Competitive Bid New Issue*

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

$126,585,000
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
General Obligation Bonds
Series A of 2002

Dated: December 15, 2001 **Due: September 1, as shown on inside front cover**

Maturity Dates and Prices — See Inside Front Cover

Bond Ratings	Insured: "AAA" Fitch, Inc. "Aaa" Moody's Investors Service "AAA" Standard & Poor's See **"BOND RATINGS"** herein.	Underlying: "A-" Fitch, Inc "A3" Moody's Investors Service "A-" Standard & Poor's

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

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

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

Bond Insurance Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

Purpose Proceeds from the issuance of the Bonds will be used (1) to advance refund a portion of the City's outstanding General Obligation Bonds, Series A of 1994, Series A, B and C of 1997, and Series A of 1999, (2) to fund the costs of various capital projects in City neighborhoods, and projects associated with major development, housing, infrastructure, transportation and parks projects, (3) to capitalize a portion of the interest on the Bonds, and (4) to pay the costs and expenses incurred in the issuance of the Bonds. See "**THE BONDS**– Purpose of the Issue" and "The Refunding Project" herein.

Interest Payment Dates	March 1 and September 1
First Interest Payment Date	September 1, 2002
Denominations	$5,000 and integral multiples thereof
Book-Entry-Only Form	The Depository Trust Company
Delivery	On or about January 17, 2002 in New York, New York
Bond Counsel	Klett Rooney Lieber & Schorling, a Professional Corporation, and Burns, White & Hickton, LLC, Pittsburgh, Pennsylvania
Disclosure Counsel	Kirkpatrick & Lockhart LLP, Pittsburgh, Pennsylvania
Paying Agent	J. P. Morgan Trust Company, National Association
Escrow Counsel	Ronald A. White, P.C., Philadelphia, Pennsylvania
Financial Advisor	PNC Capital Markets, Inc., Pittsburgh, Pennsylvania
Underwriter	Merrill Lynch & Co.

This Official Statement is dated December 12, 2001.

*Private Sale upon Invitation for purposes of the Pennsylvania Local Government Unit Debt Act.

MATURITY SCHEDULE

CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)

$126,585,000
General Obligation Bonds
Series A of 2002

Maturity (September 1)	Principal Amount	Coupon	Yield
2003	$ 5,000.00	4.000%	2.530%
2004	1,545,000.00	4.000	3.030
2005	1,610,000.00	4.000	3.400
2006	1,925,000.00	4.000	3.700
2007	2,000,000.00	4.000	4.000
2008	1,980,000.00	4.500	4.200
2009	2,105,000.00	5.000	4.330
2010	2,275,000.00	5.000	4.430
2011	2,415,000.00	5.000	4.530
2012	10,500,000.00	5.000	4.650
2013	11,015,000.00	5.500	4.760
2014	11,545,000.00	5.500	4.860
2015	14,140,000.00	5.500	4.960
2016	14,570,000.00	5.500	5.090
2017	15,205,000.00	5.500	5.170
2018	3,495,000.00	5.125	5.200
2019	3,145,000.00	5.125	5.250
2020	3,310,000.00	5.125	5.290
2021	3,480,000.00	5.200	5.310
2022	3,660,000.00	5.250	5.330
2023	3,850,000.00	5.250	5.350
2024	4,055,000.00	5.250	5.360
2025	4,265,000.00	5.250	5.370
2026	4,490,000.00	5.250	5.380

CITY OF PITTSBURGH, PENNSYLVANIA

MAYOR
Tom Murphy

MEMBERS OF CITY COUNCIL

Bob O'Connor, President

Barbara Burns	Valerie McDonald
Dan Cohen	James Motznik
Jim Ferlo	Eugene Ricciardi
Alan Hertzberg	Sala Udin

CONTROLLER
Tom Flaherty

DIRECTOR OF FINANCE AND BUDGET
Ellen M. McLean

CITY SOLICITOR
Jacqueline Morrow, Esquire

BOND COUNSEL
Klett Rooney Lieber & Schorling, a Professional Corporation
Burns, White & Hickton, LLC
Pittsburgh, Pennsylvania

DISCLOSURE COUNSEL
Kirkpatrick & Lockhart LLP
Pittsburgh, Pennsylvania

ESCROW COUNSEL
Ronald A. White, P.C.
Philadelphia, Pennsylvania

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

FINANCIAL ADVISOR
PNC Capital Markets, Inc.
Pittsburgh, Pennsylvania

UNDERWRITER
Merrill Lynch & Co.

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.

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OFFICIAL STATEMENT

$126,585,000
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
General Obligation Bonds
Series A of 2002

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 $126,585,000, principal amount, General Obligation Bonds, Series A of 2002 (the "Bonds").

The Bonds will be issued pursuant to a Resolution adopted by City Council on December 12, 2001 (the "Resolution") and the Pennsylvania Local Government Unit Debt Act, Act of December 19, 1996, P.L. 1158, No. 177, as codified at 53 PA C.S.A. § 8001 *et seq.* (the "Act"). Approximately $65,631,708 of the net proceeds from the issuance of the Bonds will be used to advance refund a portion of the City's General Obligation Bonds, Series A of 1994, Series A, B and C of 1997, and Series A of 1999 (collectively, the "Refunded Bonds") (the "Refunding Project"). Approximately $59,874,912 of the net proceeds of the Bonds will be used to fund the costs of various capital projects in City neighborhoods, and projects associated with major development, housing, infrastructure, transportation, and parks (collectively, the "Capital Projects"). Approximately $2,264,176 will be used to capitalize a portion of the interest on the Bonds.

THE BONDS

Security

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

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

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

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

Under the Act, if the City fails to pay the principal of or interest or premium, if any, on the Bonds when due, and such failure continues for thirty days, any holder of 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, interest or premium, if any, on the Bonds.

The payment of principal of and interest on the Bonds will be insured by a municipal bond insurance policy to be delivered by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the issuance of the Bonds. For additional information regarding the terms and provisions of such policy, including the limitations thereof, see "**FINANCIAL GUARANTY INSURANCE POLICY**" herein and Appendix E – "Specimen of Financial Guaranty Insurance Policy".

Authority to Issue

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

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

Purpose of the Issue

The proceeds from the issuance of the Bonds will be used to refund certain outstanding indebtedness of the City and to finance the costs of various capital projects of the City. Approximately $65,631,708of the net proceeds from the issuance of the Bonds will be used to advance refund a portion of the City's General Obligation Bonds, Series A of 1994, Series A, B and C of 1997, and Series A of 1999 (collectively, the "Refunded Bonds") (the "Refunding Project"). Approximately $59,874,912 of the net proceeds of the Bonds will be used to fund the costs of various capital projects in City neighborhoods, and projects associated with major development, housing, infrastructure, transportation, and parks projects (collectively, the "Capital Projects"). Proceeds from the issuance of the bonds will also be used to pay the costs and expenses related to said issuance. Approximately $2,264,176 will be used to capitalize a portion of the interest on the Bonds.

Description of the Bonds

The Bonds will be dated initially as of December 15, 2001 and thereafter each Bond will be dated as of the date of its authentication. The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The Bonds will mature on the dates and in the aggregate principal amounts set forth on the inside front cover of this Official Statement. The Bonds will bear interest at the rates set forth on the inside front cover of this Official Statement. Interest shall be payable semiannually on March 1 and September 1 of each year, beginning September 1, 2002, until the principal sum of the Bonds is paid in full.

Sinking Fund

In connection with the issuance of the Bonds, the City has established with J. P. Morgan Trust Company, National Association, the Sinking Fund Depository, a sinking fund known as "City of Pittsburgh Series A of 2002 Bonds Sinking Fund" (the "Series A of 2002 Bonds Sinking Fund") into which the City has covenanted to deposit, and into which the City Treasurer is authorized and directed to deposit, on or before March 1 and September 1 of each year, commencing September 1, 2002, amounts sufficient to pay (i) the interest due on such date on the Bonds then outstanding, and (ii) the principal due on such date on the Bonds then outstanding.

Redemption

The Bonds maturing after March 1, 2012 are subject to redemption at the option of the City prior to their stated Maturity Dates, as a whole or in part from time to time, in such order of maturity as is selected by the City, and within a maturity by lot, on March 1, 2012 and on any date thereafter, upon payment of the Redemption Price of 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption. If less than all Bonds maturing on any date are to be redeemed at any time, the Bonds to be called for redemption at such time shall be chosen by the Paying Agent.

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

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede &Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with 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. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, 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 LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds 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 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

THE DESCRIPTIONS IN THIS OFFICIAL STATEMENT OF THE DEPOSITORY TRUST COMPANY, THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS TO PARTICIPANTS IN DTC, OR TO EACH ACTUAL PURCHASER OF EACH BOND, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS OR OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS ARE BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE CITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE CITY DOES NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS AND NEITHER THE DTC PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON SUCH INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE DTC PARTICIPANTS, AS THE CASE MAY BE. THE CITY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR BANKS, BROKERS, DEALERS,

TRUST COMPANIES AND OTHERS THAT CLEAR THROUGH OR MAINTAIN A CUSTODIAL RELATION WITH A DTC PARTICIPANT, EITHER DIRECTLY OR INDIRECTLY, WILL DISTRIBUTE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS, OR ANY REDEMPTION OR OTHER NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL SERVE AND ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

FINANCIAL GUARANTY INSURANCE POLICY

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, (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 Obligor (as such terms are defined in the Financial Guaranty 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 Financial Guaranty 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 Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty 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 the Financial Guaranty 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 Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty 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 $4,988,000,000 (unaudited) and statutory capital of approximately $2,963,000,000 (unaudited) as of September 30, 2001. 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, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength 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 financial guaranty 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 "Financial Guaranty Insurance Policy."

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 office at 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, NW, Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also he 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, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation 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 Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;
2) The Company's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;
3) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001;
4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001;
5) The Company's Current Report on Form 8-K dated July 18, 2001 and filed on July 23, 2001;
6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2001 and filed on August 10, 2001;
7) The Company's Current Report on Form 8-K dated and filed on September 17, 2001;
8) The Company's Current Report on Form 8-K dated and filed on September 19, 2001;
9) The Company's Current Report on Form 8-K dated and filed on October 22, 2001; and
10) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2001 and filed on November 14, 2001.

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."

APPLICATION OF PROCEEDS OF THE BONDS

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

Estimated Sources and Uses of Funds

Sources	
Par Amount of the Bonds	$126,585,000.00
Net Original Issue Premium	2,905,955.10
Accrued Interest	591,206.44
Total Sources of Funds	$130,082,161.54
Uses	
Escrow Fund Deposit	$ 65,631,708.00
Capital Projects Fund Deposit	59,929,912.00
Sinking Fund Deposit:	
Capitalized Interest	2,264,176.00
Accrued Interest	591,206.44
Costs of Issuance*	1,665,158.12
Total Uses of Funds	$130,082,161.54

*Includes underwriter's discount, bond insurance, fees of the Financial Advisor, Verification Agent, Legal Counsel, and Paying Agent and printing and miscellaneous expenses.

THE REFUNDING PROJECT

The Bonds are being issued to refund a portion of the City's General Obligation Bonds, Series A of 1994, Series A, B, and C of 1997, and Series A of 1999 (collectively, the "Refunded Bonds"). The aggregate principal amount of the Refunded Bonds that will be refunded through the issuance of the Bonds will be $58,825,000.

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

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 operating 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 are required to be submitted by the Mayor to City Council on the second Monday of November. A draft of the capital budget and six-year development plan is required to be submitted to City Council by the Mayor at least 30 days before the second Monday in November. See **"CAPITAL IMPROVEMENT PROGRAM"**. 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 Executive Secretary, the directors of City operating departments, and the public authorities.

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, 2000, 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 mentions 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 2000, cash basis revenues were $351,212,000, whereas 1999 cash basis revenues were $337,635,000. Most tax categories experienced increases in 2000 over 1999.

In 2000 audited revenues were $359.9 million. Tax revenues saw increased activity in earned income tax, parking tax, occupation privilege tax, business privilege tax and sales tax. Increases in non-tax revenues occurred in licenses and fees, provision of services, breakeven center revenues and joint operations.

The City is required by law to present a balanced budget. The 2001 budget of $358,556,194 represents an $8.4 million increase from the previous year's budget of $350,173,189. This increase is primarily due to an increase in health care costs, additional costs for information system maintenance agreements, equipment costs, and contractual wage increases for several unions (particularly the Bureaus of Police and Fire).

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 ended 1999 with a GAAP General Fund balance surplus of $44.2 million and a year-end General Fund balance of $45.5 million in 2000. The General Fund balance at year-end 2001 is expected to remain above 10% of annual expenditures. The conversion of the City's negative fund balances in 1994 and 1995 to a positive fund balance can be primarily attributed to the following: (i) the restructuring of capital lease payments made by the Pittsburgh Water and Sewer Authority ("PWSA") to the City (See "**OTHER GOVERNMENTAL ENTITIES** – Self-Supporting Authorities -- The Pittsburgh Water and Sewer Authority" herein), (ii) the restructuring of the City's long-term debt; and (iii) a program of controlling costs.

Operating Budget

The City continues to present a balanced budget each year. On a GAAP basis, the ending cash balance in 1999 was $86.7 million, up from $81.3 million the prior year. In 2000, the City's year end cash balance decreased to $73.5 million as a result of a $10 million equity transfer to the Mayor's Neighborhood Needs Program. Approved by City Council, the program directed $10 million of unrestricted fund balance to be used for infrastructure improvements throughout the City. In the view of the City, the City's cash balance remains strong and the fund balance healthy.

The City has addressed the need for new recurring revenues to offset one-time revenues in several ways. These measures have included increases in the parking tax and real estate re-valuation. In addition, the City has received annual grant funding from the Commonwealth to offset specific expenditures. Payments from various authorities also have increased with the Parking Authority and PWSA making annual payments in lieu of taxes in the amounts of $1.9 million and $7.1 million, respectively. The most significant change in the City's operating budget revenues occurred in 2001, with an increase in the budgeted real estate tax revenue caused by the recent revaluation of property in Allegheny County. Total assessed value of property within the City increased by 57%. See "**REVENUE SOURCES OF THE CITY** – Real Estate Assessments, Taxes and Collections" herein.

Current Financial Situation

Four years of positive net operating results underscore the turnaround that has occurred in the City's financial position. Year end 1997 operating results were positive with a $2.5 million surplus. Operating results in 1998 followed suit with $6.3 million surplus at year end. Management initiatives to reduce health care costs, the issuance of pension bonds to reduce the unfunded status of the City's pension fund, and debt-refinancing at lower interest rates, coupled with municipal employee wage freezes worked to hold the growth of expenditures throughout 1998. Additionally, an increase in the City's parking taxes from 26% to 31% combined with modest revenue growth account for the positive 1998 results.

In 1999, the City's net operating results were $8.9 million. This was the third consecutive year that the General Fund reported a positive net operating result. On a cash basis, revenues increased over the prior year by $21 million of which $11.4 million was in various tax categories and $6.4 million was from the transfer of Emergency Medical Service ("EMS") revenues from a trust fund into the General Fund. Expenditure increases occurred primarily in debt service and public safety expenditures.

The City experienced net operating results of $5.6 million in 2000. That positive net operating result was also the result of tight expenditure controls and increased revenues. Year-end 2001 results are fully expected to be positive as real estate and business privilege tax revenues have shown increases.

In 2002, new revenue sources and reductions in expenditures will be considered as part of the City's efforts to ensure its financial health. In this regard, the Mayor announced in his 2002 Draft Operating and Capital Budgets the formation of a blue-ribbon committee comprised of business leaders and public-spirited citizens to evaluate and recommend the best mix of revenues and expenditure reductions needed to maintain Pittsburgh's fiscal health. A challenge for the City is supporting and maintaining an aging infrastructure built for a population of 750,000, now supported by a population of 330,000. The questions to be addressed in the evaluation of the City's finances include the following: (i) what is the right mix of tax revenues; (ii) how should the responsibility for the revenues be shared; and (iii) what services should those revenues support. The equitable distribution of the tax burden across taxable and tax-exemption entities will also be a part of the discussion. The committee will convene in January 2002.

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 Charter, at rates determined by the City. In 2000, real estate taxes accounted for approximately 32.6% of the receipts of the General Fund; Earned Income Tax accounted for 14.0%, Business Privilege Tax, 11.3% and other taxes 21.9% of receipts. The remaining 20.2% of receipts is from miscellaneous non-tax revenue.

The Regional Asset District Tax (the "RAD Tax") changed the City's tax structure in 1995. The legislation governing the RAD Tax rescinded the Personal Property Tax, which both the City and the School District of Pittsburgh (the "School District") had collected, and forced the City to reduce its Amusement Tax to no more than 5%. The rescinding of the Personal Property Tax caused the School District to incur a loss of revenue. The same legislation mandated that the City must replace this revenue to the School District from its share of RAD Tax proceeds. (See "**REVENUE SOURCES OF THE CITY** – Regional Asset District".) The City pays 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, a separate taxing body. Table 1 below presents historical data on the relative real estate tax rates levied by these overlapping jurisdictions and Table 3 presents data on the three other shared tax bases: earned income tax, deed transfer tax and mercantile license tax.

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

Year	Land	Building	Total City (1)	School District	County (2)	Total
1985	151.5	27.00	52.067	40.000	29,000	121.067
1986	151.5	27.00	51.802	40.000	31.250	123.052
1987	151.5	27.00	51.298	46.000	31.250	128.548
1988	151.5	27.00	49.883	46.000	31.250	127.133
1989	151.5	27.00	50.086	46.000	35.000	131.086
1990	184.5	32.00	59.070	46.000	36.500	141.570
1991	184.5	32.00	58.995	46.000	36.500	141.495
1992	184.5	32.00	58.626	59.700	36.500	154.826
1993	184.5	32.00	58.870	59.700	36.500	155.070
1994	184.5	32.00	58.573	59,700	36.500	154.773
1995	184.5	32.00	58.421	59.700	36.500	154.621
1996	184.5	32.00	58.568	59.700	25.200	143.469
1997	184.5	32.00	58.569	59.700	25.500	143.769
1998	184.5	32.00	58.569	59.700	25.500	143.769
1999	184.5	32.00	58.569	59.700	25.500	143.769
2000	184.5	32.00	59.000	59.700	25.500	144.200
2001 (3)	10.8	10.8	10.8	13.92	4.72	29.44

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

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

Sources: City; School District; County.

Real Estate Assessments, Taxes and Collections

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

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

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

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

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

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

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

As a result of the revaluation process, the City anticipated that a greater than usual number of property owners would appeal their assessments in 2001. The City provided an allowance for appeals when determining its 2001 real estate rate of 10.8 mills. The full impact of appeals filed by property owners in the City is not yet known; however, the City does not expect that the appeals will have a substantial adverse impact on City revenues. The City filed appeals with respect to a number of properties believed by the City to be undervalued. The full impact of these appeals is not yet known. To date, real estate tax receipts have exceeded the budgeted amount of $115.9 million and are anticipated to reach $117 million by year end 2001.

Appendix B, Table B-2, sets forth information regarding assessed values, tax rates and budgeted and actual levies and collections for real property taxes in the City from 1989 to 2000. Table 2 below shows the ten largest real estate taxpayers in the City.

TABLE 2
CITY OF PITTSBURGH
TEN LARGEST REAL ESTATE TAXPAYERS
DECEMBER 31, 2000

Taxpayer	Principal Type of Business	2000 Assessed Valuation	Percentage of Total Tax Levied
500 Grant Street Associates (One Mellon Bank Center)	Real Estate	$71,419,000	3.36
Market View Incorporated (Subsidiary of PPG Industries)	Real Estate	38,000,000	1.79
Pittsburgh National Corporation	Commercial Banking	34,299,000	1.61
600 Grant Street Associates (USX Building)	Real Estate	36,761,000	1.73
Oxford Development	Real Estate	25,928,000	1.22
Grant Liberty Development Group	Real Estate	19,124,000	0.90
Gateway Trizec, Inc. (previously known as Equitable Life Assurance Society of the United States)	Real Estate	16,674,000	0.78
Buncher Company	Real Estate	11,557,000	0.54
Harrah's Forest City Associates	Real Estate	7,093,000	0.33
Penn Liberty Holding Co.	Real Estate	18,441,000	0.87

Source: City of Pittsburgh Comprehensive Annual Financial Report, 2000.

