This Preliminary Official Statement and the information contained herein is subject to change, completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The City has deemed this Preliminary Official Statement to be final for purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, except for certain information which has been omitted in accordance with such Rule and which will be provided in the final Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 27, 2006

New Issue—Book Entry Only

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

$242,925,000*
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
$59,730,000* (Federally Taxable) General Obligation Refunding Bonds, Series A of 2006
$135,380,000* General Obligation Refunding Bonds, Series B of 2006
$47,815,000* General Obligation Bonds, Series C of 2006

Dated: Date of Delivery **Due: September 1, as shown on inside front cover**

Maturity Dates and Prices—See inside front cover

Bond Ratings	Expected Insured: "AAA" Fitch, Inc. "Aaa" Moody's Investors Service "AAA" Standard & Poor's See **"BOND RATINGS"** herein.	Applied for Underlying: "___" Fitch, Inc. "___" Moody's Investors Service "___" Standard & Poor's

Tax Matters

Series A Bonds. Interest on the Series A Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Series A Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Series A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Series B Bonds and Series C Bonds (the "Tax-Exempt Bonds"). In the opinion of Bond Counsel, assuming compliance with certain covenants of the City, interest on the Tax-Exempt Bonds is excludable from gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Tax-Exempt Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations as more fully described under the caption **"TAX MATTERS"** herein. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Tax-Exempt Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Tax-Exempt Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. (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	The City expects to obtain a commitment for a municipal bond insurance policy prior to the sale of the Bonds to the Underwriters.
Purpose	Proceeds from the issuance of the Series A Bonds will be used to (1) advance refund all or portions of the City's outstanding General Obligation Bonds, Series B of 1996, Series D of 1998 and Series A of 2002 and (2) pay the costs and expenses of issuing the Series A Bonds. Proceeds from the issuance of the Series B Bonds will be used to (1) advance refund all of the City's outstanding General Obligation Bonds, Series B of 1997 and all or portions of the City's outstanding General Obligation Bonds, Series A of 1999, Series of 1992A, Series A of 2002 and Series B of 2005, (2) currently refund all of the City's outstanding General Obligation Bonds, Series A of 1997 and all or portions of the City's outstanding General Obligation Bonds, Series D of 1998, and (3) pay the costs and expenses of issuing the Series B Bonds. The proceeds from the issuance of the Series C Bonds will be used to (1) finance the costs of various capital projects and (2) pay the costs and expenses of issuing the Series C Bonds. See **"THE REFUNDING PROJECTS"** and **"THE CAPITAL PROJECTS"** herein.
Interest Payment Dates	March 1 and September 1
First Interest Payment Date	**September 1, 2006**
Denominations	$5,000 and integral multiples thereof
Book-Entry-Only Form	The Depository Trust Company
Deliveries	On or about June ___, 2006 in New York, New York
Bond Counsel	Pepper Hamilton LLP
Underwriters' Counsel	Reed Smith LLP
Paying Agent, Sinking Fund Depository and Escrow Agent	J.P. Morgan Trust Company, National Association

JPMorgan PNC

This Official Statement is dated May __, 2006.

*Preliminary, subject to change.

MATURITY SCHEDULE

$242,925,000*
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)

$59,730,000* (Federally Taxable) General Obligation Refunding Bonds, Series A of 2006

Maturity (September 1)	Series A Principal Amounts*	Rate of Interest	Yield	Price	Cusip
2007					
2008					
2009					
2010					
2011					
2012					
2013					

$135,380,000* General Obligation Refunding Bonds, Series B of 2006

Maturity (September 1)	Series B Principal Amounts*	Rate of Interest	Yield	Price	Cusip
2008					
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					

$47,815,000* General Obligation Bonds, Series C of 2006

Maturity (September 1)	Series C Principal Amounts*	Rate of Interest	Yield	Price	Cusip
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					

*Preliminary, subject to change.

CITY OF PITTSBURGH, PENNSYLVANIA
www.city.pittsburgh.pa.us

MAYOR
Bob O'Connor

MEMBERS OF CITY COUNCIL

Luke Ravenstahl, President

Leonard Bodack, Jr.	James Motznik
Twanda Carlisle	Tonya Pane
Daniel Deasy	Bill Peduto
Jeffrey S. Koch	Doug Shields

DEPUTY CONTROLLER
Anthony J. Pokora

DIRECTOR OF MANAGEMENT AND BUDGET
Scott Kunka

CITY TREASURER
Richard M. Fees

CITY SOLICITOR
Susan E. Malie, Esquire

BOND COUNSEL
Pepper Hamilton LLP
Pittsburgh, Pennsylvania

UNDERWRITERS
J.P. Morgan Securities, Inc.
New York, New York

PNC Capital Markets LLC
Pittsburgh, Pennsylvania

UNDERWRITERS' COUNSEL
Reed Smith LLP
Pittsburgh, Pennsylvania

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

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT NOTICE.

THE BONDS ARE NOT AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS AND THE RESOLUTION HAS NOT BEEN AND WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, BECAUSE OF AVAILABLE EXEMPTIONS THEREFROM. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY FEDERAL, STATE, MUNICIPAL OR OTHER GOVERNMENTAL AGENCY WILL PASS UPON THE ACCURACY, COMPLETENESS OR ADEQUACY OF THIS OFFICIAL STATEMENT.

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OFFICIAL STATEMENT

$242,925, 000*
CITY OF PITTSBURGH
(Commonwealth of Pennsylvania)
$59,730,000* (Federally Taxable) General Obligation Refunding Bonds, Series A of 2006
$135,380,000* General Obligation Refunding Bonds, Series B of 2006
$47,815,000* General Obligation Bonds, Series C of 2006

INTRODUCTORY STATEMENT

This Official Statement, including the Cover Page and Appendices, relates to the offering by the City of Pittsburgh, Pennsylvania (the "City") of $59,730,000* aggregate principal amount of the City's (Federally Taxable) General Obligation Refunding Bonds, Series A of 2006 (the "Series A Bonds"), $135,380,000* aggregate principal amount of the City's General Obligation Refunding Bonds, Series B of 2006 (the "Series B Bonds"), and $47,815,000* aggregate principal amount of the City's General Obligation Bonds, Series C of 2006 (the "Series C Bonds" and collectively with the Series A Bonds and the Series B Bonds, the "Bonds").

The Bonds will be issued pursuant to a Resolution adopted by City Council on May ___, 2006 (the "Resolution") and the Pennsylvania Local Government Unit Debt Act, Act of December 19, 1996, P.L. 1158, No. 177, as amended, as codified at 53 PA C.S.A. § 8001 *et seq.* (the "Act"), and with the approval of the Pennsylvania Department of Community and Economic Development under the Act, to refund, in whole or in part, certain of the City's outstanding General Obligation Bonds, to pay the costs of various capital projects and to pay the costs and expenses of issuing the Bonds. See **"THE REFUNDING PROJECTS"** and **"THE CAPITAL PROJECTS"** herein.

THE REFUNDING PROJECTS

The Series A Bonds are being issued to advance refund all or portions of the City's outstanding General Obligation Bonds, Series B of 1996, Series D of 1998 and Series A of 2002 and to pay the costs and expenses of issuing the Series A Bonds. The Series B Bonds are being issued to advance refund all of the City's outstanding General Obligation Bonds, Series B of 1997 and all or portions of the City's outstanding General Obligation Bonds, Series A of 1999, Series of 1992A, Series A of 2002, and Series B of 2005, currently refund all of the City's outstanding General Obligation Bonds, Series A of 1997 and all or portions of the City's outstanding General Obligation Bonds, Series D of 1998, and to pay the costs and expenses of issuing the Series B Bonds. The aggregate principal amount of the City's General Obligation Bonds to be refunded with proceeds of the Series A Bonds and the Series B Bonds (the "Refunded Bonds") is approximately $192.5 million.*

Upon the issuance of the Series A Bonds and the Series B Bonds, the City will enter into one or more escrow agreements (the "Escrow Agreements") with each paying agent for the Refunded Bonds as escrow agent (each an "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 Series A Bonds and Series B Bonds necessary to effect the refunding of the Refunded Bonds. The Escrow Funds will be invested in United States Treasury Securities – State and Local Government Series.

THE CAPITAL PROJECTS

The Series C Bonds are being issued to finance the acquisition or construction of various capital projects, including but not limited to maintenance, repairs and improvements to roads, bridges, parks and recreation facilities and other transportation, economic and housing development projects, and to pay the costs and expenses of issuing the Series C Bonds.

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* Preliminary, subject to change.

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

	Series A Bonds	Series B Bonds	Series C Bonds	Total
Sources				
Principal Amount	$	$	$	$
Original Issue Premium				
Total Sources of Funds	$	$	$	$
Uses				
Escrow Fund Deposits	$	$	$	$
Capital Projects				
Costs of Issuance*				
Total Uses of Funds	$	$	$	$

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

THE BONDS

Description of the Bonds

The aggregate principal amount of the Bonds is $242,925,000*. The Bonds of each series are initially dated as of the date of their delivery (the "Dated Date"), bear interest at the rates per annum and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on each series of Bonds is payable semi-annually on March 1 and September 1 (each a "Regular Interest Payment Date") of each year, commencing September 1, 2006, and accrues from the Regular Interest Payment Date to which interest on the Bonds has been paid in full, or if no interest has been paid, from the Dated Date.

The Bonds of each series are issued only as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The principal or redemption price of the Bonds of each series shall be payable upon surrender thereof in lawful money of the United States of America at the office of J.P. Morgan Trust Company, National Association, in Pittsburgh, Pennsylvania, or at the designated office of any additional or appointed alternate or successor paying agent or agents (the "Paying Agent"). Such payments shall be made to the registered owners of the Bonds so surrendered as shown on the registration books of the City. Interest on the Bonds of each series shall be paid by check mailed to the registered owners thereof, as shown on the registration books kept by the Paying Agent as of the close of business on the applicable Regular or Special Record Date. In the case of an interest payment to any registered owner of $1,000,000 or more in aggregate principal amount of Bonds of a series, such payment may be made by wire transfer to any designated account in a member bank of the Federal Reserve System as of the close of business on such Regular Interest Payment Date upon written request from such registered owner, which written request is received by the Paying Agent not less than five days prior to such payment date. The record date for any Regular Interest Payment Date (each, a "Regular Record Date") is the fifteenth (15th) day of the calendar month (whether or not a business day) immediately preceding each Regular Interest Payment Date. In the event of a default in the payment of interest becoming due on any Regular Interest Payment Date, the interest so becoming due shall cease to be payable to the registered owners otherwise entitled thereto as of the Regular Record Date. Whenever funds become available for the payment of such overdue interest, the Paying Agent shall on behalf of the City establish a special interest payment date (the "Special Interest Payment Date") on which such overdue interest shall be paid and a special record date (which shall be a business day) relating thereto (the "Special Record Date"), and shall mail a notice of each such date to the registered owners of all Bonds of the affected series at least ten (10) days prior to the Special Record Date, but not more than thirty (30) days prior to the Special Interest Payment Date. The Special Record Date shall be at least ten (10) days but not more than fifteen (15) days prior to the Special Interest Payment Date.

* Preliminary, subject to change.

If the date for payment of the principal or redemption price of, and interest on, the Bonds of any series shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania or in each of the cities in which the corporate trust or payment office of the Paying Agent are located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and the payment on such date shall have the same force and effect as if made on the nominal date of payment.

