12,769,389
1,490,453	10,047,429	-	10,047,429
-	89,521,346	-	89,521,346
-	4,436,034	-	4,436,034
-	-	36,626,211	36,626,211
-	-	5,440,372	5,440,372
191,898	1,383,730	2,891,585	4,275,315
-	23,559,506	-	23,559,506
-	46,116,935	-	46,116,935
-	1,651,323	-	1,651,323
-	18,745,055	10,197,833	28,942,888
-	24,452,088	-	24,452,088
-	<u>9,020,666</u>	-	<u>9,020,666</u>
<u>1,682,351</u>	<u>444,484,100</u>	<u>55,156,001</u>	<u>499,640,101</u>
(104,235)	(67,235,294)	(1,692,805)	(68,928,099)

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Excess (deficiency) of revenues over (under) expenditures brought forward	\$ 12,333,244	(2,535,245)	(38,242,987)	(38,686,071)
Other financing sources (uses):				
Bond proceeds	37,068,964	-	168,589,419	-
Proceeds from fixed asset disposition	-	203,453	-	-
Operating transfers from other funds	839,842	4,421,852	48,484,878	-
Operating transfers from discretely presented component units	-	-	3,270,000	-
Operating transfers to other funds	(54,387,478)	(940,693)	-	-
Capital lease proceeds - PWSA	40,000,000	-	-	-
Payment to escrow agent for refunded debt	-	-	(167,489,733)	-
Total other financing sources (uses)	<u>23,521,328</u>	<u>3,684,612</u>	<u>52,854,564</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	35,854,572	1,149,367	14,611,577	(38,686,071)
Fund balance at beginning of year	(12,168,552)	11,461,834	8,708,398	82,459,975
Fund balance at end of year	\$ <u>23,686,020</u>	<u>12,611,201</u>	<u>23,319,975</u>	<u>43,773,904</u>

See accompanying notes to financial statements.

Fiduciary Fund Type Expendable Trust	Primary Government Totals (Memorandum Only) 1996	Discretely Presented Component Units	Reporting Entity (Memorandum Only)
(104,235)	(67,235,294)	(1,692,805)	(68,928,099)
-	205,658,383	-	205,658,383
-	203,453	-	203,453
1,621,799	55,368,371	10,397,696	65,766,067
-	3,270,000	-	3,270,000
(40,200)	(55,368,371)	(10,397,696)	(65,766,067)
-	40,000,000	-	40,000,000
-	<u>(167,489,733)</u>	-	<u>(167,489,733)</u>
<u>1,581,599</u>	<u>81,642,103</u>	-	<u>81,642,103</u>
1,477,364	14,406,809	(1,692,805)	12,714,004
<u>890,621</u>	<u>91,352,276</u>	<u>27,608,521</u>	<u>118,960,797</u>
<u>2,367,985</u>	<u>105,759,085</u>	<u>25,915,716</u>	<u>131,674,801</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, 1996
(Amounts expressed in thousands)

	General Fund		Variance Favorable (Unfavorable)
	Budget as Amended	Actual	
Revenues:			
Taxes, including penalty and interest	\$ 264,871	268,609	3,738
Interest earnings	2,239	4,270	2,031
Fines and forfeits	8,439	7,147	(1,292)
Licenses and fees	10,931	8,804	(2,127)
Water and Sewer Authority	17,249	14,280	(2,969)
Intergovernmental	9,072	7,326	(1,746)
Miscellaneous	719	1,345	626
Trust reimbursements	-	-	-
Total revenues	<u>313,520</u>	<u>311,781</u>	<u>(1,739)</u>
Expenditures:			
Current operating:			
General government	26,995	24,502	2,493
Public safety	108,359	101,805	6,554
Public works	35,522	32,172	3,350
Sanitation	9,735	9,331	404
Water	-	-	-
Community, recreational and cultural	4,609	3,655	954
Employee benefits	82,818	78,016	4,802
Claims and judgments	2,509	2,406	103
Utilities	7,790	7,531	259
Miscellaneous	12,355	10,625	1,730
Intergovernmental programs	-	-	-
Capital projects	-	-	-
Bond issuance cost	-	-	-
Debt service:			
Principal retirement	18,126	18,126	-
Interest	26,167	24,721	1,446
Stadium Authority subsidy	-	-	-
Urban Redevelopment Authority subsidy	1,211	1,211	-
Public Auditorium Authority subsidy	1,609	1,528	81
Total expenditures	<u>337,805</u>	<u>315,629</u>	<u>22,176</u>
Excess (deficiency) of revenues over (under) expenditures	(24,285)	(3,848)	20,437
Other financing sources (uses):			
Capital lease obligation proceeds	-	32,989	32,989
Pension bond proceeds	-	37,069	37,069
Pension benefit contributions and expenses	-	(37,069)	(37,069)
Net other financing sources	-	32,989	32,989

Special Revenue Community Development			Capital Projects		
<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,021	24,491	(31,530)	1,325	1,564	239
-	-	-	-	-	-
<u>56,021</u>	<u>24,491</u>	<u>(31,530)</u>	<u>1,325</u>	<u>1,564</u>	<u>239</u>
16,958	6,543	10,415	-	-	-
352	86	266	-	-	-
11,827	2,476	9,351	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,884	14,182	12,702	-	-	-
-	-	-	173,292	39,373	133,919
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>56,021</u>	<u>23,287</u>	<u>32,734</u>	<u>173,292</u>	<u>39,373</u>	<u>133,919</u>
-	1,204	1,204	(171,967)	(37,809)	134,158

(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, Continued

	<u>General Fund</u>		
	<u>Budget as Amended</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Excess (deficiency) revenues and other financing sources (under) expenditures and other uses	\$ (24,285)	29,141	53,426
Fund balances - budgetary basis, beginning of year	<u>24,285</u>	<u>11,438</u>	<u>(12,847)</u>
Fund balance - budgetary basis, end of year	\$ _____	40,579	<u>40,579</u>
Adjustment to generally accepted accounting principles (GAAP) basis (note 2):			
Cumulative difference between budgetary basis and GAAP basis, beginning of year		(23,607)	
Net effect of GAAP basis recognition of revenues		9,125	
Net effect of GAAP basis recognition of expenditures		(2,585)	
Net effect of GAAP basis recognition of other financing sources (uses)		<u>174</u>	
Fund balances - GAAP basis, end of year		\$ <u>23,686</u>	

See accompanying notes to financial statements.

Special Revenue Community Development			Capital Projects		
<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
-	1,204	1,204	(171,967)	(37,809)	134,158
-	<u>188</u>	<u>188</u>	<u>171,967</u>	<u>80,881</u>	<u>(91,086)</u>
-	<u>1,392</u>	<u>1,392</u>	<u>-</u>	<u>43,072</u>	<u>43,072</u>
	(103)			1,579	
	1,538			4,718	
	(3,626)			(5,595)	
	<u>884</u>			<u>-</u>	
	<u>85</u>			<u>43,774</u>	

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/
Fund Balances - Pension Trust Funds and Discretely Presented Component Units

For the Fiscal Year Ended December 31, 1996

	<u>Fiduciary</u> <u>Fund Type</u> <u>Pension</u> <u>Trust</u>	<u>Discretely</u> <u>Presented</u> <u>Component</u> <u>Units</u>	Total (Memorandum <u>Only</u>) Reporting <u>Entity</u>
Operating revenues:			
Water and waste charges	\$ -	59,257,000	59,257,000
Contributions	85,644,176	-	85,644,176
Investment income	17,300,680	-	17,300,680
Rentals	-	4,303,631	4,303,631
Concessions	-	1,077,272	1,077,272
Medallions	-	1,772,211	1,772,211
Stadium bond service charge	-	-	-
Parking receipts	-	19,122,887	19,122,887
Debt service rental	-	98,562	98,562
Program interest income	-	10,561,637	10,561,637
Property management revenue	-	4,503,630	4,503,630
Sales of housing units	-	2,748,388	2,748,388
Miscellaneous	19,629	1,848,707	1,868,336
Total operating revenues	<u>102,964,485</u>	<u>105,293,925</u>	<u>208,258,410</u>
Operating expenses:			
Benefit payments and dues	59,198,278	-	59,198,278
Salaries and wages	-	4,117,966	4,117,966
Utilities	-	809,482	809,482
Interest expense	-	3,337,134	3,337,134
Depreciation and amortization	-	13,628,397	13,628,397
Cooperation agreement operating expenses	-	9,462,000	9,462,000
Payments to non-City water agencies	-	2,034,000	2,034,000
Repairs and maintenance	-	1,986,770	1,986,770
Insurance	-	624,322	624,322
Administrative and other operating	940,936	8,752,320	9,693,256
Parking tax expense	-	3,395,748	3,395,748
Direct operating expenses	-	15,641,000	15,641,000
Fair value discount/lender service fee	-	1,983,162	1,983,162
Property management/improvement	-	2,992,187	2,992,187
Cost of housing units sold	-	3,823,437	3,823,437
Miscellaneous	717,058	4,297,428	5,014,486
Total operating expenses	<u>60,856,272</u>	<u>76,885,353</u>	<u>137,741,625</u>
Operating income (carried forward)	42,108,213	28,408,572	70,516,785

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/
Fund Balances Pension Trust Funds and Discretely Presented Component Units, Continued

	<u>Fiduciary</u> <u>Fund Type</u> <u>Pension</u> <u>Trust</u>	<u>Discretely</u> <u>Presented</u> <u>Component</u> <u>Units</u>	Total (Memorandum <u>Only</u>) Reporting <u>Entity</u>
Operating income (brought forward)	\$ 42,108,213	28,408,572	70,516,785
Non-operating revenue (expense):			
Interest income	-	12,625,964	12,625,964
Interest expense	-	(37,555,801)	(37,555,801)
Amortization	-	(334,000)	(334,000)
Meter and wharf receipts	-	581,836	581,836
Other income	-	17,711	17,711
Meter and wharf expenses	-	(504,512)	(504,512)
Payment in lieu of taxes	-	(1,357,319)	(1,357,319)
Other expense	-	(606,554)	(606,554)
Allegheny Regional Asset District Grant	-	12,500,000	12,500,000
Earned government grants	-	<u>6,230,264</u>	<u>6,230,264</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>(8,402,411)</u>	<u>(8,402,411)</u>
Net income before extraordinary gain	42,108,213	20,006,161	62,114,374
Extraordinary gain	<u>-</u>	<u>6,296,106</u>	<u>6,296,106</u>
Net income	42,108,213	26,302,267	68,410,480
Retained earnings, fund balances beginning of year	<u>101,360,182</u>	<u>49,004,469</u>	<u>150,364,651</u>
Retained earnings, fund balances at end of year	\$ <u>143,468,395</u>	<u>75,306,736</u>	<u>218,775,131</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Statement of Cash Flows - Discretely Presented Component Units

For the Year Ended December 31, 1996

	Component Units (Proprietary Fund Type)
Cash flows from operating activities:	
Operating income	\$ 28,408,572
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation and amortization	13,930,329
Gain on sale of assets	(2,205)
Loss on disposal of Stadium turf	214,631
1995 Baseball lease credit adjustments	3,500,000
Interest	<u>3,337,134</u>
	49,388,461
Changes in operating assets and liabilities:	
Accounts receivable	(7,254,973)
Prepaid expenses	72,370
Other current assets	987,756
Loans issued	(47,651,631)
Loan repayments received	9,289,559
Accounts payable and other liabilities	3,304,035
Deferred revenue	(748,220)
Due to primary government	(382,805)
Change in accrued payroll and withholdings	<u>(131,000)</u>
Net cash provided by operating activities	6,873,552
Cash flows from investing activities:	
Interest earnings	16,691,803
Purchase of investment securities	(258,636,934)
Proceeds from sale and maturities of investments	338,088,744
Advance to Pittsburgh Associates	(3,500,000)
Change in restricted cash and investments	9,161,490
Additions to property, plant and equipment	(11,784)
Contributed capital	101,930
Repayment of GNMA principal	<u>4,056,071</u>
Net cash provided by investing activities	105,951,320

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Statement of Cash Flows - Discretely Presented Component Units, Continued

	Component Units (Proprietary Fund Type)
Cash flows from non-capital financing activities:	
Principal payment related to non-capital funds	\$ (11,922,254)
Interest payment related to non-capital funds	(16,551,772)
Payment in lieu of taxes	(1,357,319)
Meter and wharf receipts, net	77,324
Other, net	6,011,724
Grants from the Allegheny Regional Asset District	10,250,000
Proceeds from borrowing, net of bond issue costs	43,772,490
Early redemption of bonds	<u>(27,151,611)</u>
Net cash provided by non-capital financing activities	3,128,582
Cash flows from capital and related financing activities:	
Payments received on notes receivable	102,588
Principal payments related to capital funds	(9,396,550)
Interest payments related to capital funds	(31,022,164)
Additions to Stadium complex	(2,515,066)
Acquisition and construction of capital assets	(39,116,311)
Proceeds from sale of assets	67,283
Principal paid on capital lease obligation	(38,350,000)
Proceeds from issuance of revenue bonds related to capital funds	<u>2,000,000</u>
Net cash used by capital and related financing activities	<u>(118,230,220)</u>
Net decrease in cash	(2,276,766)
Cash and cash equivalents at beginning of year	<u>58,920,753</u>
Cash and cash equivalents at end of year	\$ <u>56,643,987</u>
Supplemental information:	
Cash and cash equivalents	133,963,533
Trusteed and restricted funds	153,265,506
Long-term restricted investments	(226,658,052)
Restricted funds which are not cash or investments	<u>(3,927,000)</u>
Total cash and cash equivalents, end of year	\$ <u>56,643,987</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH,
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements

For the Fiscal Year Ended December 31, 1996

(1) Organization and Summary of Significant Accounting Policies

Description of City

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.

The major accounting principles and practices followed by the City of Pittsburgh, Pennsylvania (the City) are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

(A) The Financial Reporting Entity

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

The City is financially accountable for:

1. Organizations that make up the legal City entity.
2. Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. Impose its Will - If the City can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden - Exists if the City (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

3. Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and account groups for which the City is financially accountable or for which there is a significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the City's financial statements are provided in the following paragraphs. Audit reports of the component units are available for public inspection in the Controller's office.

(B) Individual Component Unit Disclosures

Blended Component Units

Some component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component units reported in this way are the following:

City of Pittsburgh Equipment Leasing Authority
Employee Pension Plans

City of Pittsburgh Equipment Leasing Authority (Equipment Leasing Authority)

The Equipment Leasing Authority (ELA) was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of a Deputy Mayor, Directors of the Department of General Services and the Department of Finance, one member of City Council and one individual designated by City Council. The ELA has outstanding \$2,670,000 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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.

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.

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:

Proprietary Type

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

Governmental Type

Pittsburgh Sports and Festival Federation
Urban Redevelopment Authority of Pittsburgh

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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. In 1984, pursuant to a Lease and Management Agreement, the Authority leased the entire City water supply, distribution and waste water collection system (the System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for the Authority subject to the general supervision of the Authority.

The City and the Authority agreed to terminate the Lease and Management Agreement in July 1995 and concurrently entered into an Agreement and a Capital Lease Agreement (collectively referred to as the Agreements).

The effect of these Agreements, as more fully described in note 4, was to substantially transfer financial and management responsibility for the System to the Authority. The Authority is legally separate from the City and is reported as a component unit. The Board consists of one City Council member, the City Treasurer, the City Finance Director and four members chosen by the Mayor. The PWSA operates on a fiscal year ending December 31.

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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 93.5% to the Parking Authority and 6.5% to the City. Accordingly, the City derives a financial benefit from the Parking Authority. The Parking Authority operates on a fiscal year ending September 30.

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.

The funding for the Pittsburgh Sports and Festival Federation, Inc. was received solely from the County of Allegheny. The Federation operates on a March 31 year end.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Urban Redevelopment Authority of Pittsburgh

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

The URA is considered to be a component unit of the City as the Mayor of Pittsburgh appoints the Board of Directors of the URA and a financial benefit/burden relationship exists between the City and the URA.

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

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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

Administrative Offices:

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

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

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

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

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

Pittsburgh Sports and Festival
Federation, Inc.
One Riverfront Center
Pittsburgh, PA 15222

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

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Discretely Presented Component Unit Condensed Financial Statements
(Amounts expressed in thousands)

	<u>PWSA</u> December 31, <u>1996</u>	<u>Stadium</u> <u>Authority</u> March 31, <u>1996</u>	<u>Public</u> <u>Parking</u> <u>Authority</u> September 30, <u>1996</u>	<u>URA</u> December 31, <u>1996</u>	<u>PSFF</u> March 31, <u>1996</u>
<u>Condensed Balance Sheets</u>					
Current assets:					
Cash and investments	\$ 11,620	3,402	2,493	177,460	210
Other	25,733	9,797	1,517	222,152	-
Trusteed and restricted assets	136,876	380	16,089	2,009	-
Non-current assets and other debits	5,150	-	3,650	33,345	-
Net fixed assets	<u>294,671</u>	<u>33,637</u>	<u>68,192</u>	<u>54,497</u>	<u>17</u>
Total assets	\$ <u>474,050</u>	<u>47,216</u>	<u>91,941</u>	<u>489,463</u>	<u>227</u>
Current liabilities:					
Current portion of long-term debt	\$ -	1,745	2,313	-	-
Current maturities of long-term debt - City of Pittsburgh	-	1,190	-	-	-
Accounts payable - City of Pittsburgh	-	-	468	-	-
Other	4,727	3,210	3,235	32,782	10
Deferred revenue	-	2,089	-	109,506	-
Non-current liabilities:					
Long-term payable to City of Pittsburgh	-	22,810	-	-	-
Grants from the City of Pittsburgh	-	22,775	-	-	-
Capital lease obligation and other liabilities	36,119	-	-	-	-
Long-term debt	431,994	18,374	54,593	219,980	-

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Discretely Presented Component Unit Condensed Financial Statements, continued
(Amounts expressed in thousands)

	<u>PWSA</u> December 31, 1996	<u>Stadium Authority</u> March 31, 1996	<u>Public Parking Authority</u> September 30, 1996	<u>URA</u> December 31, 1996	<u>PSFF</u> March 31, 1996
<u>Condensed Balance Sheets, continued</u>					
Fund equity:					
Investment in general fixed assets	\$ -	-	-	13,865	-
Contributed capital	5,277	-	-	2,072	-
Restricted for construction purposes	-	12,541	-	-	-
Retained earnings (deficit)	(4,067)	(37,518)	31,332	85,343	217
Fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,915</u>	<u>-</u>
Total liabilities and equity	<u>\$ 474,050</u>	<u>47,216</u>	<u>91,941</u>	<u>489,463</u>	<u>227</u>

Condensed Statements of Revenues, Expenses and Changes in Retained Earnings
(Amounts expressed in thousands)

	<u>PWSA</u> December 31, 1996	<u>Stadium Authority</u> March 31, 1996	<u>Public Parking Authority</u> September 30, 1996	<u>URA</u> December 31, 1996	<u>PSFF</u> March 31, 1996
Operating revenues	\$ 59,497	7,577	19,540	17,959	721
Operating expenses:					
Depreciation and amortization	7,598	2,525	3,099	406	16
Other	<u>27,137</u>	<u>12,545</u>	<u>12,231</u>	<u>10,250</u>	<u>577</u>
Operating income (loss)	24,762	(7,493)	4,210	6,803	128
Non-operating revenues (expenses):					
Interest expense	(20,407)	-	(3,093)	(14,056)	-
Extraordinary gain	-	-	-	6,296	-
Other	<u>3,126</u>	<u>12,500</u>	<u>(552)</u>	<u>14,078</u>	<u>-</u>
Net income	7,481	5,007	565	13,121	128
Deficiency of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,693)</u>	<u>-</u>
Retained earnings (deficit)/fund balance beginning of year	(11,548)	(42,525)	30,767	99,830	89
Retained earnings (deficit)/fund balance end of year	<u>\$ (4,067)</u>	<u>(37,518)</u>	<u>31,332</u>	<u>111,258</u>	<u>217</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 approximate the annual debt service requirements on outstanding Auditorium Authority bonds.

In addition, the Department of General Services of the Commonwealth of Pennsylvania has financed and constructed the David L. Lawrence Convention Center. The Convention Center has been leased to the Auditorium Authority for a term of 30 years at a nominal rent. The City and County have each agreed to pay one-half of any operating deficits. Furthermore, the City and County have executed support agreements for each of the Auditorium Authority's outstanding bond issues whereby the City and the County have equally pledged payment of the debt service. As of December 31, 1996, the City's portion of outstanding Auditorium Authority debt service was \$14,982,500 with certain restrictions.