Since 1980, the City has made tax abatements available for commercial and industrial properties for the assessment increase attributable to new construction or rehabilitation. In 1986, the abatement period was changed to a period of five years from the date of issuance of the building permit and a limit of $50,000 per year for each project. A residential abatement program is available which provides for the abatement of taxes for a period of three years on the increased assessment attributable to new construction or rehabilitation up to an annually indexed average housing construction cost ceiling. Currently, abatements are available for up to $30,000 of housing rehabilitation costs and up to $94,000 for new residential construction. The abatements have not had a substantial impact on the City's revenues.

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

Non-Real Estate Taxes

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

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 annual exemption was granted for the first $20,000 in gross receipts.

Parking Tax - A tax equal to 31% 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.

Occupational 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 within a service institution in the City.

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

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

	2001 Tax Rates			
Tax Base	**City**	**School District**	**County**	**Total**
Earned Income Tax	1.000%	2.000%	None	3.000%
Deed Transfer Tax	1.500%	1.000%	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

Regional Asset District

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

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

In total, the City, which is home to the National Aviary, the Pittsburgh Zoo, Phipps Conservatory, Carnegie Library and Museums, and Frick, Highland, Riverview, and Schenley Parks, received $26.8 million from that portion of the RAD Tax distributed to the County and its municipalities in 1999. The City has pledged $6.2 million annually of its 1999-2004 and $7.5 annually million of its 2005-2014 RAD Tax proceeds to a sinking fund for debt service on Urban Redevelopment Authority of Pittsburgh (URA) bonds issued to establish a $60 million development fund. Reimbursements from the RAD for regional parks located within the City and for debt service on General Obligation Debt used for capital improvements to the Pittsburgh Zoo, Phipps Conservatory, and the Aviary are part of the City's receipts. For 2000 this additional support totaled $5.5 million. In 2000, the City also received $13.5 million in RAD tax receipts which were classified as General Fund revenues.

Total estimated 2001 RAD tax dollars across all categories is $27.4 million. Of that total, $6.2 million is earmarked for debt service on bonds issued by The Urban Redevelopment Authority, $1.6 million is earmarked for Civic Arena debt service, and $5.6 million for regional parks and debt service for capital improvements to the Pittsburgh Zoo, Phipps Conservatory and the Aviary. General Fund revenues from RAD taxes were budgeted at $14.0 million in 2001.

Municipal Service Payments
Agreements with local non-profit institutions resulted in payments of approximately $1.9 million to offset the cost of police, fire, emergency medical, and other municipal services which these institutions receive.

Other Revenues
Locally generated non-tax revenues primarily include federal and state grants, licenses and fees, charges for the Provisions of Services, Fines and Forfeits, Investment earnings, and revenues from City self-supporting trust funds. These revenues generated $63.2 million in 1999 and $61.3 million in 2000. The decrease between years is due primarily to the Bureau of Building Inspection revenue shifted from a trust fund to the General Fund as well as a decrease in revenue from liquidated trust funds.

EXPENDITURES (CASH BASIS)

In 2000, approximately 42.3% of City operating funds were expended for employee wages with an additional 18.3% expended for employee benefits including both healthcare and pension benefits. The balance of expenditures from operating funds in 2000 included 21% for debt service, 15.8% for non-salary departmental expenditures (contractual services, supplies and materials, equipment, repairs and utilities) and miscellaneous expenditures estimated at 2.6%.

Employees
The City has approximately 4,200 employees, more than 99% of whom are represented by a labor organization under Act 195 of 1970 ("Act 195") or Act 111 of 1968 ("Act 111") of the Commonwealth.

As shown in Table 4 below, the City has reduced the number of actual employees from 1986 to 2001 by nearly 900 positions. The reductions occurred in many departments, including Environmental Services, Police, Parks and Water.

TABLE 4
CITY OF PITTSBURGH
CITY EMPLOYMENT

Year	Regular Budgeted Positions	Actual January Payroll
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	4,304	4,131
1998	4,286	4,133
1999	4,262	4,314
2000	4,061	4,098
2001	4,359*	4,212

*Increase in Budgeted Positions is largely a result of new classes in the Police and Fire Departments.

Source: City of Pittsburgh - Department of Finance

The City's approximately 1,100 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. A 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.

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

In 2000, the City negotiated new agreements with Police, Paramedics, AFSCME - White Collar, and AFSCME – First Level Blue Collar Supervision, School Crossing Guards and Recreation Employees unions.

The police settled on a two-year contract and received wage increases of 3.0% in 2001 and 4% in 2002. Paramedics settled on a five-year contract (2001-2006) with wage increases of 4% in all years except 2003, which has a 3% increase. Both AFSCME unions signed a four-year contract with wage increases of 3.5% in 2001, and 3% in 2002-2004.

The contract for Pittsburgh Firefighters Local No. 1 expires December 31, 2001. As part of the current agreement with the Firefighters, effective January 2, 2001, the base salary of a fourth year firefighter as deferred became equal to one hundred percent (100%) of the base salary of a full rate police officer. Negotiations on a final contract are ongoing with arbitration scheduled to be completed in January 2002.

The Blue Collar Employees (PJCBC) union contract expires in 2002. PJCBC employees will receive a $0.32 cent/hour increase in 2001, and a $0.34 cent/hour increase in 2002. The Teamsters' contract expires in 2003. Teamsters will receive 2% wage increases in 2001-2003.

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 member employees. Employees hired on or before December 31, 1987 contribute 5% of salary, and employees hired after January 1, 1988 contribute 4% of salary. Employees of the Police and Fire Plans contribute 6% of their compensation plus $1 per month. Members who elect the surviving spouse benefit contribute an additional 0.5% of compensation. The Commonwealth of Pennsylvania (the "Commonwealth) contributes an amount based on a formula which distributes the proceeds of a 2% tax on premiums on non-Commonwealth casualty insurance and fire insurance companies. The City contributes any additional amounts required to satisfy the Commonwealth-mandated minimum municipal obligation.

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

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

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

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

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

In February 1998, the City issued an additional $255,865,000 Taxable General Obligation Pension Bonds bringing the Funds' total assets to $425 million. With the addition of new money, the pension funds were 65% funded at January 1, 2000, with an unfunded liability of approximately $250 million. Market conditions in 2000 and 2001 have reduced the pension fund's value to a funding level of approximately 59%. Diversification of investments has, however, minimized losses with fourth quarter 2001 results showing improvements.

In June 1998, the City was able to obtain budgetary relief from the escalating schedule of payments on the remaining unfunded actuarial accrued liability with the passage of Act 82 by the Pennsylvania General Assembly ("Act 82"). Act 82 allows the City to extend payments on the remaining unfunded liability to 40 years from 26 years. As a result, the City's annual pension payment obligation, net of state aid, will not exceed $12 million in any year. This greatly reduces the City's budgetary pension obligation in the future. In 1999, the City's pension obligation was reduced almost $16 million from 1998. In 2000 the City's pension obligation was $7.9 million net of state aid and $7.8 million in 2001 net of state aid.

See Appendix B, Table B-4 for a history of the City's pension contributions, and Table B-5 for projections of the City's anticipated future pension contributions.

CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program is a six-year plan that is revised annually. Consequently, projects planned for future years may be cancelled, and new projects not presently anticipated may be undertaken. To the extent that total funds required exceed cash available, projects will either be funded by bond proceeds or the projects will be deferred or terminated. Capital projects are recorded in 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 policy regarding 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) continuing to provide housing development for the retention and expansion of the tax base. 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 – 2001 - 2006

The 2001-2006 Capital Improvement Program emphasizes the maintenance of roads, bridges, existing parks and recreational 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 Commonwealth committing it 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 costs of rehabilitating bridges. 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 Administration 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 2000 Community Development Block Grant totaled $20,626,000. Grants for a variety of economic development and housing purposes are also received through several Federal and Commonwealth grant programs.

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 excluded certain revenues set forth in the Act.

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

Appendix B, Table B-6, presents a composite summary of the City's direct and overlapping debt as of February 1, 2001. Table 5 below shows the most recent calculation of the debt-incurring margin of the City.

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

	FISCAL YEAR		
	1998	**1999**	**2000**
DEBT INCURRING MARGIN			
Total Net Revenue of City	$338,512,686	$348,168,052	$354,169,980
Borrowing Base			$346,950,239

	Net Nonelectoral Debt (Borrowing Base x 250%)	Net Nonelectoral and Lease Rental Debt (Borrowing Base x 350%)
Debt Limitations	$867,375,598	$1,214,325,837
Less: Existing Net Debt*	600,766,026	624,563,626
Remaining Debt Incurring Margin	$266,609,572	$ 589,762,211

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

Source: City of Pittsburgh - Office of City Controller

THE GOVERNMENT OF PITTSBURGH

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

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

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

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

The City's financial management functions are carried out by the Department of Finance, headed by the Director of Finance who is appointed by the Mayor, subject to confirmation by City Council, and the Office of Management and Budget, which is part of the Mayor's Office and under the supervision of the Director of Finance. The Department of Finance is responsible for the treasury functions of revenue and tax collection, certain real estate functions, the investment of City funds, and debt management. The Office of Management and Budget is responsible for preparing and monitoring the operating and capital budgets. The Deputy Director of Finance also serves as City Treasurer and as ex-officio treasurer of the School District where 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 may be re-elected for subsequent and consecutive terms without limitation. Under the Charter, the members of the City Council elect, by majority vote, one member to serve as President. The President of Council presides at meetings of City Council, appoints all committees, and refers proposed legislation to the proper committee.

City Officials

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

TOM FLAHERTY, Controller - Mr. Flaherty was first elected City Controller in 1983 and was reelected in 1987, 1991, 1995 and 1999. 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.

ELLEN M. McLEAN, Director of Finance and Budget - Ms. McLean serves as the Chief Financial Officer for the City of Pittsburgh. She is responsible for tax collection, cash management and the City's annual operating and capital budgets. She serves as the Executive Director of the City's Comprehensive Municipal Pension Trust Fund and Treasurer of the Pittsburgh Water and Sewer Authority. She holds a Masters of Public Management from Carnegie Mellon University's H.J. Heinz School of Public Policy and Management. She is a graduate of Duquesne University where she earned BA and MA degrees in English Literature.

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

Members of City Council

BOB O'CONNOR, President of City Council - Mr. O'Connor has been a member of City Council since January 1992, and was elected President in January 1998. He is Chairman of the Committee on Hearings and the Acting Chairman of the Committee on Public Safety Services. 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, The Pappan Annual Senior Citizens Picnic, the University of Pittsburgh's Greek Week and 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 and the Executive Centennial Committee of Phipps Conservatory.

BARBARA BURNS - Ms. Burns was elected to City Council in 1999 and is Chair of the Committee on Engineering and Construction. Prior to her election to City Council, she worked for the Pennsylvania House of Representatives and served as member, president and vice president of the Pittsburgh Board of Public Education.

DAN COHEN - Mr. Cohen was elected to City Council in November 1989. Prior to being elected to Council, he was a practicing attorney with the law firm of Kirkpatrick & Lockhart LLP. 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 also a member of the Sports and Exhibition Authority and Chairman of the Committee on General Services and Telecommunications.

JIM FERLO - Mr. Ferlo has been a member of City Council since January 1988 and is the former President. He serves as Chairman of the Committee on Planning, Zoning and Land Use. Prior to being elected to Council, he served as Entrepreneurial Development Coordinator for the Western Pennsylvania Advanced Technology Center.

ALAN HERTZBERG - Mr. Hertzberg, a practicing attorney, was elected to City Council in November 1993. He serves as Chairman of the Public Works and Environmental Services Committee and sits on the Board of the Southwestern Pennsylvania Commission. 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 Finance and Budget 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.

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

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

SALA UDIN - Mr. Udin was elected to City Council in May 1995 in a special election to complete the term of his predecessor in office. His first full term began in January 1998. Mr. Udin is Chairman of Housing, Economic Development and Promotion Committee and is a member of the Housing Authority of the City of Pittsburgh.

City Departments and Services

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

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

The City Solicitor acts as counsel for the City and its officials, although the City Controller, City Council and the Human Relations Commission are empowered to retain their own counsel. The Department of Personnel and the Civil Service Commission administer all the City's personnel policies, civil service requirements and the City's

Workforce Investment Act (formerly JTPA) WIA Program. The Department of Personnel and Civil Service is also responsible for City payroll, benefits, and workers' compensation issues. The Department of City Planning makes recommendations to the Mayor and City Council regarding the allocation of resources for the orderly development and redevelopment of the City. It also assists the Office of Management and Budget in formulating the City's Capital Improvement Program, undertakes planning studies and administers zoning requirements.

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

OTHER GOVERNMENTAL ENTITIES

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 owned Three Rivers Stadium (the "Stadium") until its demolition in February of 2001. The Stadium Authority continues to own the land upon which the Stadium stood and the land immediately adjacent thereto. The Stadium Authority, in conjunction with the Sports and Exhibition Authority, will provide for the redevelopment of that land.

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 its Guaranteed Stadium Refunding Bonds, Series 1985. The Stadium Authority repays the City for debt service payments on the 1992A Bonds. RAD Taxes received by the Stadium Authority are designated to fund these debt service obligations of the Stadium Authority to the City.

The operation of the Stadium Authority has been assumed by the Sports and Exhibition Authority. See "Other Governmental Entities – Sports and Exhibition Authority of Pittsburgh and Allegheny County".

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.

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

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

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

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

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

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

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

The Sports and Exhibition Authority has issued and outstanding (a) $176,625,000 aggregate principal amount of Regional Asset District Sales Tax Revenue Bonds, Series of 1999 (the "RAD Tax Bonds"), (b) $192,880,000 aggregate principal amount of Hotel Room Excise Tax Revenue Bonds, Series of 1999 (the "Hotel Tax Bonds"), (c) $33,535,000 aggregate principal amount of Auditorium Bonds, Series of 1999 (the "Arena Bonds"), and (d) $17,175,000 aggregate principal amount of Taxable Ticket Surcharge Revenue Bonds, Series of 2000 (the "Ticket Surcharge Bonds").

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

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

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

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

Self-Supporting Authorities

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

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

Public Parking Authority of Pittsburgh. The Public Parking Authority of Pittsburgh (the "Parking Authority") currently owns nine (9) parking garages, four (4) surface parking lots, and thirty-seven (37) off-street metered parking lots. The total number of spaces is 15,500. 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.

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

The City entered into a new lease agreement dated July 15, 1995 (the "Capital Lease Agreement"), and the PWSA and the City terminated the 1984 Lease. The Capital Lease Agreement, which has a term of 30 years, provides for cash payments totaling approximately $95 million made to the City during the initial three years and further provides that on September 1, 2025, upon payment of one dollar ($1.00) the PWSA will acquire title to the Water and Sewer System. In accordance with the Capital Lease Agreement, PWSA provided the City's General Fund approximately $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. The PWSA continues to make an annual payment to the City, part of which reimburses it for indirect costs incurred by the City in regard to the operation and maintenance of the Water and Sewer System.

Since May 2001 the PWSA has operated under an interim management agreement with USWater for the operation and management of the PWSA. USWater is a wholly-owned subsidiary of United Utilities, the world's third largest multi-utility with 28 million customers in Great Britain, Australia, the Philippines, Malaysia, Mexico, Argentina, Center and Eastern Europe and Scotland.

School District

The School District is organized under the Public School Code of 1949, as amended. The School District is within the boundaries of the City and Mt. Oliver Borough and is administered by the Board of Public Education, which consists of nine elected members, each representing one of nine districts. The Board of Public Education operates a public school system serving a total pupil enrollment of 37,612 as of the 2001-2002 school year.

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

Revenues of the School District are derived primarily from Commonwealth subsidies and from real estate and earned income taxes levied. In 1980, reimbursements from the Commonwealth were approximately 36.4% of the total School District revenues. In 1990, Commonwealth school reimbursements were 33.54% of estimated total School District receipts. Budget projections for 2002 call for 35.4% of the District's receipts to be from the Commonwealth reimbursements.

The total appropriation for the General Fund operating budget adopted for the 2001 calendar year was $441,000,000. The School District's financial statements are examined by independent auditors in conformance with the Single Audit Act of 1984.

The earned income tax rate is 2.000%, and the real estate rate is 13.92 mills. The School District also levies a mercantile license tax on one-half mill for wholesale and 1 mill for retail establishments, and a deed transfer tax of 1.00% on sales of real estate. Effective 1995 the School District is no longer authorized to levy a personal property tax. In its place the State Legislature has directed the City to pay the School District a sum equal to the projected loss of revenue from the State's share of the RAD Tax, approximately $4 million.

In 2001, the School District operated 92 schools, the Board of Public Education headquarters building, a service center/warehouse, a food center, three (3) regional administrative offices and 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 2000 program was funded through the issuance of $66,000,000 of general obligation bonds.

The School District had $284,825,420 of gross outstanding debt as of December 30, 2000. Approximately 7.25% of the School District's 2000 operating budget was applied to debt service.

The School District's approximately 4,003 professional, paraprofessional and technical/clerical personnel are represented by the Pittsburgh Federation of Teachers. The labor agreements with this union ended in December 2000. In addition, the School District employs approximately 1,032 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 term runs from January 1997 through December 31, 2000, and approximately 73 skilled trade employees who are members of the Pittsburgh Building and Construction Trades Council. The School District also employs 265 administrative personnel.

Allegheny County

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

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

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

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

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

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

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

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

LITIGATION

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

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

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

MUNICIPAL BANKRUPTCY

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

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

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

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

TAX MATTERS

Federal Tax Exemption
Bond Counsel is expected to issue its opinion that under existing law, the interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes and (b) are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations: however, it should be noted, with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. Accruals of the original issue discount with respect to a Bond allocable to an owner of a Bond under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption and other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the City complies with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

Ownership of the Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of Bonds should consult their own tax advisors as to such collateral federal income tax consequences.

Original Issue Discount
The initial public offering price of certain of the Bonds as shown on the inside front cover page is less than the amount payable on such Bonds at maturity (the "OID Bonds"). The difference between the initial public offering price at which the OID Bonds were sold and the principal amount thereof constitutes original issue discount ("OID"). OID is apportioned among the original purchasers of the OID Bonds and subsequent holders thereof during their periods of ownership on a daily basis. Section 1288 of the Code is applicable to the OID Bonds and requires holders of the OID Bonds to accrue OID tax-exempt interest income on the basis of an economic constant interest rate method over the life of the OID Bonds, taking into account the semiannual compounding of accrued interest. Under this provision, for the purpose of determining gain or loss upon the disposition (including sale, redemption or payment at maturity) of any OID Bond, a holder of such OID Bond is entitled to increase his or her adjusted basis with respect to the OID Bond by the amount of OID which shall have accrued under the constant interest method as tax-exempt interest income during the period such OID Bond was held by the holder. Owners of OID Bonds should consult their tax advisors as to the determination for federal income tax purposes of interest accrued or accredited upon purchase, sale or redemption of such OID Bonds.

Original Issue Premium
The initial public offering price of certain of the Bonds as shown on the inside front cover page includes an original issue premium (the "OIP Bonds"). The original issue premium for an OIP Bond will be equal to the excess of a holder's tax basis in the OIP Bonds over the amount payable at maturity, or in the case of an OIP Bond subject to redemption, the amount payable on the redemption date. Under current law, the original issue premium for an OIP Bond must be amortized on an annual basis by the holder thereof. The amount of original issue premium amortized

each year will not be deductible for federal income tax purposes. Further, Section 1016 of the Code requires that the amount of annual amortization for the OIP Bond reduce the holder's tax basis in such OIP Bond. This reduction in a holder's tax basis will affect the amount of capital gain or loss to be recognized by the holder when the OIP Bond is sold or redeemed. Holders of OIP Bonds should consult their tax advisors with respect to the determination and treatment of amortizable original issue premium for federal income tax purposes, and with respect to the state and local tax consequences of owning such OIP Bonds.

Pennsylvania Tax Exemption

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

NOT ARBITRAGE BONDS

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

CONTINUING DISCLOSURE

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

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

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

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

LEGALITY FOR INVESTMENT

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

FINANCIAL STATEMENTS

Attached hereto as Appendix A are the audited general purpose financial statements of the City for the fiscal year ended December 31, 2000 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.