So long as The Depositary Trust Company, or its nominee, CEDE & Co., is the registered owner of the Bonds of any series, all payments of principal and premium, if any, and interest on, such series of Bonds shall be payable in the manner and at the times of payment provided for in the operating procedures of The Depositary Trust Company.

Redemption

Series A Bonds

Optional Redemption with Make-Whole Premium. The Series A Bonds are subject to redemption prior to their maturity, at the option of the City, at the direction of the City, from any source available for such purposes, in whole or in part, on any date (and, if in part, in such order of maturity as the City, at the direction of the City, may direct, and within a maturity, by lot), at a redemption price equal to the greater of: (i) 100% of the principal amount of the Series A Bonds being redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series A Bonds being redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 12.5 basis points, plus accrued and unpaid interest on the Series A Bonds being redeemed to the date fixed for redemption.

"Treasury Rate" means, with respect to any optional redemption date for the Series A Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any optional redemption date for the Series A Bonds, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series A Bonds being redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series A Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any optional redemption date for the Series A Bonds, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the City.

"Reference Treasury Dealer" means JPMorgan and its respective successors, and three other firms, specified by the City from time to time, that are primary United States government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any optional redemption date for the Series A Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Series B Bonds

Optional Redemption. In the manner and upon the terms and conditions provided in the Resolution, the Series B Bonds maturing on or after September 1, 20__ are subject to redemption prior to maturity on or after September 1, 20__, at the option of the City, as a whole at any time or in part from time to time and if in part, in such order of maturity as the City shall select and by lot within a maturity at a redemption price of 100% of the principal amount redeemed, together with accrued interest to the date fixed for redemption.

Mandatory Redemption. In the manner and upon the terms and conditions provided in the Resolution, the Series B Bonds maturing on September 1, 20__ are subject to mandatory redemption prior to maturity in part by lot on the dates and in the aggregate principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Redemption Date (September 1)	Principal Amount to be Redeemed
	$

Series C Bonds

Optional Redemption. In the manner and upon the terms and conditions provided in the Resolution, the Series C Bonds maturing on or after September 1, 20__ are subject to redemption prior to maturity on or after September 1, 20__, at the option of the City, as a whole at any time or in part from time to time and if in part, in such order of maturity as the City shall select and by lot within a maturity at a redemption price of 100% of the principal amount redeemed, together with accrued interest to the date fixed for redemption.

Mandatory Redemption. In the manner and upon the terms and conditions provided in the Resolution, the Series C Bonds maturing on September 1, 20__ are subject to mandatory redemption prior to maturity in part by lot on the dates and in the aggregate principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Redemption Date (September 1)	Principal Amount to be Redeemed
	$

Notice of redemption of any Bond shall be given once by first-class United States mail, postage prepaid, or by another method of giving notice which is acceptable to the Paying Agent and customarily used by fiduciaries for similar notices at the time such notice is given, at least thirty (30) days prior to the redemption date, to each registered owner of Bonds to be redeemed. Such notice shall be mailed to the address of such registered owner appearing on the registration books of the Paying Agent, unless such notice is waived by the registered owner of the Bonds to be redeemed. Failure to give any notice of redemption or any defect in the notice or in the giving thereof to the registered owner of any Bond to be redeemed shall not affect the validity of the redemption as to other Bonds for which proper notice shall have been given. The costs incurred for such redemptions shall be paid by the City.

For so long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified above only to DTC in accordance with its applicable time requirements. It is expected that DTC in turn will notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Paying Agent, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

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

Book-Entry-Only System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of

1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

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

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

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

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

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

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

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

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

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

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

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

Security

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

The City has covenanted in the Resolution, as required by the Act (1) to include in its budget for each fiscal year the amount of debt service on the Bonds payable that year, (2) to appropriate such amount from its general revenues for the payment of debt service on the Bonds, and (3) to duly and punctually pay or cause to be paid the principal of, premium, if any, and interest 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 such taxing power for the benefit of the Bondholders.

As required by the Act, the City has created a separate sinking fund designated as "Sinking Fund – General Obligation Bonds, Series of 2006" (the "Sinking Fund") with J.P. Morgan Trust Company, National Association as Sinking Fund Depository for the payment of the Bonds. All moneys for the payment of principal of, premium, if any, and interest on the Bonds are required by the Act to be deposited in the Sinking Fund prior to or at the time when such payments become due and payable. Under the Act, all moneys in the Sinking Fund, including proceeds of investments, are subject to a perfected security interest for the equal benefit of the holders of the Bonds.

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

Under the Act, if the City fails to pay the principal of, premium, if any, or interest on the Bonds of any series when due, and such failure continues for thirty days, any holder of Bonds of such series 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 of any series or the Resolution, the holders of 25 percent in aggregate principal amount of the Bonds then outstanding of such series may appoint a trustee to represent all holders of the Bonds of such series. The trustee will have the power to take various actions, including petitioning the court to levy upon all taxable property subject to ad valorem taxation in the City a tax sufficient to pay the amount due and, after thirty (30) days prior written notice to the City, declaring the unpaid principal of the Bonds of such series 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 of each series 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, premium, if any, or interest on the Bonds.

COMMONWEALTH FISCAL OVERSIGHT

Since late December 2003, the City has operated as a "distressed municipality" under the Municipalities Financial Recovery Act ("Act 47") and, in February 2004, the Pennsylvania General Assembly created additional City fiscal oversight authority under the Intergovernmental Cooperation Authority Act for Cities of the Second Class ("Act 11"). See "**COMMONWEALTH FISCAL OVERSIGHT**" in Appendix A hereto for a description of the fiscal oversight authority and responsibility provided under Act 47 and Act 11.

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

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

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

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

Table 1 below sets forth the City's debt limit and available borrowing capacity under the Act. The City's Debt Statement under the Act is set forth in Table 2 below.

TABLE 1
CITY OF PITTSBURGH, PENNSYLVANIA
BORROWING CAPACITY UNDER LOCAL GOVERNMENT UNIT DEBT ACT
As of March 1, 2006

	FISCAL YEAR		
DEBT INCURRING MARGIN	**2003**	**2004**	**2005**
Total Net Revenue of City	$358,510,299	$363,815,277	$403,735,901
Borrowing Base			$375,535,826

	Net Nonelectoral Debt (Borrowing Base x 250%)	Net Nonelectoral and Lease Rental Debt (Borrowing Base x 350%)
Debt Limitations	$938,384,564	$1,313,738,390
Less: Existing Net Debt*	(491,467,385)	(585,405,157)
Remaining Borrowing Capacity	$446,917,179	$ 728,333,233

*Exclusive of the Bonds and the refunding of the Refunded Bonds.
Source: City of Pittsburgh - Office of City Controller

TABLE 2
CITY OF PITTSBURGH, PENNSYLVANIA
DEBT STATEMENT UNDER LOCAL GOVERNMENT UNIT DEBT ACT
As of March 1, 2006

	Nonelectoral Debt	Lease Rental Debt
Gross Debt:		
Principal Amount of Bonds Issued and Outstanding:*		
General Obligation	$766,701,874	
Auditorium Authority		$8,142,500
Stadium Authority		12,528,448
Urban Redevelopment Authority		73,266,824
Total Gross Debt	$766,701,874	$93,937,772
Exclusions from Gross Debt:		
Cash and Legal Investments Held in Sinking Fund for Payment of Bonds and Notes	$ 55,072	
Cash in Bond Fund Applicable to Debt	3,469,699	
Delinquent Real Estate Taxes	10,199,718	
Taxable General Obligation Pension Bonds, 1996B	16,470,000	
Taxable General Obligation Pension Bonds, 1998ABC	245,040,000	
Total Exclusions	$275,234,489	$ 0
Net Debt	$491,467,385	$93,937.772

*Exclusive of the Bonds and the refunding of the Refunded Bonds.
Source: City of Pittsburgh - Office of City Controller

The projected annual debt service requirements in respect of the Bonds and the City's other outstanding General Obligation Bonds (excluding the "Refunded Bonds") are set forth in Table 3 below.

TABLE 3
CITY OF PITTSBURGH
GENERAL OBLIGATION BOND ANNUAL DEBT SERVICE*

Year	Principal	Interest	Debt Service
2006	$35,015,000	$40,603,756	$75,618,756
2007	32,330,000	43,946,122	76,276,122
2008	44,355,000	42,687,096	87,042,096
2009	46,748,000	40,375,758	87,123,758
2010	49,095,000	37,922,901	87,017,901
2011	51,990,000	35,496,353	87,486,353
2012	55,200,000	32,673,307	87,873,307
2013	57,300,000	29,704,046	87,004,046
2014	60,355,000	26,652,373	87,007,373
2015	63,645,000	23,358,991	87,003,991
2016	67,095,000	19,912,485	87,007,485
2017	70,855,000	16,144,160	86,999,160
2018	61,875,000	12,451,485	74,326,485
2019	21,645,000	8,926,114	30,571,114
2020	23,100,000	7,476,155	30,576,155
2021	22,860,000	5,928,450	28,788,450
2022	24,425,000	4,368,045	28,793,045
2023	26,095,000	2,700,885	28,795,885
2024	27,875,000	919,875	28,794,875
Total	$841,858,000	$432,248,357	$1,274,106,357

*Estimated, subject to change.
Source: City of Pittsburgh – Department of Finance

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, in certain cases, may be 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 litigation 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 enacted Act 47 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 47 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 Act 11 prohibits the City from filing a petition under the provisions of the Bankruptcy Code without the written approval of the Governor while the City is subject to Act 11. (See "**COMMONWEALTH FISCAL OVERSIGHT**" in Appendix A hereto.)

TAX MATTERS

Series A Bonds. In the opinion of Bond Counsel, under existing laws as presently enacted and construed, interest on the Series A Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Series A Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Series A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Pursuant to the provisions of Act 68 of 1993 of the Commonwealth of Pennsylvania, profits, gain or income from the sale of the Series A Bonds shall be subject to Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Tax-Exempt Bonds. In the opinion of Bond Counsel, assuming compliance with certain covenants of the City, interest on the Tax-Exempt Bonds is excluded from gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Tax-Exempt Bonds will not be an item of tax preference under the Code, for purposes of determining the alternative minimum tax imposed on individuals and corporations. Interest on a Tax-Exempt Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a Tax-Exempt Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the Tax-Exempt 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 Tax-Exempt Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the Tax-Exempt Bonds should consult their own tax advisors as to collateral federal income tax consequences.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds for interest thereon to remain excludable from the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes. The City has covenanted in the Resolution to comply with such requirements. Noncompliance with such requirements may cause the interest on the Tax-Exempt Bonds to be includible in the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes, retroactive to the date of issue of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes compliance with such covenants and Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Tax-Exempt Bonds may affect the tax status of interest on the Tax-Exempt Bonds.

Bond Counsel is of the opinion that, under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Tax-Exempt Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Tax-Exempt Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Pursuant to the provisions of Act 68 of 1993 of the Commonwealth of Pennsylvania, profits, gain or income from the sale of the Tax-Exempt Bonds shall be subject to Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Except as expressly stated above, Bond Counsel will express no opinion as to any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Bonds, which may include purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

NON-ARBITRAGE BONDS

The City has covenanted in the Resolution and with the registered owners, from time to time, of the Tax-Exempt Bonds that no part of the proceeds of such 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 such Bonds, would have caused such 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 such Bonds, and that it will comply with the requirements of that section and the regulations throughout the term of such Bonds. Officers of the City have executed a certificate concerning the use of the proceeds of the Tax-Exempt Bonds in conformity with regulations issued under Section 148 of the Code.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 the City will agree pursuant to the Resolution and a Continuing Disclosure Agreement to be delivered on the date of delivery of the Bonds of each series, 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 of each series, if material:

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

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

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

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

The City has complied with all prior disclosure requirements under Rule 15c2-12, except that the audited 1996 financial statements were unavailable on August 1, 1997, the due date, but were filed with the NRMSIRs on September 16, 1997.