While the City guarantees one-half the operating deficits and a portion of the Auditorium Authority's debt service, it does not have any equity interest in the Auditorium Authority's surpluses. For the year ended June 30, 1996, the Auditorium Authority's enterprise fund (operations of David L. Lawrence Convention Center) had a retained earnings of \$664,517 with net income of \$273,200.

Under a subleased agreement effective July 1, 1981, as amended, the Auditorium Authority leases the Civic Arena and surrounding parking areas to SMG Pittsburgh L.P. (SMG). SMG operates and is responsible for all expenses and maintenance of the Civic Arena.

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 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

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

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

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

Jointly Governed Organization

The Allegheny County Sanitary Authority (ALCOSAN) was organized under the Municipality Authorities Act of 1945 to collect, transport and treat 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 the County and one is appointed jointly by the County and City. The City has no ongoing financial interest or responsibility for ALCOSAN.

(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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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.

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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Account Groups

General Fixed Assets - This account group was established to present a summary of the fixed assets of the City.

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

(D) Measurement Focus

All governmental funds and expendable trusts 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 "available expendable resources" during the year. Expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities.

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 pension trust funds report increases (revenues) and decreases (expenses) in total economic net worth.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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, tax liens sold and taxpayer assessed taxes and the next 12 months for other revenues, including payment in lieu of taxes. The City accounts for taxpayer-assessed revenues (primarily earned income and parking taxes) in accordance with Government 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. 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.

The financial statements of 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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.
 - g. The capital budget is generally based on a proposed six-year capital program which must be updated each year and submitted to City Council by the Mayor at least 30 days prior to the day the operating budget is submitted. The capital budget also includes appropriations for the Community Development 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

- 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 1996, there were no supplemental appropriations made to the operating budget.
2. Encumbrances - Encumbrances 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 year's appropriations.

(G) Cash and Cash Equivalents

For statement of cash flow purposes, cash and cash equivalents include all highly liquid investments, including trustee 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) Other Assets

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

(J) Lease Receivable

The revenue from the Pittsburgh Water and Sewer Authority capital lease receivable related to the sale of the water and sewer system is recorded as payments are received rather than when measurable and available due to the non-recurring nature of the transaction.

(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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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. 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, (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 or (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.

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 as shown in the table below.

	<u>Estimated Useful Life in Years</u>			
	<u>PWSA</u>	<u>Stadium Authority</u>	<u>Parking Authority</u>	<u>URA</u>
Utility assets	30 - 40	-	-	-
Parking facilities	-	-	50	-
Equipment	10	5 - 10	10	-
Stadium complex	-	45	-	-
Buildings and improvements	-	-	-	30

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(M) Compensated Absences

Compensated absences are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 16, "Accounting for 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 for those who have elected not to participate in the plan. The City accrues an amount for sick leave to the extent that it is probable that benefits will result in termination payments.

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 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.

(N) Pensions

Pension cost for accounting purposes is computed in accordance with Accounting Principles Board Opinion No. 8 (APB No. 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).

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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.

(O) Deferred Compensation Plan

Primary Government

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.

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.

Discretely Presented Component Units

The URA offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 (until paid or made available to the employee or other beneficiary) solely the property and rights of the URA (without being restricted to the provisions of benefits under the plan), subject only to the claims of the URA's general creditors. Participants' rights under the plan are equal to those of general creditors of the URA in an amount equal to the fair market value of the deferred account of each participant.

The URA 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 URA believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

The URA does not match employees' voluntary contributions to the plan.

(P) 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 expendable available 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 1996 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Presently, the irrevocable trust may be used by the State of Pennsylvania only in the event of default by the City under the self-insurance regulations. No risk financing activity is currently being recorded in this trust fund. All risk financing activity is recorded in the general fund. This fund is included with expendable trust funds since it was created by a legal trust indenture. 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, 1996, there have been no claims paid from this fund.

(Q) GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting"

The proprietary funds of the City and its discretely presented component units follow all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and ARBs issued on or before November 30, 1989, and have elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to their financial statements.

(R) Reclassification of Prior Year Statements

Certain previously reported items in the financial statements have been reclassified to conform to the current year's classification.

(S) Adoption of New Pronouncement

For the year ended December 31, 1996, the City implemented Government Accounting Standards Board Statement (GASB) No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This statement requires that governments recognize pass-through grants as revenues and expenditures of a governmental fund. In accordance with GASB No. 24, these pass-through grants increased both the revenues and expenditures of the Community Development - Special Revenue Fund by approximately \$2,656,000.

(T) 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(2) Reconciliation of Generally Accepted Accounting Principles to Budgetary Basis

(A) 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>
Excess of revenues and other sources over expenditures and other uses - GAAP basis	\$ 35,854,573
Revenues:	
Increase in revenues susceptible to accrual recorded when received in cash on the budgetary basis	(9,125,183)
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	13,526,882
Capital lease proceeds budgeted as revenue	7,010,692
Operating transfers budgeted as revenues	<u>638,267</u>
Total	12,050,658
Expenditures:	
Decrease in expenditures recognized on a GAAP basis recorded when paid in cash on the budgetary basis	2,584,994
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	(13,526,882)
Pension benefit contribution recorded as expenditures	35,654,165
Operating transfers budgeted as expenditures	<u>(52,944,342)</u>
Total	(28,232,065)
Other financing (sources) uses:	
Operating transfers budgeted as revenues and expenditures	52,306,075
Capital lease proceeds budgeted as revenues	(7,010,692)
Pension benefit contribution recorded as expenditures	(35,654,165)
Decrease in other financing sources susceptible to accrual but recorded when received in cash on the budgetary basis	<u>(173,238)</u>
Total	<u>9,467,980</u>
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ <u>29,141,146</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(B) 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:

	<u>Special Revenue</u>
Excess of revenues and other sources over expenditures and other uses - GAAP basis - all Special Revenue Funds	\$ 1,149,367
Adjustment for non-budgeted Special Revenue Funds	(1,149,367)
Revenues:	
Increase of revenues susceptible to accrual recorded when received in cash on the budgetary basis	(627,262)
Revenues for non-budgeted Community Development Funds	<u>(3,567,455)</u>
Total	<u>(4,194,717)</u>
Expenditures:	
Decrease in expenditures recognized on a GAAP basis recorded when paid in cash on the budgetary basis	1,830,999
Expenditures for non-budgeted Community Development Funds	911,223
Non-budgeted expenditures for Community Development Funds with budgets	<u>3,540,283</u>
Total	<u>6,282,505</u>
Other financing (sources) uses:	
Decrease in operating transfers susceptible to accrual but not budgeted	<u>(884,051)</u>
Total	<u>(884,051)</u>
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ <u>1,203,737</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(C) 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>
Excess of expenditures and other uses over revenues and other sources - GAAP basis	\$ (38,686,071)
Revenues:	
Revenue and reimbursements to trust funds	(5,441,357)
Increase in revenues susceptible to accrual recorded when received in cash on the budgetary basis	<u>723,760</u>
Total	(4,717,597)
Expenditures:	
Trust fund expenditures	6,416,502
Decrease in expenditures recognized on a GAAP basis but recorded when paid in cash on the budgetary basis	<u>(821,616)</u>
Total	<u>5,594,886</u>
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ <u>(37,808,782)</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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, 1996, except the Stadium Authority and the Pittsburgh Sports and Festival Federation, Inc., which are as of March 31, 1996, and the Public Parking Authority, which is as of September 30, 1996, is as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
<u>Current Unrestricted</u>			
<u>Primary Government - Unrestricted</u>			
City Treasurer (most governmental, expendable trust and agency funds)	\$ 14,279,712	128,996,786	143,276,498
Equipment Leasing Authority (special revenue and debt service funds)	316,670	2,001,294	2,317,964
Pension Trust Funds	13,264,863	129,283,027	142,547,890
Deferred Compensation Plan	<u>16,478</u>	<u>46,580,741</u>	<u>46,597,219</u>
Total Primary Government - Unrestricted	27,877,723	306,861,848	334,739,571
<u>Component Units - Unrestricted</u>			
PWSA	11,620,000	-	11,620,000
Stadium Authority	246,715	3,155,115	3,401,830
Public Parking Authority	605,449	1,887,195	2,492,644
PSFF	210,383	-	210,383
URA	<u>58,908,861</u>	<u>118,552,078</u>	<u>177,460,939</u>
Total Component Units - Unrestricted	<u>71,591,408</u>	<u>123,594,388</u>	<u>195,185,796</u>
Total Unrestricted	99,469,131	430,456,236	529,925,367
<u>Current Restricted</u>			
<u>Component Units - Restricted</u>			
PWSA	653,000	132,356,000	133,009,000
Stadium Authority	240,755	-	240,755
Public Parking Authority	-	16,088,751	16,088,751
PSFF	-	-	-
URA	<u>-</u>	<u>2,008,849</u>	<u>2,008,849</u>
Total Component Units - Restricted	<u>893,755</u>	<u>150,453,600</u>	<u>151,347,355</u>
Total Unrestricted and Restricted	\$ <u>100,362,886</u>	<u>580,909,836</u>	<u>681,272,722</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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).

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 - \$3,298,591, category 2 - \$13,069,780 and category 3 - \$14,645,604; component unit unrestricted category 1 - \$1,762,034 and category 3 - \$75,371,099; component unit restricted category 1 - \$227,500 and category 3 - \$676,965.

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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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

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

The carrying amount of all investments under the control of the City Treasurer at December 31, 1996, 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 the year ended December 31, 1996, the Equipment Leasing Authority invested its funds in one or more of the above authorized investments.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The cost of all investments at December 31, 1996, 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) Pension Trust

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

The 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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.

Pension trust fund investments are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize.

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

The following summarizes pension trust fund investments which individually are 5% or more of net assets available for benefits, at cost:

American Express Credit Corporation	
Commercial Paper, 5.8%, due 01/06/97	\$ 35,095,197
Hirtle Callaghan Trust International Equity	
Portfolio Fund #263	8,445,537

(D) 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.

(E) Water and Sewer Authority

The Water and Sewer Authority (the Authority) is authorized to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities and highly rated bank promissory notes or investment funds or trusts. Throughout the year ended December 31, 1996, the Authority invested its funds in such authorized investments.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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, 1996, 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.

(H) Urban Redevelopment Authority

Pennsylvania statutes and the trust indentures related to certain debt transactions provide for investment of URA funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit, certain commercial paper and repurchase agreements and highly rated bank promissory notes or investment funds or trusts.

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
<u>Primary Government - Unrestricted</u>			
(A) City Treasurer (most governmental, expendable trust and agency funds):			
Repurchase agreements	\$ 19,300,000	19,300,000	3
Money market mutual funds	68,062,646	68,062,646	N/A
Guaranteed investment contract	27,735,492	27,735,492	N/A
U.S. government and agency obligations	<u>13,898,648</u>	<u>13,846,730</u>	
Total	128,996,786	128,944,868	
(B) Equipment Leasing Authority:			
Repurchase agreements	4,988	4,988	3
Money market mutual funds	<u>1,996,306</u>	<u>1,996,306</u>	N/A
Total	2,001,294	2,001,294	
(C) Pension Trust:			
Preferred and common stocks	41,176,695	53,921,248	2
U.S. government & agency obligations	22,645,600	22,965,100	2
Corporate and other obligations	<u>65,460,732</u>	<u>65,906,247</u>	2
	129,283,027	142,792,595	
(D) Deferred Compensation:			
Money market trust funds	<u>46,580,741</u>	<u>46,580,741</u>	N/A
Total Primary Government - Unrestricted	306,861,848	320,319,498	

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
<u>Primary Government - Unrestricted</u>			
<u>Component Units - Unrestricted</u>			
(E) Stadium Authority:			
Money market pooled investments	\$ 3,155,115	3,155,115	N/A
(F) Pittsburgh Parking Authority:			
Local government securities	52,227	52,227	1
Money market mutual funds	<u>1,834,968</u>	<u>1,834,968</u>	N/A
Total	<u>1,887,195</u>	<u>1,887,195</u>	
(G) URA:			
U.S. government and agency securities	76,350,463	77,138,350	1
U.S. government and agency securities	23,910,024	24,271,157	3
Pooled investment funds	<u>18,291,591</u>	<u>18,291,591</u>	N/A
	<u>118,552,078</u>	<u>119,701,098</u>	
Total Component Units - Unrestricted	<u>123,594,388</u>	<u>124,743,408</u>	
Total Unrestricted	430,456,236	445,062,906	
<u>Component Units - Restricted</u>			
(H) PWSA:			
Repurchase agreements	1,736,000	1,736,000	3
U.S. government and agency obligations	8,990,000	8,978,000	3
Guaranteed investment contracts	103,973,000	103,973,000	N/A
Local government securities	<u>17,657,000</u>	<u>17,657,000</u>	3
Total	132,356,000	132,344,000	

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
(I) Pittsburgh Parking Authority:			
Commercial paper	2,006,681	2,019,000	2
Corporate obligations	7,421,000	7,421,000	3
Money market mutual funds	2,824,864	2,824,864	N/A
U.S. government and agency obligations	<u>3,836,206</u>	<u>3,793,373</u>	3
Total	16,088,751	16,058,237	

Component Units - Restricted

(J) URA:			
U.S. government and agency securities	\$ -	-	-
U.S. government and agency securities	-	-	-
Pooled investment funds	<u>2,008,849</u>	<u>2,008,849</u>	N/A
Total	<u>2,008,849</u>	<u>2,008,849</u>	
 Total Component Units - Restricted	 <u>150,453,600</u>	 <u>150,411,086</u>	
 Grand Total	 \$ <u>580,909,836</u>	 <u>595,473,992</u>	

(4) Transactions with the Pittsburgh Water and Sewer Authority

In 1984, pursuant to a Lease and Management Agreement, the Authority leased the entire City water supply, distribution and wastewater collection system (the System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for the Authority subject to the general supervision of the Authority.

The City and the Authority agreed to terminate the Lease and Management Agreement in July 1995 and concurrently entered into a Cooperation Agreement and a Capital Lease Agreement (collectively referred to as the Agreements).

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Cooperation Agreement

Although executed in its final form in July, the Cooperation Agreement was substantially effective January 1, 1995. On that date, City water department employees became employees of the Authority. The Authority assumed workers' compensation and compensated absence liabilities which had accrued during the era of the City's Water Department.

Direct costs of the System's water operations are now generally paid directly by the Authority under the Cooperation Agreement. The City continues to provide the Authority with various services in accordance with the Cooperation Agreement and the Authority reimburses the City for direct and indirect costs attributed by the City to the operation and maintenance of the System.

Under the Agreements, the Authority will continue to provide up to 600,000,000 gallons of water annually for the City's use without charge. The Authority also continues to reimburse the City for the cost of subsidizing water service to those residents living in the City but beyond the Authority's service area so that those water users pay charges which are based upon the Authority's rates.

System Lease

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

The City will record payments received as another financing source in the accompanying statement of revenues, expenditures and changes in fund balances of the General Fund in the applicable year as follows:

Initial payment	\$ 39,898,035
1996 payment	40,000,000
1997 payment	<u>21,017,000</u>
Total net lease payment from the Authority	\$ <u>100,915,035</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The future minimum capital lease payment due from the Authority under the Capital Lease Agreement for 1997 is:

Future minimum lease receivable	\$ 21,017,000
Less amount representing interest	<u>(1,650,000)</u>
Present value of net minimum lease receivable	\$ <u>19,367,000</u>

The accompanying balance sheet of the general fund as of December 31, 1996, includes a lease receivable as a due from the Authority and deferred lease payments of \$19,367,000.

As of December 31, 1996, the City has retained the pension obligation for the Authority's employees who participate in the City's Municipal Pension Plan. The extent of the Authority's participation in such obligation with respect to these employees whose membership continued upon becoming employees of the Authority is determined by the shared interpretation of the City and the Authority of the intent of the Cooperation Agreement.

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(5) Trusteed and Restricted Funds

The following is a summary of trusteeed and restricted funds:

<u>Component Units</u>	<u>Cash and investments</u>	<u>Other</u>	<u>Total</u>
Pittsburgh Water and Sewer Authority (PWSA):			
Construction	\$ 7,376,000	113,000	7,489,000
Debt service	29,764,000	518,000	30,282,000
Operating reserve	5,345,000	23,000	5,368,000
Self-insured escrow	653,000	-	653,000
Capital projects fund	72,039,000	13,000	72,052,000
Acquisition fund	<u>18,142,000</u>	<u>2,890,000</u>	<u>21,032,000</u>
Subtotal	133,319,000	3,557,000	136,876,000
Stadium Authority:			
Parking maintenance	<u>240,755</u>	<u>60,000</u>	<u>300,755</u>
Subtotal	240,755	60,000	300,755
Parking Authority:			
Operating reserve	2,190,000	-	2,190,000
Debt service	2,806,243	-	2,806,243
Debt service reserve	3,006,087	-	3,006,087
Debt service project fund	1,914,732	-	1,914,732
Capital improvement fund	1,892,434	-	1,892,434
Construction	146,119	-	146,119
Renewal and replacement	2,268,000	-	2,268,000
Revenue	642,252	-	642,252
City meter	178,850	-	178,850
City wharf	308,997	-	308,997
Excess coverage	<u>735,037</u>	<u>-</u>	<u>735,037</u>
Subtotal	<u>16,088,751</u>	<u>-</u>	<u>16,088,751</u>
Subtotal	149,648,506	3,617,000	153,265,506
Less PWSA accrued interest payable	7,886,000	-	7,886,000
Parking Authority investments, non-current, restricted	2,522,999	-	2,522,999
Urban Redevelopment Authority investments, restricted	<u>2,008,849</u>	<u>-</u>	<u>2,008,849</u>
Total component units trusteeed and restricted funds	\$ <u>141,248,356</u>	<u>3,617,000</u>	<u>144,865,356</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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. The County implemented a freeze on real estate tax assessments as of January 1, 1996, which is currently being contested.

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.

Delinquent taxes are liened every three years after the levy date. 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Tax Lien Sale

During 1996, the City and the Pittsburgh School District consummated a sale of substantially all their property tax liens for the tax years 1988 through 1995. Liens for delinquent municipal sewage charges were also included in the portfolio. In conjunction with this sale, the City and PWSA reached an agreement whereby PWSA assumed all the City obligations and rights under an agreement with Allegheny County Sanitary Authority to purchase all delinquent sewage receivable over 90 days old. The City also agreed to transfer approximately \$3,000,000 from the proceeds to the PWSA. The liens totaling approximately \$51.2 million representing delinquencies of principal and interest were sold in two groups to a single purchaser, National Tax Funding, L.P., for approximately \$32,200,000 (group one \$18,200,000 and group two \$14,000,000) with the proceeds allocated as follows: City of Pittsburgh - \$16,000,000; School Board - \$11,200,000; Pittsburgh Water and Sewer - \$3,000,000 and \$2,000,000 to estimate a tax lien repurchase fund. The liens were sold without recourse; however, the sale of the second group of liens was subject to certain conditions contained in the applicable agreements. National Tax Funding, L.P., has agreed to purchase the tax receivables for 1996, 1997 and 1998 on all the properties included in the original sale if they become liens. The proceeds for the sale of the second group (approximately \$14,000,000) was placed in an Escrow Fund held by a third party (the Urban Redevelopment Authority of Pittsburgh). The City's share of the payment for the first group of liens sold (approximately \$8 million) was received in October 1996. The City's share of the second payment for the second group of liens (approximately \$8 million) was received in April 1997. As of December 31, 1996, the City reduced the balance of the real estate taxes receivable by the amount of the principal amount sold on the first installment. The principal related to the second group of liens remained in the real estate tax receivable and deferred revenue at December 31, 1996.

(7) Fixed Assets

The following is a summary of changes in the general fixed assets account group during 1996:

	Balance January 1, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance December 31, <u>1996</u>
		(amounts in thousands)			
Land and buildings	\$ 112,009,619	697,148	(934,360)	-	111,772,407
Machinery and equipment	45,508,989	1,013,783	(813,930)	238,872	45,947,714
Capital leases	12,013,464	-	-	(238,872)	11,774,592
Construction-in-progress	-	<u>1,066,156</u>	-	-	<u>1,066,156</u>
Total general fixed assets	\$ <u>169,532,072</u>	<u>2,777,087</u>	<u>(1,748,290)</u>	-	<u>170,560,869</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA
Notes to General Purpose Financial Statements, Continued

Construction-in-progress is comprised of expenditures for the Public Safety Police Zone #1 Building.