COMPETITIVE SALE OF BONDS

After competitive bidding on December 11, 2001, the Bonds were awarded to Merrill Lynch & Co.(the "Underwriter") upon the terms and conditions set forth in the Amended Notice of Sale dated December 11, 2001. The Bonds are being purchased by the Underwriter at an aggregate purchase price equal to $129,682,152.94, which represents the principal amount of the Bonds, plus an original issue premium of $3,383,097.75, less an original issue discount of $477,142.65 and less an underwriter's discount of $400,008.60 plus accrued interest.

BOND RATINGS

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

Fitch, Moody's and S&P have also assigned underlying municipal bond ratings of "A-", "A3", and "A-" respectively to the Bonds.

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

FINANCIAL ADVISOR

The City has retained PNC Capital Markets, Inc. (the "Financial Advisor") as financial advisor in connection with the preparation, structuring and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The Financial Advisor will receive a fee, payable from Bond proceeds, for its services with regard to these Bonds.

LEGAL OPINIONS

Purchase of the Bonds by the Underwriter is subject to the receipt of the approving legal opinion of Klett Rooney Lieber & Schorling, a Professional Corporation, and Burns, White & Hickton 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, City Solicitor. Certain other legal matters will be passed upon by Kirkpatrick & Lockhart LLP, Pittsburgh, Pennsylvania, Disclosure Counsel.

FURTHER INFORMATION

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

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

* * * * * * * * * *

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

CITY OF PITTSBURGH

By: /s/ TOM FLAHERTY
Controller

By: /s/ ELLEN M. MCLEAN
Director of Finance and Budget

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APPENDIX A

CITY OF PITTSBURGH

General Purpose Financial Statements

CITY OF PITTSBURGH, PENNSYLVANIA

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

December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits:				
Assets:				
Cash and investments	$ 73,454,139	13,087,510	13,885,705	45,489,268
Receivables:				
Real estate tax (net of uncollectible accounts of $4,325,688)	5,924,008	—	—	—
Other taxes receivable	8,807,803	—	—	—
Other	4,430,979	1,448,985	180	—
Accounts and loan receivables (net of uncollectible accounts)	—	—	—	—
Accrued interest	977,486	18,626	996,618	—
Due from other funds	5,576,190	405,627	—	6,376,733
Due from other governments	5,129,736	4,660,734	—	1,718,039
Receivable for payment of promissory note - Sports and Exhibition Authority	—	—	—	—
Grant receivable - Allegheny Regional Asset District	—	—	—	—
Inventories at cost	—	—	—	—
Prepaid expenses	—	—	—	—
Trusteed and restricted funds	—	—	—	—
Property, plant and equipment (Component Units net of $157,866,305 accumulated depreciation)	—	—	—	—
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	$ 104,300,341	19,621,482	14,882,503	53,584,040

(Continued)

Fiduciary Fund Type	Account Group		Primary Government (Memorandum Only)	Discretely Presented Component Units	Reporting Entity (Memorandum Only)
Trust and Agency	General Fixed Assets	General Long-term Debt	Total		Total
446,899,817	—	—	592,816,439	321,040,015	913,856,454
—	—	—	5,924,008	—	5,924,008
—	—	—	8,807,803	—	8,807,803
47,468	—	—	5,927,612	—	5,927,612
			—		—
—	—	—	—	212,501,352	212,501,352
1,047,829	—	—	3,040,559	1,619,129	4,659,688
572,827	—	—	12,931,377	7,184,791	20,116,168
—	—	—	11,508,509	4,497,567	16,006,076
—	—	—	—	387,300	387,300
—	—	—	—	5,724,512	5,724,512
—	—	—	—	1,505,000	1,505,000
—	—	—	—	235,617	235,617
—	—	—	—	114,306,129	114,306,129
—	175,393,711	—	175,393,711	505,365,157	680,758,868
—	—	—	—	22,133,582	22,133,582
—	—	—	—	17,570,706	17,570,706
—	—	14,798,351	14,798,351	—	14,798,351
—	—	957,059,845	957,059,845	—	957,059,845
—	—	94,430,000	94,430,000	490,361	94,920,361
448,567,941	175,393,711	1,066,288,196	1,882,638,214	1,214,561,218	3,097,199,432

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, equity and other credits:				
Liabilities:				
Accounts payable	$ 7,573,805	2,834,263	—	2,474,210
Retainage payable	—	82,554	—	845,882
Accrued interest payable	—	—	—	—
Accrued liabilities	8,538,489	829,497	—	239,473
Accounts payable - primary government	—	—	—	—
Due to other funds	572,827	4,057,927	84,152	2,151,805
Due to other governments	1,667,860	736,462	—	—
Due to individuals	—	—	—	—
Current maturities of long-term debt	—	—	—	—
Deposits held in trust	—	—	—	—
Grants repayable to the primary government	—	—	—	—
Bonds payable, net	—	—	—	—
Deferred loan	—	—	—	—
Accrued workers' compensation	17,809,615	—	—	—
Accrued compensated absences	15,121,904	—	—	—
Accrued claims and judgments	2,150,000	—	—	—
Deferred revenue	5,396,660	—	—	—
Benefits and related withholdings payable	—	—	—	—
Total liabilities	58,831,160	8,540,703	84,152	5,711,370
Equity and other credits:				
Contributed capital	—	—	—	—
Investment in general fixed assets	—	—	—	—
Retained earnings (accumulated deficit)	—	—	—	—
Fund balances:				
Reserved for:				
Endowments	—	—	—	—
Encumbrances	1,975,067	647,437	—	14,523,236
Employee post-retirement	—	—	—	—
Employees' pension benefits	—	—	—	—
Unreserved:				
Designated for debt service	—	—	14,798,351	—
Designated for subsequent years' expenditures	—	451,134	—	33,349,434
Undesignated	43,494,114	9,982,208	—	—
Total fund equity and other credits	45,469,181	11,080,779	14,798,351	47,872,670
Total liabilities, equity and credits	$ 104,300,341	19,621,482	14,882,503	53,584,040

See accompanying notes to financial statements.

(Continued)

Fiduciary Fund Type	Account Group		Primary Government (Memorandum Only)	Discretely Presented Component Units	Reporting Entity (Memorandum Only)
Trust and Agency	General Fixed Assets	General Long-term Debt	Total		Total
—	—	—	12,882,278	40,400,045	53,282,323
—	—	—	928,436	—	928,436
—	—	—	—	9,225,402	9,225,402
2,233,104	—	—	11,840,563	3,877,856	15,718,419
—	—	—	—	703,504	703,504
6,064,666	—	—	12,931,377	7,184,791	20,116,168
46,586	—	—	2,450,908	4,307,351	6,758,259
452,055	—	—	452,055	—	452,055
—	—	—	—	6,437,300	6,437,300
1,176,763	—	—	1,176,763	—	1,176,763
—	—	—	—	22,775,168	22,775,168
—	—	971,858,196	971,858,196	834,328,535	1,806,186,731
—	—	3,834,000	3,834,000	—	3,834,000
—	—	72,395,000	90,204,615	—	90,204,615
—	—	16,831,000	31,952,904	490,361	32,443,265
—	—	1,370,000	3,520,000	—	3,520,000
—	—	—	5,396,660	127,893,729	133,290,389
2,131,202	—	—	2,131,202	—	2,131,202
12,104,376	—	1,066,288,196	1,151,559,957	1,057,624,042	2,209,183,999
—	—	—	—	54,423,919	54,423,919
—	175,393,711	—	175,393,711	7,246,130	182,639,841
—	—	—	—	59,737,220	59,737,220
109,652	—	—	109,652	—	109,652
80,146	—	—	17,225,886	19,195,396	36,421,282
813,256	—	—	813,256	—	813,256
423,058,432	—	—	423,058,432	—	423,058,432
—	—	—	14,798,351	—	14,798,351
12,286,229	—	—	46,086,797	8,349,082	54,435,879
115,850	—	—	53,592,172	7,985,429	61,577,601
436,463,565	175,393,711	—	731,078,257	156,937,176	888,015,433
448,567,941	175,393,711	1,066,288,196	1,882,638,214	1,214,561,218	3,097,199,432

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

For the Year Ended December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes, including penalty and interest	$ 283,277,357	—	—	—
Payment in lieu of taxes	1,966,156	—	—	—
Interest and dividends	6,389,132	254,481	4,439,234	—
Fines and forfeits	8,042,144	6,195	—	—
Licenses and fees	30,160,759	—	—	—
Pension State Aid	13,250,000	—	—	—
Intergovernmental revenues	13,275,094	37,430,679	—	9,445,957
Charges for user services	—	4,518,512	—	—
Miscellaneous	3,515,162	317,588	—	5,000
Total revenues	359,875,804	42,527,455	4,439,234	9,450,957
Expenditures:				
Current operating:				
General government	37,112,554	7,139,609	—	—
Public safety	143,006,729	7,353,057	—	—
Public works	15,400,254	12,219,117	—	—
Sanitation	10,640,386	—	—	—
Community, recreational and cultural	6,209,999	1,076,397	—	—
Parks and recreation	—	—	—	—
Employee benefits	60,595,477	—	—	—
Claims and judgments	1,011,850	—	—	—
Urban development	—	—	—	—
Administration	—	—	—	—
Miscellaneous	1,448,296	—	—	—
Intergovernmental programs - JTPA	—	7,490,864	—	—
Intergovernmental programs - Community Development	—	8,004,271	—	—
Capital projects	—	5,114,298	—	33,097,603
Debt service:				
Principal retirement and lease payments	—	—	32,566,752	—
Interest and fiscal charges	—	—	50,580,797	—
Authorities debt subsidies	13,914,619	—	28,796	—
Total expenditures	289,340,164	48,397,613	83,176,345	33,097,603
Excess (deficiency) of revenues over expenditures	70,535,640	(5,870,158)	(78,737,111)	(23,646,646)

(Continued)

Fiduciary Fund Type Expendable Trust	Primary Government Totals (Memorandum Only) 2000	Discretely Presented Component Units	Reporting Entity (Memorandum Only) Total
—	283,277,357	—	283,277,357
—	1,966,156	—	1,966,156
1,340,657	12,423,504	3,894,650	16,318,154
—	8,048,339	—	8,048,339
—	30,160,759	—	30,160,759
—	13,250,000	—	13,250,000
250,346	60,402,076	41,931,612	102,333,688
—	4,518,512	2,139,136	6,657,648
950,203	4,787,953	34,574,857	39,362,810
2,541,206	418,834,656	82,540,255	501,374,911
—	44,252,163	—	44,252,163
—	150,359,786	—	150,359,786
—	27,619,371	—	27,619,371
—	10,640,386	—	10,640,386
72,587	7,358,983	—	7,358,983
301,337	301,337	—	301,337
—	60,595,477	—	60,595,477
—	1,011,850	—	1,011,850
—	—	63,340,653	63,340,653
—	—	6,092,422	6,092,422
1,835,223	3,283,519	19,291,935	22,575,454
—	7,490,864	—	7,490,864
—	8,004,271	—	8,004,271
—	38,211,901	—	38,211,901
—	32,566,752	1,580,406	34,147,158
—	50,580,797	—	50,580,797
—	13,943,415	—	13,943,415
2,209,147	456,220,872	90,305,416	546,526,288
332,059	(37,386,216)	(7,765,161)	(45,151,377)

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

For the Year Ended December 31, 2000

		Governmental Fund Types			
		General	Special Revenue	Debt Service	Capital Projects
Excess (deficiency) of revenues over expenditures brought forward	$	70,535,640	(5,870,158)	(78,737,111)	(23,646,646)
Other financing sources (uses):					
Operating transfers from other funds		7,816,457	4,441,691	74,570,721	10,000,000
Operating transfers from discretely presented component units		—	—	3,260,000	—
Operating transfers to other funds		(80,557,596)	(571,601)	—	(10,182,941)
Total other financing sources (uses)		(72,741,139)	3,870,090	77,830,721	(182,941)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses before extraordinary loss		(2,205,499)	(2,000,068)	(906,390)	(23,829,587)
Fund balance at beginning of year		44,168,938	16,586,589	15,704,741	71,702,257
Residual equity transfers		3,505,742	(3,505,742)	—	—
Fund balance at end of year	$	45,469,181	11,080,779	14,798,351	47,872,670

See accompanying notes to financial statements.

(Continued)

Fiduciary Fund Type Expendable Trust	Primary Government Totals (Memorandum Only) 2000	Discretely Presented Component Units	Reporting Entity (Memorandum Only) Total
332,059	(37,386,216)	(7,765,161)	(45,151,377)
—	96,828,869	—	96,828,869
—	3,260,000	—	3,260,000
(5,516,731)	(96,828,869)	—	(96,828,869)
(5,516,731)	3,260,000	—	3,260,000
(5,184,672)	(34,126,216)	(7,765,161)	(41,891,377)
18,589,805	166,752,330	43,295,068	210,047,398
—	—	—	—
13,405,133	132,626,114	35,529,907	168,156,021

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

For the Year Ended December 31, 2000
(Amounts expressed in thousands)

		General Fund		
		Budget as Amended	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes, including penalty and interest	$	275,361	280,566	5,205
Interest earnings		5,000	5,768	768
Fines and forfeits		6,800	7,155	355
Licenses and fees		6,414	6,977	563
Intergovernmental		24,962	20,838	(4,124)
Miscellaneous		40	3,054	3,014
Provision of services, breakeven, joint operations and sale of public property		25,405	26,854	1,449
Total revenues		343,982	351,212	7,230
Expenditures:				
Current operating:				
General government		23,943	21,057	2,886
Public safety		137,876	130,060	7,816
General services		12,592	12,000	592
Public works		25,052	23,536	1,516
Community, recreational and cultural		5,402	4,708	694
Employee benefits		63,689	63,289	400
Claims and judgments		2,669	2,492	177
Citizens Review Board		436	352	84
Computer system		281	281	—
Utilities		7,674	6,237	1,437
Miscellaneous		4,890	4,668	222
Grants		4,170	4,094	76
Intergovernmental revenues		—	—	—
Debt service:				
Debt service		69,366	69,341	25
Debt service subsidy		3,453	3,453	—
Total expenditures		361,493	345,568	15,925
Excess (deficiency) of revenues over expenditures (carried forward)	$	(17,511)	5,644	23,155

(Continued)

Special Revenue Community Development			Capital Projects		
Budget as Amended	Actual	Variance Favorable (Unfavorable)	Budget as Amended	Actual	Variance Favorable (Unfavorable)
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
54,377	21,042	(33,335)	43,048	9,938	(33,110)
—	—	—	—	—	—
—	—	—	—	—	—
54,377	21,042	(33,335)	43,048	9,938	(33,110)
13,701	5,211	8,490	—	—	—
1,360	1,043	317	—	—	—
2,589	938	1,651	—	—	—
8,753	5,093	3,660	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
27,974	8,869	19,105	139,348	50,267	89,081
—	—	—	—	—	—
—	—	—	—	—	—
54,377	21,154	33,223	139,348	50,267	89,081
—	(112)	(112)	(96,300)	(40,329)	55,971

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

For the Year Ended December 31, 2000
(Amounts expressed in thousands)

	General Fund		
	Budget as Amended	**Actual**	**Variance Favorable (Unfavorable)**
Excess (deficiency) of revenues over expenditures (brought forward)	$ (17,511)	5,644	23,155
Other financing sources (uses):			
Neighborhood needs, unbudgeted equity transfer		(10,000)	
Operating transfers in		—	
Contribution to pension fund		—	
Transfer to pension fund		(13,250)	
State pension fund		13,250	
Net other financing uses		(10,000)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		(4,356)	
Fund balances - budgetary basis, beginning of year		72,231	
Fund balance - budgetary basis, end of year		67,875	
Adjustment to generally accepted accounting principles (GAAP) basis (note 2):			
Cumulative difference between budgetary basis and GAAP basis, beginning of year		(28,062)	
Net effect of GAAP basis recognition of revenues		8,664	
Net effect of GAAP basis recognition of expenditures		(6,513)	
Net effect of GAAP basis recognition of other financing sources (uses)		—	
Residual equity transfers		3,505	
Fund balances - GAAP basis, end of year		$ 45,469	

See accompanying notes to financial statements.

(Continued)

Special Revenue Community Development			Capital Projects		
Budget as Amended	Actual	Variance Favorable (Unfavorable)	Budget as Amended	Actual	Variance Favorable (Unfavorable)
—	(112)	(112)	(96,300)	(40,329)	55,971
	—		—	—	—
	—		10,225	10,225	—
	—		—	—	—
	—		—	—	—
	—		—	—	—
	—		10,225	10,225	—
	(112)		(86,075)	(30,104)	55,971
	1,788		86,075	75,125	(10,950)
	1,676		—	45,021	45,021
	(1,703)			(3,422)	
	(1,040)			(7,754)	
	1,152			14,028	
	—			—	
	—			—	
	85			47,873	

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

For the Year Ended December 31, 2000

		Discretely Presented Component Units
Operating revenues:		
Water and waste charges	$	56,915,000
Rentals		3,481,391
Concessions		467,107
Medallions		500,000
Parking receipts		24,751,168
Program interest income		11,172,682
Property management revenue		6,673,827
Sales of housing units		1,540,857
Miscellaneous		4,726,133
Parking leases and rentals		564,440
Lounge boxes		339,200
Total operating revenues		111,131,805
Operating expenses:		
Salaries and wages		2,907,342
Utilities		779,947
Interest expense		2,586,278
Depreciation and amortization		19,420,520
Cooperation agreement operating expenses		7,150,000
Payments to non-City water agencies		3,694,000
Repairs and maintenance		1,019,334
Insurance		109,690
Administrative and other operating		14,184,674
Parking tax expense		4,884,201
Direct operating expenses		21,494,000
Fair value discount/lender fee		662,402
Property management improvement		2,419,983
Cost of housing units sold		2,074,852
Miscellaneous		2,772,100
Total operating expenses		86,159,323
Operating income (carried forward)		24,972,482

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

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

For the Year Ended December 31, 2000

		Discretely Presented Component Units
Operating income (brought forward)	$	24,972,482
Non-operating revenue (expense):		
Interest income		16,291,652
Interest expense		(41,679,878)
Amortization		(273,000)
Other income		639,335
Meter and wharf expenses		(747,139)
Payment in lieu of taxes		(2,275,000)
Other expense		(1,674,385)
Earned government grants		4,707,428
Allegheny Regional Asset District Grant		9,404,027
Loss on disposal of fixed assets		(28,744,469)
Total non-operating revenues (expenses)		(44,351,429)
Net loss		(19,378,947)
Retained earnings (accumulated deficit), fund balances at beginning of year		94,316,167
Capital transferred to the Sports and Exhibition Authority for new stadium complexes		(15,200,000)
Retained earnings (accumulated deficit), fund balances at end of year	$	59,737,220

See accompanying notes to financial statements.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Statement of Cash Flows - Discretely Presented Component Units

For the Year Ended December 31, 2000

		Component Units (Proprietary Fund Type)
Cash flows from operating activities:		
Operating income	$	24,972,482
Reconciliation of operating income to net cash provided by operating activities:		
Depreciation and amortization		20,230,494
		45,202,976
Changes in operating assets and liabilities:		
Accounts receivable		23,506,661
Prepaid expenses		(94,399)
Other current assets		55,094
Accounts payable and accrued expenses		1,130,440
Deferred revenue		(7,965,890)
Change in accrued payroll and withholdings		(9,000)
Interest payable		2,586,278
Loans issued		(1,595,565)
Loan repayments		(3,428,272)
Net cash provided by operating activities		59,388,323
Cash flows from investing activities:		
Interest earnings		16,855,424
Purchase of investment securities		(192,361,485)
Proceeds from sale and maturities of investments		216,355,585
Payments received on notes receivable		94,503
Net cash provided by investing activities		40,944,027
Cash flows from non-capital financing activities:		
Principal payment related to non-capital funds		(54,319,247)
Interest payment related to non-capital funds		(16,963,177)
Payment in lieu of taxes		(2,275,000)
Meter and wharf expenses		(716,932)
Other non-capital financing activities, net		402,724
Grants from the Allegheny Regional Asset District		9,404,027
Proceeds from borrowing		35,990,431
Cost of borrowing		(359,220)
Grants		3,096,238
Net cash used in non-capital financing activities		(25,740,156)

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Statement of Cash Flows - Discretely Presented Component Units

For the Year Ended December 31, 2000

	Component Units (Proprietary Fund Type)
Cash flows from capital and related financing activities:	
Principal payment related to capital funds	$ (21,444,921)
Interest payment related to capital funds	(26,805,122)
Contributions to Regional Destination Financing Plan	(15,200,000)
Proceeds from issuance of revenue bonds related to capital funds	30,323,218
Bond issuance cost	(782,559)
Reimbursement for construction costs with new stadium complexes	24,219,016
Additions to stadium complex	(18,945)
Acquisition and construction of capital assets	(36,280,508)
Proceeds from note	5,000,000
Proceeds from capital grants	155,544
Purchase of property held for future use	(1,763,558)
Payments in connection with new stadium complexes	(5,367,826)
Net cash used in capital and related financing activities	(47,965,661)
Net increase in cash and cash equivalents	26,626,533
Cash and cash equivalents at beginning of year	110,097,923
Cash and cash equivalents at end of year	$ 136,724,456
Supplemental information:	
Cash and cash equivalents	321,040,015
Non-proprietary cash and cash equivalents	(63,318,530)
Trusteed and restricted funds	112,795,011
Long-term restricted investments	(232,493,998)
Restricted funds which are not cash or investments	(1,298,042)
Total cash and cash equivalents, end of year	$ 136,724,456

See accompanying notes to financial statements.