Any filing in connection with the City's continuing disclosure undertaking may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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

The City's general purpose financial statements as and for the year ended December 31, 2004, appearing in Appendix B to this Official Statement have been audited by Maher Duessel, Pittsburgh, Pennsylvania, independent public accountants, as stated in their report appearing herein.

No assurance can be given that financial results achieved in the future will be similar to historical results. Such future results may vary from historical results, and actual results may be material.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Causey Demgen & Moore Inc., Denver, Colorado, a firm of independent certified public accountants, will deliver to the City a report verifying, from the information provided to them by the City or its agents or representatives, the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules used to determine that the anticipated receipts from the escrow securities and cash deposits listed in the schedules, to be held in escrow by the Escrow Agents, will be sufficient to pay, when due, the principal and interest payment requirements of the Refunded Bonds, and (2) the computations of yield on the escrow securities and the Series B Bonds , contained in the provided schedules used by Bond Counsel in its determination that the interest on the Series B Bonds is exempt from tax. Causey Demgen & Moore will express no opinion on the assumptions provided to it, nor as to the exemption from taxation on the interest on the Series B Bonds.

UNDERWRITING

The Bonds are being purchased for re-offering by J.P. Morgan Securities, Inc. as representative for the Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price equal to $______, which represents the principal amount of the Bonds, plus original issue premium of $______ and less an underwriting discount of $______. The Bond Purchase Agreement provides that the Underwriters will purchase all the Bonds, if any are purchased, in accordance with the terms of the Bond Purchase Agreement. The initial public offering prices of the Bonds may be changed by the Underwriters from time to time from the levels set forth on the inside front cover hereof without any requirement of prior notice. The Underwriters reserve the right to join with other dealers in offering the Bonds to the public, and Bonds may be offered to such other dealers in connection therewith at prices lower than the prices at which such Bonds are offered to the public. Also, the Underwriters may effect transactions that stabilize or maintain the market price of the Bonds above that which might otherwise prevail in the open market and may discontinue such stabilizing transactions at any time.

BOND RATINGS

It is expected that 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 “___”, “___”, and “___” respectively to the Bonds.

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

LEGAL OPINIONS

Purchase of the Bonds by the Underwriters is subject to the receipt of the approving legal opinion of Pepper Hamilton LLP, Pittsburgh, Pennsylvania, Bond Counsel. The approving opinion of Bond Counsel will be in substantially the form attached to this Official Statement as Appendix D.

Certain legal matters relating to the City will be passed upon by Susan E. Malie, Esquire, City Solicitor. Certain other legal matters will be passed upon for the Underwriters by their counsel, Reed Smith LLP, Pittsburgh, Pennsylvania.

THE PAYING AGENT

Pursuant to the provisions of the Resolution, as paying agent and sinking fund depository, the Paying Agent has the limited duty of receiving payments from the City, depositing such payments in a sinking fund and making payments to the owners of the Bonds of the principal of, interest on, and premium, if any, on the Bonds when due, but only to the extent such moneys have been received. As registrar and transfer agent, the Paying Agent has the limited duty of handling the registration and transfer of the Bonds. Accordingly, the Paying Agent performs ministerial duties not involving the exercise of discretion and assumes no fiduciary relationship with respect to the owners of the Bonds.

The Paying Agent may now or in the future have banking relationships with the City which involve making loans to the City; these loans may have a security feature which is different from that of the security feature associated with the Bonds. The Paying Agent may also serve as trustee or paying agent and sinking fund depository on other obligations issued by or on behalf of the City.

CERTAIN RELATIONSHIPS

J.P. Morgan Trust Company, National Association is serving as Paying Agent, Sinking Fund Depository and Registrar for the Bonds and is one of the Escrow Agents. J.P. Morgan Securities, Inc. is an underwriter of the Bonds. J.P. Morgan Trust Company, National Association and J.P. Morgan Securities, Inc. are wholly-owned subsidiaries of J.P. Morgan Chase & Co.

JPMorgan Chase & Co. has entered into an agreement with The Bank of New York Company, Inc. (“BNY”) pursuant to which JPMorgan Chase & Co. intends to exchange portions of its corporate trust business, including municipal and corporate trusteeships, for BNY’s consumer, small business and middle market banking businesses. This transaction has been approved by both companies’ boards of directors and is subject to regulatory approvals. The exchange is expected to close in the late third quarter or fourth quarter of 2006.

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.

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered to be reliable, are not guaranteed by the Underwriters. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained herein should not be construed as representing all conditions affecting the City or the Bonds.

The contents hereof, including the coverage page and the appendices hereto, are all part of this Official Statement. The distribution of this Official Statements has been authorized by the City.

* * * * * * * * * *

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

CITY OF PITTSBURGH

By: Anthony J. Pokora
Deputy Controller

By: Richard M. Fees
Acting Director of Finance

APPENDIX A

CITY OF PITTSBURGH

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CITY OF PITTSBURGH

The City of Pittsburgh located in Western Pennsylvania, is the county seat of Allegheny County. As of the 2000 census, the city had a total population of 334,563 (metropolitan area 2,358,695), making it the second-largest city in the state.

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 the Office of Management and Budget. 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 Director of Finance also serves as City Treasurer and as ex-officio treasurer of the School District where his sole responsibility is the collection of taxes.

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

City Officials

BOB O'CONNOR, Mayor – Mr. O'Connor became the 58th Mayor of Pittsburgh on January 3, 2006. Mr. O'Connor's public service career began in 1992 when he was elected to City Council, serving two terms as President, until March 2003 when he took the position of Director of the Southwest Pennsylvania Regional Office for Pennsylvania Governor Edward G. Rendell. For the twenty years prior to his election to City Council, Mr. O'Connor was employed as Vice President of Operations for Pappan Enterprises, a franchise of Marriott Corporation.

ANTHONY POKORA, Deputy Controller – Mr. Pokora oversees the City Controller's Office. Mr. Pokora assumed the helm of the Controller's Office in January 2006 when Controller Tom Flaherty resigned from office after being elected to be a Judge of the Court of Common Pleas of Allegheny County.. Mr. Pokora will serve out the remainder of the controller's term through 2007.

SCOTT KUNKA, Director, Office of Management and Budget – Mr. Kunka was appointed Director in March 2006 and is responsible for overseeing the operating and capital budgets. Previously, Mr. Kunka held positions in the Controller's Office, Office of Management and Budget and Department of General Services. Most recently, Mr. Kunka served as the Budget Director for City Council.

RICHARD M. FEES, Acting Director of Finance and City Treasurer – Mr. Fees was appointed Acting Director of Finance in 2004 upon the departure of the previous Director, Ellen McLean. Mr. Fees is responsible for tax collection, cash management and the City's annual operating and capital budgets. He serves as the Executive Director of the City's Comprehensive Municipal Pension Trust Fund, Treasurer of the School District of the City of Pittsburgh and Treasurer of the Pittsburgh Water and Sewer Authority.

SUSAN E. MALIE, Esquire, City Solicitor – Ms. Malie serves as counsel for the City of Pittsburgh. She is responsible for rendering legal opinions and advice to the Mayor, City officials, City Council, and the administrative units of City government. The City Solicitor also functions as Solicitor for the Comprehensive Municipal Trust Fund Board. Ms. Malie graduated from the Duquesne University School of Law.

Members of City Council

<u>President of City Council</u> –
LUKE RAVENSTAHL – Mr. Ravenstahl was elected to Pittsburgh City Council on November 4, 2003 and took office on January 5, 2004. He is the youngest member ever elected to Pittsburgh City Council. Mr. Ravenstahl was elected President of City Council on December 6, 2005. He is a member of the Sports and Exhibition Authority, the Pittsburgh Cultural Trust, Carnegie Mellon University Board of Trustees, and is on the Board of Trustees of the Carnegie Library.

<u>Members of Council</u> -
LEONARD BODACK, JR. – Mr. Bodack was elected to City Council in February of 2003 in a special election to fill the seat that was left vacant by former Councilman Jim Ferlo, who was elected to the Commonwealth of Pennsylvania State Senate. Mr. Bodack is the Chair of the Planning, Zoning and Land Use Committee. He is a member of the Pittsburgh Water & Sewer Authority. Prior to serving on City Council, Mr. Bodack was the Director of Operations for the County of Allegheny Democratic Party.

TWANDA CARLISLE – Ms. Carlisle was elected to City Council in March of 2002 in a special election to fill the seat that was left vacant by former Councilwoman Valerie McDonald, who was elected to be the Recorder of Deeds for the County of Allegheny. Ms. Carlisle is the Chair of the Public Safety Services Committee. She is a member of the board of the Pittsburgh Housing Authority and is on the Board of Trustees of the Carnegie Library.

DANIEL DEASY – Mr. Deasy was elected to Pittsburgh City Council on May 17, 2005 in a special election to fill the seat that was left vacant by former Councilman Alan Hertzberg, who was elected to be a Judge of the Court of Common Pleas of Allegheny County. Mr. Deasy took office on June 10, 2005. He was appointed as the Chairman of the Public Works and Environmental Services Committee. He is a member of the Pittsburgh Parking Authority Board of Directors and serves on the Board of Trustees of the Carnegie Library.

JEFFREY KOCH – Mr. Koch was elected to City Council in March of 2006 in a special election to fill the vacant seat left vacant by Eugene Ricciardi, who was elected as a District Magistrate. Mr. Koch took office on March 27, 2006.

JIM MOTZNIK – Mr. Motznik was elected to City Council in February of 2001 in a special election to fill the vacant seat left by Michael Diven who was elected to the Pennsylvania State House of Representatives. He serves as Chairman of the Committee on Parks, Recreation and Youth Policy. Mr. Motznik is a member of the Allegheny County Sanitary Authority Board of Directors and serves on the Board of Trustees of the Carnegie Library of Pittsburgh.

TONYA PAYNE – Ms. Payne was elected to City Council in November of 2005 and took office on January 3, 2006. Ms. Payne is Chair of the Housing, Economic Development and Promotion Committee. She is a member of the Pittsburgh Urban Redevelopment Authority and serves on the Board of Trustees of the Carnegie Library of Pittsburgh.

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

DOUG SHIELDS – Mr. Shields was elected to Pittsburgh City Council in 2003, after having served on the staff of former Councilman Bob O'Connor. Mr. Shields assumed the position of Chair of the Finance and Budget Committee in 2005.

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 board members of authorities. Under the Charter, a member of City Council must serve on each authority board, but no member may serve concurrently on more than one board.

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) Program. The Department of Personnel and the Civil Service Commission are also responsible for City payroll, benefits, and workers' compensation matters. 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 operates 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.

COMMONWEALTH FISCAL OVERSIGHT

Background.

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

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

Notwithstanding workforce reductions and efficiencies in service delivery, structural deficits persisted and grew over time as recurring revenues were outpaced by expenditure increases averaging 3-4% per year. Many of these annual cost increases were beyond the fiscal control of the City as they related to legacy costs, such as pension and retiree health care benefits and workmen's compensation claims, and to historic debt service costs.