A summary of discretely presented component units property, plant and equipment is as follows:

	<u>1996</u> (amounts in thousands)
Stadium complex	\$ 64,162
Land and parking facilities	93,330
Machinery and equipment	2,870
Utility plant	174,806
Nonutility plant	6,819
Capitalized system lease	100,646
Construction-in-progress	44,160
URA land, building and improvements	27,756
URA Development and related costs	<u>29,793</u>
Total	544,342
Less accumulated depreciation	<u>(93,328)</u>
Net component unit property, plant and equipment	\$ <u>451,014</u>

(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 and the Pittsburgh Water and Sewer Authority (PWSA) who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Plan after serving a 90-day 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 required to make contributions to the Plan for the purpose of paying benefits and administrative expenses. At January 1, 1996, the date of the most recent actuarial valuation, the Plan had 2,320 active members and 2,018 retirees, disableds and survivors.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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

Retirement benefits are available at the employee's option upon attainment of age 60, and completion of 20 years of service, normal retirement. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age, or paid immediately at reduced amounts, as defined by the plan. Upon completion of eight years of service, and attainment of age 40, an employee may terminate and remain eligible to receive benefits by continuing to make contributions to age 50. An employee who was a member prior to January 1, 1975, may terminate at any age after 15 years of service and be vested by continuing 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-years average pay, but no less than \$130 monthly if such pay is less than \$450; or 55% of the first \$650 of three-years average pay and 30% of the excess but not less than \$270 if such pay is greater than \$450. The benefit for employees who became members after January 1, 1975, is equal to 50% of three-years 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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

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

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

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.

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The retirement benefit for employees who became members of the Plan before January 1, 1975, is 55% of the first \$650 of average monthly compensation plus 30% of the amount in excess of \$650. Employees who became members after December 31, 1974, receive a retirement benefit of 50% of average monthly compensation, which is reduced by 50% of the employee's social security primary insurance amount upon attainment of age 65. Employees with 20 years of service receive an additional benefit of 1% of average monthly compensation for each complete year in excess of 20. The retirement benefit for employees with less than 20 years of service will be reduced by 5% for each year of service less than 20. In addition, for employees electing the program who have not attained the age of 60, the retirement benefit is reduced by 1/2% for each month that the payments commence prior to age 60, except for those hired before January 1, 1975, with 25 years of service. Average monthly compensation is defined as the average of salaries and wages during the highest 36 months of the final 60 months preceding retirement, excluding overtime.

The Policemen's Relief and Pension Fund

The Policemen's Relief and Pension Fund of the City of Pittsburgh (the 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, 1996, the Plan had 1,169 active members and 1,648 retirees, disableds and survivors.

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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

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

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 of paying benefits and administrative expenses.

All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the fund. At January 1, 1996, the Plan had 845 active members and 1,046 retirees, disableds and survivors.

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

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

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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.

(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.

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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 actuarial determined minimum municipal obligation, as defined, whichever is less.

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 obligations. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMO's developed and adopted for budgeting purposes subsequent to 1991. Additionally, the provisions for payment of the MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Actuarial Assumptions

The most recent actuarial reports disclosed the following information with respect to the plans as of January 1, 1996:

The only change in actuarial assumptions in 1996 was applicable to the Municipal Pension Fund. The change relates to estimates of future plan payments to cover premiums for supplemental medical coverage under social security.

Because of slower than expected growth in the cost of coverage, the assumed annual increase in the cost of future premiums was reduced to 6.5% for all future years. This change in actuarial assumptions reduces the actuarial accrued liability by \$1,629,676, decreasing the total amortization payment by \$161,247.

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

	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
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>.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>6.50</u>	<u>N/A</u>	<u>N/A</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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, and any stepped benefits estimated to be payable in the future as a result of employee service to date. 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, 1996:

	Comprehensive				
	<u>Board</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
	(amounts in thousands)				
Pension benefit obligation:					
Vested benefits:					
Retirees and beneficiaries					
currently receiving benefits	\$ -	118,128	206,001	96,188	420,317
Terminated members not yet					
receiving benefits	-	-	474	-	474
Active members:					
Accumulated employee					
contributions	-	26,652	18,363	25,910	70,925
Employer-financed - vested	-	<u>13,608</u>	<u>11,244</u>	<u>32,397</u>	<u>57,249</u>
Total vested	-	158,388	236,082	154,495	548,965
Employer-financed - nonvested	-	<u>14,792</u>	<u>37,170</u>	<u>32,344</u>	<u>84,306</u>
Total pension benefit	-	173,180	273,252	186,839	633,271
obligation	-	173,180	273,252	186,839	633,271
Net assets available for benefits, at cost,					
from December 31, 1995, financial					
statements (market value \$118,631)	<u>101,283</u>	<u>15</u>	<u>42</u>	<u>18</u>	<u>101,358</u>
Unfunded pension					
benefit obligation	\$ <u>(101,283)</u>	<u>173,165</u>	<u>273,210</u>	<u>186,821</u>	<u>531,913</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Contributions

For funding purposes, the City utilizes actuarial 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 actuarial required pension contributions for the plan year beginning January 1, 1996, are as follows:

Required Contributions

	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Normal cost	\$ 3,277,455	5,022,566	4,310,195	12,610,216
Percent of covered payroll	% 5.09	11.58	10.02	8.36
Amortization payment	4,857,308	14,536,242	9,573,108	28,966,658
Percent of covered payroll	7.54	33.50	22.25	19.21
Estimated member	<u>(3,265,495)</u>	<u>(2,891,101)</u>	<u>(2,720,314)</u>	<u>(8,876,910)</u>
Percent of covered payroll	5.07	6.66	6.32	5.89
Required contributions	\$ <u>4,869,268</u>	<u>16,667,707</u>	<u>11,162,989</u>	<u>32,699,964</u>
Percent of covered payroll	% <u>7.56</u>	<u>38.41</u>	<u>25.94</u>	<u>21.68</u>
Total 1996 payroll	\$ 69,708,719	51,354,925	44,516,772	165,580,416
Covered 1996 payroll	64,411,005	43,388,771	43,025,840	150,825,616

Contributions Made

During 1996, the City contributed \$56,842,271 from the General Fund, including \$35,095,197 from the proceeds of a sale of bonds, and \$2,076,688 from the Retirees Trust Fund. Plan participants contributed \$8,857,952 and state aid totaled \$15,502,284. (See table below.) The contribution from the Retirees Trust Fund funded pension benefit increases, which are separate from the actuarially determined pension liability.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Summary of Contributions

<u>Source</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Participants	\$ 3,042,076	2,938,115	2,877,761	8,857,952
Percent of covered payroll	% 4.72	6.77	6.69	5.87
Commonwealth of Pennsylvania:				
General	3,868,302	6,292,216	4,101,298	14,261,816
Percent of covered payroll	6.01	14.50	9.53	9.46
Supplemental	336,457	547,285	356,726	1,240,468
Percent of covered payroll	0.52	1.26	0.83	0.82
City of Pittsburgh	<u>39,997,301</u>	<u>10,485,394</u>	<u>8,436,244</u>	<u>58,918,939</u>
Percent of covered payroll	<u>62.10</u>	<u>24.17</u>	<u>19.61</u>	<u>39.06</u>
Total	\$ <u>47,244,136</u>	<u>20,263,010</u>	<u>15,772,029</u>	<u>83,279,175</u>
Percent of covered payroll	% <u>73.75</u>	<u>46.70</u>	<u>36.66</u>	<u>55.22</u>

For financial reporting purposes, the City accounts for pension cost under APB #8. The net pension cost for 1996 under APB #8 was \$18,183,604. The City contributed \$57,130,604 from the General Fund. Contributions in excess of net pension costs of \$38,947,000 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, 1994, 1995 and 1996, respectively, available assets were sufficient to fund 25.5%, 20.5% and 15.6% of the municipal pension benefit obligation, 15.2%, 13.5% and 13.0% of the police pension benefit obligation and 14.1%, 18.5% and 20.8% of the fire pension benefit obligation. The unfunded pension benefit obligation represented 185.3%, 213.1% and 227.0% of the annual payroll for employees covered by the municipal pension plan; 449.6%, 511.3% and 547.6% for the police pension plan and 369.8%, 362.8% and 344.1% for the fire pension plan for 1994, 1995 and 1996, respectively. For the three years ended December 31, 1994, 1995 and 1996, respectively, employer contributions represented 6.0%, 4.5% and 62.1% of the municipal plan covered payroll; 18.6%, 18.3% and 24.8% of the police plan covered payroll; and 15.0%, 16.7% and 19.6% of the fire plan covered payroll. Employer contributions were made in accordance with actuarial determined requirements.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

At January 1, 1996, the membership of the three pension plans consisted of:

<u>Status</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Retirees and beneficiaries of deceased retirees currently receiving benefits	2,018	1,648	1,046	4,712
Terminated employees - vested	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Total	<u>2,018</u>	<u>1,651</u>	<u>1,046</u>	<u>4,715</u>
Active members:				
Vested	1,125	104	312	1,541
Nonvested	<u>1,195</u>	<u>1,065</u>	<u>533</u>	<u>2,793</u>
	<u>2,320</u>	<u>1,169</u>	<u>845</u>	<u>4,334</u>
Total membership	<u>4,338</u>	<u>2,820</u>	<u>1,891</u>	<u>9,049</u>

(9) Other Postemployment Benefits

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

The City provides healthcare benefits to 1,165 retired nonunion municipal, fire and police employees. In 1993, the City added a new retiree medical plan that provides healthcare benefits to police and fire retirees and their spouses that are over age 65. Prior to 1993, only those municipal, fire and police retirees under age 65 received benefits. The benefit is funded by partial contributions from the retirees receiving coverage and the remainder by the City on a pay-as-you-go basis. During 1996, a post-retirement healthcare benefits expense paid by the City was \$5,690,169.

In addition, in 1995, the City offered post-retirement healthcare benefits to all municipal employees that were age 50 or older with 20 years of service as a retirement incentive. Each retiree is to receive up to \$350 per month until age 65. There are 170 retirees in this group with a total cost to the City in 1996 of \$731,616.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 this group are paid on a pay-as-you-go basis from the general fund operating budget. There are 1,173 retirees in this group with a total cost during 1996 of \$172,392.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(10) Long-Term Debt

Primary Government

The maximum amount payable for future maturities of bonds and interest on general long-term debt at December 31, 1996, and changes in bond principal for the year then ended are summarized below:

	<u>Principal</u>	
	<u>Outstanding at December 31, 1995</u>	<u>Bonds paid or defeased and discount amortized during 1996</u>
Council and public election general obligation bonds:		
Twelve general obligation bond issues with rates ranging from 4.00% to 6.75%. The bonds are payable from general revenues:		
1996	\$ 12,380,000	12,380,000
1997	23,530,000	8,310,000
1998	23,545,000	12,495,000
1999	25,040,000	13,350,000
2000	28,980,000	14,270,000
2001	27,725,000	12,490,000
2002 - 2006	168,205,000	84,700,000
2007 - 2011	220,955,000	14,650,000
2012 - 2016	59,590,000	-
2017 - 2021	4,680,000	-
2022 - 2024	<u>-</u>	<u>-</u>
Subtotal	594,630,000	172,645,000
Less discount	16,990,364	2,028,277
Less bonds funded by Stadium Authority	<u>29,635,983</u>	<u>1,578,170</u>
Total	548,003,653	169,038,553

Face value and discount on bonds issued during 1996	Outstanding at December 31, 1996	Interest
-	-	-
-	15,220,000	27,999,189
15,010,000	26,060,000	30,884,388
15,745,000	27,435,000	29,963,221
15,185,000	29,895,000	28,878,697
15,925,000	31,160,000	28,593,395
92,075,000	175,580,000	120,559,577
20,010,000	226,315,000	67,081,388
7,410,000	67,000,000	18,855,657
10,530,000	15,210,000	5,223,705
<u>8,355,000</u>	<u>8,355,000</u>	<u>917,852</u>
200,245,000	622,230,000	358,957,069
-	14,962,087	-
<u>-</u>	<u>28,057,813</u>	<u>19,153,664</u>
200,245,000	579,210,100	339,803,405

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

	<u>Principal</u>	
	<u>Outstanding at December 31, 1995</u>	<u>Bonds paid during 1996</u>
Equipment Leasing Authority Revenue Bonds:		
One revenue bond issue with interest rates ranging from 6.05% to 6.5%. The bonds are payable from general resources transferred from the General Fund:		
1996	\$ 5,230,000	5,230,000
1997	<u>2,670,000</u>	<u>-</u>
Total	7,900,000	5,230,000
 Public Auditorium Authority Revenue Bonds:		
Five bond issues with interest rates ranging from 4.4% to 8.60%. The City's share of debt service on these bonds is payable from general revenues:		
1996	987,500	987,500
1997	1,037,500	-
1998	1,085,000	-
1999	1,135,000	-
2000	937,500	-
2001	977,500	-
2002 - 2006	5,645,000	-
2007 - 2011	1,940,000	-
2012 - 2016	1,610,000	-
2017 - 2021	<u>615,000</u>	<u>-</u>
Total	15,970,000	987,500

<u>Bonds issued during 1996</u>	<u>Outstanding at December 31, 1996</u>	<u>Interest</u>
-	-	-
-	<u>2,670,000</u>	<u>121,756</u>
-	2,670,000	121,756
-	-	-
-	1,037,500	1,528,364
-	1,085,000	1,425,882
-	1,135,000	1,314,232
-	937,500	1,194,674
-	977,500	1,096,502
-	5,645,000	3,763,124
-	1,940,000	1,284,495
-	1,610,000	639,477
-	<u>615,000</u>	<u>105,780</u>
-	14,982,500	12,352,530

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

	<u>Principal</u>	
	<u>Outstanding at December 31, 1995</u>	<u>Bonds paid during 1996</u>
Urban Redevelopment Authority of Pittsburgh		
Taxable Bonds:		
One tax increment financing (TIF) bond issue with interest rates ranging from 5.0% to 7.2%. Terms of the TIF require repayments of principal and interest solely from tax increments generated in tax increment districts and related agreements:		
1996	\$ 68,130	68,130
1997	71,915	-
1998	73,808	-
1999	77,593	-
2000	83,270	-
2001	87,055	-
2002 - 2006	526,116	-
2007 - 2011	728,611	-
2012 - 2013	<u>369,037</u>	-
Total	2,085,535	<u>68,130</u>
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:		
One Special Tax Development Bond issue with interest rates ranging from 7.91% to 9.07%. Bonds are payable solely from City's assignment to the URA of certain Allegheny Regional Asset District revenues:		
1996	810,000	810,000
1997	875,000	-
1998	950,000	-
1999	1,030,000	-
2000	1,120,000	-
2001	1,215,000	-
2002 - 2006	10,750,000	-
2007 - 2011	21,945,000	-
2012 - 2014	<u>22,695,000</u>	-
Total	61,390,000	<u>810,000</u>

<u>Bonds issued during 1996</u>	<u>Outstanding at December 31, 1996</u>	<u>Interest</u>
-	-	-
-	71,915	134,182
-	73,808	130,586
-	77,593	126,638
-	83,270	122,370
-	87,055	117,582
-	526,116	500,544
-	728,611	297,456
-	<u>369,037</u>	<u>40,333</u>
-	2,017,405	1,469,691

-	-	-
-	875,000	5,356,318
-	950,000	5,287,106
-	1,030,000	5,209,490
-	1,120,000	5,124,618
-	1,215,000	5,031,658
-	10,750,000	23,301,666
-	21,945,000	16,523,072
-	<u>22,695,000</u>	<u>4,576,268</u>
-	60,580,000	70,410,196

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

	<u>Principal</u>	
	<u>Outstanding at December 31, 1995</u>	<u>Bonds paid during 1996</u>
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:		
Two tax increment financing (TIF) bond issues with interest rates ranging from 5.125% to 6.25%. Terms of the TIF require repayment of principal and interest solely from tax increments generated in tax increment districts and related agreements:		
1996	\$ -	-
1997	54,883	-
1998	121,120	-
1999	151,401	-
2000	187,358	-
2001	183,573	-
2002 - 2006	1,152,535	-
2007 - 2011	1,932,245	-
2012 - 2015	<u>709,688</u>	-
Total	4,492,803	-

<u>Bonds issued during 1996</u>	<u>Outstanding at December 31, 1996</u>	<u>Interest</u>
-	-	-
-	54,883	265,133
-	121,120	259,216
-	151,401	252,766
-	187,358	243,268
-	183,573	233,035
-	1,152,535	984,810
-	1,932,245	579,571
-	<u>709,688</u>	<u>108,050</u>
-	4,492,803	2,925,849

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

	<u>Principal</u>	
	<u>Outstanding at December 31, 1995</u>	<u>Bonds paid during 1996</u>
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:		
One taxable revenue bond issue with interest rates ranging from 6.95% to 8.0%. These bonds are payable from general resources of the General Fund:		
1996	\$ 630,000	630,000
1997	675,000	-
1998	720,000	-
1999	770,000	-
2000	830,000	-
2001	895,000	-
2002 - 2004	<u>3,130,000</u>	<u>-</u>
Total	7,650,000	630,000
Urban Redevelopment Authority Taxable Revenue Bonds:		
One tax increment financing (TIF) bond with interest rates ranging from 6.26% to 8.01%. Terms of the TIF require repayments of principal and interest solely from tax increments generated in tax increment districts and related agreements:		
1997	-	-
1998	-	-
1999	-	-
2000	-	-
2001	-	-
2002 - 2006	-	-
2007 - 2011	-	-
2012 - 2015	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>
General Long-Term Debt Account Group	\$ <u>647,491,991</u>	<u>176,764,183</u>

<u>Bonds issued during 1996</u>	<u>Outstanding at December 31, 1996</u>	<u>Interest</u>
-	-	-
-	675,000	539,852
-	720,000	492,940
-	770,000	441,100
-	830,000	384,120
-	895,000	320,210
-	<u>3,130,000</u>	<u>513,600</u>
-	7,020,000	2,691,822

-	-	242,438
86,894	86,894	239,718
94,450	94,450	233,929
102,006	102,006	227,447
107,673	107,673	220,368
674,373	674,373	969,068
986,058	986,058	659,937
<u>1,127,733</u>	<u>1,127,733</u>	<u>190,120</u>
<u>3,179,187</u>	<u>3,179,187</u>	<u>2,983,025</u>
<u>203,424,187</u>	<u>674,151,995</u>	<u>432,758,274</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Discretely Presented Component Units

Stadium Authority Revenue Bonds and Note

One revenue bond issue with an interest rate of 7.1%, one revenue refunding bond issue with interest rates ranging from 3.6% to 5.0% and a note with variable interest rates based on the prime lending rate when yearly payments are due. The bonds and note are payable from revenue from Stadium operations:

	<u>Principal</u>			
	<u>Outstanding</u> at March 31, <u>1995</u>	<u>Bonds</u> paid during <u>1996</u>	<u>Bonds</u> issued during <u>1996</u>	<u>Outstanding</u> at March 31, <u>1996</u>
1996	\$ 1,502,300	1,502,300	-	-
1997	1,752,300	-	-	1,752,300
1998	1,837,300	-	-	1,837,300
1999	1,892,300	-	-	1,892,300
2000	1,957,300	-	-	1,957,300
2001	2,022,300	-	-	2,022,300
2002 - 2008	<u>10,874,200</u>	-	-	<u>10,874,200</u>
Subtotal	21,838,000	1,502,300	-	20,335,700
General obligation bonds funded by Authority	<u>25,100,000</u>	<u>1,100,000</u>	-	<u>24,000,000</u>
Total Stadium debt	\$ <u>46,938,000</u>	<u>2,602,300</u>	-	<u>44,335,700</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Public Parking Authority Revenue Bonds and Notes

One revenue bond issue with interest rates ranging from 4.6% to 5.875%, and five notes, three with no interest and one with a variable interest rate based on 65% of the prime lending rate and one with a fixed rate of 6.0%. The bonds and notes are payable from revenue from Parking Authority operations with some of the notes being paid directly by parking facilities lessees:

	<u>Principal</u>			
	<u>Outstanding</u> <u>at</u> <u>September 30,</u> <u>1995</u>	<u>Bonds</u> <u>paid</u> <u>during</u> <u>1996</u>	<u>Bonds</u> <u>issued</u> <u>during</u> <u>1996</u>	<u>Outstanding</u> <u>at</u> <u>September 30,</u> <u>1996</u>
1996	\$ 2,174,374	2,174,374	-	-
1997	2,259,374	-	53,862	2,313,236
1998	2,279,374	-	168,186	2,447,560
1999	2,369,374	-	178,560	2,547,934
2000	2,480,279	-	189,575	2,669,854
2001	2,585,000	-	184,030	2,769,030
2002 - 2006	15,150,658	-	1,225,787	16,376,445
2007 - 2011	19,540,000	-	-	19,450,000
2012 - 2013	<u>9,522,236</u>	<u>-</u>	<u>-</u>	<u>9,522,236</u>
Subtotal	58,360,669	2,174,374	2,000,000	58,186,295
Less unamortized discount	<u>(1,359,835)</u>	<u>(79,990)</u>	<u>-</u>	<u>(1,279,845)</u>
Total Parking debt	\$ <u>57,000,834</u>	<u>2,094,384</u>	<u>2,000,000</u>	<u>56,906,450</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Water and Sewer Authority Revenue Bonds