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

Combined Pension Trust Funds

Combined Statement of Changes in Plan Net Assets

Year Ended December 31, 2000

Additions:		
Contributions:		
Employer	$	8,159,751
Plan members		9,816,786
State		13,250,000
		31,226,537
Investment income:		
Net depreciation in fair value of investments		(40,940,283)
Interest and dividends		24,600,511
		(16,339,772)
Less investment expenses		1,584,940
		(17,924,712)
Miscellaneous		18,350
Total additions		13,320,175
Deductions:		
Benefit payments		55,925,826
Refunds of employee contributions for terminated employees		1,113,084
Administrative expenses		831,462
Total deductions		57,870,372
Net decrease in plan net assets		(44,550,197)
Plan net assets, beginning of year		467,608,629
Plan net assets, end of year	$	423,058,432

See accompanying notes to financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies

Description of City

The City of Pittsburgh, Pennsylvania (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 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.

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.

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. It operates on a December 31 fiscal year.

Employee Pension Funds

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

(Continued)

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

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

Urban Redevelopment Authority of Pittsburgh

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 were from rentals of the stadium and parking facilities and from service charges on event tickets. The City has guaranteed the subsidization of operating deficits and the debt service requirements of the outstanding debt of the Stadium Authority. The Stadium Authority operates on a fiscal year ending March 31.

Under an agreement dated June 24, 1982, the Stadium Authority and the Three Rivers Management Corporation (Three Rivers), as well as the Pittsburgh Athletic Company, Inc. and the Pittsburgh Steelers Sports, Inc., amended a basic agreement, management lease, baseball lease and football lease (Stadium agreement) whereby the Stadium Authority assumed all the rights and responsibilities under the Stadium agreements effective January 1, 1982. See note 22 for update.

Public Parking Authority of Pittsburgh (Parking Authority)

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

Urban Redevelopment Authority of Pittsburgh

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

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

Administrative Offices

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

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

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

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

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

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

(Continued)

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

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

Condensed Balance Sheets

	PWSA December 31, 2000	Stadium Authority March 31, 2000	URA December 31, 2000	Public Parking Authority September 30, 2000
Current assets:				
Cash and investments	$ 43,779	11,144	262,276	3,841
Loans and other	18,967	9,400	223,893	3,529
Trusteed and restricted assets	64,882	402	1,511	47,512
Net fixed assets	348,217	7,797	66,135	83,216
Non-current assets	3,172	1,208	6,341	6,850
Other debits	—	—	490	—
Total assets	$ 479,017	29,951	560,646	144,948
Current liabilities:				
Current portion of long-term debt	—	2,022	—	2,760
Current maturities of long-term debt – City of Pittsburgh	—	1,655	—	—
Accounts payable – City of Pittsburgh	11,711	—	—	704
Other	—	4,498	24,643	9,856
Deferred revenue	—	2,034	124,680	—
Non-current liabilities:				
Grants repayable to the City of Pittsburgh	—	22,775	—	—
Capital lease obligation and other liabilities	15,049	—	490	419
Long-term debt	447,781	10,366	272,518	86,714
Long-term payable to City of Pittsburgh	—	16,950	—	—
Fund equity:				
Contributed capital	5,277	36,545	6,894	5,708
Investment in general fixed assets	—	—	7,246	—
Restricted for construction purposes	—	—	—	—
Retained earnings (deficit)	(801)	(66,894)	88,646	38,787
Fund balance	—	—	35,529	—
Total liabilities and equity	$ 479,017	29,951	560,646	144,948

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

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

		PWSA December 31, 2000	Stadium Authority March 31, 2000	URA Governmental Funds December 31, 2000	URA Proprietary Funds December 31, 2000	Public Parking Authority September 30, 2000
Operating revenues	$	59,641	6,662	63,234	19,499	25,329
Operating expenses:						
Depreciation and amortization		10,342	3,274	—	2,327	3,477
Other		32,338	9,472	72,499	9,841	15,088
Operating income (loss)		16,961	(6,084)	(9,265)	7,331	6,764
Non-operating revenues (expenses):						
Interest expense		(22,116)	—	—	(15,221)	(4,343)
Other		3,341	9,654	1,500	(15,184)	(482)
Net income (loss)		(1,814)	3,570	(7,765)	(23,074)	1,939
Retained earnings (deficit)/ fund balance, beginning of year, as restated		1,013	(55,264)	43,295	111,720	36,848
Capital transfer		—	(15,200)	—	—	—
Retained earnings (deficit)/ fund balance, end of year	$	(801)	(66,894)	35,530	88,646	38,787

(Continued)

Joint Venture

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

The Public Auditorium Authority of Pittsburgh and Allegheny County (the Authority) was incorporated on February 3, 1954, pursuant to the Public Auditorium Law Act of July 29, 1953, as a joint authority organized by the City of Pittsburgh (the City) and Allegheny County (the County) to provide educational, cultural, physical, civic and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports & Exhibition Authority of Pittsburgh and Allegheny County. The Authority is currently responsible for the management of the David L. Lawrence Convention Center (the Convention Center) and the Mellon Arena (formerly the Civic Arena) Auditorium (the Mellon Arena), and leases the Benedum Center and the John Heinz History Center to other entities located in the City of Pittsburgh. The Authority is also responsible for the construction of the new Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium, the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project and various associated infrastructure improvements herein referred to collectively as the Regional Destination Financing Plan. For the year ended June 30, 2000, the Sports and Exhibition Authority's expenditures exceeded revenues by $208,507,438 and had a fund balance of $229,623,444.

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

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 Sports and Exhibition 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 Sports and Exhibition Authority's outstanding bond issues whereby the City and the County have equally pledged payment of the debt service. As of December 31, 2000, the City's portion of outstanding Sports and Exhibition Authority debt service was $18,215,000 with certain restrictions.

While the City guarantees one-half the operating deficits and a portion of the Sports and Exhibition Authority's debt service, it does not have any equity interest in the Sports and Exhibition Authority's surpluses.

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

(Continued)

The Sports and Exhibition Authority operates on a fiscal year ending June 30. Complete financial statements for the Sports and Exhibition Authority can be obtained from its administrative office at 425 Sixth Avenue, Regional Enterprise Tower, Suite 1410, Pittsburgh, PA 15219.

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.

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 Fund – A capital projects fund is 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)

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 "flow of financial resources" measurement focus. This determines financial position and changes in financial position (sources, uses and balances).

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.

The proprietary funds (discrete component units only) and the 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 net total assets.

(E) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Governmental fund types, expendable trust funds and agency funds use the modified accrual basis of accounting. Revenues are recognized 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.

(Continued)

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.

(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.

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 fund are prepared on a project basis. The general fund, special revenue – community development fund and capital project fund 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 and carryover of appropriations from the previous year. The original approved budget included budgeted revenues and expenditures of $350.3 million. The budgetary revenues included a carryforward budgetary fund balance of $6.3 million. The budgetary expenditures, as amended, include carryover appropriations approved by City Council during 2000. During 2000, 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.

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 figures, as amended, for community development and capital projects 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 trusteed and restricted assets, with an original maturity of three months or less.

(H) Investments

Investments in all funds are carried at fair value. Investments consist of direct obligations of the U.S. government, money market funds, corporate and other obligations, guaranteed investments, money market trust funds and repurchase agreements.

(I) Other Assets

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

(J) *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. No depreciation is recorded in the general fixed assets account group on these assets.

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, Parking Authority facilities and Urban Redevelopment Authority buildings and improvements are stated at cost and include all repairs that materially extend the life of the property. The Stadium complex has been adjusted for a $25,700,000 impairment during 1999. 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 upon acquisition using the straight-line method as shown in the table below.

	Estimated Useful Life in Years			
	PWSA	Stadium Authority	Parking Authority	URA
Utility assets	30 – 40	—	—	—
Parking facilities	—	—	50	—
Equipment	5 – 10	5 – 10	10	—
Stadium complex	—	1	—	—
Buildings and improvements	—	—	—	30

(Continued)

(K) 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 150 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 within the next 12 months. All balances to be paid beyond 12 months are accrued in the general long-term debt account group.

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

(L) Pensions

Governmental Accounting Standards Board (GASB) Statement No. 27 requires determination and disclosure of annual pension cost on the accrual basis of accounting, which may vary from actual pension expenditures recognized and reported under the modified accrual basis. Because the City has had no prior excess contributions or contribution deficiencies, its annual pension cost on the accrual basis is equivalent to its actuarially determined annual required contributions (see note 8). Pension expenditures are recognized under the modified accrual basis in the general fund to the extent of City contributions.

(M) 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 within the next twelve months following December 31, 2000. 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 2000 are as follows:

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

Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.

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

Presently, the irrevocable trust may be used 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 and general long-term debt group. 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. For the year ended December 31, 2000, $158,000 in claims were paid from this fund.

(N) 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.

(O) Reclassification of Prior Year Statements

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

(P) 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)

(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:

	General Fund (in thousands)
Excess of expenditures and other uses over revenues and other sources – GAAP basis	$ (2,205)
Revenues:	
Decrease in revenues susceptible to accrual recorded when received in cash on the budgetary basis	(8,664)
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	8,069
Operating transfers budgeted as revenues	(13,250)
Total	(13,845)
Expenditures:	
Increase in expenditures recognized on a GAAP basis recorded when paid in cash on the budgetary basis	16,513
Reimbursements budgeted as revenues and recognized as a reduction of expenditures on a GAAP basis	(8,069)
Pension state aid recorded as expenditure reimbursement	13,250
Operating transfers budgeted as expenditures	(62,741)
Operating transfers unbudgeted as equity transfer	(10,000)
Total	(51,047)
Other financing (sources) uses:	
Operating transfers budgeted as revenues and expenditures	62,741
Operating transfers unbudgeted as equity transfer	10,000
Total	72,741
Excess of revenues and other sources over expenditures and other uses – budgetary basis	$ 5,644

(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:

		Special Revenue (in thousands)
Excess of expenditures and other uses over revenues and other sources – GAAP basis – all Special Revenue Funds	$	(2,000)
Adjustment for non-budgeted Special Revenue Funds		2,000
Revenues:		
Decrease of revenues susceptible to accrual recorded when received in cash on the budgetary basis		(1,040)
Revenues for non-budgeted Community Development Funds		1,448
Total		408
Expenditures:		
Decrease in expenditures recognized on a GAAP basis recorded when paid in cash on the budgetary basis		1,220
Expenditures for non-budgeted Community Development Funds		(1,516)
Total		(296)
Excess of expenditures and other uses over revenues and other sources – budgetary basis	$	112

(C) Capital Projects

The budget of the City is prepared differently from accounting principles generally accepted in the United States of America. 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:

		Capital Projects (in thousands)
Excess of expenditures and other uses over revenues and other sources – GAAP basis	$	(23,830)
Revenues:		
Decrease in revenues susceptible to accrual recorded when received in cash on the budgetary basis		488
Total		488
Expenditures:		
Trust fund expenditures		2
Decrease in expenditures recognized on a GAAP basis but recorded when paid in cash on the budgetary basis		(17,172)
Total		(17,170)
Other financing (sources) uses:		
Increase in operating transfers susceptible to accrual recorded when received in cash on a budgetary basis		10,408
Excess of expenditures and other uses over revenues and other sources – budgetary basis	$	(30,104)

(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, 2000, except the Stadium Authority, which is as of March 31, 2000, and the Public Parking Authority, which is as of September 30, 2000, is as follows:

Current Unrestricted	Cash	Investments	Total
Primary Government – Unrestricted			
City Treasurer (most governmental, expendable trust and agency funds)	$ 21,108,912	146,024,154	167,133,066
Equipment Leasing Authority (special revenue and debt revenue fund)	1,191,940	—	1,191,940
Pension Trust Funds	668,167	423,823,266	424,491,433
Total Primary Government – Unrestricted	22,969,019	569,847,420	592,816,439
Component Units – Unrestricted			
PWSA	43,779,000	—	43,779,000
Stadium Authority	1,958,111	9,186,049	11,144,160
Public Parking Authority	548,216	3,292,305	3,840,521
URA	12,664,298	249,612,036	262,276,334
Total Component Units – Unrestricted	58,949,625	262,090,390	321,040,015
Total Unrestricted	81,918,644	831,937,810	913,856,454
Current Restricted			
Component Units – Restricted			
PWSA	2,270,000	61,400,000	63,670,000
Stadium Authority	315,968	—	315,968
Public Parking Authority	—	47,511,001	47,511,001
URA	1,000,000	511,118	1,511,118
Total Component Units – Restricted	3,585,968	109,422,119	113,008,087
Total Unrestricted and Restricted	$ 85,504,612	941,359,929	1,026,864,541

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

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

(A) Governmental Funds, Expendable Trust Funds and Agency Funds

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

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

1. U.S. Treasury Securities (bills, notes, bonds).

2. Obligations of specific agencies of the federal government where principal and interest is guaranteed by the U.S. government.

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, 2000, is presented in the accompanying table. Underlying balances are predominantly short-term investments.

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, 2000, the Equipment Leasing Authority invested its funds in one or more of the above authorized investments.

The cost of all investments at December 31, 2000, 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 investments are held separately from those of the City, are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize.

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

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

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

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

The Long-Term Assets Fund requires an asset mix of 45% large-capital domestic equities, 15% small-capital domestic equities and 40% domestic fixed income securities or other investments specifically authorized by the Board. Each class is to have a minimal cash reserve allocation. Acceptable investments include: equities - high quality common stocks or convertible securities; fixed income securities - including U.S. treasury and agency issues, U.S. corporate bonds, mortgage related securities, Yankee Notes/Bonds and cash equivalents – U.S. treasury bills and repurchase agreements, money market funds, commercial paper and CDs of the custodian bank.

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.

(Continued)

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

Hirtle Callaghan Trust International Equity Portfolio Fund #8	$	54,638,451
Hirtle Callaghan Fixed Income II Portfolio, Fund #11		27,729,399
Goldman Sachs Core Large Cap Growth Pooled Trust		33,875,354
Hirtle Callaghan Trust International Fixed Income Portfolio FD#009		37,592,095
Hirtle Callaghan High Yield Bank Portfolio, Fund #12		29,522,563

(D) 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, 2000, the Authority invested its funds in such authorized investments.

(E) 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, 2000, the Stadium Authority invested its funds in one or more of the above authorized investments.

(F) 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.

(G) 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

(Continued)

no deposit or investment transactions during the year that were in violation of either the state statutes or the trust indentures.

The total deposits of the City and its component units are summarized by category as follows: primary government unrestricted category 1 – $1,907,357 category 2 – $-0- and category 3 – $11,454,384; component unit unrestricted and restricted category 1 – $1,876,344 and category 3 – $61,258,037.

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

Primary Government – Unrestricted		Carrying Amount	Fair Value	Category
(A) City Treasurer (most governmental, expendable trust and agency funds):				
Certificate of deposit	$	23,600,000	23,600,000	3
Money market mutual funds		89,463,025	89,463,025	N/A
Corporate obligations (pension)		12,261,129	12,261,129	3
U.S. government and agency obligations		20,700,000	20,700,000	3
Total		146,024,154	146,024,154	
(B) Pension Trust:				
Preferred and common stocks		153,200,093	153,200,093	2
U.S. government & agency obligations		36,698,337	36,698,337	2
Corporate and other obligations		33,742,674	33,742,674	2
Short-term institutional investments		12,220,315	12,220,315	N/A
Mutual funds		187,961,847	187,961,847	N/A
Total		423,823,266	423,823,266	
Total Primary Government – Unrestricted	$	569,847,420	569,847,420	

Component Units – Unrestricted		Carrying Amount	Fair Value	Category
(C) Stadium Authority:				
Money market pooled investments	$	9,186,049	9,186,049	N/A
(D) Pittsburgh Parking Authority:				
Local government securities		44,189	44,189	1
Money market mutual funds		3,248,116	3,248,116	N/A
Total		3,292,305	3,292,305	
(E) URA:				
U.S. government and agency obligations		112,973,822	112,973,822	1
U.S. government and agency obligations		47,101,735	47,101,735	3
Pooled Investment Fund		89,536,479	89,536,479	N/A
Total		249,612,036	249,612,036	
Total Component Units – Unrestricted		262,090,390	262,090,390	
Total Unrestricted		831,937,810	831,937,810	
Components – Restricted				
(F) PWSA:				
U.S. government and agency obligations		5,233,000	5,233,000	3
Local government securities		56,167,000	56,167,000	3
Total		61,400,000	61,400,000	
(G) Pittsburgh Parking Authority:				
Commercial paper		1,504,254	1,504,254	1
Corporate obligations		34,378,670	34,378,670	3
Money market mutual funds		11,628,077	11,628,077	N/A
Total		47,511,001	47,511,001	

Primary Government – Restricted		Carrying Amount	Fair Value	Category
(H) URA:				
Pooled investment funds	$	511,118	511,118	N/A
Total		511,118	511,118	
Total Component Units – Restricted		109,422,119	109,422,119	
Grand Total	$	941,359,929	941,359,929	

(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).

(A) 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.

(B) System Lease

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

As of December 31, 2000, 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)

(5) Trusteed and Restricted Funds

The following is a summary of trusteed and restricted funds:

Component Units		Cash and investments	Accrued interest and other assets	Total
Pittsburgh Water and Sewer Authority (PWSA):				
Construction	$	36,273,000	863,000	37,136,000
Debt service		20,296,000	311,000	20,607,000
Operating reserve		6,661,000	38,000	6,699,000
Other funds		440,000	—	440,000
Subtotal		63,670,000	1,212,000	64,882,000
Stadium Authority:				
Parking maintenance		315,968	86,042	402,010
Subtotal		315,968	86,042	402,010
Parking Authority:				
Operating reserve		2,806,836	—	2,806,836
Debt service		3,430,072	—	3,430,072
Debt service reserve		3,721,828	—	3,721,828
Capital improvement fund		781,495	—	781,495
Renewal and replacement		2,860,296	—	2,860,296
Revenue		7,693,535	—	7,693,535
City meter/wharf		896,584	—	896,584
Project fund		23,137,411	—	23,137,411
Excess coverage		735,038	—	735,038
Clearing fund		548	—	548
Coop fund		1,447,358	—	1,447,358
Subtotal		47,511,001	—	47,511,001
Subtotal		111,496,969	1,298,042	112,795,011
URA investments, restricted		1,511,118	—	1,511,118
Total component units trusteed and restricted funds	$	113,008,087	1,298,042	114,306,129

(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 an average of 19.8% of fair market value. All real property in the County is required to be reassessed every three years which is currently ongoing.

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.

(A) Tax Lien Sale

In 2000, the City sold no tax liens. In 1999, the City sold tax liens for $4,974,789, including penalty and interest, and received the proceeds. In April of 1998, the City received the final installment of approximately $8 million on the tax lien sale initiated in 1996. 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 receivables 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 establish 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. Subsequent tax lien sales have generated proceeds of approximately $2 million received in December 1997, approximately $4 million received in May 1998, and approximately $5 million in 1999.