Act 47. As part of its fiscal recovery and tax restructuring strategy, on or about December 29, 2003, the City successfully sought to be declared a "distressed" municipality by the Secretary of the Department of Community and Economic Development ("DCED") under the Municipalities Financial Recovery Act ("Act 47"). Act 47 requires the Secretary of DCED (the "Secretary") to appoint a Coordinator to "prepare and administer a plan designed to relieve the financial distress" of the City. The Act 47 Coordinator is charged with the duty of developing and implementing a plan, which includes, among other things, assurance that "the recommendations in the plan are being accomplished by the dates set in the plan." In January 2004, the Secretary made the dual appointment of the law firm of Eckert Seamans Cherin & Mellot, LLC and Public Financial Management, Inc. as Act 47 Coordinators (collectively, the "Act 47 Coordinators"). A total of 19 municipalities in the Commonwealth of Pennsylvania had been granted relief under Act 47 prior to the City's petition.

Act 11. The Pennsylvania General Assembly also reacted to the City's financial crisis by enacting the Intergovernmental Cooperation Authority Act for Cities of the Second Class ("Act 11"), which is likewise intended to help the City recover from its financial crisis and to bring long-term fiscal health and stability to the City. For its implementation, Act 11 establishes the Intergovernmental Cooperation Authority for Cities of the Second Class (the "Authority" or the "ICA"), which is charged with fiscal oversight and approval of a financial plan for the City, which includes projected revenues and expenditures of the principal operating funds of the City for five (5) fiscal years. In accordance with Act 11, the City and the Authority entered into an Intergovernmental Cooperation Agreement (the "Cooperation Agreement") on September 21, 2004.

The Authority has five members. The President Pro Tem Pore and the Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives, and the Governor each appoint one member who serves at their respective pleasures. The Pennsylvania Secretary of Administration and Budget, and the City's Finance Director are ex officio, nonvoting members of the Authority.

The Pennsylvania General Assembly contemplated that the Act 47 Coordinators and the ICA would operate concurrently and equally in their separate legal capacities to assist the City in its return to fiscal stability.

A recovery plan prepared by the Act 47 Coordinator (the "Act 47 Plan") was approved and adopted by City Council on June 29, 2004 and approved by the Mayor of the City on June 30, 2004. The Act 47 Plan is available at http://www.city.pittsburgh.pa.us/council/assets/ACT_47_Recovery_Plan_Final_Filing_June_11_FINAL.pdf.

In accordance with Act 11, the City and the Authority entered into an Intergovernmental Cooperation Agreement (the "Cooperation Agreement") on September 21, 2004. Similarly, the Authority approved the City's 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan (the "Financial Plan") on December 21, 2004. The Financial Plan took into account the Act 47 Coordinator's implementation of the recommendations and the provisions of the Act 47 Plan with respect to financial requirements and collective bargaining workforce rules and recommendations critical to the City's sustainable financial recovery. The Cooperation Agreement and the Financial Plan were duly adopted by City Ordinance. The Financial Plan established operating and capital budgets for fiscal year 2005 and budgetary forecasts for fiscal years 2006 through 2009.

In September of 2005, the City presented the 2006 operating and capital budgets as well as the five year financial plan as prescribed in the Cooperation Agreement to the Authority. However, the Authority rejected the budget and plan. On January 3, 2006, Bob O'Connor was sworn in as the Mayor of Pittsburgh. On March 15, 2006, the Mayor presented to the Authority the City's 2006 amended Operating Budget which the Authority approved on March 16, 2006, subject to certain conditions. On April 11, 2006, City Council passed the amended 2006 Budget. The Authority has granted an extension to the City to formulate and present the plan portion of the budget which would include the years 2007 through 2010. A copy of the Cooperation Agreement is available at http://www.pghica.org/.

Certain Provisions of Act 11.

Under Act 11, after the Financial Plan is approved, the City is required to implement the Financial Plan.

If the Authority determines, based upon reports and information submitted by the City, that the City's actual revenues and expenditures vary from those estimated in the Financial Plan, the Authority shall require the City to provide such additional information as the Authority deems necessary to explain the variation.

In response to the request for additional information concerning the variation, the Mayor of the City shall provide to the Authority reports describing actual or current estimates of revenues and expenditures compared to budgeted revenues and expenditures for such period reflected in its cash flow forecast. Each such report shall indicate any variance between actual or current estimates and budgeted revenues, expenditures and cash for the period covered by such report.

Additionally, if, after the approval of the Financial Plan, the City executes a collective bargaining agreement, which is not in compliance with the Financial Plan, the City shall submit to the Authority a proposed revision to the Financial Plan which demonstrates that revenues sufficient to pay the costs of the collective bargaining agreement will be available in the affected fiscal years of the Financial Plan.

If the City fails to submit to the Authority a revision to a Financial Plan, report or other information required to be filed pursuant to Act 11, the Authority, in addition to all other rights which the Authority may have at law or in equity, shall have the right by mandamus to compel the City and the officers, employees and agents thereof to file with the Authority the Financial Plan, revision to a Financial Plan, report or other information which the City has failed to file.

Certain Provisions of the Cooperation Agreement.

Under the provisions of the Cooperation Agreement, if the Authority determines – based upon reports submitted by the City, as well as reports necessitated by changed conditions or unexpected events which may affect the City's adherence to its then-current Financial Plan – that the City's actual revenues and expenditures vary from the Financial Plan, the Authority shall notify the City, in writing, of its determination that a variance exists. In response, the City shall within ten (10) days after the request by the Authority, provide the Authority such additional information as the Authority deems necessary to explain the variance. The Cooperation Agreement provides that a "variance" for this purpose, which would change the reporting requirement from quarterly to monthly, shall be deemed to have occurred as of the end of a reporting period based on the reports submitted for such period if: (i) a net adverse change of more than one percent (1%) of the revenues or expenses for such fiscal year is reasonably projected to occur; or (ii) the actual net cash flows of the City for that fiscal year are reasonably projected to be less than ninety-eight percent (98%) of the net cash flows originally forecast at the time of the adoption of the budget.

In the event that the Authority, by a majority vote, determines that the City's written explanation for the variance is unsatisfactory, the Authority shall certify such non-compliance with the Secretary of the Budget and shall notify the City. Upon receipt of the prescribed notice, the City's Director of Finance and the Controller shall certify to the Authority forthwith the amount of New Revenue, and shall cause such certified amount to be aggregated, transferred and deposited as directed by the Authority in trust for the exclusive benefit of the City in an account designated as the "New Revenue Account" established under the Cooperation Agreement.

"New Revenue" is defined as "in the aggregate, any revenues received by the City with respect to any taxes or fees from any source whatsoever which are not solely derived by virtue of existing taxing or legislative power possessed by the City under its Home Rule Charter or applicable law, it being the intent of this provision that New Revenue shall not include taxes or fees, including any increases thereof, which the City presently levies or has the power to levy. New Revenue shall not be reduced, diminished or offset by any existing taxes or fees which may be eliminated or reduced in connection with the City's financial recovery. New Revenues shall not include (1) any moneys received by the City as grants from public or private entities, whether for profit or non profit, as a conduit for third parties, 2) any revenues pledged or held as security for bonded indebtedness or related insurance existing on the effective date of Act 11 and approved by [the Authority] as part of the City's Financial Plan . . . ."

New Revenue received after the date of initial deposit into the New Revenue Account shall also be deposited to the credit of the New Revenue Account.

Under the Cooperation Agreement, the City further agreed that as soon as they become available, it shall provide to the Authority copies of all significant or requested reports, documents, budgetary and financial planning data and any other information prepared by or on behalf of the City regarding the revenues, expenditures, budgets, costs, plans, operations, estimates and any other financial or budgetary matters of the City.

Additionally, if, after the approval of the Financial Plan, the City executes a collective bargaining agreement which is not in compliance with the plan, the City shall as soon as practicable (but in no event later than fifteen (15) Days after the execution by the City of such contract) submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract will be available in the affected fiscal years of the Financial Plan.

Both Act 47 and Act 11 have specific provisions relating to the content and form of any approved Financial Plan. Similarly, both provide mechanisms for intercepting and escrowing of certain funds (with the exception of funds for capital projects under contract, disaster relief funds, pension fund disbursements, and funds pledged to repay bonds and notes) due the City from the Commonwealth in the event the City fails to adhere to the Act 47 Plan or permits a certain financial variance from the Authority approved Financial Plan.

New Tax Structure.
On November 21, 2004, the State legislature passed legislation eliminating the occupational privilege tax payable by residents and nonresident employees at $10 per year and replaced it with the Emergency and Municipal Services Tax, now named the Municipal Services Tax, payable by residents and nonresident employees at $52 per year and authorized the City to levy a gross payroll tax at the rate of 0.55% on all non-charitable businesses. Previously, a significant portion of businesses located in the City had been exempt from paying any business tax. The State legislature also required the City to reduce the City's business privilege tax from 6 mills to 2 mills and to eliminate the 2 mill mercantile tax. The Governor signed the legislation in December, 2004.

Termination of Oversight. Under Act 47, termination of municipal financial distress status may be initiated either by the Secretary of DCED or by the City. This process is designed to determine whether or not the conditions which led to the earlier determination of distressed status have been addressed adequately, including the elimination of accrued deficits and municipal operations for a period of at least one year under a positive current operating fund balance.

Under Act 11, the Authority was established for a minimum term of seven years. If after seven years the City has had annual operating budgets and financial plans which satisfy prescribed standards, the Authority's existence and the status of the City as an "assisted city" may be terminated.

Under both Act 11 and Act 47, the core functions and management of the City remain the responsibility of the Mayor and City Council. As confirmed in the Cooperation Agreement, the City retains all of its powers and authority granted under the Home Rule Charter of the City of Pittsburgh, except as specifically set forth in the Cooperation Agreement.

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

Reporting Requirements. On an ongoing basis, the City will be subject to the financial reporting requirements described in Act 11 and Act 47, and to the continuing financial oversight of the Authority. The financial reporting requirements now in effect provide, among other things, that within 45 days after the end of each fiscal quarter, the City will provide reports to the Authority describing actual or current estimates of revenues and expenditures compared to budgeted revenues and expenditures for the quarter as reflected in its cash flow forecast.

REVENUE SOURCES OF THE CITY

General

In 2004, Real Estate Taxes accounted for approximately 31.5% of the receipts of the General Fund, followed by Earned Income Tax at 12%, Business Privilege Tax at 11.1% and all other taxes at 21.2%. The remaining 24.2% of receipts was from miscellaneous non-tax revenue. In 2005, under a restructured taxing system, Real Estate Taxes accounted for approximately 30% of the receipts of the General Fund, followed by Earned Income Tax at 11.4%, Parking Tax at 12%, Payroll Preparation Tax at 9% and the remaining taxes at 16%. The remaining 21.6% of receipts was from miscellaneous non-tax revenue. Under the City's new tax structure, it is expected that Real Estate Taxes will continue to be the City's most significant source of revenue. Although the Parking Tax appears to have surpassed the Earned Income Tax, this situation is only temporary as the Parking Tax rate is scheduled to be lowered in a step progression beginning in 2007 through 2009. The Business Privilege Tax was lowered by two-thirds in 2005 and will be eliminated in 2010. Payroll Preparation Tax revenues are expected to offset the loss of Business Privilege Tax revenues in the coming years.

Real Estate Taxes

The City has the power to levy and collect ad valorem taxes, without limitation as to rate or amount, on all taxable real estate located within the City. The City shares the real estate tax base with the County of Allegheny (the "County") and the School District of Pittsburgh (the "School District"), separate taxing bodies. A ten-year history of real estate tax rates levied by the City, the County and the School District is presented in Table 1 below.