Three revenue bond issues with interest rates ranging from 4.0% to 5.79%, and one revenue refunding bond issue with interest rates ranging from 3.5% to 6.5%. The bonds are payable from revenue from Water and Sewer operations:

	<u>Principal</u>			
	Outstanding at December 31, <u>1995</u>	Bonds paid and premium amortized during <u>1996</u>	Bonds issued and refunding loss amortized during <u>1996</u>	Outstanding at December 31, <u>1996</u>
1996	\$ 7,980,000	7,980,000	-	-
1997	9,440,000	-	-	9,440,000
1998	12,610,000	-	-	12,610,000
1999	12,990,000	-	-	12,990,000
2000	13,520,000	-	-	13,520,000
2001	14,520,000	-	-	14,520,000
2002 - 2006	84,390,000	-	-	84,390,000
2007 - 2011	95,535,000	-	-	95,535,000
2012 - 2016	121,480,000	-	-	121,480,000
2017 - 2021	45,965,000	-	-	45,965,000
2022 - 2025	<u>51,345,000</u>	<u>-</u>	<u>-</u>	<u>51,345,000</u>
Subtotal	469,775,000	7,980,000	-	461,795,000
Plus net bond premium	(1,934,000)	(72,000)	-	(1,862,000)
(Less) plus refunding loss series 1991	<u>(30,364,000)</u>	<u>-</u>	<u>2,425,000</u>	<u>(27,939,000)</u>
Total debt	\$ <u>437,477,000</u>	<u>(7,908,000)</u>	<u>2,425,000</u>	<u>431,994,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Urban Redevelopment Authority of Pittsburgh Bonds and Notes

Various mortgage revenue bond issues with interest rates of 3.95% to 8.35%, various Home Improvement Loan Program bond issues with interest rates of 3.9% to 7.3%, six single family mortgage revenue bond issues with interest rates of 6.95% to 8.25%, one URA Bond issue with an interest rate of 12.0% and various notes/loans with interest rates of 3.0% to 8.885%:

	Principal			
	Outstanding at December 31, <u>1995</u>	Bonds paid during <u>1996</u>	Bonds issued during <u>1996</u>	Outstanding at December 31, <u>1996</u>
1996	\$ 24,150,734	24,565,099	414,365	-
1997	7,946,122	600,000	983,981	8,330,103
1998	5,317,729	332,495	240,577	5,225,811
1999	6,509,618	202,802	493,062	6,799,878
2000	4,304,811	177,499	510,724	4,638,036
2001	4,279,722	321,435	543,578	4,501,865
2002 - 2006	29,940,864	3,433,452	3,293,642	29,801,054
2007 - 2011	28,395,146	1,523,932	4,407,693	31,278,907
2012 - 2016	53,093,065	4,330,000	460,000	49,223,065
2017 - 2021	40,867,652	12,725,000	10,670,000	38,812,652
2022 - 2026	11,890,661	1,350,000	6,810,000	17,350,661
2027 - 2028	4,715,000	2,125,000	-	2,590,000
Subtotal	221,411,124	51,686,714	28,827,622	198,552,032
Plus loans due upon completion of construction	5,873,716	-	15,554,405	21,428,121
Total debt	\$ <u>227,284,840</u>	<u>51,686,714</u>	<u>44,382,027</u>	<u>219,980,153</u>

(A) Council and Public Election General Obligation Bonds

General Obligation Refunding Bonds - Series of 1996A

In December 1996, the City issued \$162,535,000 of General Obligation Refunding Bonds, Series 1996A with an average interest rate of 5.27% to advance refund the General Obligation Bonds, Series 1986B with an average interest rate of 6.97%. These bonds consisted of serial bonds bearing various fixed rates ranging from 5.0% to 6.0% with maturities commencing on March 1, 1998, and continuing annually through March 2007.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The net proceeds of the Series 1996A of \$167,497,065 (less payments of \$1,659,601 in underwriting fees, insurance and other issuance costs; plus original issue premium of \$6,621,666) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds described below. As a result, these bonds are considered to be defeased and the related liability for the bonds has been removed from the general long-term debt account group.

Principal and interest payments refunded:

<u>Issue/series</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
1986B	% 6.75 - 7.0	\$ 160,265,000	\$ 61,218,803

The 1986B bonds were redeemed on March 1, 1997.

The City's advanced refunding of the above bonds decreased its total debt service over the next 11 years by \$13,504,333. The transaction resulted in an economic gain (difference between the present values of debt service on the old and new bonds) of approximately \$12,903,000.

Taxable General Obligation Pension Bonds - Series 1996B

In December 1996, the City issued \$37,710,000 of Taxable General Obligation Pension Bonds, Series 1996B with an average interest rate of 6.86%. These bonds consisted of \$7,050,000 of serial bonds bearing various fixed rates ranging from 5.65% to 6.55% and \$30,660,000 of term bonds bearing various fixed rates ranging from 6.6% to 7.1% with maturities commencing on March 1, 1998, and continuing annually through March 2024.

The net proceeds of the Series 1996B of \$35,095,197 (after payment of \$1,200,004 in underwriting fees, insurance and other issuance costs and \$1,414,799 which is being deposited into the trust and agency fund to reimburse the City for excess MMO payments) were deposited to the City of Pittsburgh Municipal Pension Fund to reduce the unfunded actuarial accrued pension liability.

In 1985, 1992, 1993, 1995 and 1996, 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, 1996, bonds outstanding of \$212,330,000 refunded by the above mentioned issues are considered defeased.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(B) Equipment Leasing Authority (ELA)

As of December 31, 1996, future minimum lease payments under all lease agreements between the ELA and the City are as follows:

<u>December 31,</u>	<u>Lease payments</u> (in thousands)
1997	\$ 2,791

The City has executed a separate lease agreement with the ELA for this outstanding bond issuance. 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.

(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 and B Bonds commenced 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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, 1996. 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 the 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 defeased 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(E) Pittsburgh 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 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

In July 1995, the Authority issued \$89,850,000 of Series A Bonds and \$101,245,000 of Series B Bonds bearing various fixed rates ranging from 4.0% to 5.6% payable semiannually on March 1 and September 1.

The proceeds from the 1995 Series A Bonds are to be used for capital improvements to the water system and the proceeds from the 1995 Series B Bonds are to be used to fund certain obligations of the Authority to the City under the Capital Lease Agreement for the system.

A portion of the 1995 bonds is subject to optional and mandatory redemption in various face amounts beginning September 1, 2005. The fair value of the 1995 bonds at December 31, 1996, based on quoted market prices, is approximately \$197 million.

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

- (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.

(F) Urban Redevelopment Authority of Pittsburgh (URA) Conduit Financing

Between 1994 and 1996, the following financings occurred in cooperation with the URA. These financings have been determined to be conduit debt obligations of the URA since they are limited obligations of the URA issued for the purpose of providing capital financing for third party projects.

The bond issuances discussed below in (1), (2), (3) and (5) are classified as self-supporting bonds payable in the general long-term debt account group as of December 31, 1996, since repayment of principal and interest is dependent solely from available tax increments or Allegheny Regional Asset District revenues. The bond issuances discussed in (2), (3) and (5) are not backed by the full faith and credit of the City.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(1) 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 (TIF) 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 URA, whereby the City's full faith and credit were unilaterally pledged to guarantee the debt service payments related to the URA's \$5,510,000 TIF.

Under separately executed agreements with the City, County and Pittsburgh School District, each entity has pledged its 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 has built a multi-million dollar research facility on the site; and the other key participants: the University of Pittsburgh (Pitt) and Carnegie-Mellon University (CMU), who have signed municipal service agreements. 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.

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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(2) Special Tax Development Bonds, Taxable Series of 1995

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

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

These bonds are not guaranteed by the full faith and credit of the City. These bonds are all insured by a municipal bond insurer.

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

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(3) Urban Redevelopment Authority of Pittsburgh (URA) Redevelopment Bonds
(Center Triangle Tax Increment Financing District)

In December 1995, the URA issued \$7,545,000 of Redevelopment Bonds, Series A of 1995 and \$4,325,000 of Redevelopment Bonds, Series B of 1995 (collectively, the Bonds). The Series A Bonds consist of serial bonds bearing various fixed interest rates ranging from 5.125% of 6% with maturities commencing on June 1, 2000, through December 1, 2011. The Series B Bonds consist of serial bonds bearing various fixed interest rates ranging from 5.75% and 6.25% with maturities on March 15, 2006, and March 15, 2015.

The Bonds' proceeds, together with other funds, will be used primarily to fund costs associated with the construction of a subsurface public parking garage to be located in an approximately twelve block area in the central business district of the City (the TIF District) and to pay bond issuance costs. Other public and private moneys will finance certain costs of significant redevelopment efforts within the TIF District, including renovation of a major downtown building from a department store to a mixed-use office/retail facility and the construction of a new four-story Lazarus department store to be built above the parking garage.

Under a Tax Increment Financing Cooperation Agreement (the TIF Agreement) with the City, County and the School District of Pittsburgh, each entity has agreed to assign its respective rights to the incremental taxes derived from the TIF District to the URA for the term of the bonds. The difference in the amount of real estate taxes attributable to certain property within the TIF District prior to and subsequent to the development constitutes the "increment" that will be available to pay debt service on the Bonds.

The Series A Bonds are limited obligations of the URA, payable solely from the revenues pledged under the Series A Bond Indenture, which include monies received (a) under the TIF Agreement, (b) from the developer under a Minimum Payment Agreement, (c) from the principal tenant of the Penn Avenue Place Building, (d) from payments made by PNC Bank under a Letter of Credit and (e) from funds and securities held by the Trustee under the Series A Bonds Indenture.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The Series B Bonds are limited obligations of the URA, payable solely from the revenues pledged under the Series B Bonds Indenture, which include monies received (a) under the TIF Agreement, (b) from the owner and operator of Lazarus, (c) pursuant to a Guaranty of Minimum Payment Agreement from Federated Department Stores, Inc., Lazarus' parent company, (d) from payments made by PNC Bank under a letter of credit, and (e) from funds and securities held by the Trustee under the Series B Bonds Indenture.

The bonds are not guaranteed by the full faith and credit of the City.

In the event that real estate tax revenues generated under the TIF Agreements are insufficient at any time to pay debt service on the bonds, the respective parties under the Minimum Payment Agreements have agreed to make payments sufficient to remedy such shortfalls. Amounts payable under the Minimum Payment Agreements correspond to debt service requirements on the respective Bonds. Pursuant to the Tenant Agreement, each tenant has agreed to guarantee the full and punctual payment when due of all obligations.

(4) 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 were used to fund the Business Reinvestment fund to provide a working capital loan to Pittsburgh Baseball, Inc. as the sole general partner of Pittsburgh Associates. At December 31, 1995, no loans have been disbursed from this fund. In March 1996, the City committed to loan \$8,000,000 to Pittsburgh Baseball, Inc.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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.

(5) Urban Redevelopment Authority of Pittsburgh (URA) Taxable Development Bonds (North Shore Tax Increment Financing District - ALCOA Project), Series of 1996

In May 1996, the URA issued \$8,415,000 of Redevelopment Bonds, Series of 1996 with an average interest rate of 7.63%. The bonds consisted of serial bonds bearing various fixed interest rates ranging from 6.26% to 8.01% with maturities commencing on June 1, 1998, and continuing annually through June 2015.

The proceeds from the sale of the bonds, along with other funds, will be used to fund costs associated with the construction of a new office building to house the corporate headquarters of the Aluminum Company of America, to finance certain other improvements in the TIF District, capitalize interest on the bonds and to pay certain costs of issuing the bonds.

The bonds are limited obligations of the URA, payable solely from the revenues pledged under the Indenture, which include monies received (a) under the Tax Increment Financing Cooperation Agreement (the TIF Agreement), (b) under a Minimum Payment Agreement between the Aluminum Company of America and the URA and (c) from funds and securities held by the Trustee under the Indenture. The bonds are not obligations of the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth including the City of Pittsburgh.

Under the TIF Agreement with the City, County of Allegheny and the School District of Pittsburgh, each entity has agreed to assign its respective rights to the incremental taxes derived from the TIF District to the URA for the term of the bonds. The difference in the amount of real estate taxes attributable to certain property within the TIF District prior to and subsequent to the development constitutes the "increment" that will be available to pay debt service on the bonds.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(G) Urban Redevelopment Authority of Pittsburgh (URA)

The Urban Redevelopment Authority of Pittsburgh (URA) has various bonds and loans which are the obligation of the URA and are not guaranteed or financed by the City of Pittsburgh. The proceeds of these bonds and notes are used to provide mortgages, loans or grants to individuals or companies within the City of Pittsburgh to be used for urban redevelopment. The bonds and loans are payable from repayment of mortgages and loans and from other revenue and grants received by the URA. Further description of the various bonds and loans can be found in the general purpose financial statements issued by the URA.

(H) Capital Obligations

From 1987 through 1995, 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:

1997	\$ <u>925,864</u>
Total minimum lease payments	925,864
Less amount representing interest	<u>(18,391)</u>
Present value of net minimum lease payments	\$ <u>907,473</u>

(I) Other Long-Term Obligations

The following is a summary of transactions affecting all other long-term obligations to the City during 1996:

	<u>Capital Lease</u>	<u>Deferred Loan</u>	<u>Accrued Pension Costs</u>	<u>Accrued Workers' Compensation</u>	<u>Accrued Compensated Absences</u>	<u>Accrued Claims and Judgments</u>
Balance, January 1, 1996	\$ 2,669,152	3,834,000	228,236,000	105,796,253	28,014,935	11,485,000
Additions	-	-	-	12,724,683	15,253,780	3,721,025
Reductions	<u>(1,761,679)</u>	<u>-</u>	<u>(38,947,000)</u>	<u>(18,640,936)</u>	<u>(14,146,781)</u>	<u>(2,406,025)</u>
Balance, December 31, 1996	907,473	3,834,000	189,289,000	99,880,000	29,121,934	12,800,000
Less amounts accrued currently in:						
General Fund	-	-	-	(16,647,000)	(13,716,934)	(6,000,000)
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>
Long-term portion, December 31, 1996	\$ <u>907,473</u>	<u>3,834,000</u>	<u>189,289,000</u>	<u>83,233,000</u>	<u>15,405,000</u>	<u>6,200,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(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. Certain of these leases contain provisions for additional rentals based on visions foretold in the agreements.

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 years ended March 31, 1996 and 1995, were \$93,500 and \$62,758, respectively.

(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, 1996:

General fund:

Commonwealth of Pennsylvania	\$ 881,851
Allegheny County Information Systems	16,009
Regional Asset District	<u>2,906,407</u>
	3,804,267

Special revenue:

Job Training Partnership Program	1,117,814
Housing and Urban Development	4,659,110
Allegheny County - Public Safety	<u>201,363</u>
	5,978,287

Capital projects:

Commonwealth of Pennsylvania - Highway Funds	664,571
Federal Government - Highway Funds	894,982
Pittsburgh Water & Sewer Authority	<u>147,284</u>
	<u>1,706,837</u>

Total due from other governments \$ 11,489,391

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA
Notes to General Purpose Financial Statements, Continued

(13) Interfund Receivable and Payable Balances

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 5,388,046	52,045
Special revenue funds:		
JTPA	209,808	1,459,675
Housing	-	2,313,745
Civic and cultural	81,425	996,703
Public safety	-	<u>143,163</u>
Total special revenue funds	<u>291,233</u>	4,913,286
Capital projects funds:		
Engineering and construction	4,992,040	68,342
Public works	1,133,641	105,444
General services	-	8,198
Other	<u>536,083</u>	<u>828,790</u>
Total capital projects funds	<u>6,661,764</u>	1,010,774
Trust funds:		
Gifts and donations	174,954	134,395
Parks endowments	-	72,142
Workers' compensation	-	4,992,040
Pension:		
Comprehensive board	-	161,084
Agency funds:		
Payroll withholding	-	885,657
Deposits	-	200
Other	-	<u>294,374</u>
Total trust and agency funds	<u>174,954</u>	<u>6,539,892</u>
Total	\$ <u>12,515,997</u>	<u>12,515,997</u>

In addition, the Parking Authority has a \$467,729 payable to the general fund, with no corresponding receivable reported by the general fund. This difference is due to timing as the Parking Authority's fiscal year end is September 30, 1996.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(14) Operating Transfers

Transfers between primary government funds:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 839,842	54,387,478
Special revenue funds:		
JTPA	28,337	-
Housing	884,051	-
Civic and cultural	869,200	239,842
Public safety	1,923,563	600,000
Equipment leasing	<u>716,701</u>	<u>100,851</u>
Total special revenue funds	4,421,852	940,693
Debt service funds:		
General obligation	42,847,144	-
Equipment leasing	<u>5,637,734</u>	-
Total debt service funds	48,484,878	-
Trust funds:		
Gifts and donations	207,000	-
Parks endowments	-	40,200
Pension escrow	<u>1,414,799</u>	-
Total trust funds	<u>1,621,799</u>	<u>40,200</u>
Total transfers between primary government funds	\$ <u>55,368,371</u>	<u>55,368,371</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Transfers between primary government and discretely presented component units:

	<u>Transfers in</u>	<u>Transfers out</u>
Debt service fund	\$ <u>3,270,000</u>	<u> </u> -*
Total transfers between primary government and discretely presented components units	\$ <u>3,270,000</u>	<u> </u> -

* Transfers out of \$3,270,000 shown as reduction in notes payable of the Stadium Authority.

(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, 1995, contributed capital for the Stadium Authority amounted to \$12,540,500. 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 resulting from an agreement between the City and the Authority related to a restructuring of the Authority's Series of 1985 Bonds.

As of December 31, 1996, the URA has contributed capital of \$2,071,773.

Grants, entitlements or shared revenues received for the acquisition or construction of capital assets is recorded as contributed capital in the proprietary funds. Depreciation of capital assets financed by grants, entitlements or shared revenues is not recorded against contributed capital by the URA. There were significant changes to contributed capital during the year ended December 31, 1996.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(16) Segment Information

The City and its component units maintain Enterprise Funds which provide water services, operate the stadium complex, operate parking facilities and acquire, clear and rebuild blighted property. Segment information for their respective year ends are as follows:

	Discrete Component Units					Total
	PWSA December 31, 1996	Stadium Authority March 31, 1996	Parking Authority September 30, 1996	PSFF March 31, 1996	URA December 31, 1996	
			(in thousands)			
Operating revenues	\$ <u>59,497</u>	<u>7,577</u>	<u>19,540</u>	<u>721</u>	<u>17,959</u>	<u>105,294</u>
Depreciation and amortization	\$ <u>7,598</u>	<u>2,525</u>	<u>3,099</u>	<u>16</u>	<u>406</u>	<u>13,644</u>
Operating income (loss)	\$ <u>24,762</u>	<u>(7,493)</u>	<u>4,210</u>	<u>128</u>	<u>6,803</u>	<u>28,410</u>
Net income	\$ <u>7,481</u>	<u>5,007</u>	<u>565</u>	<u>128</u>	<u>13,122</u>	<u>26,303</u>
Property, plant and equipment additions	\$ <u>16,673</u>	<u>2,515</u>	<u>1,105</u>	<u>12</u>	<u>21,338</u>	<u>41,643</u>
Net working capital	\$ <u>32,626</u>	<u>4,965</u>	<u>(2,006)</u>	<u>200</u>	<u>257,687</u>	<u>293,472</u>
Total assets	\$ <u>474,050</u>	<u>47,216</u>	<u>91,941</u>	<u>227</u>	<u>316,513</u>	<u>929,947</u>
Bonds and other long-term liabilities, net	\$ <u>468,113</u>	<u>63,959</u>	<u>54,593</u>	<u>-</u>	<u>218,425</u>	<u>805,090</u>
Equity (deficit):						
Contributed capital	5,277	12,541	-	-	2,072	19,890
Retained earnings (deficit)	<u>(4,067)</u>	<u>(37,518)</u>	<u>31,332</u>	<u>217</u>	<u>85,343</u>	<u>75,307</u>
Total equity (deficit)	\$ <u>1,210</u>	<u>(24,977)</u>	<u>31,332</u>	<u>217</u>	<u>87,415</u>	<u>95,197</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

(17) Fund Deficits

Elimination of General Fund Deficit

The City Administration has taken several measures in the last few years to eliminate the General Fund GAAP basis fund balance deficit. These measures included employee layoffs, consolidation of services, a strict cash management program, revenue enhancements and the signing of a capital lease agreement with the Pittsburgh Water and Sewer Authority (PWSA) whereby the PWSA purchased the assets of the City's Water Department with payments equal to approximately \$96,000,000 (note 4). As of December 31, 1996, the Administration's actions have increased the City's GAAP basis fund balance by approximately \$43,800,000.