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(B) Property Tax Reassessments

In 2001, the City of Pittsburgh executed a property reassessment; see note 23: Subsequent Events.

(7) Fixed Assets

The following is a summary of changes in the general fixed assets account group during 2000:

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
		(amounts in thousands)		
Land and buildings	$ 112,467	1,529	—	113,996
Machinery and equipment	55,969	6,361	(933)	61,397
Total general fixed assets	$ 168,436	7,890	(933)	175,393

(Continued)

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

		2000 (in thousands)
Stadium complex	$	71,375
Land and parking facilities		107,176
Machinery and equipment		3,472
Utility plant		217,813
Nonutility plant		2,630
Capitalized system lease		88,419
Construction-in-progress		47,915
Property held for future use		4,548
URA land, building and improvement		23,714
URA furniture and fixtures		502
URA development and related costs		48
URA property on lease		52,176
Total		619,788
Less accumulated depreciation		114,423
Net component unit property, plant and equipment	$	505,365

(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 funds described below. Investments of the funds are held by the Comprehensive Municipal Pension Trust Fund, in accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205) and are administered under the direction of that fund's Board.

In accordance with Act 205 and the Acts under which the Municipal Pension Fund of the City of Pittsburgh, the Policemen's Relief and Pension Fund of the City of Pittsburgh and the Firemen's Relief and Pension Fund of the City of Pittsburgh, are included in a separate accounting for the activities of these three funds is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Fund's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each fund. However, the individual funds do not record the undivided interest in the investments in their individual funds since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension funds without limitations. Therefore, in accordance with Government Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension trust funds plus the Comprehensive Trust constitute the City's Pension Plan.

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

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

The Municipal Pension Fund

The Municipal Pension Fund of the City of Pittsburgh (the Fund) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City of Pittsburgh and the Pittsburgh Water and Sewer Authority (PWSA) who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Plan after serving a 90-day probation period. The Fund is a single employer defined benefit plan, and its purpose is to provide retirement, disability and other benefits to its members. The City of Pittsburgh and members of the Fund are required to make contributions to the Fund for the purpose of paying benefits and administrative expenses.

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.

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

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.

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.

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

The retirement benefit for employees who became members of the Fund before January 1, 1975, is 55% of the first $650 of average monthly compensation plus 30% of the amount in excess of $650. 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.

Employee contributions to the Fund are 5% of pre-tax pay for employees hired prior to January 1, 1988, and 4% of pre-tax pay for those thereafter.

The Policemen's Relief and Pension Fund

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

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.

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Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

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

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

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

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

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

The Firemen's Relief and Pension Plan

The Firemen's Relief and Pension Fund of the City of Pittsburgh (the Fund) was established by Act of May 25, 1933, P.L. 1050. The 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 Fund to make contributions to the Fund for the purpose of paying benefits and administrative expenses. All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the Fund.

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.

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

(B) Funding Status and Progress

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (Recovery Act), which has 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.

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

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

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

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

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

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

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)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the past three years were as follows:

Fiscal Year Ended		Municipal	Police	Fire
		(Amounts in thousands)		
12/31/2000				
Annual required contribution	$	2,613	9,708	5,730
Contributions made		(3,780)	(10,233)	(7,397)
12/31/1999				
Annual required contribution		3,082	10,402	6,194
Contributions made		(4,842)	(9,838)	(6,281)
12/31/1998				
Annual required contribution		3,749	9,726	6,391
Contributions made		(39,828)	(135,963)	(98,884)

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

		Municipal	Police	Fire
Valuation date		1/1/00	1/1/00	1/1/00
Actuarial cost method		Entry age normal	Entry age normal	Entry age normal
Amortization method		Level percentage closed	Level percentage closed	Level percentage closed
Remaining amortization period		38 years	38 years	38 years
Asset valuation method		Market	Market	Market
Actuarial assumptions:				
Investment return	%	9.00	9.00	9.00
Projected salary increases		0.5	2.9	2.5
Cost-of-living adjustment		3.5	3.5	3.5

(Continued)

Three Year Trend Information

Fiscal year ending	Pension plan		Pension cost (APC)		Total contributions as a percentage of annual required contributions
12/31/1998	Municipal	$	3,749	%	1,062.4
	Police		9,726		1,397.9
	Fire		6,391		1,547.2
	Total		19,866		1,382.6
12/31/1999	Municipal		3,082		181.8
	Police		10,402		106.2
	Fire		6,194		111.7
	Total		19,678		119.7
12/31/2000	Municipal		2,613		144.7
	Police		9,708		105.4
	Fire		5,730		129.1
	Total		18,051		118.6

At January 1, 2000, the membership of the three pension plans consisted of:

Status	Municipal	Police	Fire	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,710	1,556	1,012	4,278
Terminated employees – vested	—	3	2	5
Total	1,710	1,559	1,014	4,283
Active members	2,310	1,045	881	4,236
Total membership	4,020	2,604	1,895	8,519

(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 1,287 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 2000, post-retirement healthcare benefits expense paid by the City was $6,305,523.

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 108 retirees in this group with a total cost to the City in 2000 of $479,852.

The City also provides life insurance benefits to retired police and fire employees. The amount of life insurance coverage varies from $4,000 to $15,000 depending upon the bargaining unit and the year of retirement. This benefit is paid entirely by the City. Life insurance benefits for this group are paid on a pay-as-you-go basis from the general fund operating budget. There are 1,813 retirees in this group with a total cost during 2000 of $179,902.

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(10) Long-Term Debt

The maximum amount payable for future maturities of bonds and interest on general long-term debt at December 31, 2000, and changes in bond principal for the year then ended are summarized below:

	Principal	
	Outstanding at December 31, 1999	**Bonds paid or defeased and discount amortized during 2000**
Council and public election general obligation bonds:		
Fifteen general obligation bond issues with rates ranging from 4.25% to 7.0%. The bonds are payable from general revenues:		
2000	$ 33,775,000	33,775,000
2001	35,180,000	—
2002	36,940,000	—
2003	38,420,000	—
2004	39,210,000	—
2005	42,425,000	—
2006 – 2010	252,285,000	—
2011 – 2015	187,760,000	—
2016 – 2020	148,405,000	—
2021 – 2025	132,110,000	—
Subtotal	946,510,000	33,775,000
Less discount	(9,010,436)	(1,639,938)
Less bonds funded by Stadium Authority	(22,859,570)	(1,923,567)
Total	914,639,994	30,211,495

Face value on bonds issued during 2000	Outstanding at December 31, 2000	Interest
—	—	—
—	35,180,000	50,114,672
—	36,940,000	49,624,687
—	38,420,000	48,244,645
—	39,210,000	46,037,939
—	42,425,000	43,521,360
—	252,285,000	182,832,900
—	187,760,000	114,339,646
—	148,405,000	65,614,907
—	132,110,000	18,088,755
—	912,735,000	618,419,511
—	(7,370,498)	—
—	(20,936,003)	(15,242,137)
—	884,428,499	603,177,374

(Continued)

	Principal	
	Outstanding at December 31, 1999	Bonds paid or defeased and discount amortized during 2000
Public Auditorium Authority Revenue Bonds:		
One bond issue with interest rates ranging from 3.85% to 5.85%. The City's share of debt service on these bonds is payable from general revenues:		
2000	$ 937,500	997,500
2001	977,500	977,500
2002	1,022,500	1,022,500
2003	1,072,500	1,072,500
2004	1,125,000	1,125,000
2005	1,182,500	1,182,500
2006 – 2010	2,880,000	2,880,000
2011 – 2015	1,575,000	1,575,000
2016 – 2019	952,500	952,500
Total	11,725,000	11,785,000
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:		
One tax increment financing (TIF) bond issue with interest rates ranging from 5.9% 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:		
2000	83,270	83,270
2001	87,055	—
2002	92,733	—
2003	98,410	—
2004	104,088	—
2005	111,657	—
2006 – 2010	681,299	—
2011 – 2013	535,577	—
Total	1,794,089	83,270

Face value on bonds issued during 2000	Outstanding at December 31, 2000	Interest
60,000	—	—
1,447,500	1,447,500	875,994
1,642,500	1,642,500	820,265
1,657,500	1,657,500	751,280
1,727,500	1,727,500	678,350
1,797,500	1,797,500	600,612
5,345,000	5,345,000	1,893,358
2,500,000	2,500,000	1,022,610
2,097,500	2,097,500	296,327
18,275,000	18,215,000	6,938,796

—	—	—
—	87,055	117,582
—	92,733	112,446
—	98,410	106,743
—	104,088	100,592
—	111,657	93,982
—	681,299	345,675
—	535,577	78,895
—	1,710,819	955,915

(Continued)

		Principal	
		Outstanding at December 31, 1999	Bonds paid or defeased and discount amortized during 2000
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:			
One Special Tax Development Bond issue with interest rates ranging from 8.38% to 9.07%. Bonds are payable solely from City's assignment to the URA of certain Allegheny Regional Asset District revenues:			
2000	$	1,120,000	1,120,000
2001		1,215,000	—
2002		1,325,000	—
2003		1,440,000	—
2004		1,570,000	—
2005		3,070,000	—
2006 – 2010		20,085,000	—
2011 – 2015		27,900,000	—
Total		57,725,000	1,120,000
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:			
Two tax increment financing (TIF) bond issues with interest rates ranging from 5.75% 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:			
2000		187,358	187,358
2001		183,573	—
2002		196,821	—
2003		213,853	—
2004		228,993	—
2005		244,133	—
2006 – 2010		1,532,927	—
2011 – 2015		1,377,741	—
Total		4,165,399	187,358

(Continued)

Face value on bonds issued during 2000	Outstanding at December 31, 2000	Interest
—	—	—
—	1,215,000	5,031,658
—	1,325,000	4,929,842
—	1,440,000	4,817,878
—	1,570,000	4,695,478
—	3,070,000	4,561,244
—	20,085,000	18,289,766
—	27,900,000	7,106,798
—	56,605,000	49,432,664

Face value on bonds issued during 2000	Outstanding at December 31, 2000	Interest
—	—	—
—	183,573	233,035
—	196,821	222,099
—	213,853	210,455
—	228,993	197,887
—	244,133	184,448
—	1,532,927	674,338
—	1,377,741	183,204
—	3,978,041	1,905,466

		Principal	
		Outstanding at December 31, 1999	Bonds paid or defeased and discount amortized during 2000
Urban Redevelopment Authority of Pittsburgh Taxable Bonds:			
One taxable revenue bond issue with interest rates ranging from 7.8% to 8.0%. The bond is payable from general resources of the General Fund:			
2000	$	830,000	830,000
2001		895,000	—
2002		965,000	—
2003		1,040,000	—
2004		1,125,000	—
Total		4,855,000	830,000
Urban Redevelopment Authority of Pittsburgh Taxable Revenue Bonds:			
One tax increment financing (TIF) bond with interest rates ranging from 6.81% 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:			
2000		102,006	102,006
2001		107,673	—
2002		117,118	—
2003		124,674	—
2004		132,230	—
2005		145,453	—
2006 – 2010		910,498	—
2011 – 2015		1,358,191	—
Total		2,997,843	102,006
General Long-Term Debt Account Group	$	997,902,325	44,319,129

(Continued)

Face value on bonds issued during 2000	Outstanding at December 31, 2000	Interest
—	—	—
—	895,000	320,210
—	965,000	250,400
—	1,040,000	173,200
—	1,125,000	90,000
—	4,025,000	833,810
—	—	—
—	107,673	220,368
—	117,118	212,586
—	124,674	204,000
—	132,230	194,697
—	145,453	184,468
—	910,498	733,693
—	1,358,191	289,681
—	2,895,837	2,039,493
18,275,000	971,858,196	665,283,518

Discretely Presented Component Units

Stadium Authority Revenue Bonds and Note

One revenue refunding bond issue with interest rates ranging from 4.25% to 5.0% and two notes with variable interest rates based on the prime lending rate when yearly payments are due. The bonds and notes are payable from revenue from the Allegheny Regional Asset District:

	Principal				
	Outstanding at March 31, 1999	Bonds and notes paid during 2000	Bonds and notes issued and discount amortized during 2000	Outstanding at March 31, 2000	Interest
2000	$ 6,957,300	6,957,300	—	—	—
2001	2,022,300	—	—	2,022,300	509,030
2002	2,087,300	—	—	2,087,300	439,542
2003	2,167,300	—	—	2,167,300	364,743
2004	2,247,300	—	—	2,247,300	283,752
2005	1,945,000	—	—	1,945,000	196,333
2006	2,040,000	—	—	2,040,000	102,000
Subtotal	19,466,500	6,957,300	—	12,509,200	1,895,400
Unamortized bond discount	(143,014)	—	22,002	(121,012)	—
	19,323,486	6,957,300	22,002	12,388,188	1,895,400
General obligation bonds funded by Public Auditorium Authority	20,125,000	1,520,000	—	18,605,000	—
Total Stadium debt	$ 39,448,486	8,477,300	22,002	30,993,188	1,895,400

(Continued)

Public Parking Authority Revenue Bonds and Notes

Three revenue bond issues with interest rates ranging from 4.4% to 6.0%. The bonds and notes are payable from revenue from Parking Authority operations:

	Principal				
	Outstanding at September 30, 1999	Bonds and notes paid during 2000	Bonds and notes issued during 2000	Outstanding at September 30, 2000	Interest
2000	$ 2,617,911	2,617,911	—	—	—
2001	2,773,405	268,405	255,000	2,760,000	5,066,386
2002	4,419,234	1,779,234	265,000	2,905,000	4,916,564
2003	2,785,000	—	935,000	3,720,000	4,741,425
2004	2,940,000	—	980,000	3,920,000	4,536,068
2005	3,105,000	—	1,030,000	4,135,000	4,314,641
2006 – 2010	18,460,000	—	5,985,000	24,445,000	17,701,192
2011 – 2015	13,887,250	2,250	7,830,000	21,715,000	10,205,000
2016 – 2020	—	—	10,345,000	10,345,000	6,438,471
2021 – 2025	—	—	13,800,000	13,800,000	2,981,590
2026 – 2028	—	—	2,815,000	2,815,000	312,286
Subtotal	50,987,800	4,667,800	44,240,000	90,560,000	61,213,623
Plus bond premium	—	—	63,102	63,102	—
Less unamortized discount	(1,039,873)	(79,990)	(189,152)	(1,149,035)	—
Total Parking debt	$ 49,947,927	4,587,810	44,113,950	89,474,067	61,213,623

(Continued)

Water and Sewer Authority Revenue Bonds

Four revenue bond issues with interest rates ranging from 5.0% to 5.3125%, and one revenue refunding bond issue with interest rates ranging from 4.4% to 6.5%. The bonds are payable from revenue from Water and Sewer operations:

	Principal				
	Outstanding at December 31, 1999	Bonds paid and premium amortized during 2000	Bonds issued, net and refunding loss amortized during 2000	Outstanding at December 31, 2000	Interest
2000	$ 9,245,000	9,245,000	—	—	—
2001	9,635,000	—	—	9,635,000	22,123,303
2002	10,065,000	—	—	10,065,000	21,699,364
2003	10,505,000	—	—	10,505,000	21,246,439
2004	11,000,000	—	—	11,000,000	20,763,209
2005	11,515,000	—	—	11,515,000	20,246,208
2006 – 2010	66,500,000	—	—	66,500,000	92,300,632
2011 – 2015	87,070,000	—	—	87,070,000	71,732,806
2016 – 2020	111,460,000	—	—	111,460,000	53,390,066
2021 – 2025	139,415,000	—	—	139,415,000	30,610,999
2026 – 2030	141,680,000	—	—	141,680,000	112,353,563
Subtotal	608,090,000	9,245,000	—	598,845,000	466,466,589
Plus net bond premium	(3,151,000)	—	192,000	(2,959,000)	—
Less unamortized discount on 1998 zero coupon bonds	(126,016,000)	—	2,143,000	(123,873,000)	—
Less deferred series 1991 refunding loss	(21,238,000)	—	2,023,000	(19,215,000)	—
Less deferred series 1998 refunding loss	(5,388,000)	—	371,000	(5,017,000)	—
Total PWSA debt	$ 452,297,000	9,245,000	4,729,000	447,781,000	466,466,589

(Continued)

(A) Council and Public Election General Obligation Bonds

General Obligation Bonds – Series A of 1999

On December 15, 1999, the City issued $57,140,000 of General Obligation Bonds, Series 1999A with an average interest rate of 5.68%. These bonds consisted of serial bonds bearing various fixed rates ranging from 4.25% to 6.0% with maturities commencing on September 1, 2002, and continuing annually through September 1, 2024. The net proceeds of the Series 1999A of $54,728,641 (after underwriting fees, issuance cost and a transfer of $1,070,416 of capitalized interest to the Debt Service Fund) were used to provide funds for capital projects.

In 1998, 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, 2000, bonds outstanding of $125,625,000 refunded by the above mentioned issues are considered defeased.

(B) Sports and Exhibition Authority

On October 28, 1999, the Authority issued $36.5 million in bonds guaranteed by the City and County with an average interest rate of 5 percent to advance refund $23.5 million of outstanding 1991 and 1994 series bonds with an average interest rate of 5.9 percent and 6.2 percent, respectively, and to satisfy the 1978 series bonds with an outstanding balance of $7 million. The net proceeds of $35.8 million (after payment of $700,000 in underwriting fees, insurance, and other issuance costs) plus an additional $6.3 million of 1991 and 1994 series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 and 1994 series bonds. As a result, the 1991 and 1994 series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The Authority advance refunded the 1991 and 1994 series bonds to reduce its total debt service payments over the next 15 years by almost $3.7 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1.7 million.

(Continued)

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.

In November 1991, the Authority issued $15,920,000 of Auditorium Bonds 1991 Series A and $6,245,000 of Auditorium Bonds 1991 Series B. Under the supportive 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 have fixed interest rates ranging from 4.3% to 6.5%. The Series B Bonds have fixed rates ranging from 5.9% to 6.5%.

(C) Stadium Authority

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

Subsequent to March 31, 1999, the Authority entered into a loan agreement with a bank for $5,000,000 to be used for construction cost the Authority had incurred in connection with the construction of the two new stadiums. Interest was payable at the Euro rate plus 1.5%. The note was repaid from the proceeds of the Public Auditorium of Pittsburgh and Allegheny County 1999 RAD bonds issued on May 26, 1999.

(Continued)

(D) ***Pittsburgh Water and Sewer Authority***

To finance its initial capital improvement program, the Authority issued Daily Adjustable Demand Water and Wastewater System Revenue Bonds of $93,600,000 in 1984 ("1984 Bonds"). In 1985, the Authority issued Water and Wastewater System Adjustable Rate Tender Revenue Bonds ("1985 Bonds") that accomplished an advance refunding which defeased the 1984 Bonds. In 1986, the Authority issued $134,700,000 Water and Wastewater System Adjustable Rate Tender Revenue Bonds ("1986 Bonds") to finance the next phase of its capital improvement program. In July 1991, the Authority issued $248,329,000 Water and Wastewater System Revenue Refunding Bonds, Series A of 1991 ("1991 Bonds") which currently refunded all outstanding 1985 and 1986 Bonds. The principal of defeased 1986 Bonds still outstanding at December 31, 2000, was $213,475,000.

In November 1993, the Authority issued $278,970,000, Series A Refunding Bonds, ("Series A-1993 Bonds") and $10,785,000 Series B Revenue Bonds ("Series B-1993 Bonds") to finance additional capital improvements. Series A-1993 Bond proceeds of $276,613,000 (net of $3,402,000 in underwriting fees, FGIC insurance and other issuance costs) defeased the Authority's 1991 Bonds through an advance refunding. The principal of defeased 1991 Bonds still outstanding at December 31, 2000, was $231,970,000.

The Series A-1993 and Series B-1993 Bonds still outstanding bear interest at fixed rates ranging from 3.4% to 6.5%, payable semiannually at March 1 and September 1. The average effective interest rate on the 1993 Bonds, including amortization of original issue premium and excluding the 1991 refunding loss was approximately 5.10% for 2000.

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.