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
1997	184.5	32.00	58.569	59.700	25.500	143.769
1998	184.5	32.00	58.569	59.700	25.500	143.769
1999	184.5	32.00	58.569	59.700	25.500	143.769
2000	184.5	32.00	59.000	59.700	25.500	144.200
2001 (3)	10.8	10.8	10.8	13.92	4.72	29.44
2002	10.8	10.8	10.8	13.92	4.72	29.44
2003	10.8	10.8	10.8	13.92	4.72	29.44
2004	10.8	10.8	10.8	13.61	4.72	29.13
2005	10.8	10.8	10.8	13.92	4.72	29.44
2006	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.

Table 2 below sets forth information regarding assessed values, tax rates and budgeted and actual levies and assessments from 1996 to 2005.

TABLE 2
CITY OF PITTBURGH
ASSESSED VALUES, TAX RATES, LEVIES, AND COLLECTIONS
(Dollar Amounts in Thousands)
1996-2005

	Assessed Valuation of Land & Buildings[2]	Land	Building	Original Levy	Adjusted Net Levy[1]	Budget	Receipts[3]	Percent of Adjusted Net Levy Collected	Prior Year Taxes Collected	Total Collections as a Percent of Adjusted Levy
1996	2,036,489	184.5 Mills	32.0 Mills	118,952	115,898	109,720	110,276	95.1%	12,130	105.6%
1997	2,047,441	184.5 Mills	32.0 Mills	119,741	111,066	109,180	113,251	101.9%	13,018	113.7%
1998	2,085,013	184.5 Mills	32.0 Mills	121,674	105,822	110,715	112,562	99.3%	6,644	112.6%
1999	2,096,829	184.5 Mills	32.0 Mills	122,053	117,382	113,715	112,569	95.9%	5,397	100.5%
2000	2,125,768	184.5 Mills	32.0 Mills	125,422	119,649	112,010	110,644	92.5%	2,967	95.0%
2001	13,346,238	10.8 Mills	10.8 Mills	144,139	127,784	115,900	118,150	92.9%	2,689	94.6%
2002	14,677,667	10.8 Mills	10.8 Mills	158,454	131,245	121,500	123,692	94.2%	4,359	97.6%
2003	13,578,918	10.8 Mills	10.8 Mills	146,652	131,484	123,132	123,015	93.6%	1,069	94.4%
2004	13,237,682	10.8 Mills	10.8 Mills	142,966	127,864	122,500	119,918	93.8%	4,435	97.3%
2005[4]	13,210,331	10.8 Mills	10.8 Mills	142,671	-	-	-	-	-	-

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

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

(3) 2001 through 2005 receipts are net of refunds.

(4) Unaudited

Source: City of Pittsburgh Comprehensive Annual Financial Report

Table 3 below shows the ten largest real estate taxpayers in the City as of December 31, 2005.

TABLE 3
CITY OF PITTSBURGH
TEN LARGEST REAL ESTATE TAXPAYERS
DECEMBER 31, 2005

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

Source: City Finance Department.

Real Estate Assessments

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries without limitation as to rate or amount. The City does not have a statutory limit on real estate taxes.

In recent years, changes have occurred to the system by which real estate taxes are assessed by the County. These changes have affected revenues from taxable real property in the City.

Beginning in 2001, the County changed the ratio of assessed value to market value to 100% from 25%. As a result of the County's related assessment, land values in the City significantly increased. To lessen the burden on residential property owners while maintaining an adequate tax base, the City determined to change from a bifurcated system of taxation (where land was taxed at a higher rate than buildings) to a unified system. 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 also enacting a Homestead Exemption (which allowed qualifying homeowners to exempt the first $10,000 of property value from taxation) to lessen the burden the unified system would have on neighborhoods where the land values did not significantly increase.

Currently, the County is using 2002 as a "base year" for assessments (i.e. generally setting a property's assessment value at its worth in 2002, with exceptions for situations such as improvements having been made to the property). Legal challenges to the current system of assessment are ongoing and no conclusion can be reached at this time as to the likelihood that such challenges will prevail. In addition, there have been, and will continue to be, appeals to assessed values. City real estate tax refunds for 2004 and 2005 were approximately $2.4 million and $3.6 million, respectively.

The City makes tax abatements available for commercial and industrial properties for the assessment increase attributable to rehabilitation and abates new construction at varying degrees. The abatements have not had a substantial impact on the City's revenues.

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

Non-Real Estate Taxes

In addition to ad valorem taxes on real estate, the City is empowered by the Local Tax Enabling Act and the Home Rule Charter and Optional Plans Law to levy taxes for general revenue purposes, on persons, transactions, occupations, 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 depending on the tax.

The City currently levies the following non-real estate taxes:

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

Business Privilege Tax – The Business Privilege Tax is presently levied at the rate of 2 mills on the gross receipts of businesses operating in the City. Under the City's Act 47 Recovery Plan, the tax will be reduced to 1 mill in 2007, 2008 and 2009 and eliminated in 2010.

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

Amusement Tax – This tax is levied at the rate of 5% on the admission price paid by patrons of all manner and forms of amusement except for nonprofit charitable performing arts groups where the tax is levied at 2.5%.
.

Deed Transfer Tax – The Deed Transfer Tax is levied on real property sales within the City at the rate of 2% of the gross sales price.

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

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

Institution Service Privilege – This 6 mill tax is levied on certain receipts of non-profit, non-charitable organizations providing a service within the City.

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

RAD Tax Revenues

The Allegheny Regional Asset District (the "RAD"), a special purpose area wide unit of local government created in 1993 to provide supplemental sources of revenue for local governments in the southwestern region of Pennsylvania, imposes a 1% regional sales tax (the "RAD Tax") on sales of products and services in the County that are subject to the Pennsylvania State Sales Tax. The proceeds of the RAD Tax are distributed as follows: one-half to the RAD, one-fourth to the County and one-fourth to all other eligible municipalities, including the City.

For 2004 and 2005, the City's share of the RAD Tax proceeds, which are classified as General Fund revenues, amounted to $20,293,495 and $18,905,756, respectively. From its share of RAD Tax proceeds, the City pledged $6.2 million in 2004 and $7.5 million through 2014 to provide for debt service payments on certain Urban Redevelopment Authority of Pittsburgh bonds issued to create a $60 million development fund.

In addition to the City's share of RAD Tax proceeds, the RAD provides support payments to the City with respect to certain regional assets located in the City.

Municipal Service Payments

As a result of negotiations with the non-profit community to contribute funds to offset the cost of police, fire, emergency medical services as well as other services provided by the City, the non-profit community created the Pittsburgh Public Service Fund in 2005 and pledged contributions for three years. The amount to be contributed to the City may vary yearly. The first year the Pittsburgh Public Service Fund contributed $4.6 million to the City. The first contribution, earmarked as a 2005 contribution, arrived at the City in January and was not able to be taken into 2005 revenue. Consequently, the City's 2006 financial reports may show a double contribution.

Other Revenues

Locally generated non-tax revenues primarily include federal and state grants, licenses and fees, charges for the provision of services, fines and forfeits, investment earnings and revenues from City self-supporting trust funds. These revenues generated $69 million in 2004 and $89.2 million in 2005. The increase in 2005 revenues over 2004 is a result of the changes in reporting requirements under Act 47. Prior to 2005, State pension aid was recorded as an offset against pension expense and the State liquid fuels reimbursement, which was part of a trust fund, was treated as an offset against salaries. In addition, in 2005 all licenses and fees were increased in accordance with the Act 47 Recovery Plan recommendations.

MANAGEMENT DISCUSSION OF 2004 AND 2005 FINANCIAL OPERATIONS

In 2004, actual General Fund revenues were below the budgeted revenues by $34.1 million, $10 million of which was due to budgeting of additional payments from the City's authorities that were never realized. In addition, the final budgeted expenses exceeded the final budgeted revenues by $6.2 million, in effect budgeting the use of prior year ending fund balances.

In accordance with specific requirements under Act 11 and with the support and approval of both the Act 47 coordinators and ICA Board, the City submitted its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. The Plan called for both expenditure reductions and proposed a new tax levy structure.

Expenditure reductions and controls included: salary freezes city-wide for at least two years, Public Safety cost reduction achieved primarily through the renegotiation of the Firefighter contract, reductions to all elected officials' budgets and regular reporting requirements verifying adherence to the Plan's budget.

Based on unaudited revenues and expenditures, the City finished 2005 with a $15 million surplus. More than half of the surplus, $8.6 million, was in reduced salary expenditures. The most notable surplus was within the salary line of the Police Bureau where the surplus totaled $6.2 million. Other notable expenditure surpluses occurred in miscellaneous services across all departments, utilities, debt service, judgments, uniforms and fringe benefits.

The City collected 99.2% of budgeted revenue in 2005. The largest shortfall between budget and actual was in the category of the contributions from the non-profit community. The 2005 contribution did not arrive at the City until the first days of January 2006. While certain other revenue categories also experienced shortfalls, strong collections of other revenues produced better than expected results to offset these shortfalls. Revenues from Deed Transfer, Parking and Emergency Services taxes were well above estimates surpassing budgeted amounts by $5.9, $5.8 and $3 million respectively.

A Summary of Operations for the years 2001 – 2005 on a cash basis is shown in Table 4 on the following page.

TABLE 4
(in thousands)
GENERAL FUND
SUMMARY OF OPERATIONS (CASH BASIS)
(in thousands)
Fiscal Years 2001 through 2004 (Actual), 2005 Unaudited and 2006 Budgeted

	2001	2002	2003	2004	2005 Unaudited	2006 Budgeted	
Revenues:							
Taxes, including penalty and interest	291,216	292,115	291,786	300,447	336,368	340,629	
Interest earnings	4,308	962	505	605	1,538	742	
Fines and forfeits	7,275	7,869	7,160	6,691	4,276	3,480	
Licenses and fees	5,288	5,867	5,844	4,944	5,018	7,611	
Intergovernmental	22,012	18,653	17,914	17,711	33,572	33,305	**
Miscellaneous	524	3,346	298	0	1,028	365	
Provision of services, break even and joint operations	22,821	24,565	25,822	24,331	32,599	29,170	
Total revenues	353,444	353,377	349,329	354,729	414,399	415,302	
Expenditures							
Current operating:							
General government	23,705	26,622	23,453	20,273	18,958	23,343	***
Public safety	136,111	142,880	140,882	131,468	125,585	129,885	
General services	12,893	13,112	15,530	11,980	13,011	0	***
Public works	24,605	25,238	23,929	19,797	25,726	37,778	***
Citizens Review Board	359	420	404	363	364	427	
Community, recreational and cultural	4,974	5,727	4,941	2,089	3,158	3,458	
Employee benefits	67,523	72,267	81,819	90,102	115,362	127,690	**
Claims and judgements	2,236	12,638	1,475	1,698	1,369	2,177	
Computer System	0	0	0	0	0	0	
Utilities	8,522	0	7,474	6,706	6,950	7,967	
Miscellaneous	4,581	4,040	3,619	1,052	699	1,515	
Debt service:							
Debt Service	66,728	58,938	73,669	86,009	87,490	91,561	
Debt Service Subsidy	3,677	0	4,040	3,613	718	0	
Transfers	4,100	0	0	0	0	1,700	
Total expenditures	360,014	361,882	381,235	375,150	399,390	427,501	
Excess (deficiency) of revenues over (under) expenditures	(6,570)	(8,505)	(31,906)	(20,421)	15,009	(12,199)	
Other financing sources (uses):							
Transfer to pension fund	(16,000)	(16,000)	(18,214)	(17,902)	(16,540)	0	
State pension aid	16,000	16,000	18,214	17,902	16,540	0	**
Net other financing sources	0	0	0	0	0	0	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,570)	(8,505)	(31,906)	(20,421)	15,009	(12,199)	
Fund balances-budgetary basis, beginning of year	67,875	61,305	52,800	20,894	473	15,482	
Fund balances-budgetary basis, end of year	61,305	52,800	20,894	473	15,482	3,283	
Adjustment to generally accepted accounting principles (GAAP) basis (b):							
Cumulative difference between budgetary basis and GAAP basis beginning of year	(22,406)	12,255 *	9,453	14,299			
Net effect of GAAP basis recognition of revenues	9,737	15,445	21,701	25,448			
Net effect of GAAP basis recognition of expenditures	(14,779)	(18,247)	(16,855)	(25,691)			
Net effect of GAAP basis recognition of other financing sources (uses)	329	0	0				
Residual equity transfers	12	0	0				
Fund balances-GAAP basis, end of year	$ 34,198	$ 62,253	$ 35,193	$ 14,529			

Source: City of Pittsburgh Comprehensive Annual Financial Reports
City of Pittburgh 2005 and 2006 Budgets

CITY EMPLOYMENT

Employees

As of January 1, 2006, the City had approximately 3,298 employees, more than 82% of whom were represented by labor organizations. A ten-year history of City employment is set forth in Table 5 below.