The Administration implemented several programs in the 1996 budget designed to increase revenues and decrease expenditures. Revenue raising initiatives included state funding for the city courts and more aggressive collection of delinquent tax and traffic ticket revenues. Expenditure initiatives included reductions in employee healthcare benefits costs, workers' compensation costs and the size of the City's work force through attrition and an early retirement program. The Mayor's Office of Management and Budget and the Department of Finance were responsible for the establishment, implementation and monitoring of these 1996 initiatives.

In 1996, the Murphy Administration formed the competitive Pittsburgh Task Force. Its responsibility is to further address the City's "financial structural imbalance" and to eliminate the GAAP basis fund balance deficit. The eleven member task force is composed of representatives from the business community, the Pittsburgh School District, organized labor, nonprofit institutions, City Council and the City Administration. The task force is to provide the Administration with options to restructure the City's operations that will ultimately contribute to revenue enhancements and/or expenditure reductions. All City services selected by the task force will be subject to a thorough functional analysis that may lead to reorganization, outsourcing, elimination or consolidation of the service. The task force's report was issued to the Administration in October 1996 and was used during the 1997 budget deliberations between the Administration and City Council.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

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 1996.

(18) Related Party Transactions

- (A) Under the terms of agreements dated July 1, 1965, December 1, 1985, and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the stadium complex and debt service on the stadium bonds over the total funds available to the Stadium Authority for those purposes. The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the stadium complex and debt service on the stadium bonds.
- (B) The URA, acting as the City's agent under a 1981 cooperation agreement, made two loans from prior years' Urban Redevelopment Action Grant (UDAG) funds to a development company to assist in the construction of 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, 1996, was \$1,530,659.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The second loan of \$6,819,972, was made under an agreement dated April 2, 1984, for the construction of highway ramps to connect the mall with I-279. This loan agreement was amended on July 13, 1992. Repayment of the loan was to commence on June 1, 1992. The term of the loan is 30 years with varying fixed interest rates. In 1996, the URA received payments of \$429,454. This left a balance including accrued interest of \$6,176,808 at December 31, 1996.

(19) Construction and Other Significant Commitments

As of December 31, 1996, 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>
Computerized Traffic Response	\$ 1,422,955	May 1998
Reconstruction of Wallridge Street	587,757	August 1997
Reconstruction of Pioneer Avenue	541,900	October 1997
Unisource Computer Cabling	517,348	December 1997
Reconstruction of various streets	<u>168,652</u>	May 1997
Total	\$ <u>3,238,612</u>	

(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 (Regional Asset District) by Allegheny County. The Regional Asset District is a special purpose district whose primary purpose is to provide support and financing for regional community assets that were historically funded by the City, County or local municipalities. 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.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

The City has irrevocably allocated/pledged a portion of its future Regional Asset District revenues to the Urban Redevelopment Authority of Pittsburgh for the establishment of the Pittsburgh Development Fund (Pittsburgh Development Fund). As further discussed in note 10, the Pittsburgh Development Fund 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.

(21) 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.

During 1996, a suit was brought against the City seeking a refund of personal property tax collected because the tax that had been collected is alleged to be unconstitutional. The City cannot determine the outcome of this claim or related claims 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 Policeman's Relief and Pension fund is a co-defendant in a federal lawsuit involving the denial of pension benefits in violation of the American With Disabilities Act. At present, the management cannot determine the ultimate outcome of the litigation nor the potential liability in the event of an unfavorable outcome.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA
Notes to General Purpose Financial Statements, Continued

Consequently, no provision for losses has been recorded in the accompanying financial statements for the legal action discussed in the preceding paragraph.

(22) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City covers certain claim settlements and judgments within its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General and Capital Projects Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Provisions are recorded in the General and Capital Projects Fund for amounts payable from available spendable financial resources. Amounts not payable currently are reported in the general long-term debt account group; as noncurrent amounts mature, they are liquidated from General Fund resources.

Changes in the accrued claims and judgments liability during the years ended December 31, 1996 and 1995, were as follows:

	<u>1996</u>	<u>1995</u>
Accrued claims and judgments, January 1	\$ 11,485,000	8,151,500
Current year claims and changes in estimates	3,721,025	4,917,544
Claim payments	<u>(2,406,025)</u>	<u>(1,584,044)</u>
Accrued claims and judgments, December 31	\$ <u>12,800,000</u>	<u>11,485,000</u>

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

Also, the City is fully self-insured for purposes of workers' compensation benefits. These amounts were calculated by actuaries, based on industry standards and utilizing discount rates ranging between 5% and 6.3%. A self-insurance reserve is maintained, due to a legal requirement under self-insurance regulations of the State of Pennsylvania, in an expendable trust fund. However, no risk financing activity is recorded in this fund which can only be used by the State of Pennsylvania in the event of default by the City. All risk financing activity is recorded in the general fund or capital projects funds.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Changes in the accrued workers' compensation liability during the years ended December 31, 1996 and 1995, are as follows:

	<u>1996</u>	<u>1995</u>
Accrued workers' compensation, January 1	\$ 105,796,253	108,245,000
Current year claims and changes in estimates	12,724,683	17,195,915
Claim payments	<u>(18,640,936)</u>	<u>(19,644,662)</u>
Accrued workers' compensation, December 31	\$ <u>99,880,000</u>	<u>105,796,253</u>

(23) Sale of Pittsburgh Pirates

In February 1996, the Pittsburgh Pirates were sold to new owners. The sale had a financial impact on the City, the Stadium Authority, a discretely presented component unit of the City, and the Urban Redevelopment Authority of the City, which is a related organization. The following describes the impact of the sale on these entities, respectively.

City Impact

In 1986, the City disbursed \$20,000,000 to the URA, which is a related organization, 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 to the City 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.

The Urban Redevelopment Authority has amended and restated the original loan agreement with the new Pirate owners. The restatement contains repayment provisions based on numerous contingencies. Accordingly, due to restatement of repayment provisions, and the contingent and long-term nature of the loan repayment of the loan to the URA from the new team owners, no receivable is considered recognizable by the City.

The City has made a full faith and credit guarantee of the URA's \$8,245,000 Taxable Guaranteed Revenue Bonds, Series 1994B as part of the Pirates' sale financing arrangements, in addition to being solely responsible for the debt service on the bonds.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to General Purpose Financial Statements, Continued

Under the terms of agreements with the Stadium Authority dated July 1, 1965, December 1, 1985, and April 1, 1986, the City agreed to make annual grants to the Stadium Authority for the excess of the aggregate costs of operations and maintenance of the Stadium complex and debt service on the Stadium bonds over the funds available to the Stadium Authority for those purposes. The City is entitled to repayment of the amount of the annual grants from revenues of the Stadium Authority in subsequent years to the extent that revenues exceed expenditures for the operations and maintenance of the stadium complex and debt service on the stadium bonds (see Stadium Authority Impact below).

Stadium Authority Impact

As part of the financial incentive to retain the Pirates in Pittsburgh, the Stadium Authority made numerous lease concessions to the new owners. The Stadium Authority was able to make these concessions based upon receiving new revenues from the Allegheny Regional Asset District (the District).

On February 23, 1995, the Authority entered into a cooperation and support agreement (the Agreement) with the District. The District was created by the Commonwealth of Pennsylvania in July 1994 to distribute the revenue from a new 1% sales tax in Allegheny County, Pennsylvania. Under the agreement, the District agreed to provide grants to the Stadium Authority of at least \$10,000,000 annually for a period of ten years beginning with calendar year 1995. The grant amount is reviewed by the District each year based upon the Stadium Authority's planned expenditures and long-term operational goals and objectives.

The grant amount for calendar year 1996 was \$10,000,000. The District grant will replace financial support currently provided to the Authority by the City.

URA Impact

In February 1996, the URA, Pittsburgh Baseball, Inc. and Pittsburgh Baseball Partnership amended and restated their original Equity Participation Loan Agreement dated December 24, 1985 (the Loan Agreement) to assist in the purchase and retention of the Pittsburgh Pirates Major League Baseball Franchise within the City of Pittsburgh.

The Loan Agreement essentially substitutes the original loan amount of \$20,000,000 to the new owners subject to restated provisions and provides for additional loans from the URA and other financing sources not to exceed \$11,500,000. The additional loans are being made from the proceeds of the URA's \$8,245,000 Taxable Guaranteed Revenue Bonds, Series 1994B (see note 10(f)(4)) and funds from the Commonwealth of Pennsylvania.

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

Pension Trust Fund Revenues by Source*

Last Ten Fiscal Years
(In Thousands)

Fiscal year	Pension plan	Participant contribution	Employer contribution	Employer contribution as a percentage of covered payroll	State contribution	Investment income	Miscellaneous	Total
1987	Municipal	\$ 2,592	8,478	% 12.4	\$ 9,100	5,525	-	25,695
	Police	1,917	4,644	14.7	3,975	237	-	10,773
	Fire	<u>2,005</u>	<u>3,161</u>	11.4	<u>3,549</u>	<u>248</u>	<u>22</u>	<u>8,985</u>
	Total	\$ <u>6,514</u>	<u>16,283</u>	12.8	\$ <u>16,624</u>	<u>6,010</u>	<u>22</u>	<u>45,453</u>
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	-	14,769
	Fire	<u>2,080</u>	<u>3,508</u>	9.1	<u>6,042</u>	<u>300</u>	<u>6</u>	<u>11,936</u>
	Total	\$ <u>7,253</u>	<u>16,917</u>	12.5	\$ <u>28,170</u>	<u>2,912</u>	<u>28</u>	<u>55,280</u>
1989	Municipal	\$ 3,462	1,331	2.0	\$ 7,705	3,889	-	16,387
	Police	2,336	5,586	17.2	11,858	1,229	-	21,009
	Fire	<u>2,262</u>	<u>2,478</u>	9.3	<u>8,814</u>	<u>818</u>	<u>1</u>	<u>14,373</u>
	Total	\$ <u>8,060</u>	<u>9,395</u>	7.5	\$ <u>28,377</u>	<u>5,936</u>	<u>1</u>	<u>51,769</u>
1990	Municipal	\$ 3,382	1,482	2.1	\$ 4,461	2,548	-	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>	16.0	<u>6,777</u>	<u>638</u>	<u>1</u>	<u>11,638</u>
	Total	\$ <u>8,118</u>	<u>7,723</u>	5.7	\$ <u>20,272</u>	<u>4,192</u>	<u>5</u>	<u>40,310</u>
1991	Municipal	\$ 3,573	2,920	4.1	\$ 3,380	3,767	-	13,640
	Police	2,654	5,599	15.1	8,832	2,005	-	19,090
	Fire	<u>2,486</u>	<u>4,420</u>	13.9	<u>6,754</u>	<u>1,323</u>	<u>1</u>	<u>14,984</u>
	Total	\$ <u>8,713</u>	<u>12,939</u>	9.2	\$ <u>18,966</u>	<u>7,095</u>	<u>1</u>	<u>47,714</u>
1992	Municipal	\$ 3,297	2,894	6.2	\$ 3,200	3,506	-	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>	15.5	<u>6,408</u>	<u>1,615</u>	<u>2</u>	<u>14,820</u>
	Total	\$ <u>8,346</u>	<u>12,756</u>	8.9	\$ <u>18,018</u>	<u>7,522</u>	<u>8</u>	<u>46,650</u>
1993	Municipal	\$ 3,967	3,975	8.3	\$ 4,023	4,568	-	16,533
	Police	2,498	7,153	9.7	7,695	3,130	-	20,476
	Fire	<u>2,303</u>	<u>5,745</u>	18.9	<u>5,772</u>	<u>2,102</u>	<u>2</u>	<u>15,924</u>
	Total	\$ <u>8,768</u>	<u>16,873</u>	11.4	\$ <u>17,490</u>	<u>9,800</u>	<u>2</u>	<u>52,933</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Pension Trust Fund Revenues by Source*, Continued
(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>
1994	Municipal	\$ 3,371	4,136	% 6.0	\$ 3,877	1,957	-	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>	15.0	<u>5,563</u>	<u>1,158</u>	<u>1</u>	<u>15,477</u>
	Total	\$ <u>9,083</u>	<u>18,319</u>	12.0	\$ <u>16,856</u>	<u>4,948</u>	<u>2</u>	<u>49,208</u>
1995	Municipal	\$ 3,266	2,894	4.5	\$ 4,784	3,518	38	14,500
	Police	2,891	7,860	18.3	7,441	3,459	38	21,689
	Fire	<u>2,712</u>	<u>6,800</u>	16.7	<u>5,492</u>	<u>3,373</u>	<u>37</u>	<u>18,414</u>
	Total	\$ <u>8,869</u>	<u>17,554</u>	11.9	\$ <u>17,717</u>	<u>10,350</u>	<u>113</u>	<u>54,603</u>
1996	Municipal	\$ 3,042	39,997	62.1	\$ 4,205	8,110	1	55,355
	Police	2,938	10,774	24.8	6,840	4,149	17	24,718
	Fire	<u>2,878</u>	<u>8,436</u>	19.6	<u>4,457</u>	<u>5,041</u>	<u>2</u>	<u>20,814</u>
	Total	\$ <u>8,858</u>	<u>59,207</u>	39.1	\$ <u>15,502</u>	<u>17,300</u>	<u>20</u>	<u>100,887</u>

* Does not include amount 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>
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	\$ <u>30,871</u>	<u>379</u>	<u>331</u>	<u>31,581</u>
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	\$ <u>33,219</u>	<u>416</u>	<u>241</u>	<u>33,876</u>
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	\$ <u>35,860</u>	<u>748</u>	<u>294</u>	<u>36,902</u>
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	\$ <u>37,053</u>	<u>1,460</u>	<u>325</u>	<u>38,838</u>
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	\$ <u>39,160</u>	<u>1,633</u>	<u>375</u>	<u>41,168</u>
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	\$ <u>41,795</u>	<u>1,029</u>	<u>385</u>	<u>43,209</u>
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	\$ <u>42,609</u>	<u>788</u>	<u>409</u>	<u>43,806</u>
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	\$ <u>47,898</u>	<u>977</u>	<u>409</u>	<u>49,284</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Pension Trust Fund Expenses by Type*, Continued
(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>
1995	Municipal	\$ 18,680	332	156	19,168
	Police	23,901	345	153	24,399
	Fire	<u>12,452</u>	<u>249</u>	<u>149</u>	<u>12,850</u>
	Total	\$ <u>55,033</u>	<u>926</u>	<u>458</u>	<u>56,417</u>
1996	Municipal	\$ 19,248	345	191	19,784
	Police	25,019	334	252	25,605
	Fire	<u>12,855</u>	<u>262</u>	<u>274</u>	<u>13,391</u>
	Total	\$ <u>57,122</u>	<u>941</u>	<u>717</u>	<u>58,780</u>

* Does not include amounts from Retirees' Trust Fund.

CITY OF PITTSBURGH, PENNSYLVANIA

Analysis of Pension Funding Progress*

Last Ten Fiscal Years
(In Thousands)

Fiscal year	Pension plan	Net assets available for benefit	Pension benefit obligation	Percentage funded	Unfunded pension benefit obligation	Annual covered payroll	Unfunded pension benefit obligation as a percentage of annual covered payroll
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	\$ <u>48,791</u>	<u>453,065</u>	10.8	\$ <u>404,274</u>	<u>127,600</u>	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	\$ <u>62,663</u>	<u>469,366</u>	13.4	\$ <u>406,702</u>	<u>135,000</u>	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	\$ <u>67,360</u>	<u>492,339</u>	13.7	\$ <u>424,979</u>	<u>124,600</u>	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	\$ <u>82,227</u>	<u>492,546</u>	16.7	\$ <u>410,319</u>	<u>136,200</u>	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	\$ <u>83,698</u>	<u>516,738</u>	16.2	\$ <u>433,040</u>	<u>140,600</u>	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	\$ <u>90,245</u>	<u>528,219</u>	17.1	\$ <u>437,974</u>	<u>142,900</u>	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>	397.4
	Total	\$ <u>93,832</u>	<u>587,302</u>	16.0	\$ <u>493,470</u>	<u>148,071</u>	333.3

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Analysis of Pension Funding Progress*, Continued
(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>
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	\$ <u>103,027</u>	<u>575,495</u>	17.9	\$ <u>472,468</u>	<u>152,469</u>	309.9
1995	Municipal	\$ 35,034	170,984	20.5	\$ 136,948	63,810	214.6
	Police	34,386	254,561	13.5	219,723	43,065	510.2
	Fire	<u>33,531</u>	<u>181,029</u>	18.5	<u>146,952</u>	<u>40,652</u>	361.5
	Total	\$ <u>102,951</u>	<u>606,574</u>	17.0	\$ <u>503,623</u>	<u>147,527</u>	341.4
1996	Municipal	\$ 26,941	173,180	15.6	\$ 146,239	64,411	227.0
	Police	35,637	273,252	13.0	237,615	43,389	547.6
	Fire	<u>38,780</u>	<u>186,839</u>	20.8	<u>148,059</u>	<u>43,026</u>	344.1
	Total	\$ <u>101,358</u>	<u>633,271</u>	16.0	\$ <u>531,913</u>	<u>150,826</u>	352.7

* Does not include amounts from Retirees' Trust Fund.

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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 1993 to 1996 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 1997 adopted budget.

TABLE B-1
GENERAL FUND
SUMMARY OF OPERATIONS (CASH BASIS)
FISCAL YEARS 1993 THROUGH 1996 (ACTUAL) AND 1997 (BUDGETED)
(in thousands)

	1993	1994	1995	1996	Budget 1997
Revenues:					
Taxes, including penalty and interest	250,644	252,385	253,993	268,609	266,549
Interest earnings	1,927	2,139	3,360	4,270	3,500
Fines and forfeits	5,258	5,670	5,933	7,147	7,150
Licenses and fees	10,746	9,465	9,027	8,804	4,732
Water & Sewer Authority	43,916	37,713	13,860	14,208	13,030
Intergovernmental	5,792	6,584	5,132	7,326	12,505
Miscellaneous	1,834	2,471	1,268	1,345	669
Trust reimbursements	3,696	1,296	-	-	7,345
Total revenues	<u>323,813</u>	<u>317,723</u>	<u>292,573</u>	<u>311,781</u>	<u>315,480</u>
Expenditures:					
Current operating:					
General government	21,851	20,619	24,379	24,502	20,919
Public safety	110,475	110,653	101,872	101,805	102,262
Public works	44,837	41,124	31,805	32,172	28,989
Sanitation (a)	15,368	12,023	10,324	9,331	10,381
Water	18,171	15,814	3,403	-	-
Community, recreational and cultural	13,115	12,335	4,602	3,655	4,506
Employee benefits	46,169	57,996	77,500	78,016	75,911
Claims and judgments	1,105	347	1,009	2,406	2,500
Utilities	-	-	8,357	7,531	7,750
Miscellaneous	14,135	11,669	13,407	10,625	8,583
Debt service:					
Principal retirement	14,663	17,353	17,207	18,126	15,173
Interest	28,121	27,140	27,884	24,721	29,425
Stadium Authority subsidy	3,768	1,847	-	-	-
Urban Redevelopment Authority	-	-	1,266	1,211	1,215
Public Auditorium Authority subsidy	1,346	1,472	1,576	1,528	1,611
CIS Capital Lease Payment	-	-	-	-	1,080
Capital Plan	-	-	-	-	5,175
Total expenditures	<u>333,124</u>	<u>330,392</u>	<u>324,654</u>	<u>315,629</u>	<u>315,480</u>
Excess (deficiency) of revenues over (under) expenditures	(9,311)	(12,669)	(32,081)	(3,848)	-
Other financing sources (uses):					
Capital lease obligation proceeds	-	-	35,000	32,989	21,032
Pension bond proceeds	-	-	-	37,069	-
Pension benefit contribution and expenses ..	-	-	-	(37,069)	-
Net other financing sources	-	-	35,000	32,989	21,032
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(9,311)	(12,669)	2,919	29,141	21,032
Fund balances-budgetary basis, beginning of year	30,499	21,188	8,519	11,438	40,579
Fund balances-budgetary basis, end of year	<u>21,188</u>	<u>8,519</u>	<u>11,438</u>	<u>40,579</u>	<u>61,611</u>
Adjustment to generally accepted accounting principles (GAAP) basis (b):					
Cumulative difference between budgetary basis and GAAP basis beginning of year	(36,174)	(37,871)	(41,423)	(23,607)	-
Net effect of GAAP basis recognition of revenues	(10,850)	(378)	1,507	9,125	-
Net effect of GAAP basis recognition of expenditures	(2,220)	(3,251)	11,411	(2,585)	-
Net effect of GAAP basis recognition of other financing sources (uses)	5,973	77	4,898	174	-
Fund balances-GAAP basis, end of year	<u>(16,683)</u>	<u>(32,904)</u>	<u>(12,169)</u>	<u>23,686</u>	-

(a) Combined with Public Works in 1993.