Fair value of the 1993 Bonds at December 31, 2000, based on quoted market prices, is approximately $245,000,000.

In July 1995, the Authority issued $89,850,000, Series A Bonds ("1995 Series A Bonds"), the proceeds of which are dedicated to a capital improvement program for the System and $103,020,000, Series B Bonds ("1995 Series B Bonds") to fund certain obligations of the Authority to the City under the Capital Lease Agreement for the System.

In March 1998, the Authority issued $93,355,000 Series A First Lien Revenue Bonds ("1998 Series A Bonds"), the proceeds of which were used to defease through an advance refunding the entire balance of 1995 Series A Bonds outstanding $89,850,000), $36,440,000 Series B First Lien Revenue Bond ("1998 Series B Bonds"), the proceeds of which are dedicated to a capital improvements program and $101,970,000 Series C Subordinate Revenue Bonds ("1998 Series C Bonds"), the proceeds of which were used to defease through an advance refunding the entire balance of the 1995 Series B Bonds outstanding ($98,410,000). In connection with the advance refunding, a portion of the proceeds of the 1998 Bonds was deposited into an irrevocable trust with an escrow agent to provide for the future debt payments. The advance refunding resulted in an economic gain to the Authority of approximately $7,500,000 and an increase to the debt service payments of approximately $66,000,000. At December 31, 2000, the unamortized deferred refunding loss of $5,017,000 on the transaction is shown as a reduction of long term debt and will be amortized through 2028. At December 31, 2000, the principal of the defeased 1995 Bonds outstanding was $177,505,000.

Fair value of the 1998 Bond at December 31, 2000, based on quoted market prices, is approximately $230,000,000.

The 1998 Series A Bonds and 1998 Series C Bonds bear interest at fixed rates remaining from 5.0% to 5.25%, payable semiannually at March 1 and September 1. The average effective interest rate on the 1998 Bonds, including amortization of original issue discount and excluding the amortization of the 1995 refunding loss is approximately 5.1%. The 1998 Series B Bonds are capital appreciation bonds with an original issuance amount of $36,440,000. The 1998 Series B Bonds have maturity values of $2,300,000 to $31,800,000 from 2017 to 2030. The bonds were issued to yield rates from 5.18% to 5.3%. The 1998 Series B Bonds accrue and compound interest on a semiannual basis and are carried at cost plus accrued interest. Total maturity value of the 1998 Series B Bonds is $166,100,000.

A portion of the 1993 Bonds are subject to optional and mandatory redemption in various face amounts beginning September 1, 2003. A portion of the 1998 Bonds are subject to optional redemption in various face amounts beginning March 1, 2008.

(E) Urban Redevelopment Authority of Pittsburgh (URA)

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, 2000, 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.

(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 City's share of these bonds was $2,085,535. The remaining bonds outstanding bear interest at rates ranging from 5.5% to 7.2%.

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, which 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), both of which 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)

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

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

The Agreement irrevocably assigns to the URA the right to receive (a) the first $6,200,000 of the City's allocation of Allegheny Regional Asset District 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.

(3) Urban Redevelopment Authority of Pittsburgh (URA) Redevelopment Bonds Series 1995 A and B (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 City's share of these bonds was $2,855,787 and $1,637,016, respectively. 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, were 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 were used to 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 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 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 is 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.

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) 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) Urban Redevelopment Authority of Pittsburgh Taxable Guaranteed Revenue Bonds - Series 1994B

In June 1994, the URA issued $8,245,000 of Taxable Guaranteed Revenue Bonds, Series 1994B with an average interest rate of 7.48%. The remaining bonds outstanding bear various fixed rates ranging from 7.4% to 8.0%.

The net bond proceeds of $8,183,162 were used to fund the Business Reinvestment fund to provide a working capital loan to Pittsburgh Baseball, Inc. as the sole general partner of Pittsburgh Associates. The loan was given to them over a period of years. As of December 31, 2000, the full amount of the bond proceeds has been given to Pittsburgh Baseball Inc.

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

(5) Urban Redevelopment Authority of Pittsburgh (URA) Taxable Redevelopment 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 City's share of these bonds was $3,129,187. The remaining bonds outstanding bear various fixed interest rates ranging from 6.5% to 8.01% with maturities continuing annually through June 2015.

The proceeds from the sale of the bonds, along with other funds, were 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.

(Continued)

Under the TIF Agreement with the City, County of Allegheny and the School District of Pittsburgh, each entity 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 is available to pay debt service on the bonds.

(F) *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.

(G) *Other Long-Term Obligations*

The following is a summary of transactions affecting all other long-term obligations to the City during 2000:

	Deferred Loan	Accrued Workers' Compensation	Accrued Compensated Absences	Accrued Claims and Judgments
Balance, January 1, 2000	$ 3,834,000	98,469,975	29,267,918	16,181,650
Additions	—	10,470,645	17,878,904	—
Reductions	—	(18,736,005)	(15,193,918)	(12,661,650)
Balance, December 31, 2000	3,834,000	90,204,615	31,952,904	3,520,000
Less amounts accrued currently in:				
General Fund	—	(17,809,615)	(15,121,904)	(2,150,000)
Long-term portion, December 31, 2000	$ 3,834,000	72,395,000	16,831,000	1,370,000

(11) 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, 2000:

General fund:		
Commonwealth of Pennsylvania	$	538,718
Allegheny County Information Systems		72,064
Urban Redevelopment Authority		1,096,849
Regional Asset District		3,422,105
		5,129,736
Special revenue:		
Job Training Partnership Program		919,272
Housing and Urban Development		3,419,901
Allegheny County - Public Safety		321,561
		4,660,734
Capital projects:		
Commonwealth of Pennsylvania - Highway Funds		67,132
Federal Government - Highway Funds		1,469,696
Pittsburgh Water & Sewer Authority - design and inspection fees		114,231
Department of Environmental Resources		47,500
Regional Asset District		19,480
		1,718,039
Total due from other governments	$	11,508,509

(Continued)

(12) Interfund Receivable and Payable Balances

	Receivables	Payables
General fund	$ 5,576,190	572,827
Special revenue funds:		
Equipment Leasing Authority	—	—
JTPA	213,501	1,251,370
Public safety	—	448,594
Housing	—	2,177,006
Civic and cultural	192,126	180,957
Total special revenue funds	405,627	4,057,927
Capital projects funds:		
Engineering and construction	5,011,860	151,805
Public works	828,790	—
Urban Redevelopment	—	2,000,000
Other	536,083	—
Total capital projects funds	6,376,733	2,151,805
Trust funds:		
Parks endowments	—	47,277
Workers' compensation	—	4,992,040
Gifts and donations	95,602	—
Agency funds:		
Payroll withholding	—	937,124
Deposits	—	28,750
Other	477,225	59,475
Total trust and agency funds	572,827	6,064,666
Debt service	—	84,152
Total debt service	—	84,152
Total	$ 12,931,377	12,931,377

(Continued)

Discrete component unit interfund receivable and payable balances:

The following are the Urban Redevelopment Authority (URA) interfund receivable and payable balances:

		Receivables	Payables
General fund	$	1,916,828	985,599
Special revenue fund		5,267,963	6,164,390
Enterprise fund		—	34,802
Total	$	7,184,791	7,184,791

In addition, the Parking Authority has a $703,504 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, 2000.

(13) Operating Transfers

Transfers between primary government funds:

		Transfers in	Transfers out
General fund	$	7,816,457	80,557,596
Special revenue funds:			
Equipment leasing		3,221,291	—
JTPA		270,400	—
Public safety		950,000	481,601
Civic and cultural		—	90,000
Total special revenue funds		4,441,691	571,601
Debt service funds:			
General obligation		74,570,721	—
Total debt service funds		74,570,721	—
Capital projects funds:			
Urban redevelopment		—	7,041,650
Other		10,000,000	3,141,291
Total capital projects		10,000,000	10,182,941
Trust funds:			
Park endowments		—	200,000
Pension escrow		—	5,313,525
Retiree's trust		—	3,206
Total trust funds		—	5,516,731
Total transfers between primary government funds	$	96,828,869	96,828,869

Transfers between primary government and discretely presented component units:

	Transfers in	Transfers out
Debt service fund	$ 3,260,000	—
Total transfers between primary government and discretely presented component units	$ 3,260,000	—

* Transfers out of $3,265,000 shown as reduction in notes payable of the Stadium Authority.

Residual equity transfers between funds:

	Transfers in	Transfers out
General fund	$ 3,505,742	—
Special revenue funds:		
Civic and cultural	—	554,182
Public safety	—	2,951,560
Total special revenue funds	—	3,505,742
Residual equity transfers between funds	$ 3,505,742	3,505,742

(14) 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, 2000, contributed capital for the Stadium Authority amounted to $36,544,634 The beginning balance of capital contributions consisted of contributions in support of construction of additional seating, new lounge boxes, handicapped facilities and a pedestrian ramp walkway and 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. Fiscal year additions were $1,549,200 contributed by the Sports and Exhibition Authority in connection with the repayment of a promissory note and $537,379 of other contributions for payment of long-term debt and related accrued interest made on its behalf.

As of December 31, 2000, the URA has contributed capital of $6,893,849. Grants, entitlements or shared revenues received for the acquisition or construction of capital assets are 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.

As of September 30, 2000, contributed capital for the Parking Authority amounted to $5,708,436. This number consisted of capital grants received.

No change occurred in the contributed capital figures for the Water and Sewer Authority or the Parking Authority. The Stadium Authority and the URA had contributed capital increases of $2,086,579 and $218,667, respectively.

(15) Segment Information

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

		Discrete Component Units				
		PWSA December 31, 2000	Stadium Authority March 31, 2000	URA December 31, 2000	Parking Authority September 30, 2000	Total
				(in thousands)		
Operating revenues	$	59,641	6,662	19,499	25,329	111,131
Depreciation and amortization	$	10,342	3,274	2,327	3,477	19,420
Operating income (loss)	$	16,961	(6,084)	7,331	6,764	24,972
Net income (loss)	$	(1,814)	3,570	(23,074)	1,939	(19,379)
Property, plant and equipment additions	$	33,929	19	5	23,348	57,301
Net working capital	$	51,035	10,335	336,846	(5,950)	392,266
Total assets	$	479,017	29,951	560,646	144,947	1,214,561
Bonds and other long-term liabilities, net	$	462,830	50,091	273,008	87,133	873,062
Equity (deficit):						
Contributed capital		5,277	36,545	6,894	5,708	54,424
Retained earnings (deficit)		(801)	(66,894)	131,421	38,787	102,513
Total equity (deficit)	$	4,476	(30,349)	138,315	44,495	156,937

(16) Fund Deficits

(A) Stadium Authority Deficit

The deficit of the Stadium Authority will be subsidized through future revenues from the Regional Asset District. The Stadium Authority will receive decreasing amounts of support through the year 2010 sufficient enough to pay off all bond obligations that they currently owe. (See note 22 for further discussion.)

(B) Pittsburgh Water and Sewer Authority

The Pittsburgh Water and Sewer Authority hired a nationally known service company to oversee operations in an effort to become more efficient by cutting costs and by improving revenue collections.

(C) Police Pension Trust

The deficit of the Police Pension Trust Fund will be subsidized through an operating transfer from the Comprehensive Trust Fund.

(17) Related Party Transactions

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

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

(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

(Continued)

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, 2000, was $1,272,486.

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 1998, the URA received payments of $136,387. This left a balance including accrued interest of $5,672,094 at December 31, 2000.

(C) In February of 2000, the Public Parking Authority and the City of Pittsburgh amended the cooperation agreement between them dated February 5, 1995. Among other things, the amended cooperation agreement increased from $1.4 million to $1.9 million the Authority's annual payment in lieu of real estate taxes to the City. Under the terms of the agreement, however, the payment to the City is made only upon the Authority successfully meeting its annual debt service requirements, determined each year on December 15. This amendment effectively subordinates the Authority's annual payment in lieu of taxes, providing additional security for Authority bondholders. The Authority has reflected as accounts payable - primary government amounts owed to the City for miscellaneous items totaling $703,504. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

(18) Construction and Other Significant Commitments

As of December 31, 2000, the City had the following commitments with respect to unfinished capital projects:

Capital project	Remaining construction commitment	Expected date of completion
Coleman Street Rehabilitation	$ 120,097	April 2001
Fort Duquesne Blvd.	2,652,580	May 2001
Handicap Ramps	267,794	April 2001
Panther Hollow Fields	198,125	June 2001
Schenley Park Bridge	437,523	July 2001
Wood Street Construction	332,173	July 2001
Total	$ 4,008,292	

(19) Regional Asset District Revenues

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

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 nineteen years with $6,200,000 annually allocated for the first nine years and $7,500,000 annually thereafter.

(20) 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.

(Continued)

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

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

(21) 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 risk of loss to which the City is exposed for the above mentioned items is handled through various insurance coverages. As of December 31, 2000, there were no settlements exceeding coverage for the past three years. The City also covers certain claim settlements and judgments from its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Provisions are recorded in the General 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, 2000 and 1999, were as follows:

		2000	1999
Accrued claims and judgments, January 1	$	16,181,650	10,322,000
Current year claims and changes in estimates		(3,128,307)	7,533,593
Claim payments		(9,533,343)	(1,673,943)
Accrued claims and judgments, December 31	$	3,520,000	16,181,650

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 and general long-term debt account group.

Changes in the accrued workers' compensation liability during the years ended December 31, 2000 and 1999, are as follows:

	2000	1999
Accrued workers' compensation, January 1	$ 98,469,975	115,949,000
Current year claims and changes in estimates	10,470,640	89,585
Claim payments	(18,736,000)	(17,568,610)
Accrued workers' compensation, December 31	$ 90,204,615	98,469,975

(22) Impairment of Stadium Complex

The City, in cooperation with the County of Allegheny, through the use of the Sports and Exhibition Authority has completed construction of PNC Park and is in the process of constructing the H.J. Heinz Field. In connection with the construction of these new stadiums, the Three Rivers Stadium complex was razed in February 2001. In addition, certain parcels of land were transferred from the Stadium Authority to the Sports and Exhibition Authority (see note 24). In connection with these changes, the Three Rivers Stadium complex was adjusted for an impairment in value. In 1999, the write-down was reflected as an extraordinary item within the statement of operations of the Stadium Authority as the transaction is considered infrequent and unusual.

(23) Conveyance of Property by URA

In February 2000, the Pittsburgh Economic and Industrial Development Corporation (PEIDC) (component unit of the URA) transferred the Oliver Garage assets and related debt to the Public Parking Authority in accordance with the options provided in the Trust Indenture and related lease. The transfer resulted in a loss of $26,354,517 for the URA. When the garage was purchased by the Public Parking Authority, all of the related obligations of the URA were assumed by the Public Parking Authority. At the date of transfer, the Public Parking Authority assumed the obligation of the bonds payable of $15,155,000 and received a parking facility and equipment of $13,812,612 and other assets of $1,342,388, which approximated fair value, thus no gain or loss was recorded by the Public Parking Authority.

Also during 2000, the University of Pittsburgh's McGowan Center for Artificial Organ Development purchased the Pittsburgh Life Sciences Center building that was under construction by the PEIDC. The proceeds of the consideration paid to the PEIDC were used to reimburse the PEIDC for all project costs and to pay off all of the project debt, including a loan from the URA, a loan from Allegheny County and a construction loan from National City Bank. As part of the agreement, the University of Pittsburgh agreed to assume the PEIDC's existing construction and architectural contracts on the project. The sale resulted in a loss of $2,389,952 for the URA.

(24) Capital Transferred to Sports and Exhibition Authority for New Stadium Complexes

In connection with the construction of PNC Park and H. J. Heinz Field (Projects), the Stadium Authority of the City of Pittsburgh had incurred costs of $3,990,714 and $20,228,302, through March 31, 2000 and 1999, respectively, which were reimbursed by the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA) with funds received from the financing of the Projects. Additionally, during 1999, the Stadium Authority received $7,000,000 and $931,500 of contributed capital from the Commonwealth of Pennsylvania and the SEA.

On May 26, 1999, the SEA issued the "Public Auditorium of Pittsburgh and Allegheny County Regional Asset District Sales Tax Revenue Bonds, Series 1999 (RAD Bonds)." A portion of the proceeds from the RAD Bonds were used to reimburse the Stadium Authority for certain costs incurred of $24,219,016 in connection with the Projects. A portion of these funds were used to pay off the outstanding BAN advances, and $15,200,000 of the funds were contributed back to the SEA as contributed capital to be used on the Projects.

(Continued)

(25) Subsequent Events

(A) Property Tax Reassessments

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

City and School Real Estate Taxes (property taxes) are based on the assessed value of the property as determined by the Allegheny County Board of Assessors. The assessed value of a property is broken down by land value and building value. The City of Pittsburgh's tax rate is 10.8 mills on the assessed value of the property. By comparison, the School District of Pittsburgh's tax rate is 13.92 mills assessed value. A mill is 1/10 of a cent. For example, on a property assessed at $1,000, the City of Pittsburgh Real Estate tax would be $10.08. The School District of Pittsburgh Real Estate tax would be $13.92.

Real Estate Taxes are billed in January of the current tax year. For the year 2001, the gross amount was due March 31, 2001. However, because of the delay in billing, a 2% discount could be taken if the taxes were paid by March 31, 2001. Real Estate Taxes could also be paid in installments. The first installment was due by March 31, 2001, the second was due by May 31, 2001, and the third is due by August 31, 2001. Penalty and interest is charged starting the first day of the month on any past due amount. The rate is 1-½% a month, compounded monthly.

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

Over 85,000, or over 17%, of property owners out of approximately one-half million in Allegheny County have filed property tax appeals contesting their new assessments as of June 1, 2001.

(B) Census

The results of the 2000 Census showed a population loss in Pittsburgh from 1990 of 369,879 to 334,563, or by 10.6%. This change in population ranked Pittsburgh 238 out of the 243 incorporated places with over 100,000 population for population change. Pittsburgh now ranks as the 53rd largest incorporated place in the United States. Pittsburgh has failed to attract international immigrants, seeing a net increase of about 800 immigrants from 1990 to 2000.

(C) Tax and Revenue Anticipation Note

The confusion over the new assessments and the policy debates, which eliminated the bifurcated tax system, delayed the 2001 real estate tax billing until March 2001. Because of this delay, the City of Pittsburgh issued a tax and revenue anticipation note for $25,000,000 on February 27, 2001, due December 3, 2001, with an interest rate of 4% and a yield of 3.25%. This note will be paid off prior to year end 2001.

CITY OF PITTSBURGH, PENNSYLVANIA

Pension Trust Funds

Schedule of Funding Progress

(In Thousands)

Actuarial valuation date (January 1)	Pension plan	Actuarial value of plan assets	Actuarial accrued liability	Unfunded actuarial liability	Actuarial value of assets as a percentage of actuarial accrued liability	Annual covered payroll	Unfunded actuarial liability as a percentage of annual covered payroll
1995	Municipal	$ 36,181	$ 170,984	$ 134,803	% 21.2	$ 63,810	% 211.3
	Police	35,815	254,561	218,746	14.1	43,065	507.9
	Fire	35,621	181,029	145,408	19.7	40,652	357.7
	Total	$ 107,617	$ 606,574	$ 498,957		$ 147,527	
1996	Municipal	$ 54,338	$ 173,180	$ 118,842	31.4	$ 64,411	184.5
	Police	28,553	273,252	244,699	10.4	43,389	564.0
	Fire	35,440	186,839	151,399	19.0	43,026	351.9
	Total	$ 118,331	$ 633,271	$ 514,940		$ 150,826	
1997	Municipal	$ 72,083	$ 175,776	$ 103,693	41.0	$ 65,600	158.1
	Police	37,880	277,346	239,466	13.7	45,690	524.1
	Fire	47,012	196,773	149,761	23.9	43,977	340.5
	Total	$ 156,975	$ 649,895	$ 492,920		$ 155,267	
1998	Municipal	$ 75,472	$ 181,412	$ 105,942	41.6	$ 65,753	161.1
	Police	39,677	287,790	248,113	13.8	54,374	456.3
	Fire	57,904	205,889	147,985	28.1	45,613	324.4
	Total	$ 173,053	$ 675,091	$ 502,040		$ 165,740	
1999	Municipal	$ 133,566	$ 184,293	$ 50,727	72.5	$ 66,957	75.8
	Police	160,108	292,681	132,573	54.7	54,496	243.3
	Fire	142,940	208,274	65,334	68.6	46,869	139.4
	Total	$ 436,614	$ 685,248	$ 248,634		$ 168,322	
2000	Municipal	$ 140,158	$ 183,715	$ 43,557	76.3	$ 63,627	68.5
	Police	169,358	298,470	129,113	56.7	52,266	247.0
	Fire	158,093	215,462	57,369	73.4	47,991	119.5
	Total	$ 467,609	$ 697,647	$ 230,039		$ 163,884	

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Supplementary Information

For the Year Ended December 31, 2000

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

		Municipal	Police	Fire
Valuation date		1/1/00	1/1/00	1/1/00
Actuarial cost method		Entry age normal	Entry age normal	Entry age normal
Amortization method		Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period		38 years	38 years	38 years
Asset valuation method		Market related	Market related	Market related
Actuarial assumptions:				
Investment return	%	9.00	9.00	9.00
Projected salary increases		0.50	2.85	2.50
Cost-of-living adjustment		3.5	3.5	3.5

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APPENDIX B

CITY OF PITTSBURGH

Financial and Operating Data

Table B-1 presents a summary of the revenues and expenditures of the City's General Fund for fiscal years 1997 to 2000 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 2001 adopted budget.