TABLE 5
CITY OF PITTSBURGH
CITY EMPLOYMENT

Year	Actual January Payroll
1997	4,131
1998	4,133
1999	4,314
2000	4,098
2001	4,212
2002	4,142
2003	4,232
2004	3,632
2005	3,294
2006	3,298

Source: City of Pittsburgh - Department of Finance

Collective Bargaining Agreements

The City's workforce is represented by nine collective bargaining units. Membership data and collective bargaining agreement expiration dates are shown in Table 6 below. While the agreement with the Fraternal Association of Professional Paramedics expired on December 31, 2005, the existing contract was extended to June 30, 2006. The City is currently in negotiations with the Teamsters.

TABLE 6
Collective Bargaining Agreements

Collective Bargaining Unit	Membership as of 4/1/2006	Contract Expiration
Fraternal Order of Police	849	12/31/2009
Firefighters I.A.F.F. Local No. 1	586	12/31/2009
Pittsburgh Joint Collective Bargaining Committee	339	12/31/2006
Teamsters	176	Expired
AFSCME White Collar	289	12/31/2009
AFSCME Foremen	47	12/31/2009
SEIU Rec. Teachers	54	12/31/2009
SEIU School Guards	133	12/31/2009
Fraternal Association of Professional Paramedics	161	6/30/2006

Employee Retirement System

The City of Pittsburgh is responsible for the funding of retirement benefits for three funds: the Municipal Pension Fund, the Policemen's Relief and Pension Fund and the Firemen's Relief and Pension Fund. 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, the Policemen's Fund and the Firemen's Fund were established, a separate accounting for the activities of these three funds is maintained as well as a calculation of each Fund's undivided interest in the investments held by the Comprehensive Trust.

The Municipal Pension Fund

The Municipal Pension Fund was established by Act 259 of 1915, P.L. 596. Every full-time employee of the City and the Pittsburgh Water and Sewer Authority that is not covered by the Policemen's Fund or the Firemen's Fund is required to join the Municipal Plan after serving a 90 day probationary period. The Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability and other benefits to its members. Retirement benefits are dependent upon the tier within which the employee is placed. There are three tiers in the plan that are governed by the date of hire. Employee contributions to the fund also are dependent on date of hire. Those employees hired prior to January 1, 1988 contribute 5% and those hired after January 1, 1988 contribute 4%.

The Policemen's Relief and Pension Fund

The Policemen's Pension Fund was established by Act 99 of 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. All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Fund. The regular pension is equal to 50% of the highest twelve consecutive months' pay at the time of retirement. Employees hired after December 31, 1991 receive a pension benefit based on 36 months' average pay. Employee contributions to the fund are 6% of pay plus $1 per month. Those electing the surviving spouse benefit contribute an additional one-half percent of pay.

The Firemen's Relief and Pension Fund

The Firemen's Pension Fund was established by Act of May 25, 1933, P. L. 1050. The Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability and other benefits to its members. All employees of the Bureau of Fire, including commanding officers and the Chief of the Bureau are eligible for membership in the Fund. 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. Employee contributions to the fund are 6% of pay plus $1 per month. Those electing the surviving spouse benefit contribute an additional one-half percent of pay.

As of January 1, 2005, the Comprehensive Municipal Pension Trust Fund was 44.3% funded with an actuarial accrued liability of $843,382,550. Table 7 on the following page provides detail on pension membership, assumptions and cost.

TABLE 7
CITY OF PITTSBURGH
PENSION MEMBERSHIP

Status	Municipal	Police	Fire	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,679	1,663	1,029	4,371
Terminated employees vested	66	10	1	77
Total	1,745	1,673	1,030	4,448
Active members	1,819	804	737	3,360
Total membership	3,564	2,477	1,767	7,808

PENSION ASSUMPTIONS

	Municipal	Police	Fire
Valuation Date	1/1/2005	1/1/2005	1/1/2005
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 method	36 years	36 years	36 years
Asset valuation method	Market related		
Actuarial assumptions:			
Investment return	8.75%	8.75%	8.75%
Projected salary increases	4.00%	5.75%	5.75%
Cost of living adjustments	3.50%	3.50%	3.50%

ANNUAL PENSION COST

	Municipal	Police	Fire
Annual required contribution	$ 10,143	$ 17,535	$ 9,046
Contribution made	$ 10,143	$ 17,535	$ 9,046

In addition to pension benefits, the City provides for certain postretirement healthcare benefits to retirees or their beneficiaries. The City accounts for all City contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the City's General Fund and trusts designated for those purposes. The type and amount of healthcare benefit received by individual retirees varies based upon the year of retirement and collective bargaining unit.

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APPENDIX B

CITY OF PITTSBURGH

Audited Financial Statements for Year Ended December 31, 2004

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MAHER DUESSEL
CERTIFIED PUBLIC ACCOUNTANTS

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PITTSBURGH, PA 15222

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FAX (412) 471-5500

Independent Auditor's Report

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (City), as of and for the year ended December 31, 2004, which collectively comprise the City's financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Parking Authority of Pittsburgh (Parking Authority) and the Stadium Authority of the City of Pittsburgh (Stadium Authority), which represent 12% of the assets and 20% of the revenues of the aggregate discretely presented component units. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Parking Authority and the Stadium Authority, are based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2004 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Community Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 1(B), the City is considered a distressed community under the provisions of the "Municipalities Financial Recovery Act" (Act 47) of the

Commonwealth of Pennsylvania. Under the provisions of Act 47, the City adopted a financial recovery plan (Plan), which among other things, permits the City to increase certain tax rates and fees, levy new taxes, and requires reduction of certain spending levels. The Plan is intended to enable the City to maintain services at the current level. The implementation of the Plan is subject to periodic review by the Pennsylvania Department of Community and Economic Development.

The Management's Discussion and Analysis on pages i through xvi, and the pension schedules on pages 92 through 94 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining and individual nonmajor fund financial statements, Capital Projects Fund budgetary comparison, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Capital Projects Fund budgetary comparison have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements; and, accordingly, we express no opinion on them.

Maher Duessel

June 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

Financial Highlights

- The liabilities of the City exceeded its assets at the close of the most recent fiscal year by $742.0 million. As of December 31, 2004, the City, in its statement of net assets, has a net asset unrestricted deficit of $777.0 million. The accumulated deficit results principally from the City's outstanding general obligation bonds being issued over the years to finance projects that do not result in recording assets; specifically to fund the payments to the Pension Trust Fund ($266.0 million outstanding as of December 31, 2004), the City's borrowings to finance economic development efforts (including projects to the City's Authorities, principally the URA), and maintenance expenditures on city infrastructure and equipment needs.
- The City's total net assets decreased by $29.3 million in 2004.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $45.7 million, a decrease of $31.7 million from the previous year. Approximately 48% of this total amount, $22.1 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $11.7 million (compared to $31.1 million in 2003) or 2.8 % of total General Fund expenditures and debt service transfers for 2004, down from 7.8% in 2003 and 15% in 2002.

The City's gross bonded debt amounted to $822.3 million at the end of the fiscal year. No new debt was issued in 2004, while $38.1 million in principal payments were made for a decrease in outstanding debt from the 2003 balance of $860.4 million.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements.

The financial section of this report consists of three parts: Management's Discussion and Analysis, the basic financial statements (including notes to the financial statements and detailed budgetary comparison schedules), and combining and individual fund statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements:

The first two statements (pages 1 - 3) are government-wide financial statements that provide long-term and short-term information about the City's overall financial status.

The remaining statements (pages 3 through 23) are fund financial statements that focus on individual parts of City government, reporting operations in more detail than the government-wide statements.

The governmental funds statements describe how general government services were financed such as public safety and sanitation.

Fiduciary fund statements provide information about the retirement plans for City employees in which the City acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support City activities.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides details about the non-major governmental funds that are presented in single columns in the basic financial statements. The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

Figure A-1
REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

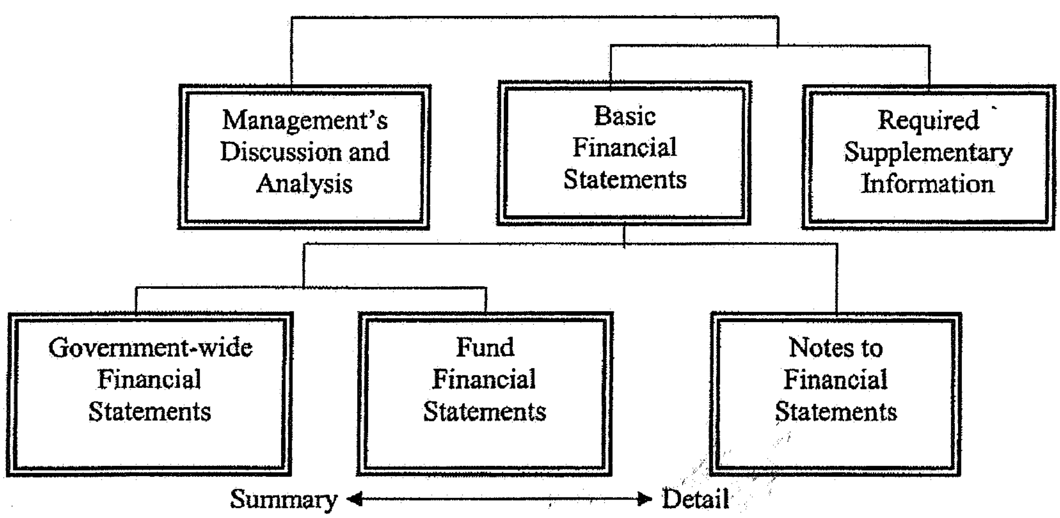


Figure A-2 summarizes the major features of the City's financial statements. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of City's Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and recreation	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plans for City employees
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net assets • Combined statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

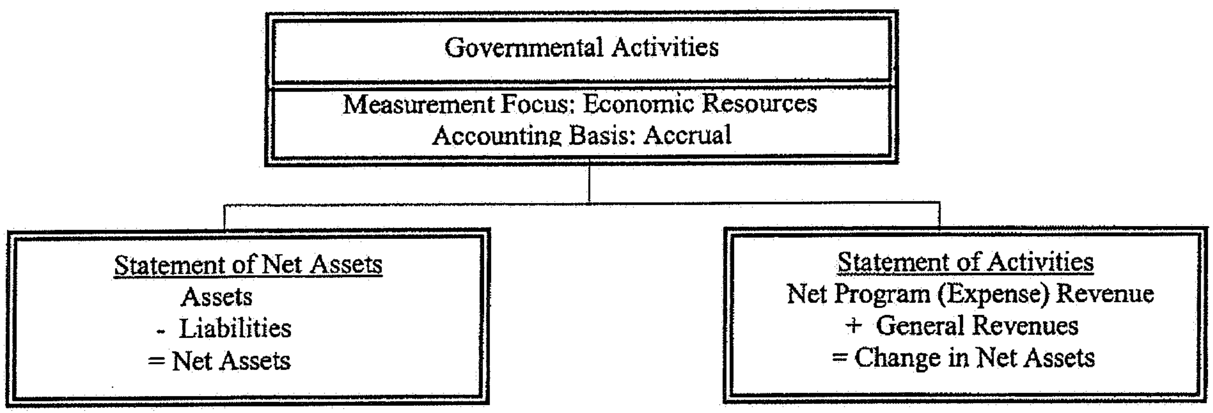
The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found in the financial section of this report. The two government-wide statements report the City's net assets and how they have changed. The statement of net assets includes all of the City's assets and liabilities, except fiduciary funds. Net assets - the difference between the City's assets and liabilities - is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. The statement of activities focuses on how the City's net assets changed during the year. Additional non-financial factors such as changes in the City's real property tax base and general economic conditions must be considered to assess the overall position of the City. The primary features of government-wide financial statements are reflected in Figure A-3.