(b) 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 1997 Budget

Table B-2 presents the balance sheets of the General Fund as of December 31, 1995 and 1996, 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, 1996 and 1995**

	1996	1995
Assets:		
Cash, and short term investments at cost		
which approximates market	\$54,331,612	\$16,743,267
Receivables		
Real estate taxes (net of allowance for uncollectible accounts of \$7,753,269 in 1996 and \$16,005,045 in 1995)	10,372,588	5,071,012
Sewage charges (net of allowance for uncollectible accounts of \$-0- in 1996 and \$7,705,908 in 1995)	0	1,467,792
Taxpayer-assessed taxes receivable	9,777,891	8,314,974
Other (net of allowance for uncollectible accounts of \$1,465,000 in 1996 and \$1,374,421 in 1995)	2,964,786	2,974,616
Receivable from PWSA	19,367,000	59,367,000
Prepaid expenditures and other assets	1,334,210	1,259,751
Accrued interest	235,636	53,326
Due from other governments	3,804,267	3,833,782
Due from other funds	5,388,046	5,981,653
Total assets	107,576,036	105,067,173
Liabilities:		
Accounts payable	8,549,097	11,087,009
Accrued liabilities	5,925,187	5,128,315
Due to other funds	52,045	200,000
Due to Water & Sewer Authority	151,000	127,146
Due to other governments	3,542,901	2,076,895
Accrued workers' compensation	16,647,000	15,898,253
Accrued compensated absences	13,717,000	14,146,935
Accrued claims and judgments	6,000,000	3,650,000
Deferred revenue, principally real estate taxes	9,938,786	5,554,172
Deferred lease payment	19,367,000	59,367,000
Total liabilities	83,890,016	117,235,725
Fund Balances:		
Reserved:		
Encumbrances	1,868,215	1,831,310
Prepaid expenditures	1,334,210	1,259,751
Unreserved:		
Undesignated	20,483,595	(15,259,613)
Total fund balance	23,686,020	(12,168,552)
Total liabilities and fund balance	\$107,576,036	\$105,067,173

Source: City of Pittsburgh's Comprehensive Annual Financial Reports

TABLE B-3
CITY OF PITTSBURGH
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND

For the Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Revenues:		
Taxes, including penalties and interest	\$269,212,641	\$253,527,745
Payment in lieu of taxes	3,582,814	4,981,469
Interest and dividends	4,458,800	3,730,304
Fines and forfeits	6,860,993	5,781,807
Licenses and fees	8,322,745	7,447,041
Intergovernmental revenues	6,279,794	4,740,489
Miscellaneous	1,012,563	2,002,325
Total revenues	<u>299,730,350</u>	<u>282,211,180</u>
Expenditures:		
Current operating:		
General government	22,892,693	21,414,639
Public safety	117,120,433	115,856,578
Public works	23,872,089	30,522,718
Sanitation	12,769,389	12,034,574
Community, recreation and cultural	3,826,927	3,308,480
Employee benefits	89,521,346	52,109,191
Claims and judgments	4,771,034	1,584,044
Miscellaneous	1,191,832	2,581,137
Debt Service:		
Principal retirement of capital leases	1,723,724	1,609,487
Interest on capital leases	128,004	242,869
Interest on short-term notes	-	459,583
Bond issuance costs	558,969	-
Public Auditorium Authority subsidy	1,609,233	1,576,046
Urban Redevelopment Authority subsidy	7,411,433	7,465,967
Total expenditures	<u>287,397,106</u>	<u>250,765,313</u>
Excess of revenues over expenditures	<u>12,333,244</u>	<u>31,445,867</u>
Other financing sources (uses):		
Operating transfer from discrete component unit	-	4,089,568
Operating transfer from capital project	-	176,463
Operating transfer from special revenue	839,842	300,000
Operating transfer to special revenue	(4,381,652)	(4,680,855)
Operating transfer to debt service	(48,384,027)	(50,144,023)
PWSA liability transfer, net	-	4,898,036
Operating transfer to trust & agency	(1,621,799)	(350,000)
Capital lease proceeds - PWSA	40,000,000	35,000,000
Pension bond proceeds	37,068,964	-
Total other financing sources (uses)	<u>23,521,328</u>	<u>(10,710,811)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	35,854,572	20,735,056
Fund balance at beginning of year	<u>(12,168,552)</u>	<u>(32,903,608)</u>
Fund balance at end of year	<u>23,686,020</u>	<u>\$ (12,168,552)</u>

Source: City of Pittsburgh's Comprehensive Annual Financial Reports

TABLE B-4
CITY OF PITTSBURGH
ASSESSED VALUE, TAX RATES, LEVY, AND COLLECTIONS
(Dollar Amounts in Thousands)
1987-1997

	Assessed Valuation of Land & Buildings		Building	Original Levy	Adjusted Net Levy ⁽¹⁾	Budget	Receipts	Percent of Adjusted Net Levy Collected		Delinquent Taxes Collected	Total Collections as a Percent of Adjusted Levy
	Land	Building						Net Levy	Collected		
1987	\$1,842,643	151.5 mills	27.0 mills	\$ 94,524	\$ 93,453	\$ 88,813	\$ 88,254	94.4%	94.4%	\$ 4,534	99.3%
1988	1,965,628	151.5 mills	27.0 mills	96,862	96,890	91,180	91,089	94.0	94.0	4,248	98.4
1989	1,978,453	151.5 mills	27.0 mills	99,033	98,262	94,000	91,447	93.1	93.1	4,501	97.6
1990	2,071,085	184.5 mills	32.0 mills	122,927	120,327	114,500	112,330	93.4	93.4	5,989	98.3
1991	2,085,143	184.5 mills	32.0 mills	125,345	119,606	114,500	111,267	93.0	93.0	5,281	97.4
1992	2,120,326	184.5 mills	32.0 mills	124,187	118,775	113,000	112,971	95.2	95.2	4,942	99.3
1993	2,055,751	184.5 mills	32.0 mills	121,026	117,662	113,200	112,390	95.5	95.5	4,932	99.7
1994	2,070,364	184.5 mills	32.0 mills	121,269	119,694	111,500	110,463	92.3	92.3	4,371	95.9
1995	2,047,583	184.5 mills	32.0 mills	121,976	117,959	112,177	110,166	93.4	93.4	4,733	97.4
1996	2,036,489	184.5 mills	32.0 mills	118,952	117,566	109,720	110,276	93.8	93.8	12,130	138.3
1997*	2,053,293	184.5 mills	32.0 mills	119,975	-	-	-	-	-	-	-

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.)
*Unaudited

Source: City of Pittsburgh - Department of Finance.

TABLE B-5
CITY OF PITTSBURGH
NON-REAL ESTATE TAX GROSS RECEIPTS
1987-1996 (ACTUAL) AND 1997 (BUDGETED)
1987-1990 (CASH BASIS) AND 1991-1996 (GAAP BASIS)
(AMOUNTS IN MILLIONS OF DOLLARS)

	<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>1995</u>	<u>1996</u>	<u>Budget 1997</u>
Earned Income ⁽¹⁾	\$58.685	\$63.660	\$54.067	\$40.113	\$36.675	\$37.337	\$37.151	\$ 39.675	\$34.793	\$39.146	\$38.893
Business Privilege ⁽²⁾	21.576	23.615	25.285	28.206	31.115	31.156	31.325	33.252	35.337	36.210	36.015
Parking ⁽³⁾	14.640	14.857	14.210	17.325	17.696	19.683	20.448	21.261	21.937	22.757	22.945
Amusement ⁽⁴⁾	5.663	7.656	7.564	8.982	10.987	11.052	11.085	8.692	5.789	6.415	5.478
Mercantile Tax ⁽⁵⁾	5.960	6.096	6.502	6.694	6.826	6.457	6.739	6.580	6.489	6.966	6.672
Occupation Privilege ⁽⁶⁾	2.885	3.007	3.072	3.196	3.346	3.097	3.090	3.289	3.145	2.890	3.128
Deed Transfer ⁽⁷⁾	5.309	6.173	6.272	5.857	4.716	5.280	5.932	5.756	7.281	6.711	6.226
Personal Property ⁽⁸⁾	2.285	2.151	2.340	2.627	2.737	3.125	3.737	4.079	0.008	-	-
Institution Service Privilege ⁽⁹⁾	<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>0.455</u>	<u>0.696</u>	<u>0.822</u>	<u>0.909</u>	<u>0.875</u>
Total	\$117.187	\$127.488	\$119.528	\$113.341	\$114.754	\$117.829	\$119.962	\$123.280	\$115.601	\$122.004	\$120.232

(1) 2.125% 1987-1988; 1.625% 1989; 1% 1990-1997

(2) 6 mills 1987-1997

(3) 25% 1987-1991, 26% 1992-1997

(4) 10% 1987-1994; 5% 1997

(5) 2 mills retail; 1 mill wholesale 1987-1997

(6) \$10 1987-1997

(7) 1.5% 1987-1997

(8) 4 mills 1987-1994; rescinded 1995

(9) 6 mills 1987-1997

Source: City of Pittsburgh - Department of Finance

TABLE B-6
CITY OF PITTSBURGH
HISTORY OF PENSION CONTRIBUTIONS 1992-1996
ESTIMATED 1997

<u>Source</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996(*)</u>	<u>1997</u>
City of Pittsburgh	\$12,756,269	\$16,873,000	\$18,319,336	\$17,766,632	\$58,918,939	\$21,503,731
Employees	8,345,837	8,767,862	9,082,451	8,876,910	8,857,952	8,220,983
State	<u>18,017,777</u>	<u>17,490,088</u>	<u>16,855,628</u>	<u>17,717,106</u>	<u>15,502,284</u>	<u>14,159,321</u>
Total	<u>\$39,119,883</u>	<u>\$43,130,950</u>	<u>\$44,257,415</u>	<u>\$44,360,648</u>	<u>\$83,279,175</u>	<u>\$35,663,052</u>

(*)1996 City contribution supplimented by \$36,500,000 from bond sale proceeds.

Source: City of Pittsburgh – Department of Finance

Table B-7 presents the planned future City pension contributions as projected for 1997 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
20 YEAR PROJECTION OF REQUIRED CONTRIBUTIONS

(As of October 15, 1997)

Year	Covered Payroll	Unfunded Liability	Normal Cost	Administrative Expenses	Amortization Payment	Member Contribution	MMO	Anticipated State Aid	Required City Contribution
1998	151,867,452	523,417,552	12,040,969	1,409,593	30,810,411	(8,795,467)	35,465,506	(14,159,321)	21,306,185
1999	159,793,713	535,710,266	12,695,300	1,483,390	31,185,404	(9,263,635)	36,100,459	(14,159,321)	21,941,138
2000	168,139,457	548,670,787	13,385,544	1,561,103	32,629,636	(9,757,030)	37,819,253	(14,159,321)	23,659,932
2001	176,927,175	561,194,752	14,113,688	1,642,944	34,426,803	(10,277,029)	39,906,406	(14,159,321)	25,747,085
2002	186,180,573	572,860,145	14,881,834	1,729,134	36,223,738	(10,825,081)	42,009,625	(14,159,321)	27,850,304
2003	195,924,645	583,592,093	15,692,194	1,819,906	37,729,126	(11,402,719)	43,838,507	(14,159,321)	29,679,186
2004	206,185,742	593,625,977	16,547,110	1,915,510	40,970,351	(12,011,552)	47,421,419	(14,159,321)	33,262,098
2005	216,991,646	601,012,993	17,449,051	2,016,204	43,956,758	(12,653,288)	50,768,725	(14,159,321)	36,609,404
2006	228,371,650	605,798,656	18,400,625	2,122,262	44,355,336	(13,329,722)	51,548,501	(14,159,321)	37,389,180
2007	240,356,639	610,569,611	19,404,586	2,233,975	46,883,108	(14,042,748)	54,478,921	(14,159,321)	40,319,600
2008	252,979,177	613,009,072	20,463,841	2,351,648	46,138,960	(14,794,370)	54,160,079	(14,159,321)	40,000,758
2009	266,273,603	616,471,247	21,581,461	2,475,601	49,197,738	(15,586,698)	57,668,102	(14,159,321)	43,508,781
2010	280,276,124	616,909,941	22,760,686	2,606,173	52,725,467	(16,421,958)	61,670,368	(14,159,321)	47,511,047
2011	295,024,920	613,550,615	24,004,942	2,743,725	55,816,030	(17,302,503)	65,262,194	(14,159,321)	51,102,873
2012	310,560,254	606,536,361	25,317,839	2,888,632	59,155,554	(18,230,811)	69,131,214	(14,159,321)	54,971,893
2013	326,924,582	595,276,628	26,703,196	3,041,292	61,560,307	(19,209,499)	72,095,296	(14,159,321)	57,935,975
2014	344,162,679	580,416,499	28,165,041	3,202,126	66,714,353	(20,241,333)	77,840,187	(14,159,321)	63,680,866
2015	362,321,764	558,651,084	29,707,630	3,371,575	68,582,596	(21,329,224)	80,332,577	(14,159,321)	66,173,256
2016	381,451,633	532,949,481	31,335,459	3,550,108	70,330,523	(22,476,250)	82,739,840	(14,159,321)	68,580,519
2017	401,604,807	503,098,117	33,053,271	3,738,217	73,143,744	(23,685,657)	86,249,575	(14,159,321)	72,090,254

State Aid assumed to remain constant.

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 is less than anticipated, the City will be mandated to increase its contribution to the Pension Fund.
Source: Mockenhaupt Associates

TABLE B-8
CITY OF PITTSBURGH
STATEMENT OF DIRECT AND OVERLAPPING DEBT*
As of October 1, 1997

GROSS BONDED DEBT ⁽¹⁾		\$567,524,960
Plus:		
Stadium Authority ⁽²⁾	\$42,747,295	
Auditorium Authority ⁽³⁾	18,267,500	
Redevelopment Authority ⁽⁴⁾	75,667,480	
		<u>136,682,275⁽⁵⁾</u>
GROSS DIRECT DEBT		\$704,207,235
Less: Moneys in Sinking Fund ⁽⁶⁾		<u>(\$2,489,449)</u>
Subtotal		<u>\$701,717,786</u>
Less: Self-Supporting Debt		
Auditorium Authority		(6,709,500)
Redevelopment Authority		<u>(1,945,490)</u>
NET DIRECT DEBT		\$693,062,796
Overlapping Debt		
School District ⁽⁷⁾	\$181,742,798	
County ⁽⁸⁾	161,387,562	
OVERALL NET DEBT		<u>\$1,036,193,156</u>
DEBT SUMMARY		
Assessed Valuation of Real Estate	\$2,047,441,177	
Market Valuation of Real Estate	\$8,189,764,708	
Population	369,879**	
Gross Bonded Debt	\$567,524,960	
Gross Direct Debt	\$704,207,235	
Net Direct Debt	\$693,062,796	
Overall Net Debt	\$1,036,193,156	

* Does not include the Bonds.

** U.S. Census Bureau, 1990

Source: City of Pittsburgh

- (1) Amount represents total principal debt of \$569,770,000 less unamortized discount on capital appreciation bonds of \$2,245,040.
- (2) As of October 1, 1997, the Stadium Authority has outstanding \$14,035,000 Guaranteed Stadium Bonds, Series 1993 and is responsible for the funding of the City's General Obligation Bonds, Series 1992A for \$26,001,195. 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 \$2,711,160 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 \$8,645,000 Auditorium Bonds, 1978 Series C, \$9,480,000 Auditorium Bonds, 1991 Series A, \$6,245,000 Auditorium Bonds, 1991 Series B, \$3,135,000 Auditorium Bonds, 1994 Series A, and \$9,030,000 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 October 1, 1997 totaled \$36,535,000 of which \$18,267,500 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 October 1, 1997, the Redevelopment Authority has outstanding \$1,945,490 Guaranteed Tax Increment Financing Bonds, Series 1994A, \$6,345,000 Taxable Guaranteed Revenue Bonds, Series 1994B, \$2,855,787 Redevelopment Bonds, Series 1995A, \$1,637,016 Redevelopment Bonds, Series 1995B, \$60,580,000 Special Taxable Redevelopment Bonds, Series 1995 and \$3,179,187 Taxable Redevelopment Bonds, Series 1996.
- (5) Does not include Pittsburgh Water & Sewer Authority (PWSA) debts of \$452,355,000. These are revenue bonds and are self-liquidating. Retroactive to January 1, 1995, a new cooperative agreement between the City and the PWSA went into effect. The City's role as agent for PWSA was terminated, whereupon the PWSA assumed direct responsibility for operating the System.
- (6) As of October 1, 1997, the City had a total cash balance of \$2,489,449. This balance represents funds for debt service payments to be made in 1998.
- (7) The School District is empowered to incur debt and levy unlimited ad valorem taxes on taxable real property within its boundaries to pay the debt service thereon. As of October 1, 1997 the Board had \$181,742,798 in debt outstanding.
- (8) As of October 1, 1997, 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 \$576,384,149. 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 \$161,387,562.

TABLE B-9
CITY OF PITTSBURGH GENERAL OBLIGATION DEBT SERVICE
OCTOBER 1, 1997
(In Thousands)

<u>Period Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Lease Payments</u>	<u>Total Debt Service and Lease Payments</u>
1997	14,474,045	27,999,189	42,473,234	2,791,756	45,264,990
1998	25,159,737	30,984,387	56,144,124		56,144,124
1999	26,377,939	29,963,221	56,341,160		56,341,160
2000	28,686,752	28,878,697	57,565,449		57,565,449
2001	28,907,934	28,593,396	57,501,330		57,501,330
2002	29,916,190	27,519,023	57,435,213		57,435,213
2003	31,043,374	26,356,451	57,399,825		57,399,825
2004	32,299,991	24,355,531	56,655,521		56,655,521
2005	34,563,839	22,065,667	56,629,506		56,629,506
2006	37,630,920	20,161,645	57,792,556		57,792,556
2007	39,680,104	18,125,483	57,805,586		57,805,586
2008	41,858,176	16,059,862	57,918,038		57,918,038
2009	43,976,908	13,920,632	57,897,540		57,897,540
2010	46,230,986	11,617,272	57,848,258		57,848,258
2011	47,935,000	7,357,831	55,292,831		55,292,831
2012	16,890,000	5,579,133	22,469,133		22,469,133
2013	15,330,000	4,647,840	19,977,840		19,977,840
2014	16,275,000	3,722,009	19,997,009		19,997,009
2015	8,965,000	2,738,834	11,703,834		11,703,834
2016	9,540,000	2,167,840	11,707,840		11,707,840
2017	6,500,000	1,560,015	8,060,015		8,060,015
2018	1,950,000	1,141,415	3,091,415		3,091,415
2019	2,095,000	998,793	3,093,793		3,093,793
2020	2,250,000	844,545	3,094,545		3,094,545
2021	2,415,000	678,938	3,093,938		3,093,938
2022	2,590,000	501,260	3,091,260		3,091,260
2023	2,780,000	310,625	3,090,625		3,090,625
2024	2,985,000	105,968	3,090,968		3,090,968
Total	599,306,894	358,955,497	958,262,392	2,791,756	961,054,148

Source: Grant Street Advisors

Note: This schedule excludes debt service on the Series 1992A Bonds, which is paid by the Stadium Authority of the 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.

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

Downtown continues to be the focus of the Murphy Administration's development strategy. Of note, the City has completed Liberty Avenue and the first phase of Fifth Avenue's renovation and construction for the new Lazarus Department Store, Blue Cross, a new operations center for PNC Bank and a new GNC headquarters are well underway. Additionally, as a reflection of downtown as the heart of the region, the City has proposed the construction of a new convention center with 340,000 sf of exhibit space to extend into the Cultural District and a new baseball stadium on the North Shore. Moreover, the Pittsburgh Downtown Partnership successfully created a business improvement district to promote downtown, hire a cleaning staff, and develop downtown ambassadors. Other targeted areas, such as riverfront, industrial site re-use, and neighborhood development have resulted in an increase in business and residential interest in the City, as well.

The following pages contain a summary of the major developments the City has commenced, continued or completed in 1996. They evidence the City's renewed competitiveness and downtown's continued symbol as the premier business address.