Table B-1
GENERAL FUND
SUMMARY OF OPERATIONS (CASH BASIS)
(In thousands)
Fiscal Years 1997 through 2000 (Actual) and 2001 Budgeted

	1997	1998	1999	2000	2001 Budgeted
Revenues:					
Taxes, including penalty and interest	262,422	265,900	277,364	280,566	268,047
Interest earnings	5,790	5,843	6,335	5,768	5,700
Fines and forfeits	7,236	7,853	6,890	7,155	7,100
Licenses and fees	5,472	5,318	5,998	6,977	5,717
Intergovernmental	16,954	16,504	19,822	20,838	48,766
Miscellaneous	463	133	2,153	3,054	140
Provision of services, break even and joint operations	22,215	15,134	19,073	26,854	23,086
Total revenues	320,552	316,685	337,635	351,212	358,556
Expenditures					
Current operating:					
General government	24,770	24,346	26,337	33,057	39,292
Public safety	109,254	109,258	120,061	130,060	133,771
Public works	38,222	35,511	34,878	23,536	23,831
Citizens Review Board	0	220	407	352	402
Community, recreational and cultural	4,202	3,977	4,042	4,708	4,940
Employee benefits	76,028	72,164	61,607	63,289	68,001
Claims and judgements	1,329	1,837	1,674	2,492	1,700
Computer System			251	281	0
Utilities	7,743	7,625	6,651	6,237	7,200
Miscellaneous	3,902	4,615	4,726	4,668	4,791
Debt service:					
Debt Service	45,649	46,495	65,275	69,341	66,748
Bond issuance costs		1,527			
Debt Service Subsidy	2,825	2,819	2,824	3,453	3,840
Transfers	4,175	0		4,090	4,040
Total expenditures	318,099	310,394	328,733	345,564	358,556
Excess (deficiency) of revenues over (under) expenditures	2,453	6,291	8,902	5,648	
Other financing sources (uses):					
Neighborhood Needs, unbudgeted equity transfer				(10,000)	
Contribution to pension fund					
Bond proceeds		(253,520)			
Capital lease obligation proceeds	14,006	253,520			
Transfer to pension fund	(14,159)	(14,046)	(13,258)	(13,250)	(16,000)
State pension aid	14,159	14,046	13,258	13,250	16,000
Net other financing sources	14,006	0	0	(10,000)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	16,459	6,291	8,902	(4,356)	0
Fund balances-budgetary basis, beginning of year	40,570	57,038	63,329	72,231	67,875
Fund balances-budgetary basis, end of year	57,029	63,329	72,231	67,875	67,875
Adjustment to generally accepted accounting principles (GAAP) basis (b):					
Cumulative difference between budgetary basis and GAAP basis beginning of year	(16,893)	(13,784)	(11,273)	(28,062)	
Net effect of GAAP basis recognition of revenues	2,947	300	(1,574)	8,664	
Net effect of GAAP basis recognition of expenditures	162	2,211	(15,215)	(6,513)	
Net effect of GAAP basis recognition of other financing sources (uses)	0	0	0	0	
Residual equity transfers				3,505	
Fund balances-GAAP basis, end of year	$43,245	$52,056	$44,169	$45,469	

Source: City of Pittsburgh Comprehensive Annual Financial Reports
City of Pittburgh 2001 Budget

Table B-2
CITY OF PITTSBURGH
ASSESSED VALUE, TAX RATES, LEVY, AND COLLECTIONS
(Dollar Amounts in Thousands)
1991-2000

	Assessed Valuation of Land & Buildings	Land	Building	Original Levy	Adjusted Net Levy [1]	Budget	Receipts	Percent of Adjusted Net Levy Collected	Prior Year Taxes Collected	Total Collections as a Percent of Adjusted Levy
1991	2,085,143	184.5 Mills	32.0 Mills	125,345	119,606	114,500	111,267	93.0%	5,281	97.4%
1992	2,120,326	184.5 Mills	32.0 Mills	124,187	118,775	113,000	112,971	95.1%	4,942	99.3%
1993	2,055,751	184.5 Mills	32.0 Mills	121,026	117,662	113,200	112,390	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%	4,371	95.9%
1995	2,047,583	184.5 Mills	32.0 Mills	121,976	117,959	112,177	110,166	93.4%	4,733	97.4%
1996	2,036,489	184.5 Mills	32.0 Mills	118,952	115,898	109,720	110,276	95.1%	12,130	138.3%
1997	2,047,441	184.5 Mills	32.0 Mills	119,741	111,066	109,180	113,251	101.9%	13,018	95.2%
1998	2,085,013	184.5 Mills	32.0 Mills	121,674	105,822	110,715	112,562	99.3%	6,644	120.3%
1999	2,096,829	184.5 Mills	32.0 Mills	122,053	117,382	113,715	112,569	95.9%	5,397	94.9%
2000	2,125,768	184.5 Mills	32.0 Mills	125,422	119,649	112,010	110,644	92.5%	2,967	65.9%

1. Represents net levy as of December 31 of the tax year (reflects exonerations, abatements and discounts made to the tax base in that year.)
2. Does not include proceeds from sale of delinquent tax liens to Capital Asset Research Corporation.

Source: City of Pittsburgh - Department of Finance

Table B-3
CITY OF PITTSBURGH
NON-REAL ESTATE TAX GROSS RECEIPTS
1995-2000 (ACTUAL), 2001 (ESTIMATED)
(GAAP BASIS)
(Amounts in millions of dollars)

	1995	1996	1997	1998	1999	2000	Budget 2001
Earned Income (1)	34.793	39.146	36.901	42.941	41.595	48.707	48.800
Business Privilege (2)	35.337	36.210	35.465	35.269	35.447	38.468	40.500
Parking (3)	21.937	22.757	23.461	28.728	28.817	30.960	30.668
Amusement (4)	5.789	6.415	5.744	7.813	5.584	8.256	8.900
Mercantile Tax (5)	6.489	6.966	6.773	7.038	6.935	7.194	7.100
Occupation Privilege (6)	3.145	2.890	2.670	3.142	3.106	3.244	3.229
Deed Transfer (7)	7.281	6.711	7.537	9.317	10.816	8.743	8.800
Personal Property (8)	0.008	0.000	0.000	0.000	0.000	0.000	0.000
Institution Service Privilege (9)	0.822	0.909	1.098	0.802	0.616	0.521	0.550
Total	115.601	122.004	119.649	135.050	132.916	146.093	148.547

(1) 2.125% 1987-1988; 1.625% 1989; 1% 1990-2001
(2) 6 mills 1987-2001
(3) 25% 1987-1991; 26% 1992-1997; 31% 1998-2001
(4) 10% 1987-1994; 5% 1998-2001
(5) 2 mills retail; 1 mill wholesale 1987-2001
(6) $10 1987-2001
(7) 1.5% 1987-2001
(8) 4 mills 1987-1994; rescinded 1995
(9) 6 mills 1987-2001

Source: City of Pittsburgh - Department of Finance

TABLE B-4
CITY OF PITTSBURGH
HISTORY OF PENSION CONTRIBUTIONS 1996-2000

Source	1996(*)	1997	1998	1999	2000
City of Pittsburgh	$58,918,939	$21,503,731	$19,867,123	$9,765,352	$8,159,751
Employees	5,857,952	8,220,983	8,795,467	9,461,203	9,816,786
State	15,502,284	14,159,321	14,632,095	13,257,846	16,191,973
Total	$83,279,175	$43,884,035	$43,294,685	$32,484,401	$34,168,510

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

Source: City of Pittsburgh - Department of Finance

Table B-5 presents the planned future City pension contributions as projected by Mockenhaupt Associates, 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-5
CITY OF PITTSBURGH PENSION PLANS
20 YEAR PROJECTION OF REQUIRED CONTRIBUTIONS

Includes Gains Anticipated Under Commonwealth of Pennsylvania Act 82 of 1998

(As of December 31, 2000)

Year	Covered Payroll	Unfunded Liability	Normal Cost	Administrative Expenses	Amortization Payment	Member Contribution	MMO	Anticipated State Aid	Required City Contribution
2001	175,857,240	237,809,987	13,664,483	1,875,835	13,533,172	(8,923,497)	20,149,993	(13,257,846)	6,892,147
2002	185,049,755	240,348,790	14,643,901	2,194,768	10,489,098	(9,409,320)	17,918,447	(13,257,846)	4,660,601
2003	194,743,683	243,883,366	15,474,289	2,314,918	10,014,300	(9,922,563)	17,880,944	(13,257,846)	4,623,098
2004	204,967,374	250,809,217	16,353,059	2,441,884	9,852,439	(10,464,815)	18,182,567	(13,257,846)	4,924,721
2005	215,750,821	258,795,095	17,283,084	2,576,062	9,746,243	(11,037,765)	18,567,624	(13,257,846)	5,309,778
2006	227,125,767	267,601,950	18,267,417	2,717,872	9,668,675	(11,643,198)	19,010,766	(13,257,846)	5,752,920
2007	239,125,804	277,239,128	19,309,290	2,867,763	9,620,287	(12,283,007)	19,514,333	(13,257,846)	6,256,487
2008	251,786,484	287,741,692	20,412,131	3,026,206	9,604,956	(12,959,196)	20,084,097	(13,257,846)	6,826,251
2009	265,145,435	299,147,382	21,579,577	3,193,702	9,627,350	(13,673,891)	20,726,738	(13,257,846)	7,468,892
2010	279,242,488	311,491,322	22,815,483	3,370,782	9,692,540	(14,429,341)	21,449,464	(13,257,846)	8,191,618
2011	294,119,802	324,807,409	24,123,939	3,558,009	9,806,141	(15,227,934)	22,260,155	(13,257,846)	9,002,309
2012	309,822,009	339,128,017	25,509,279	3,755,979	9,974,514	(16,072,195)	23,167,577	(13,257,846)	9,909,731
2013	326,396,361	354,479,617	26,976,105	3,965,324	10,204,056	(16,964,802)	24,180,683	(13,257,846)	10,922,837
2014	343,892,881	370,884,369	28,529,294	4,186,713	11,240,906	(17,908,594)	26,048,319	(13,257,846)	12,790,473
2015	362,364,535	388,357,644	30,174,016	4,420,857	13,512,806	(18,906,579)	29,201,100	(13,257,846)	15,943,254
2016	381,867,407	406,131,369	31,915,761	4,668,509	15,058,593	(19,961,944)	31,680,919	(13,257,846)	18,423,073
2017	402,460,883	422,968,943	33,760,346	4,930,465	16,095,150	(21,078,068)	33,707,893	(13,257,846)	20,450,047
2018	424,207,849	439,353,749	35,713,947	5,207,572	17,488,212	(22,258,531)	36,151,200	(13,257,846)	22,893,354
2019	447,174,907	455,692,756	37,783,109	5,500,726	18,368,845	(23,507,131)	38,145,549	(13,257,846)	24,887,703
2020	471,432,591	471,549,021	39,974,780	5,810,878	19,339,253	(24,827,890)	40,297,021	(13,257,846)	27,039,175

State Aid assumed to remain constant.

Commonwealth of Pennsylvania, Act 82 of 1998 allows the City to amortize the unfunded liability over a 40-year period. Plan liabilities are currently calculated using an interest rate of nine percent. An additional actuarial gain or loss will occur in any year that the fund earnings do not equal ten percent. Anticipated earnings of ten percent and the amortization of these anticipated gains will eliminate the unfunded liability.

Source: Mockenhaupt Associates

TABLE B-6

CITY OF PITTSBURGH
STATEMENT OF DIRECT AND OVERLAPPING DEBT
As of January 1, 2001

GROSS BONDED DEBT(1)		$884,428,499
Plus:		
Stadium Authority (2)	$31,114,200	
Auditorium Authority (3)	$18,215,000	
Redevelopment Authority (4)	$69,214,697	
		$118,543,897
GROSS DIRECT DEBT		$1,002,972,396
Less: Moneys in Sinking Fund (6)		($13,885,705)
Subtotal		$989,086,691
Less: Self-Supporting Debt		
Auditorium Authority		($6,089,500)
Redevelopment Authority		($1,710,819)
Taxable General Obligation Pension Bonds, 1996-B (7)		($36,500,000)
Taxable General Obligation Pension Bonds, 1998ABC (8)		($253,519,607)
NET DIRECT DEBT		$691,266,765
Overlapping Debt		
School District (9)	$300,370,000	
County (10)	$165,149,836	$465,519,836
OVERALL NET DEBT		$1,156,786,601
DEBT SUMMARY		
Assessed Valuation of Real Estate	$2,125,768,235	
Market Valuation of Real Estate	$8,503,072,940	
Population	334,563 *	
Gross Bonded Debt	$884,428,499	
Gross Direct Debt	$1,002,972,396	
Net Direct Debt	$691,266,765	
Overall Net Debt	$1,156,786,601	

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* U.S. Census Bureau, 2000
Source: City of Pittsburgh

(1). Amount represents total principal debt of $885,280,000 less unamortized discount on capital appreciation bonds of $851,501.

(2). As of January 1, 2001, the Stadium Authority has $10,960,000 Guaranteed Stadium Bonds, Series 1993 and is responsible for the funding of the City's General Obligation Bonds, Series 1992A for $18,605,000. The City has guaranteed the repayment of this debt and the payment of the Authority's annual operating expenses to the extent that the Stadium Authority's annual operating revenues prove insufficient for these purposes. The Stadium Authority also has an outstanding balance of $1,549,200 on a 1994 Note for the purchase of a new scoreboard.

(3). Pursuant to agreements among the City, County and the Auditorium Authority, the City and the County have agreed to make equal annual grants to the Auditorium Authority in an aggregate amount equal to the maximum annual debt service on the Authority's outstanding $36,430,000 Auditorium Bonds, 1999 Series. In addition, the City and the County have agreed to make annual rental payments of $325,000 from 1992 through 2007 to provide for the debt service on the Urban Redevelopment Authority of Pittsburgh's Urban Renewal Bonds, Series 1985. The agreement among the City, County and the Auditorium Authority does not, however, extend to any operating deficit with respect to the Civic Arena's activities. The outstanding debt of the Auditorium Authority as of January 1, 2001 totaled $36,430,000 of which $18,215,000 is attributable to the City in accordance with the agreements. In December 1991, the City, County and the Auditorium Authority signed an agreement which provides that the County will use any "remaining revenues" after initial distribution of the County Hotel Tax to reimburse the City for payments made by the City on the debt service of the Auditorium Authority bonds.

(4). As of January 1, 2001, the Redevelopment Authority has outstanding $1,710,819 Guaranteed Tax Increment Financing Bonds, Series 1994A, $4,025,000 Taxable Guaranteed Revenue Bonds, Series 1994B, $2,411,048 Redevelopment Bonds, Series 1995B, $1,566,993 Redevelopment Bonds, Series 1995C, $56,605,000 Special Taxable Redevelopment Bonds, Series 1995A and $2,895,837 Taxable Redevelopment Bonds, Series 1996.

(5). Does not include Pittsburgh Water & Sewer Authority (PWSA) debts of $447,781,000. 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 January 1, 2001, the City had a total cash balance of $13,885,705. This balance represents funds for debt service payments to be made in 2001.

(7). On December 1, 1996, the City issued $37,710,000 Taxable General Obligation Bonds, 1996 Series B (Approval No. GOB-12867) of which $36,500,000 is not included in the City's debt for the purposes of this statement since it was used to fund an unfunded actuarial accrued liability of the City.

(8). On March 1, 1998, the City issued $255,865,000 Taxable General Obligation Pension Bonds, 1998 Series A, B, C of which $253,519,607 is not included in the City's net debt for the purposes of this statement since it was used to fund an unfunded actuarial accrued liability of the City.

(9). The School District is empowered to incur debt and levy unlimited ad valorem taxes on taxable real property within its boundaries to pay debt service thereon. As of January 1, 2001 the Board had $300,370,000 in debt outstanding.

(10). As of January 1, 2001, 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 $635,191,675. Since rents, charges and fees from the airport operations exceed operating, maintenance and debt service expenses, this debt is considered self-liquidating. The City's overlapping share is 26% of the County's net indebtedness of $165,149,836.

APPENDIX C

CITY OF PITTSBURGH

Certain Demographic and Economic Information
Pertaining to the City of Pittsburgh

ECONOMIC CONDITION AND OUTLOOK

The City of Pittsburgh is located at the confluence of the Ohio, Monongahela, and Allegheny Rivers and serves as the seat for Allegheny County. Pittsburgh is also the largest of the County's 130 municipalities. Downtown Pittsburgh - commonly known as the Golden Triangle - is the regional center of Southwestern Pennsylvania, Eastern Ohio and Northern West Virginia. According to the 2000 Census, the City's population is approximately 335,000.

Economic Background

Pittsburgh has consistently been a leader in developing and capitalizing on new industries. In the mid-1800s, Pittsburgh gained notoriety for developing its glass, iron, and steel industries and emerged as the world's steel-producing capital by the end of the century. In recent years, the City of Pittsburgh's economy has undergone a major transformation. Though heavy manufacturing continues to play a role in the City's economic growth, it is no longer the region's sole driving force. Instead, Pittsburgh has reestablished itself as a leader in technological innovation. The same entrepreneurial spirit that forged Pittsburgh's growth in the past has been reborn, producing a diverse economy consisting of high technology, finance, healthcare, retail, law, and education sectors. Pittsburgh's economy is now fueled in great part by information technology and biotechnology firms that grew out of the region's strong universities.

Economic Condition and Outlook

The City of Pittsburgh continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. This initiative of improving business retention has been implemented through the Mayor's Office of Economic Development. The primary goal is to assist businesses both small and large in developing and enhancing working relationships between economic development practitioners through-out the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City of Pittsburgh has modernized its economy.

Initiatives such as *one-stop service providers* allow firms doing business in Pittsburgh to assign a project coordinator who will serve as a single point of contact throughout the development process. Tax Credits granted by both the federal government and the Commonwealth of Pennsylvania provides financial incentives for companies to hire new employees. The City of Pittsburgh also contains three State Enterprise Zones, which enable businesses located within those designated areas to enjoy more favorable interest rates and additional tax incentives.

Over the past couple of years Pittsburgh has focused on the revitalization of its downtown core, making aesthetic improvements to reestablish it as a regional destination point. With the formation of a Business Improvement District in 1996, the Pittsburgh Downtown Partnership spearheaded improvements in maintenance, safety, and marketing. The City has also worked hard to reassert downtown Pittsburgh as the region's retail hub. A Lazarus department store recently opened at the corner of Fifth Avenue and Wood Street. The Mellon Bank building at Smithfield Street has been renovated into a Lord and Taylor store, which opened in November 2000.

Pittsburgh is also working to make downtown the region's chief entertainment destination. The expansion of the convention center and the construction of two new sports facilities will attract visitors from the surrounding region and all over the world. The downtown office climate is also getting a boost because long-time Pittsburgh companies - PNC Bank and Mellon Bank - opened newly constructed operations centers. Their investment in downtown -- along with that of many other companies, including Heinz Highmark Blue Cross/Blue Shield, GNC, ALCOA, and Kvaerner Metals - is a sign of Pittsburgh's evolving economy.