Figure A-3
Government-wide Financial Statements



- *Governmental activities* - Most of the City's basic services are included here, such as the police, public works, recreation, and general administration. Property and earned income taxes, charges for services, and state grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds. Some funds are required by State law.

The City has two kinds of funds:

- *Governmental Funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

  The City adopts an annual appropriated budget for its General Fund, Capital Projects Fund, and Community Development Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

  The basic governmental fund financial statements can be found on pages 4-18 of this report.

- *Fiduciary Funds – (Pension Trust Funds and Agency Funds)* - The City administers three pension plans. One is for the general employees and the others are for police officers and firemen. These plans cover essentially all full-time employees. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate combined statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

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

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-91 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 92-94 of this report.

Government-wide Financial Analysis

In the case of the City, liabilities exceeded assets by $742.0 million at the close of the most recent fiscal year.

By far the largest portion of the City's deficit in net assets is its unrestricted deficit of ($777.0) million. This deficit is partially offset by investment in capital assets less any related debt still outstanding used to acquire those assets of $33.1 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and the assets have been financed with debt in an amount that exceeds the capital assets carrying value.

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

Summary of Condensed Net Assets:

The following table presents a condensed summary of net assets:

City of Pittsburgh's Net Assets

	Governmental Activities ($ millions)	
	2004	2003
Assets		
Current assets:		
Unrestricted assets	$ 64	$ 81
Restricted assets	22	36
Capital assets	200	193
Total assets	286	310
Liabilities		
Current liabilities	128	128
Long-term liabilities, outstanding	900	895
Total liabilities	1,028	1,023
Net Assets		
Invested in capital assets, net of related debt	33	14
Restricted	2	1
Unrestricted	(777)	(728)
Total net assets	$ (742)	$ (713)

At the end of the current fiscal year, the City reports a ($742.0 million) net deficit for the governmental activities due in part to its debt burden outstanding. This is consistent with the prior fiscal year.

Summary of Changes in Net Assets:

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

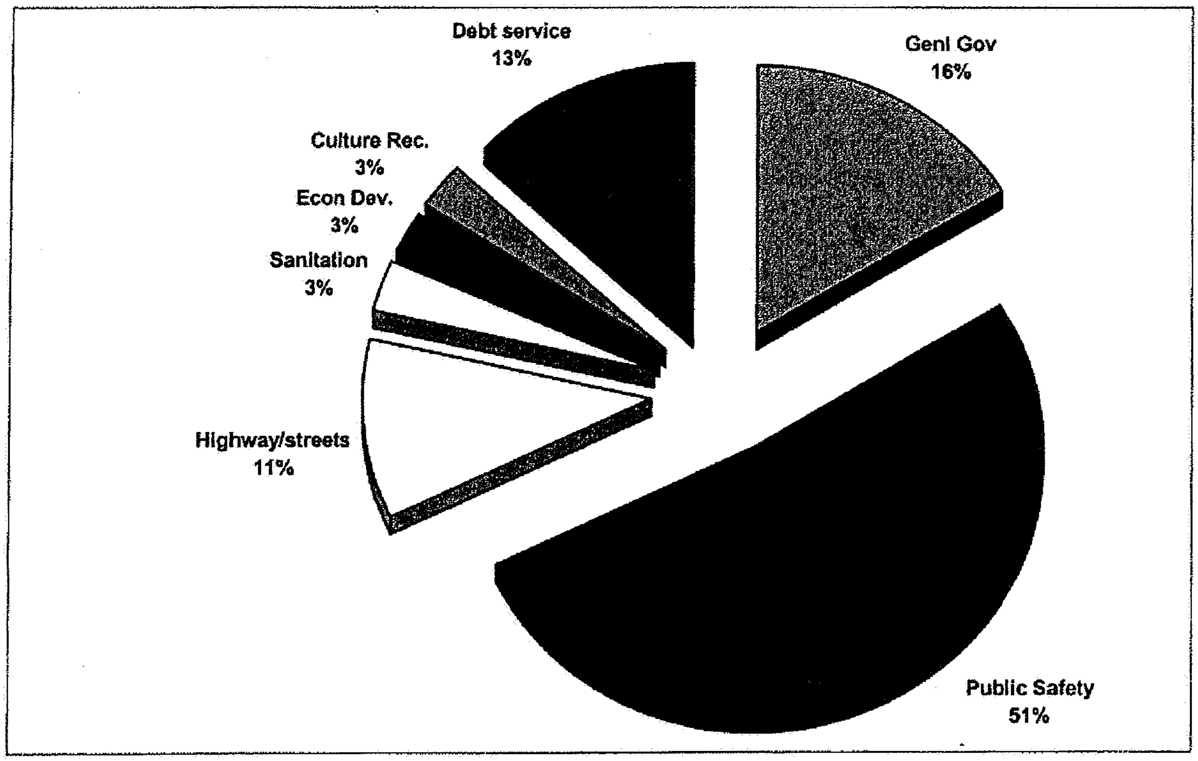
Governmental activities - Governmental activities decreased the City's net assets by $29.0 million. A key element that limited the decrease in net assets was the increase in parking tax revenue by $15.0 million due to the increased tax from a 31% to 50% rate. The remaining amounts are as follows:

City's of Pittsburgh Activities

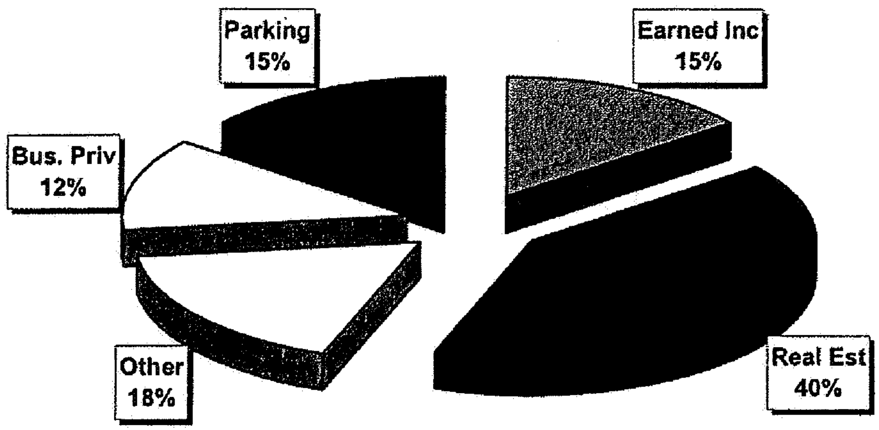
($ millions)	Governmental Activities 2004	2003
Revenues:		
Program revenues:		
Charges for services	$ 41	$ 44
Operating grants and contributions	43	49
Capital grants and contributions	33	39
Total program revenues	117	132
General revenues:		
Real estate property taxes	132	128
Earned income taxes	47	46
Business privilege taxes	40	44
Parking taxes	47	32
RAD sales taxes	21	20
Deed transfer taxes	12	9
Amusement taxes	7	9
Mecantile	8	8
Other taxes	6	8
Other	4	4
Total general revenues	324	308
Total revenues	441	440
Expenses:		
General government	76	69
Public safety	243	222
Highways/streets	51	50
Sanitation	14	12
Economic development	12	25
Culture and recreation	13	11
Interest on debt	49	50
Debt subsidies to Authorities and Component Units	12	15
Total expenses	470	454
Change in Net Assets	(29)	(14)
Net Assets:		
Beginning of year	(713)	(699)
End of year	$ (742)	$ (713)

Public Safety alone accounted for an increase in expenditures of $21.0 million, partially offset by a decrease in Economic Development spending of $13 million. Merger talks between the Fire Department and EMS have failed and plans are now being proposed to spin-off EMS to be directly run as part of the area hospitals to help resolve the City's budget crisis.

Expenses of the governmental statement of activities are shown below by functional area:



General Fund tax revenues (73% of total revenue) are presented below by type of tax:



Governmental Funds

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

Revenues for the General Fund totaled $382.6 million in 2004, an increase of $12.4 million, or by 3.3%, compared to 2003. The net increase of $14.5 million in tax revenue was due to an increase of $15.4 million, 48.3%, in parking tax revenue. Real estate taxes were up by $3.6 million, earned income taxes were up $0.7, business privilege taxes dropped by $3.8 million, and amusement taxes dropped by $2.0 million. Real estate taxes increased because of increases in the assessed value of properties and business privilege taxes decreased due to fewer businesses paying the tax in the City. The business privilege tax will be phased-out beginning in 2005 and replaced by the new payroll preparation tax. The occupation tax of $10 per employee will be replaced in 2005 by the $52 per employee emergency services tax.

In addition to the above General Fund tax revenues, the City collected $29.7 million in the Community Development Fund, $3.9 million in Capital Projects, and $14.5 million in Other Governmental Funds pass-thru federal and state monies.

At the end of the current fiscal year the City's governmental funds reported combined ending fund balances of $45.7 million, a decrease of $31.6 million from 2003. Approximately 48% of this total fund balance, or $22.2 million constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to: 1) liquidate contracts and purchase orders of the prior period, $11.7 million encumbrances; 2) pay debt service $0.2 million; 3) other reserved purposes, $1.7 million; and 4) restricted for capital projects $10.1 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $11.7 million, while total fund balance for the General Fund $14.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.8% of total General Fund expenditures and operating transfers, while total fund balance represents 3.5% of General Fund expenditures and operating transfers. A fund balance percentage of 15-20% of expenditures is typically considered a sign of financial health.