DOWNTOWN DEVELOPMENT

Development	Location	Summary	Total Cost	Status
Pittsburgh Downtown Partnership	Central Business District	Formation of an advocacy and marketing group in 1994 for downtown businesses, residents, students and institutions. A total of six jobs have been created.		Completed
Business Improvement District (BID)	Central Business District	Formation of a BID in September 1996 to increase the marketing, safety and cleanliness of downtown. A total of 15 jobs have been created.	\$ 1,075,000	Completed
Downtown Facades		Provision of matching funds for facade renovations to buildings in downtown Pittsburgh.		
<i>Tenants / Owners</i>		<i>Buildings</i>		
Clark Building		701-717 Liberty Avenue	\$491,500	Completed
The Oyster House		801-803 Liberty Avenue	\$390,000	Completed
Larsen & Ludwig Properties		806 Penn Avenue	\$123,200	Completed
The Harris Theater		809 Liberty Avenue	\$90,700	Completed
La Prima Espresso		811 Liberty Avenue	\$60,700	Completed
Regional Industrial Development Corporation		907 - 909, 915 - 921 Penn Avenue	\$ 934,400	Completed
General Nutrition Corporation	300 Sixth Avenue	Acquisition and renovation of 246,000-sq.-ft. office building for world headquarters of GNC. A total of 673 jobs are projected to be created or retained.	\$18,000,000	Completed
Lazarus Department Store	Fifth Avenue & Wood Street	Construction of a 250,000-sq.-ft. department Store. A total of 190 jobs are projected to be created.	\$60,000,000	Site development phase: Relocation, environmental remediation demolition and design under way. Completion date: November 1998
Georgeson & Co.	Manor Building	Relocation of financial outbound call center from New York City and lease of 10,000 sq. ft. A total of 100 jobs are projected to be created.	\$ 130,000	Completed
Daxus	Penn Avenue	Renovation of 30,000-sq.-ft. historic Penn Avenue office building for Daxus headquarters. A total of 70 jobs have been retained.	\$ 2,500,000	Under construction
Downtown Parking				
First Avenue Parking Plaza	First Avenue	Construction of a 500-space parking lot.	\$ 1,700,000	Completed
Fifth Avenue Garage	Fifth Avenue & Wood Street	Construction of a 490-space below grade garage under the new Lazarus Department Store.	\$22,000,000	Under construction Completion date: November 1998
Second Avenue Parking Plaza	Second Avenue	Construction of a 900-space parking lot.	\$ 900,000	Under construction Completion date: September 1997
Penn Liberty Garage	Liberty Avenue	Construction of a 900-space garage.	\$12,500,000	Design phase Completion date: December 1998
Parking Meters: Phase I	Central Business District	Installation of approximately 200 additional parking meters downtown.	\$60,000	Completed
Library Center	Fifth & Forbes Avenues	Re-use of the historic Bank Center as a 55,000-sq.-ft. Business Information Center operated by Point Park College and the Carnegie Library. A total of 55 jobs are projected to be created or retained.	\$ 8,500,000	Completed

Development	Location	Summary	Total Cost	Status
Penn Liberty Plaza	Liberty Avenue	Renovation of the 300,000-sq.-ft. former Buyer's Mart for back-office space.	\$ 15,700,000	Under construction Completion date: December 1998
Kvaerner Metals		Lease of 170,000 sq. ft. to accommodate Kvaerner Metals' corporate headquarters. A total of 900 jobs have been retained.		
People's Energy (Division of Consolidated Natural Gas)	Chatham Center	Establishment of a new retail sales business for utility products and support services. A total of 100 jobs are projected to be created.	NA	Completed
Senator John Heinz Regional History Center	Smallman Street	Re-use of the historic, 160,000-sq.-ft. Adelman Lumber Building as a seven-story, regional history center. A total of 80 jobs have been retained.	\$ 22,000,000	Completed
International Data Response Corp.	Chatham Center	Lease of 16,000 sq. ft. for telemarketing center. A total of 400 jobs are projected to be created.	\$350,000	Completed
Infrastructure Improvements				
Liberty Avenue Reconstruction	Liberty Avenue between Seventh & 10th Streets	Reconstruction of Liberty Avenue with signalization, lighting, granite curbs, new brick sidewalk, street trees, vault reconstruction and sewer and water lines.	\$ 6,300,000	Completed
Fifth Avenue Reconstruction: Phase 1	Fifth Avenue between Ross & Smithfield Streets	Reconstruction of Fifth Avenue with rustic terrazzo sidewalks, granite curbs and vault reconstruction.	\$ 5,000,000	Completed
Fifth Avenue Reconstruction: Phase 2	Fifth Avenue between Smith- field Street & Liberty Avenue	Reconstruction of Fifth Avenue with rustic terrazzo sidewalks, granite curbs and vault reconstruction.	\$ 6,000,000	Under construction
Wood Street Reconstruction: Phase 1 & 2	Wood Street between Fourth Avenue & Fort Pitt Boulevard	Reconstruction of Wood Street with rustic terrazzo sidewalks, granite curbs and vault reconstruction.	\$ 11,500,000	Pre-development Construction date: June 1997
Pittsburgh Trolley Tours	Central Business District	Purchase of trolleys for creation of a new tourist transportation business. A total of 13 jobs are projected to be created or retained.	\$249,000	Completed
Penn Avenue Place	Penn Avenue	Renovation of the former Home's Department Store Building into office space for Highmark Blue Cross Blue Shield and ground floor retail		
Highmark Blue Cross Blue Shield		Lease of 420,000 sq. ft. to accommodate several regional offices. A total of 1,467 jobs are projected to be created or retained.	\$ 57,000,000	Completed
Civic Light Opera		Lease of 17,000 sq. ft. for academy of dance and music for children. A total of 12 jobs are projected to be retained.	\$ 1,000,000	Completed
RIVERFRONT DEVELOPMENT				
ALCOA	North Shore	Construction of a 236,000-sq.-ft. world headquarters for ALCOA. A total of 500 jobs are projected to be created or retained.	\$ 47,000,000	Under construction Completion date: June 1998
Nets, Inc.	North Shore	Relocation of a company to a 40,000 -sq.-ft. headquarters in One North Shore Center. A total of 105 jobs have been created.	\$800,000	Completed
Lincoln at the North Shore	North Shore	Construction of 232 upscale apartments with adjoining garage.	\$ 22,000,000	Under construction Completion date: December 1997
North Shore Garage	North Shore	Construction of a 650-space parking garage with ground floor retail.	\$ 10,000,000	Pre-development Completion date: 1998

Development	Location	Summary	Total Cost	Status
Pedestrian Bridge (Three Rivers Stadium)	North Shore	Construction of a 1,200-foot walkway from Point State Park to Three Rivers Stadium.	\$2,900,000	Under construction Completion date: November 1997
Three Rivers Heritage Trail	North Shore	Construction of a 2.3 mile jogging and biking trail along the north shore of the Allegheny River.	\$1,000,000	Completed
600 Waterfront Drive				
Washington's Landing		Construction of a 30,000-sq.-ft. office building.	\$2,200,000	Completed
Silicon Graphics		Tenant improvements to 10,000 sq. ft. for the sales office of a supercomputer systems supplier. A total of 30 jobs are projected to be created.	\$400,000	Completed
800 Waterfront Drive	Washington's Landing	Construction of a 30,000-sq.-ft. office building.	\$2,500,000	Pre-development
Automated Health-care (Division of McKesson)	Washington's Landing	Construction of a 45,000-sq.-ft. building for company specializing in the manufacture of robotics for automated pharmaceutical dispensing. A total of 135 jobs are projected to be created.	\$3,700,000	Pre-development
Riverview Bike Trail	Central Business District / Oakland	Construction of 2.7 mile bikeway along the Monongahela River.	\$2,500,000	Design phase Completion date: October 1998
The Village at Washington's Landing: Phase 1, 2 & 3	Washington's Landing	Construction of 41 upscale, for-sale units as part of a 90-unit residential riverfront community and riverfront trail.	\$ 10,081,000	Under construction
Ft. Duquesne Riverfront Park	Central Business District	Construction of the lower riverfront park along the Allegheny River from Stanwix to Garrison Streets.	\$8,000,000	Pre-development

INDUSTRIAL SITE RE-USE DEVELOPMENT

Aristech Chemical Corporation	Pittsburgh Technology Center	Construction of 82,000-sq.-ft. office building for Aristech's Polypropylene Technical Center. A total of 270 jobs are projected to be created or retained.	\$ 16,000,000	Under construction Completion date: October 1997
2000 Technology Drive	Pittsburgh Technology Center	Construction of a 68,000-sq.-ft. office building for high-technology companies.	\$ 8,600,000	Completed
High Technology Consortium: Pittsburgh High Technology Council, Southwestern Pennsylvania Industrial Resource Center, Ben Franklin Technology Center, CEO Venture Fund, Enterprise Corp.		Lease of 25,500 sq. ft. for offices of high-technology support organizations. A total of 100 jobs have been retained.		Completed
Aerial Communications		Lease of 35,000 sq. ft. for sales and customer support office of a communications firm. A total of 125 jobs have been created.		Completed
Cutler-Hammer		Lease of 7,500 sq. ft. for sales office of a manufacturer of industrial control devices. A total of eight jobs have been created.		Completed
CMU/ NASA Robotics Engineering Consortium	Lawrenceville	Renovation of an 88,000-sq.-ft. abandoned industrial facility for a robotics research and development facility. A total of 80 jobs are projected to be created.	\$ 26,000,000	Completed
Lexington Technology Park	North Point Breeze	Acquisition and renovation of three industrial buildings totaling 400,000 sq. ft. with 600 parking spaces.	NA	Lease-up under way
Digital Tool		Renovation of 25,000 sq. ft. for expansion and relocation of computer tool design company. A total of 46 jobs are projected to be created or retained.	\$858,000	Completed

Development	Location	Summary	Total Cost	Status
GalvTech	Hays	Renovation of the 180,000-sq.-ft. former Hays Ammunition plant as a steel galvanizing facility. A total of 80 jobs have been created.	\$ 39,000,000	Completed
Roswell Park	Fairywood	Purchase and renovation of the 500,000-sq.-ft. former Lazarus Warehouse.	\$ 9,500,000	Completed
U.S. Post Office		Lease of 116,000 sq. ft. for a mail processing facility. A total of 200 jobs are projected to be created.		Pre-development
Lesco		Lease of 131,000 sq. ft. for fertilizer distributor. A total of 15 jobs have been created.		Completed
Levi's Only		Lease of 35,000 sq. ft. for a distribution facility. A total of 15 jobs are projected to be created.		Under construction
Federated Regional Logistics		Lease of 13,500 sq. ft. for a distribution facility.		Completed
Penn Interiors		Lease of 17,500 sq. ft. for warehouse.		Completed
Nine Mile Run	Squirrel Hill	Acquisition of 238 acres for residential and commercial development phase.	\$ 4,500,000	Site development Construction date: May 1998.
South Side Works	South Side	Acquisition of 130 acres for commercial, residential and retail use.	\$ 9,700,000	Rezoning under way Construction date: April 1997
University of Pittsburgh Medical Center		Construction of 80,000-sq.-ft. warehouse and distribution facility.	\$ 3,500,000	Design phase Construction date: May 1997

NEIGHBORHOOD DEVELOPMENT

Retail and Office

AUBA Triangle Shops	Hill District	Construction of a shopping center, which includes a bank, drug store, doctor's office and dry cleaner. A total of 35 jobs have been created or retained.	\$ 2,000,000	Completed
Williams Square	Hill District	Construction of a 15,000-sq.ft. office building. A total of 32 jobs are projected to be created or retained.	\$ 1,400,000	Completed
Lawrenceville Shopping Center	Lawrenceville	Construction of a shopping center, which will include a grocery store, drug store and retail shops. A total of 50 jobs are projected to be created.	\$ 5,396,200	Pre-development Construction date: May 1997
John J. Clark and Associates	East Liberty	Acquisition of a building for expansion of a marketing firm. A total of 25 jobs have been created or retained.	\$ 359,000	Completed

Manufacturing

Pittsburgh Tag Systems, Inc.	Allegheny West	Purchase of equipment for manufacturing process. A total of 106 jobs have been created or retained.	\$ 248,100	Completed
Colteryahn Dairy, Inc.	Carrick	Purchase of equipment for facility expansion. A total of 38 jobs are projected to be retained.	\$ 3,900,000	Under construction Completion date: July 1997
Little Earth Productions, Inc.	Bluff	Purchase of equipment to upgrade computer capacity. A total of 71 jobs have been created or retained.	\$ 100,000	Completed
Consumer's Produce Company, Inc.	Strip District	Construction of a 67,000-sq.-ft. produce distribution facility. A total of 80 jobs are projected to be retained.	\$ 6,600,000	Completed
Kerotest Manufacturing Corporation	Hazelwood	Construction of a 63,000-sq.-ft. facility for manufacturer of oil and gas valves. A total of 130 jobs have been retained.	\$ 7,200,000	Completed
Pittsburgh Brewing Company	Lawrenceville	Acquisition of Pittsburgh Brewing Company. A total of 275 jobs have been retained.	\$33,000,000	Completed

Development	Location	Summary	Total Cost	Status
Valspar Corporation	Manchester	Construction of a 40,000-sq.-ft. research and development facility for packaging coatings. A total of 208 jobs are projected to be created or retained.	\$ 7,600,000	Under construction Completion date: October 1997
Linett Company, Inc.	North Homewood	Acquisition of two buildings totaling 80,000 sq. ft. for expansion of a manufacturing facility. A total of 102 jobs are projected to be created or retained.	\$688,000	Completed
High Technology				
Digital Alchemy, Inc.	Troy Hill	Purchase of computer equipment. A total of 20 jobs are projected to be created or retained.	\$235,000	Completed
WiseWire, Inc.	Oakland	Purchase of computer equipment for new internet product. A total of 55 jobs have been created or retained.	\$245,000	Completed
Q-Chem, Inc.	Swisshelm Park	Purchase of new equipment for development of new chemical treatment process. A total of three jobs have been created or retained.	\$80,000	Completed
Mixed Use				
Federal North Redevelopment	Central North Side	Redevelopment of the Federal Street area into an Allegheny General Hospital research facility, offices, housing, performing arts space and retail.	\$45,000,000	Pre-construction phase: Acquisition, relocation, demolition under way.
Penn Avenue Retail	Friendship	Acquisition and renovation of buildings totaling 18,900 sq. ft. for office, retail and housing.	\$ 1,500,000	Completed
Dance Alloy		Lease of 8,200 sq. ft. for dance performance space. A total of 25 jobs have been retained.		Completed
Artist Housing		Re-use of 8,200 sq. ft. for artist housing.		Pre-development
Friendship Development Corporation		Lease of 2,500 sq. ft. and renovation of entire building for office use. A total of two jobs have been retained.		Completed
Restaurants and Entertainment				
Papa J's Mercato	Strip District	Renovation of a former warehouse into a food market and restaurant. A total of 150 jobs have been created.	\$ 1,500,000	Completed
Priory Grand Hall	East Allegheny	Renovation of St. Mary's German Catholic Church into a banquet hall. A total of 15 jobs have been created.	\$ 1,230,000	Completed
Buffalo Blues	Shadyside	Renovation of a building for a restaurant and blues bar. A total of 45 jobs have been created.	\$245,000	Completed
Housing				
Allequippa Terrace	Terrace Village	Construction and renovation of 188 for-sale and rental units for creation of mixed-income community. A total of 30 jobs are projected to be created.	\$23,980,000	Pre-development Construction date: May 1997
Western Restoration: Millions Manor	Hill District	Renovation of former hospital into 40 apartments for senior citizens and provision of a health clinic on site. A total of four jobs have been created or retained.	\$ 5,610,900	Completed
Crawford Square: Phase I & 2	Hill District	Construction of 30 for-sale housing units for and 74 rental units	\$12,300,000	Phase 2 - Completed Phase 3 - Pre-development
Elliott Heights	Elliott	Construction of 44 rental housing units for senior citizens.	\$ 3,167,200	Pre-development
Frankstown Court: Phase I	Homewood	Construction of six for-sale units.	\$ 868,000	Completed

Development	Location	Summary	Total Cost	Status
Lynn Williams Apartments	Brighton Heights	Construction of a four-story, 43-unit building for senior citizens.	\$ 3,065,300	Completed
Page Place	Manchester	Construction of a three-story, 21-unit structure to provide independent living for people with physical disabilities.	\$ 1,667,800	Under construction Completion date: August 1997
Negley Commons	East Liberty	Construction of a three-story, 25-unit facility for the physically disabled. A total of two jobs have been created.	\$ 1,820,000	Completed
Oakbrook Circle	Westwood	Construction of 55 for-sale, single-family, detached homes.	\$ 8,064,000	Site development phase Completion date: October 1997
Foxway Commons	South Shore	Construction of 26 for-sale riverfront homes.	\$3,700,000	Completed
New Birmingham	South Shore	Construction of 32 for-sale riverfront homes.	\$4,200,000	Under construction Completion date: August 1997
South Side Lofts	South Side	Construction of 14 residential lofts.	\$1,195,400	Completed
Greenfield Terrace Apartments	Greenfield	Construction of 40 units for senior citizens.	\$2,793,400	Completed
Women's Center & Shelter		Acquisition and renovation of a building for relocation of women's center. A total of 49 jobs have been created or retained.	\$4,000,000	Completed
Manchester Housing: Phase I	Manchester	Construction of 11 for-sale homes and 20 rental units.	\$5,122,200	Under construction Completion date: December 1997
Penn Avenue Town Homes	Lawrenceville	Construction of 12 for-sale homes	\$1,281,800	Under construction Completion date: December 1997
Kelly-Hamilton Scattered Sites	Homewood	Renovation of 23 rental units.	\$443,700	Under construction Completion date: June 1997
Garfield Scattered Sites	Garfield	Renovation of 18 homes.	\$1,820,000	Under construction Completion date: December 1997
Harriet Tubman Terrace	East Liberty	Renovation of 56 units for senior citizens.	\$400,500	Completed
Towne Place	Hill District	Construction of 15 units for the disabled.	\$1,372,600	Completed
5635 Stanton Avenue	Stanton Heights	Renovation of 11 units.	\$1,419,100	Completed
Voskamp Villa/ Village	Spring Garden	Construction of 19 single-family, for-sale town homes.	\$2,323,000	Villa Completed Village - Completion date: October 1997
Housing consumer loans	Citywide	Mortgages to first-time home-buyers and home improvement loans to existing homeowners.	\$ 69,454,700	
Additional neighborhood housing, commercial and street face programs	Citywide	Financing assistance to owners and developers of residential and commercial properties.	\$ 73,001,100	

Building Activity

According to the City's Bureau of Building Inspection, total construction value within the City in 1996 was \$250.3 million.

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 1987 to 1996:

**TABLE C-1
CITY OF PITTSBURGH
NUMBER AND VALUE OF BUILDING PERMITS, 1987-1996**

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Dollar Value (In thousands)</u>
1987	3,253	154,214
1988	3,281	213,563
1989	3,233	338,506
1990	3,099	140,748
1991	3,500	146,969
1992	3,368	213,314
1993	3,363	212,451
1994	3,148	201,982
1995	3,019	158,575
1996	2,793	250,315

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 PITTSBURGH-AREA PUBLIC COMPANIES
(RANKED BY 1996 REVENUE)

	<u>1996 Revenue</u>
USX Corporation	\$23.8 billion
ALCOA	\$13.1 billion
H.J. Heinz Co.	\$9.4 billion
Westinghouse Electric Corporation	\$8.5 billion
PPG Industries Inc.	\$7.2 billion
Allegheny Teledyne Inc.	\$3.8 billion
Consolidated Natural Gas Co.	\$3.8 billion
Equitable Resources Inc.	\$1.9 billion
Armco Inc.	\$1.6 billion
DQE Inc.	\$1.2 billion
Kennametal Inc.	\$1.1 billion
General Nutrition Cos. Inc.	\$991 million
J&L Specialty Steel Inc.	\$628 million
Mine Safety Appliance Cos.	\$501 million
Interstate Hotels Co.	\$478 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 1986 to 310,000 in 1996.

TABLE C-3
CITY OF PITTSBURGH
TOTAL NUMBER OF JOBS IN THE CITY
1986-1996

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
1995	311,101
1996	310,000

Source: City of Pittsburgh Tax Files.