The City of Pittsburgh has also implemented an aggressive strategy to reclaim the City's valuable riverfront property and reuse industrial sites left behind by the dismantling of the steel industry. Through the Urban Redevelopment Authority, the City of Pittsburgh has acquired land and prepared sites to lay the groundwork for economic development. Technology companies such as Aristech Chemical Corporation, Union Switch & Signal, Aerial Communications and Hyperion Communications have located their operations at the Pittsburgh Technology Center, where - appropriately enough - a steel mill previously existed. Through the Urban Redevelopment Authority, the City also purchased the 130-acre former LTV South Side Works site in late 1993. The site is currently being developed into a mixed-use development to include housing, office space, warehousing and light-industrial space. UPMC has finished building an 80,000-square-foot distribution center, and a 45,000-square foot office and laboratory facility called the Pittsburgh Life Sciences Center is under construction. The Mon Con/Hot Metal Bridge that once carried molten steel has been renovated to allow cars and pedestrians to travel between the South Side

Works and the Pittsburgh Technology Center. In addition, residential and commercial developments completed on Washington's Landing prove the strategy of land acquisition and site preparation can be used very effectively as an economic development strategy.

Pittsburgh is also strengthening and revitalizing its neighborhoods, encouraging new housing developments like Crawford Square and Allequippa Terrace, which are mixed-income-housing units in the Hill District. The idea is to provide both new and existing residents of the City with a higher quality of life. The City is also partnering with developers to attract new stores and restaurants back into the neighborhoods, such as a new Shop 'N Save at the Lawrenceville Shopping Center development and a Home Depot and Whole Foods in East Liberty.

But the most dramatic development in Pittsburgh is probably its rebirth as a hub for the technology industry. The University of Pittsburgh and Carnegie Mellon University lead the way in research of biotechnology, bioengineering, robotics, and information technology. Increases in university research and development (R&D), spending are a significant sign that the City's universities are working to commercialize technology developments. This R&D spending will spin off new companies, new jobs and new wealth. During the past 15 years, Pittsburgh has more than doubled its number of technology-driven firms, creating over 1,200 new enterprises. Today, nearly 2,400 high technology firms employ over 90,00 individuals, accounting for roughly nine percent of the total workforce in Greater Pittsburgh. In fact, the Pittsburgh region now ranks in the top ten in the nation in total employment of computer software professionals. Pittsburgh is also the third-largest environmental technology hub in the country. In aggregate, technology companies have produced over 30,000 new jobs since 1980, sharply offsetting job losses from other industries in the region.

The overall outlook for Pittsburgh in the 21st century and beyond is very promising. Investments and initiatives the City undertook in the past several years are leading to more business development, increased residential construction and a belief among leaders and residents that the City's next Renaissance is right around the corner.

MAJOR INITIATIVES

The major initiatives of the City can be classified into four development objectives: Downtown Development, Industrial Site Re-Use Development, Neighborhood Development and Riverfront Development.

Development Objective	Investment	Jobs Created/Retained
Downtown Development	$1,328,272,700	7,166
Industrial Site Re-use Development	528,361,000	1,062
Neighborhood Development	931,245,412	1,796
Riverfront Development	640,387,000	675
TOTAL INVESTMENT	$3,428,266,112	10,699

The initiatives are part of the City's current Capital Improvement Program not to extend beyond 2007.

The following is a summary of selected projects within each initiative.

Downtown Development

O'Reilly Theater - The construction of a 650-seat theater in the 600 block of Penn Avenue for the new home of the Pittsburgh Public Theater.
Total cost: $18 million

David L. Lawrence Convention Center - The expansion of the convention center to 350,000-sq. ft. including additional meeting rooms and a 40,000-sq. ft. ballroom overlooking the Allegheny River.
Total cost: $267 million

PNC Bank Operations Center - The construction of a 400,000-sq. ft. bank operation center at the corner of Grant Street and First Avenue.
Total cost: $100 million

Mellon Bank Operations Center - The construction of a 600,000-sq. ft. bank operation center and a 650-space parking garage at the corner of Ross Street and Sixth Avenue.
Total cost: $114 million

Gimbels Landmark - Renovation of the Gimbels department store into a 350,000-sq. ft. class A office building.
Total cost: $40 million

Industrial Site Re-use Development

Pittsburgh Life Sciences Center - The construction of a 45,000-sq. ft. multi-tenant biomedical, biotechnology, research and development business center.
Total cost: $6.5 million

Harbor Gardens - The redevelopment of a 4.5-acre site, formerly the Chateau Shopping Center for the headquarters of Mascaro Construction, Bidwell Training Center/Penn State University Garden Center and office space.
Total cost: $15 million

Hot Metal Bridge - The conversion of the former "hot metal" bridge that connects Second Avenue to the South Side into a vehicle and pedestrian bridge.
Total cost: $7.5 million

Somerset at Frick Park - Redevelopment of a 238-acre former industrial site into a traditional neighborhood
Total Cost: $57 million

Thirty-Second Street Business Center - The construction of two 48,000-sq. ft. flex warehouse buildings on the former site of the Lectromelt Corporation property located on the Allegheny River at 32nd Street and AVRR.
Total cost: $4 million

Neighborhood Development

Atlantic Baking Group-Acquisition of the former Nabisco Biscuit Company building and equipment for a new bakery.
Total cost: $24 million

Bedford Dwelling - The conversion of the former Bedford Dwelling public housing community into a mixed-income development to contain 880 townhouses and apartments.
Total cost: $86 million

New Pennley Place - The redevelopment of the Pennley Park public housing community into a mixed-income development to include the construction of 81 townhouses and the renovation of 197 apartments.
Total cost: $25 million

Williams Square - Construction of a 15,000-sq. ft. multi-tenant office building located in the Hill District.
Total Cost: $14 million

Schenley Center - The construction of a 176-room Residence Inn by Marriott, 156-room Brighten Garden assisted living center and a 273-space parking garage on Bigelow Boulevard.
Total cost: $42 million

Allequippa Terrace - The conversion of the former Terrace Village public housing community into a mixed-income development to contain 1,227 townhouses and apartments.
Total cost: $109 million

Riverfront Development

Fort Duquesne Riverfront Park - The construction of a riverfront park along the Allegheny River from Stanwix Street to Tenth Street.
Total cost: $8 million

South Shore Place - The construction by Signature Homes of 120 townhouses located on the Monongahela River between South 17th and South 19th Streets.
Total cost: $21.4 million

McKesson Automated Health Care - The construction of a 53,000-sq. ft. headquarters for the relocation of a manufacturer of robotic pharmaceutical dispensing equipment.
Total cost: $4.6 million

Aristech Chemical Corporation - The construction of an 87,000-sq. ft. research and development facility for Aristech's Polypropylene Technical Center.
Total cost: $16 million

Building Activity
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 1990 - 2000:

TABLE C-1
CITY OF PITTSBURGH
NUMBER AND VALUE OF BUILDING PERMITS, 1990 - 2000

Year	Number of Permits Issued	Dollar Value (In thousands)
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
1997	2,490	193,471
1998	2,405	388,570
1999	2,271	414,860
2000	2,283	491,814

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 heavy manufacturing 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 high technology, healthcare, education and financial institutions.

TABLE C-2
CITY OF PITTSBURGH
25 LARGEST PITTSBURGH AREA EMPLOYERS - 2000

	No. of Employees
UPMC Health System	28,000
United States Government	20,200
Commonwealth of Pennsylvania	15,300
US Airways, Inc.	11,717
West Penn Allegheny Health System 1)	8,901
Mellon Bank Financial Corp.	8,613
University of Pittsburgh	8,177
PNC Financial Services Group, Inc.	6,993
Allegheny County	6,699
USX Corporation	5,820
Pittsburgh Board of Education	5,160
Eat'N Park Restaurants, Inc.	4,760
Allegheny Technologies, Inc.	4,600
Highmark Blue Cross and Blue Shield	4,529
Verizon Communications, Inc.	4,471
City of Pittsburgh	4,335
Giant Eagle, Inc.	4,301
AT&T Corporation	3,500
Carnegie Mellon University	3,310
Sony Technology Center - Pittsburgh	3,300
Port Authority of Allegheny County	3,281
PPG Industries	3,200
Westinghouse Electric Co.	3,200
Pittsburgh Mercy Health System	2,900
The May Company (Kaufmann's)	2,829

Source: Pittsburgh Business Times

Notes: (1) Figure represents a combined West Penn Health Care System, Allegheny General Hospital and Allegheny University Medical Centers.

As set forth in Table C-3, estimated employment in the City has fluctuated during the past ten years from 319,600 in 1990 to 325,319 in 2000.

TABLE C-3
CITY OF PITTSBURGH
ESTIMATED NUMBER OF JOBS IN THE CITY
1990 - 2000

1990	319,600
1991	327,600
1992	318,404
1993	314,758
1994	314,525
1995	311,101
1996	310,000
1997	305,427
1998	319,004
1999	323,600
2000	325,319

Source: City of Pittsburgh Tax Files. Estimated based on Occupational Privilege Tax Receipts.

TABLE C-4
RESIDENT CIVILIAN LABOR FORCE DATA
CITY, PITTSBURGH MSA, COMMONWEALTH, U.S.
1996 - 2000

	1996	1997	1998	1999	2000
Labor Force					
City of Pittsburgh	163,700	163,300	161,700	159,400	159,900
Pittsburgh SMSA (1)	1,146,800	1,157,700	1,151,300	1,153,400	1,144,000
Pennsylvania	5,903,000	5,984,000	5,936,300	5,996,000	5,980,000
U.S.	132,450,000	136,297,000	137,673,000	139,368,000	140,893,000
Employment					
City	155,100	155,000	154,200	154,000	153,800
Pittsburgh SMSA (1)	1,089,500	1,100,300	1,098,700	1,103,300	1,100,100
Pennsylvania	5,590,000	5,673,000	5,661,200	5,507,000	5,753,000
U.S.	124,900,000	129,558,000	131,464,000	133,488,000	135,771,000
Unemployed					
City	8,700	8,300	7,500	5,400	6,000
Pittsburgh SMSA (1)	57,300	57,400	52,700	50,100	43,900
Pennsylvania	313,000	311,000	275,100	262,000	226,000
U.S.	7,404,000	6,739,000	6,210,000	5,880,000	5,122,000
Unemployment Rate (%)					
City	5.3%	5.1%	4.6%	3.4%	3.8%
Pittsburgh SMSA (1)	5.0%	5.0%	4.6%	4.3%	3.8%
Pennsylvania	5.3%	5.2%	4.6%	4.4%	3.8%
U.S.	5.6%	4.9%	4.5%	4.2%	3.6%

(1) Standard Metropolitan Statistical Area or SMSA. Includes the counties of Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland.
Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.

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

	Total Assets as of June 30, 2000
PNC Bank, N.A.	$68,109,551,000
Mellon Bank Corp.	37,598,483,000
National City Bank of Pennsylvania	13,983,534,000
Dollar Bank	3,377,189,000
Northwest Savings Bank	3,318,657,000
First Commonwealth Bank	3,267,532,000
S & T Bank	2,194,073,000
Laurel Bank	2,007,591,000

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
TEN LARGEST PITTSBURGH AREA
COLLEGES AND UNIVERSITIES
(RANKED BY 2000 UNDERGRADUATE FULL-TIME ENROLLMENT)

	Undergraduate Enrollment	
	full-time	part-time
University of Pittsburgh (main campus)	14,600	2,586
Community College of Allegheny County (all campuses)	12,005	9,483
Indiana University of Pennsylvania	11,054	838
Slippery Rock University	5,620	510
Duquesne University	5,047	490
Carnegie Mellon University	5,052	213
Clarion University of Pennsylvania	5,104	495
California University of Pennsylvania	4,441	600
Butler County Community College	1,457	1,554
University of Pittsburgh at Johnstown	2,797	350

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. Built with the latest technologies and designed for incremental expansion to meet forecasted growth, the entire complex is able to expand with relative ease. The Midfield Terminal is designed to be expanded to one of two configurations having an ultimate capacity of either: (1) 84 jet gates and 45 commuter aircraft parking positions; or (2) 94 jet gates and 30 commuter aircraft parking positions.

Passenger conveniences include an underground people mover system, moving walkways, easy-to-read signs and direct access to 17,420 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 1988 through July 2001 is set forth in Table C-7 below

TABLE C-7
Pittsburgh International Airport
Airline Traffic Activity
1989-July 2001

	Passenger Enplanements						
Year	Scheduled domestic airlines[1]	Foreign flag airlines	Commuter/ Regional carriers	Non-Scheduled	Total	Percent increase (decrease)	Annual aircraft landings(2)
1989	7,949,333	55,137	529,485	45,297	8,579,252	(4.8%)	162,806
1990	7,908,215	52,203	574,039	53,971	8,588,428	0.1%	167,514
1991	7,680,202	38,947	601,799	60,006	8,380,954	(2.4%)	168,422
1992	8,546,535	39,696	738,569	73,419	9,398,219	12.1%	188,751
1993	8,331,309	39,744	783,909	86,514	9,241,476	(1.7%)	179,727
1994	8,800,926	50,987	803,586	92,435	9,747,934	5.5%	189,035
1995	8,929,085	59,890	915,190	99,178	10,003,343	2.6%	188,015
1996	8,974,053	63,060	1,141,442	88,320	10,266,875	2.6%	189,685
1997	8,963,748	57,142	1,276,412	75,974	10,373,276	1.0%	200,075
1998	8,645,661	69,844	1,478,671	75,536	10,269,712	(1.0%)	197,496
1999	7,707,274	65,403	1,519,141	96,731	9,388,549	(8.6%)	192,647
2000	8,312,296	24,697	1,484,849	78,119	9,899,961	5.4%	197,364
2000 (6 months)	3,968,004	14,762	729,757	44,480	4,757,003	2.5%	98,518
2001 (6 months)	4,241,247	9,632	819,608	45,619	5,116,106	7.5%	100,825

(1) Major and national air carriers as classified by the U.S. Department of Transportation ("DOT"). The DOT classifies a "major" air carrier as one with annual operating revenues of greater than $1 billion and a "national" air carrier as one with annual operating revenues between $100 million and $1 billion.

(2) 1989-1996 figures represent landings reported for Signatory Airlines only.

Source: Allegheny County Airport Authority

Air Service at PIA

PIA is currently served by the scheduled passenger flights of nine scheduled domestic airlines, eleven commuter airlines and one foreign flag airline. According to the April 2001 edition of the Official Airline Guide, such airlines provide over 612 flights per day to over 113 cities. PIA is also served by eight 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[1]
Trans World Airlines[1][6]
Continental Airlines[1]
Delta Air Lines[1]
Northwest Airlines[1]
United Airlines[1]
US Airways[1]
Vanguard Airlines
AirTran[4]

Commuter/Regional Airlines
US Airways Express[2]
Air Midwest[1]
Allegheny Airlines[1]
Chautauqua Airlines[1]
Mesa Airlines[1]
Piedmont Airlines[1]
PSA Airlines[1]
Trans States Airlines[1]
American Eagle
Colgan Air
Comair (Delta Connection)
Continental Express
Mesaba Airlines (Northwest-Airlink)
Skyway Airlines
United Express
Atlantic Southwest (Delta Connection)[5]
Express I (Northwest Airlink)[3]

Foreign Flag Airlines
Air Canada

Cargo Carriers

Airborne Express
Emery Worldwide
Federal Express
Kitty Hawk
Pioneer Air Cargo
Superior Aviation
United Parcel Service
DHL Worldwide Express

(1) Signatory to an Airline Operating Agreement.
(2) All of the US Airways Express commuter airlines are affiliated with US Airways. Allegheny Airlines, Piedmont Airlines and PSA Airlines are wholly-owned subsidiaries of US Airways Group, Inc., the parent of US Airways, Inc.
(3) Effective October 29, 2000.
(4) Effective December 12, 2000.
(5) Effective March 1, 2001.
(6) Acquired by AMR, parent of American Airlines, in 2001.

Source: Allegheny County Airport Authority

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.

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 then 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 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. Rail services are available to markets throughout the United States, Canada, and Mexico via the strategic relationships that have been forged between railroad companies. On-line trunk railroads serving the SMSA include:

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

Motor Freight Service

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

Mass Transit

The Port Authority of Allegheny County (PAT), 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 exceed 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 or 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. Together they serve 128,807 customers in the City of Pittsburgh (118,723 residential, 9,963 commercial, and 121 industrial). All three are investor-owned utilities whose service area 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 1980 to 2000.

TABLE C-8
POPULATION
CITY, COUNTY, PMSA
1980 - 2000

	City of Pittsburgh		Allegheny County [1]		Pittsburgh PMSA [2]	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
1980	423,938		1,026,147		813,809	
1990	369,879	(12.8%)	966,570	(5.4%)	720,256	(11.5%)
2000	334,563	(9.5%)	947,103	(2.0%)	709,452	(1.5%)

(1) Population of the Country, 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

	1970	1980	1990	2000
Total Housing Units:				
City of Pittsburgh	189,840	179,191	170,159	163,366
County of Allegheny	533,520	570,970	580,738	583,646
Pittsburgh PMSA	789,771	874,050	879,811	1,046,094
Pennsylvania	3,924,757	4,597,412	4,938,140	5,249,750
Percent Owner-Occupied:				
City of Pittsburgh	50.3%	51.2%	52.3%	52.1%
County of Allegheny	64.8%	61.9%	66.2%	67.0%
Pittsburgh PMSA	67.8%	69.0%	72.6%	71.8%
Pennsylvania	68.0%	64.2%	70.6%	74.7%
Number of Persons per Housing Unit:				
City of Pittsburgh	2.8	2.4	2.5	2.4
Total County Housing Units:				
Percent of City of Pittsburgh	35.5%	31.4%	29.3%	28.0%

Source: U. S. Census of Housing

From 1970 to 2000 the number of housing units in the County increased by 9.4%, while the number of housing units in the City decreased by 13.9%. Over the same period, the number of persons per housing unit in the City decreased 14% and the population declined by 35.7%

TABLE C-10
COUNTY OF ALLEGHENY
AVERAGE SALE PRICE OF RESIDENTIAL PROPERTY
1985 TO 2000
(MARKET TRANSACTIONS)

Year	Average
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
1997	111,831
1998	116,064
1999	124,716
2000	134,092

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

	1978	1988	1998	% Change 1978 - 1998
Pittsburgh PMSA	$8,601	$17,201	$28,149	+63.6%
Allegheny County	9,265	19,127	31,665	+65.6%
Pennsylvania	8,305	17,323	27,469	+58.6%

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APPENDIX D

FORM OF PROPOSED OPINION OF BOND COUNSEL

[FORM OF PROPOSED OPINION OF BOND COUNSEL]

January __, 2002

RE: City of Pittsburgh, Pennsylvania, General Obligation Bonds, Series A of 2002

To the Purchasers of the Above-Captioned Bonds

We have acted as Bond Counsel in connection with the issuance by the City of Pittsburgh, Pennsylvania (the "City") of its General Obligation Bonds, Series A of 2002 in the aggregate principal amount of $126,585,000 (the "Bonds") pursuant to the Local Government Unit Debt Act, Act of December 19, 1996, P.L. 1158, No. 177 (the "Act"), and a Resolution adopted by the City Council of the City on December 12, 2001 (the "Resolution").

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

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

1. The Bonds are valid and binding general obligations of the City.

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

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

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

5. Under existing law, the interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes and (b) are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such

interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. Accruals of the original issue discount with respect to a Bond allocable to an owner of a Bond under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption and other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the City comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has covenanted in the Resolution to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

This opinion is rendered solely for the benefit of the addressees hereof in connection with the initial issuance of the Bonds. The addressees may not rely on this opinion for any other purpose and no other person may rely on this opinion for any purpose without the express written consent of the undersigned. This opinion is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

Very truly yours,

KLETT ROONEY LIEBER & SCHORLING,
A Professional Corporation

BURNS, WHITE & HICKTON, LLC

APPENDIX E

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the 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 Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

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

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder 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 "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or 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 Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations 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 Obligation, 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

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

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