TABLE C-4
RESIDENT CIVILIAN LABOR FORCE DATA
CITY, PMSA/MSA, COMMONWEALTH, U.S.
1992-1996

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Labor Force					
City of Pittsburgh	176,800	167,900	166,100	162,600	163,700
Pittsburgh PMSA/MSA ⁽¹⁾	1,032,700	1,151,900	1,137,000	1,134,600	1,146,800
Pennsylvania	6,004,000	5,885,000	5,829,000	5,838,000	5,903,000
U.S.	127,000,000	128,040,000	131,056,000	132,304,000	132,450,000
Employment					
City of Pittsburgh	165,100	156,600	155,600	152,700	155,100
Pittsburgh PMSA/MSA ⁽¹⁾	962,600	1,072,800	1,066,000	1,067,300	1,089,500
Pennsylvania	5,554,000	5,472,000	5,468,000	5,495,000	5,590,000
U.S.	117,600,000	119,306,000	123,060,000	124,900,000	124,900,000
Unemployed					
City of Pittsburgh	11,600	11,300	10,500	9,900	8,700
Pittsburgh PMSA/MSA ⁽¹⁾	70,100	79,100	71,000	67,300	57,300
Pennsylvania	450,000	413,000	361,000	343,000	313,000
U.S.	9,400,000	8,734,000	7,996,000	7,404,000	7,404,000
Unemployment Rate (%)					
City of Pittsburgh	6.6%	6.7%	6.3%	6.1%	5.3%
Pittsburgh PMSA/MSA ⁽¹⁾	6.8%	6.9%	6.2%	5.9%	5.0%
Pennsylvania	7.5%	7.0%	6.2%	5.9%	5.3%
U.S.	7.4%	6.8%	6.1%	5.6%	5.6%

(1) The figures for 1992 reflects the Pittsburgh PMSA, which includes the counties of Allegheny, Fayette, Washington and Westmoreland. The figures for the years 1993-1996 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 major banking centers in the nation. Major banks which are headquartered in the City include PNC Bank and Mellon Bank.

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</u> <u>as of Dec. 31, 1996</u>
PNC Bank, N.A.	\$57,285,000,000
Mellon Bank, N.A.	36,827,000,000
National City Bank of Pennsylvania	13,289,468,000
Dollar Bank Federal Savings Bank	2,535,467,000
Fidelity Savings Bank	327,900,000
Northside Bank	304,801,854
Peoples Bank of Unity	291,174,000
West View Savings Bank	267,978,000

Source: Pittsburgh Business Times

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 1996 UNDERGRADUATE FULL-TIME ENROLLMENT)

	<u>Undergraduate Enrollment</u>	
	<u>full-time</u>	<u>part-time</u>
University of Pittsburgh	17,824	4,402
Indiana University of Pennsylvania	11,904	1,176
Community College of Allegheny County (all four campuses)	7,008	10,002
Slippery Rock University	5,600	720
Clarion University of Pennsylvania	4,860	550
Duquesne University	4,827	924
Carnegie Mellon University	4,737	84
California University of Pennsylvania	4,202	639
Westmoreland County Community College	2,790	3,455
University of Pittsburgh at Johnstown	2,600	300

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 tri-state region of western Pennsylvania, eastern Ohio and northern West Virginia and is located in the County, approximately 17 miles west of the City of Pittsburgh on the Southern Expressway. The primary airport service region is considered to be Allegheny County, Armstrong County, Beaver County, Butler County, Washington County and Westmoreland County.

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 parking spaces and rental car facilities. The X-shaped airside terminal allows connecting passengers access to all 75 jet gates without changing levels or terminals.

PIA was one of the first airports in the country to adopt a shopping mall-type approach for its various retail activities. In general, the airport attempts to provide the atmosphere and selection of a shopping mall, including various brand-name outlets, while maintaining "street" pricing. As of May 1997, there were 60 operators in 99 locations in the Midfield Terminal, including 35 food and beverage locations, 37 retail locations, 16 news and gift locations, and 11 services operators.

The trend in passenger volume at PIA from 1987 through 1996 is set forth in Table C-7 below.

**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>
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%
1995	20,012,251	2.7%
1996	20,533,660	2.6%

Source: Allegheny County Department of Aviation.

PIA is currently served by the scheduled passenger flights of seven major airlines, nine commuter airlines and one foreign flag airline. PIA is also served by seven all-cargo carriers and by various charter airlines. The airlines serving PIA, other than the charter airlines, are listed below.

Scheduled Domestic Airlines

American Airlines
Continental Airlines
Delta Airlines
Northwest Airlines
Trans World Airlines
United Airlines
US Airways

Commuter/Regional Airlines

US Airways Express
Allegheny Airlines
Chautauqua Airlines
Liberty Express
Piedmont Airlines
PSA Airlines
American Eagle
Comair (Delta Connection)
Continental Express
Mesaba Airlines (Northwest Airlines)
Spirit Airlines
TW Express
United Express

Foreign Flag Airlines

British Airways

Cargo Carriers

Airborne Express
Emery Worldwide
Federal Express
Kitty Hawk
Superior Aviation
United Parcel Service
United States Postal Service

The Allegheny County Airport, located approximately nine miles southeast of downtown Pittsburgh, serves as the FAA designated reliever airport for PIA. A number of private aircraft, including corporate jets, are based at the Allegheny County Airport. There is no scheduled commercial air service at the Allegheny County Airport.

Source: Pittsburgh Business Times.

Water Transportation

The Port of Pittsburgh marks the origin of the 9,000-mile inland waterway system which reaches markets in 24 states as far south as New Orleans and as far west as Sioux City. With its three major waterways, the Allegheny, Monongahela and Ohio Rivers, the Port of Pittsburgh is the largest inland port in the United States, moving more than 50 million tons of waterborne cargo each year.

Providing efficient, reliable service, Pittsburgh is the origin or destination of more tons of raw materials than any other inland port in the world. Over 24 for-hire terminals exist within the Port of Pittsburgh specializing in the handling of bulk, break-bulk and project cargo. The port complex is served by Conrail, CSX and the Norfolk Southern railroads, and a number of shortline and switching railroads.

Pittsburgh's southwestern Pennsylvania location is key to interstate shipping. Easily accessible, Pittsburgh is an overnight truck delivery away from half the nation's markets.

Rail Service

Ten percent of the total rail freight in the nation travels through southwestern Pennsylvania. Two Class I railroads, CSX and Conrail, both operate major lines in the region. Rail services are available to markets throughout the United States, Canada, and Mexico via the strategic relationships that have been forged between railroad companies. Services within the southwestern Pennsylvania region are strategic in providing direct links to all other forms of transportation.

Motor Carrier Service

The diverse transportation needs of southwestern Pennsylvania are continually met by the variety of configurations provided by the region's motor carriers.

Over 500 carriers service the region, transporting both common commodities as well as those that utilize trucks with highly specific functions.

Mass Transit

The Port Authority of Allegheny County (PAT) is the regional transit agency serving the metropolitan area of the City of Pittsburgh, Pennsylvania, is one of the largest public transit operators in the United States and provides public transportation services to nearly 245,000 riders daily and more than 72 million riders annually.

The Pittsburgh area has a strong history of transit use, and the ridership and scale of PAT's operations exceeds those of transit systems with service areas of comparable size and population. PAT has a large bus and light-rail fleet and maintains a modern system of exclusive bus roadways. PAT also provides ACCESS, a coordinated, shared-ride paratransit system offering door-to-door, advanced reservation transportation for elderly and handicapped persons.

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. However, recent legislation provided for the deregulation of some aspects of the electric utility business. Also, DQE Inc. and Allegheny Power have announced a proposed merger.

Natural Gas

The City's suppliers of natural gas are the Equitable Gas Company, People's Natural Gas Company, and Columbia Gas of Pennsylvania. All three are investor-owned utilities whose service areas cover large portions of Pennsylvania and neighboring states.

Water and Sewer

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

Sewage treatment service is provided by ALCOSAN. Its service area includes the City, 82 neighboring municipalities in the County and parts of communities in Washington and Westmoreland Counties. ALCOSAN serves an area of 225 square miles with a population of about 1,015,000.

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

	City of Pittsburgh		Allegheny County ⁽¹⁾		Pittsburgh PMSA ⁽²⁾	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
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>
Total Housing Units:				
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
Percent Owner-Occupied:				
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%
Median Value of Owner-Occupied Housing:				
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
Number of Persons per Housing Unit:				
City of Pittsburgh	3.1	2.8	2.4	2.5
Total County Housing Units:				
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
1984 TO 1996
(MARKET TRANSACTIONS)

<u>Year</u>	<u>Average</u>
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
1995	105,515
1996	106,785

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

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%

APPENDIX D

CITY OF PITTSBURGH

Form of Opinion of Bond Counsel

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ECKERT SEAMANS CHERIN & MELLOTT, LLC

ATTORNEYS AT LAW

December __, 1997

600 Grant Street 42nd Floor
Pittsburgh, PA 15219
Telephone 412/566-6000
Facsimile 412/566-6099

\$70,150,000
CITY OF PITTSBURGH
GENERAL OBLIGATION BONDS
\$20,295,000 Series A of 1997
\$29,735,000 Series B of 1997
\$20,120,000 Series C of 1997

To the Purchasers of the
Above-Described Bonds:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Pittsburgh, Pennsylvania (the "City") of \$20,295,000, aggregate principal amount, General Obligation Bonds, Series A of 1997, \$29,735,000, aggregate principal amount, General Obligation Bonds, Series B of 1997 and \$20,120,000, aggregate principal amount, General Obligation Bonds, Series C of 1997 (collectively, the "Bonds"). The Bonds have been issued pursuant to a resolution (the "Resolution") adopted by the City on November 19, 1997, and the proceeds of the Bonds will be applied to finance a project consisting of the funding of (i) certain projects included in the City's Capital Improvement Program, (ii) certain capitalized interest on the Bonds, and (iii) the costs of issuance of the Bonds.

As Bond Counsel, we have examined, among other things, originals or certified copies of the approval of the City's incurrence of nonelectoral debt by the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the "Commonwealth"), 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.

We have not been engaged to nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated November 19, 1997 (the "Official Statement"), or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the proceedings relating to the issuance of the

Pittsburgh

Harrisburg

Allentown

Philadelphia

Boston

Fort Lauderdale

Boca Raton

Miami

Tallahassee

Washington, D.C.

December __, 1997

*To the Purchasers of the
Above-Described Bonds
Page 2*

Bonds and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have also reviewed the Opinion of the Solicitor to the City as to certain matters relating to the City.

Based on such examination and the certifications and representations of fact contained in the proceedings relating to the issuance of the Bonds, which we have not verified independently, 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 enforceable in accordance with their terms.
2. All taxable real property in the territory of the City is subject to ad valorem taxation without limitation as to rate or amount to pay debt service on the Bonds. The City has effectively 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 debt service on the Bonds at the dates and places and in the manner stated in the Bonds.
3. Assuming continuous compliance with the covenants necessary to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds (including for purposes of this paragraph any original issue discount properly allocable a holder and treated as interest) is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference within the meaning of Section 57 of the Code; however, it should be noted, with respect to corporations (as defined for federal income tax purposes), that such interest must be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on corporations. Failure of the City to comply with the covenants necessary to comply with provisions of the Code may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
4. The Bonds are exempt from personal property taxes in Pennsylvania; the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from

ECKERT SEAMANS CHERIN & MELLOTT, LLC

ATTORNEYS AT LAW

December __, 1997

*To the Purchasers of the
Above-Described Bonds
Page 3*

Pennsylvania state and local personal income tax under present statutory and case law.

5. Under the Probate, Estates and Fiduciaries Code of Pennsylvania, the Bonds are authorized investments for fiduciaries and personal representatives, as defined in said code, in Pennsylvania.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or 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,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

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APPENDIX E

CITY OF PITTSBURGH

Specimen Municipal Bond Insurance Policy

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Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mitflin Street, Madison, Wisconsin 53705
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of 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.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

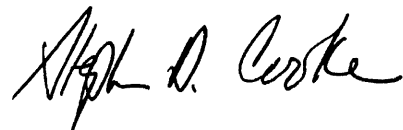
As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer

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APPENDIX F

CITY OF PITTSBURGH

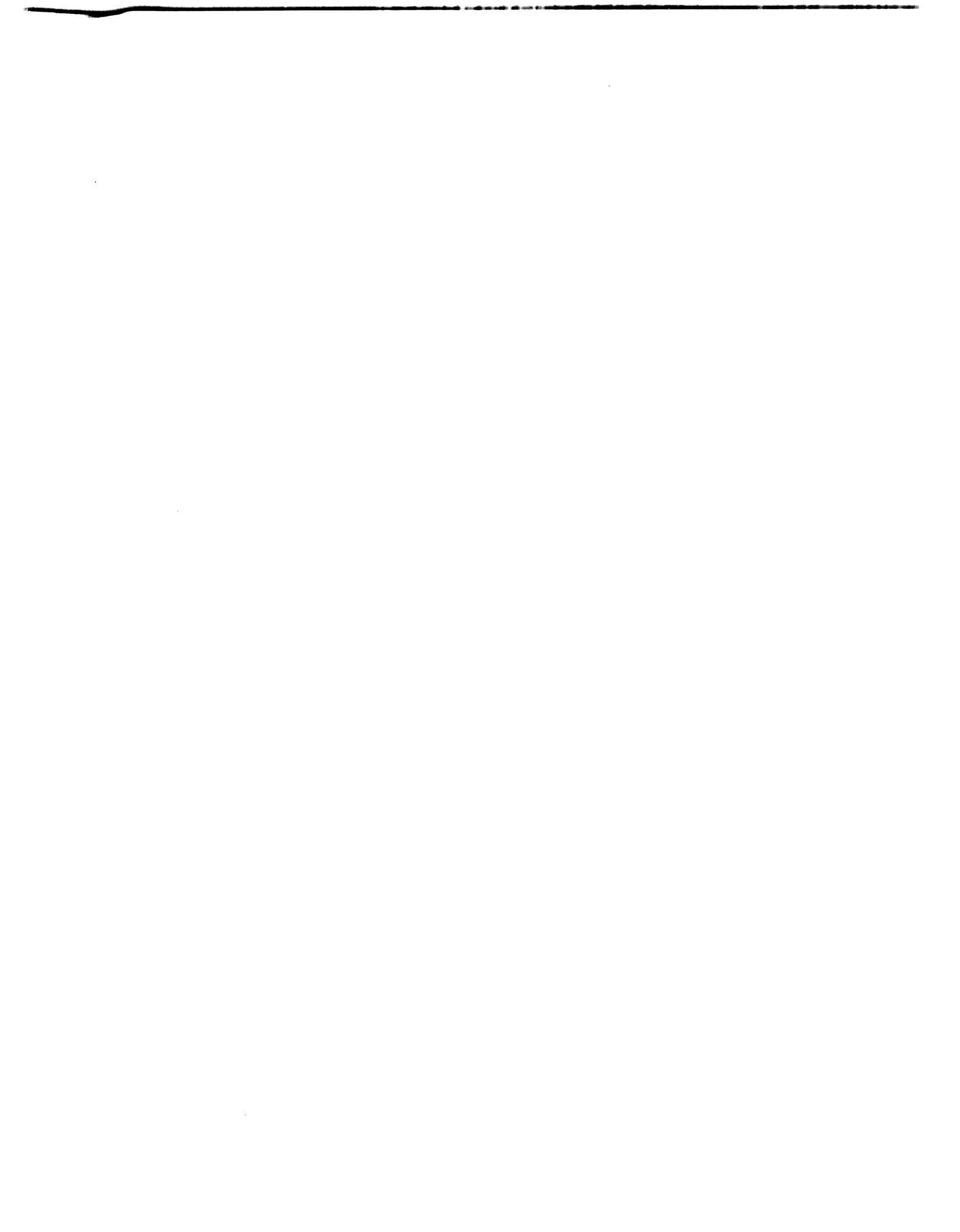
Debt Service Schedule

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DEBT SERVICE SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Semiannual Debt Service</u>	<u>Annual Debt Service</u>
12/23/97					
3/1/98					
9/1/98			2,668,030.31	2,668,030.31	2,668,030.31
3/1/99			1,778,686.88	1,778,686.88	
9/1/99	2,155,000	4.500%	1,778,686.88	3,933,686.88	5,712,373.75
3/1/00			1,730,199.38	1,730,199.38	
9/1/00	2,250,000	5.000%	1,730,199.38	3,980,199.38	5,710,398.75
3/1/01			1,673,949.38	1,673,949.38	
9/1/01	2,355,000	4.250%	1,673,949.38	4,028,949.38	5,702,898.75
3/1/02			1,623,905.63	1,623,905.63	
9/1/02	2,455,000	5.000%	1,623,905.63	4,078,905.63	5,702,811.25
3/1/03			1,562,530.63	1,562,530.63	
9/1/03	2,580,000	4.750%	1,562,530.63	4,142,530.63	5,705,061.25
3/1/04			1,501,255.63	1,501,255.63	
9/1/04	2,700,000	4.750%	1,501,255.63	4,201,255.63	5,702,511.25
3/1/05			1,437,130.63	1,437,130.63	
9/1/05	2,830,000	5.000%	1,437,130.63	4,267,130.63	5,704,261.25
3/1/06			1,366,380.63	1,366,380.63	
9/1/06	2,970,000	5.000%	1,366,380.63	4,336,380.63	5,702,761.25
3/1/07			1,292,130.63	1,292,130.63	
9/1/07	3,120,000	4.600%	1,292,130.63	4,412,130.63	5,704,261.25
3/1/08			1,220,370.63	1,220,370.63	
9/1/08	3,265,000	4.900%	1,220,370.63	4,485,370.63	5,705,741.25
3/1/09			1,140,378.13	1,140,378.13	
9/1/09	3,425,000	5.000%	1,140,378.13	4,565,378.13	5,705,756.25
3/1/10			1,054,753.13	1,054,753.13	
9/1/10	3,595,000	5.000%	1,054,753.13	4,649,753.13	5,704,506.25
3/1/11			964,878.13	964,878.13	
9/1/11	3,775,000	5.000%	964,878.13	4,739,878.13	5,704,756.25
3/1/12			870,503.13	870,503.13	
9/1/12	3,965,000	5.500%	870,503.13	4,835,503.13	5,706,006.25
3/1/13			761,465.63	761,465.63	
9/1/13	4,180,000	5.500%	761,465.63	4,941,465.63	5,702,931.25
3/1/14			646,515.63	646,515.63	
9/1/14	4,410,000	5.500%	646,515.63	5,056,515.63	5,703,031.25
3/1/15			525,240.63	525,240.63	
9/1/15	4,655,000	5.125%	525,240.63	5,180,240.63	5,705,481.25
3/1/16			405,956.25	405,956.25	
9/1/16	4,895,000	5.250%	405,956.25	5,300,956.25	5,706,912.50
3/1/17			277,462.50	277,462.50	
9/1/17	5,150,000	5.250%	277,462.50	5,427,462.50	5,704,925.00
3/1/18			142,275.00	142,275.00	
9/1/18	5,420,000	5.250%	142,275.00	5,562,275.00	5,704,550.00
Total	70,150,000		46,619,966.56	116,769,966.56	116,769,966.56

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91
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DO NOT STAPLE THIS FORM

FORM G-36(OS) - FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) City of Pittsburgh Pa

(2) _____

2. DESCRIPTION OF ISSUE(S): (1) GO Bonds Series 1997 (Full Faith & Credit)

(2) _____

3. STATE(S) Pa

4. DATED DATE(S): (1) 12-1-97 (2) _____

5. DATE OF FINAL MATURITY OF OFFERING 9-1-18 6. DATE OF SALE 11-19-97

7. PAR VALUE OF OFFERING \$ 70150m

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) \$ 2355m (9-1-01)

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? Yes No

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 or 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 or 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 (d)(1) of that rule. Section (d)(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 are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

11. MANAGING UNDERWRITER PNC Capital Markets



93

83207

DO NOT STAPLE THIS FORM

FORM G-36(OS) - FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) City of Pittsburg (Commonwealth of Pennsylvania)
(2) General Obligation Bonds Series 1997.

2. DESCRIPTION OF ISSUE(S): (1) Same AS above
(2) _____

3. STATE(S) Pennsylvania

4. DATED DATE(S): (1) 12/1/97 (2) _____

5. DATE OF FINAL MATURITY OF OFFERING 9/1/18 6. DATE OF SALE 11/18/97

7. PAR VALUE OF OFFERING \$ 70,150 M

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) \$ 15,225 M

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? Yes No

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 or 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 or 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 are 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 FOR 15,225M William E. Simon Municipal
Sec. Inc.

94

16. MATURITY DATE

CUSIP NUMBER

MATURITY DATE

CUSIP NUMBER

9/1/15

7252086U1

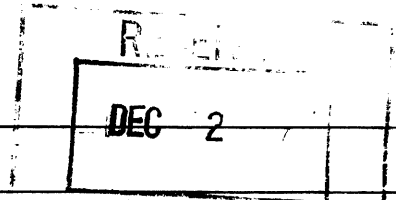
9/1/18

7252086X5

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 two copies of the official statement to MSRB, MSIL System, 1640 King Street, Suite 300, Alexandria, VA 22314. Incomplete submissions will be returned for correction.