The fund balance of the City's General Fund decreased by $20.7 million during the current fiscal year and by $27.0 million in 2003.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2004 increased to $419.1 million, compared to $398.1 million in 2003 representing an increase of 5.0% or $21.0 million overall. Despite the City's best efforts to hold the line on expenditures where possible, i.e. lower salary costs due to layoffs and wage freezes of $15.0 million, the following increases were out of the City's control: higher pension and workers compensation costs of $5.6 million, higher debt service and debt subsidies of $16.8 million

The largest dollar increase in expenditures and transfers was the $16.0 million increase in transfers to the Debt Service Fund. Transfers to the Debt Service Fund of $87.0 million combined with debt subsidies of $14.4 million totaled $101.4 million and passed the $100.0 million mark for the first time. The debt subsidies are for the URA, SEA, and Auditorium Authority and are commitments made by the City over the life of the bonds. The increase of $16.8 million was due to the deferral of principal payments in 2003 and prior years. Debt and debt subsidies accounted for 24.6% of the expenditures illustrating the magnitude of the City's annual debt service, constituting over one out of every 4 dollars spent out of the General Fund. This is the highest ratio of debt as a percent of total expenditures paid by the City.

The Debt Service Fund has a total fund balance of $215,547 all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was $43,425.

The Community Development Fund had intergovernmental revenues of $29.7 million and expenditures of $29.7 million. The Capital Projects Fund had $6.1 million of revenues, $14.7 million in maintenance costs, $1.1 million of capital related expenditures, and paid $1.0 million of operating transfers. The Capital Projects Fund, fund balance decreased by $10.6 million in 2004 to $20.1 million as of December 31, 2004.

General Fund Budgetary Highlights

Actual General Fund revenues were below the budgeted revenues by $34.1 million. $10.0 million of this gap was due to budgeting of additional authority payments that were to be negotiated but were never realized. In addition, the final budgeted expenses exceeded the final budgeted revenues by $6.2 million, in effect budgeting a deficit for the year, i.e. use of prior year ending fund balances. Many revenue sources did not meet budget estimates; real estate, earned income, parking, business privilege and amusement taxes all contributed to about $15.0 million of the shortfall. The deed transfer tax exceeded budgeted revenue by $2.1 million. The net effect of these and other budget variances was a $15.0 million actual tax revenue collected under budget. Primarily due to supplemental appropriations, final budget General Fund expenditures were greater than original budget by $6.2 million or about 1.6% and exceeded the actual expenditures by $19.5 million or 5.2%.

During fiscal year 2004, City Council amended the budget primarily for the following reasons:

- To appropriate funds to pay commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2004 totaled $2.8 million of which $1.0 million was due to employee benefits carryovers.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental-type activities as of December 31, 2004, amounts to $200.1 million net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure, and construction-in-progress.

Major capital asset events during the current fiscal year were limited due to the inability of the City to float a new bond and lack of working capital to invest in assets. The only major increase in assets is the recording of a capital lease for the new Public Safety Building for $15.4 million. Also, vehicles, machinery, and equipment totaling $3.7 million were purchased.

City of Pittsburgh's Changes in Capital Assets

($ millions)	Governmental Activities 2004	2003
Land and land improvements	$ 46	$ 46
Construction in progress	6	5
Buildings and building improvements	89	93
Capital lease	15	-
Infrastructure	172	172
Vehicles	42	41
Furniture and fixtures	7	7
Machinery and equipment	3	2
Total capital assets	380	366
Less accumulated depreciation for:		
Buildings	(70)	(72)
Infrastructure	(68)	(62)
Vehicles	(32)	(30)
Furniture and fixtures	(7)	(7)
Machinery and equipment	(3)	(2)
Total accumulated depreciation	(180)	(173)
Total capital net assets	$ 200	$ 193

The largest increase in infrastructure assets was due to completion of roadway construction projects primarily contributed by the state.

More detailed information about capital assets provided in footnote 6 to the financial statements.

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of $822.3 million which comprises debt backed by the full faith and credit of the government.

City of Pittsburgh's Outstanding Debt

	Governmental Activities			
($ millions)	2004		2003	
General obligation bonds:				
Beginning balance at January 1	$	860	$	879
Debt Issued		-		15
Refinanced bonds		-		(8)
Principal payments		(38)		(26)
Ending balance at December 31	$	822	$	860

More detailed information about long-term debt provided in footnote 9 of the financial statements.

Significant Events

In November 2003 the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47). The PA Department of Community and Economic Development (DCED), after review of the City's application and advice of its legal and financial experts, agreed. The Act 47 coordinators issued their Recovery Plan on June 11, 2004, which was adopted by Pittsburgh City Council on June 29, 2004.

Subsequent to the City's designation as financially distressed under Act 47, the State legislature under Act 11 established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. Act 11 stipulated that the ICA is to operate concurrently and equally with the Act 47 coordinators.

In accordance with specific requirements under Act 11 and with the support and approval of both the Act 47 coordinators and ICA oversight committee, the City submitted on November 5, 2004 its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. The Plan called for both expenditure cut backs and proposed a new tax levy structure.

Expenditure reductions and controls included: salary freezes city-wide for at least two years, Public Safety cost reduction achieved primarily through the renegotiation of the Firefighter contract, reductions to all elected officials' budgets and regular reporting requirements verifying adherence to the Plan's budget.

On November 21, 2004 the State Legislature approved legislation providing Pittsburgh with new taxing authority that was intended to balance its 2005 and subsequent operating budget allowing for a surplus each year to build a fund balance of $21.9 million by 2009. Taxes included: a 0.55% tax on the gross payroll of all for-profit businesses, $52 on individuals working in the City, 3.0% tax on wages earned by non-resident sports players and performers using the stadium and arena, a shift in earned income away from the school district and to the City beginning in 2007, elimination of the $4.0 million payment of regional asset district sales tax to the school district and a gradual reduction in the City's parking tax beginning in 2007. The tax package provided for the gradual reduction of the business privilege tax, total elimination of the mercantile tax and the implementation of a new tax on gross payroll of all for-profit businesses. This restructuring will result in a broader based tax structure going forward.

On January 4, 2005 the City executed a $40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues received primarily during the first two months of the year. The City only required a $20.0 million draw on that facility to meet its early-year obligations and as of March 31, 2005 the City has repaid that borrowing.

During the first quarter of 2005, the City signed a 5-year contract with the Firefighter's Union that provided the City with a budget savings of $9.1 million in 2005. A combination of staff reduction, station closings and benefit renegotiation produced those savings. The ICA is currently challenging the contract in Commonwealth Court stating that although it met the monetary target under the approved 5-year plan, it failed in the specific required reduction strategies. Should the ICA prevail, the impact would be felt primarily in work process flows and oversight.

By April of 2005 all three bond rating agencies boosted the rating of City bonds to investment grade status, thereby providing the City with the opportunity to take advantage of favorable bond rates. On June 7, 2005, the City closed on refinancing $195.0 million worth of bonds which will produce a $6.0 million cash savings in debt financing costs for the year. This savings in the operations will make available needed funds for capital purchases and programs, such as street repair, vacant building demolition and other immediate needs of the City not able to be funded from other sources.

As of June 2005, the new tax revenues provided for under the Plan and passed by the Legislature have been collected at a rate consistent with expectations of meeting the budgeted figures passed last November. In addition, most areas of the general government are projected to fall within or below budgeted expenditures.

Cash Position

During 2004 the City continued efforts begun in the latter half of 2003 to control costs, improve collections and maintain solvency. These efforts combined with remaining available fund balance produced benefits into 2004 by allowing the City to meet its beginning of the year obligations without executing a bank note. Although the cash balance available for general operations of the City as of December 31, 2004 was $13.6 million, this was not enough to maintain normal function throughout the City in January 2005. As a result, on January 4, 2005, the City executed a $40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues received primarily during the first two months of the year. The City only required a $20.0 million draw on that facility to meet its early-year obligations and as of March 31, 2005 the borrowing has been repaid.

In recognition of the City's cost containment and efficiency efforts, and as a result of the support of both State oversight committees, on November 21, 2004 the Pennsylvania Legislature passed a tax package that empowered the City of Pittsburgh to modernize its taxation structure.

Due to the revenue increase combined with the cost reductions in the budget, the City is projecting a cash balance at the end of 2005 of $20.0 million, an improvement of $6.4 million, or 32%, in liquidity over one year ago. There is every indication at this time that this projection is realistic and that there should be no need to seek outside funding for continuing operations into early 2006. However, to be assured of the ability of the City to maintain its service commitments in light of some unforeseen expenditure, the City will again seek to obtain a commitment from local banking institutions of a credit-line facility to be used to start off next year.

Requests for information

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

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Primary Government Governmental Activities	Component Units
Assets		
Current assets:		
Cash, cash equivalents, and investments	$ 27,342,017	$ 252,547,807
Restricted cash	21,914,735	9,500,520
Investments - restricted	-	6,160,253
Real estate taxes (net of allowance for uncollectible accounts of $10,420,631)	9,692,982	-
Accounts receivable, net	-	20,300,694
Accrued interest receivable	82,782	491,582
Due from other governments	8,809,747	8,822,414
Due from component unit	704,549	-
Taxpayer - assessed taxes receivable	11,789,030	-
Inventory	-	1,555,000
Notes receivable	-	294,799
Other receivables	5,335,498	13,090,576
Grant receivable	-	2,568,166
Prepaid expenses	-	179,000
Total current assets	85,671,340	315,510,811
Noncurrent assets:		
Trusteed and restricted funds:		
Cash and cash equivalents	-	25,757,000
Investments	-	32,892,845
Accrued interest receivable	-	86,000
Accounts receivable - parking	-	45,753
Total restricted assets	-	58,781,598
Capital assets:		
Capital assets not being depreciated:		
Land and land improvement	45,602,091	34,004,092
Construction-in-progress	6,290,212	21,699,067
Capital assets being depreciated:		
Buildings and building improvements	88,778,564	39,957,089
Parking facilities	-	115,743,627
Machinery and equipment	3,040,408	107,363,709
Utility plant	-	427,677,000
Non-utility plant	-	16,477,000
Furniture and fixtures	7,413,052	-
Vehicles	41,420,241	-
Infrastructure	172,182,057	-
Capital lease	15,434,653	
Less accumulated depreciation	(180,047,142)	(182,277,676)
Total net capital assets	200,114,136	580,643,908
Leasehold improvements	-	299,551
Other assets	-	1,799,507
Bond issuance costs, net of amortization	-	8,644,324
Loans/notes receivable	-	158,076,414
Assets held for sale	-	29,090,224
Development fund	-	1,130,364
Total noncurrent assets	200,114,136	838,465,890
Total Assets	$ 285,785,476	$ 1,153,976,701

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2004
(Continued)

	Primary Government Governmental Activities	Component Units
Liabilities		
Current liabilities:		
Accounts payable - wastewater treatment	-	14,322,000
Accrued expenses and deferred income	-	1,025,182
Accounts and retainage payable	10,153,310	410,462
Accrued payroll and related obligations	11,563,865	39,278,498
Accrued interest payable	15,624,012	7,516,350
Accrued worker's compensation	16,587,483	-
Accrued compensated absences	19,678,999	-
Accrued claims and judgments	3,420,000	-
Unearned revenue	-	19,014,073
Due to other governments	6,562,999	-
Capital lease liability, current portion	411,388	-
Note due to City of Pittsburgh, current portion	-	1,540,000
Bonds and loans payable, current portion	44,040,000	33,683,229
Total current liabilities	128,042,056	116,789,794
Noncurrent liabilities:		
Unearned revenue	-	442,000
Accrued payroll - related obligations	-	962,000
Note due to the City of Pittsburgh	-	2,006,996
Bonds and loans payable, net of unamortized premiums/ discounts and bond issuance costs	778,232,363	849,451,701
Accrued workers' compensation	95,128,513	-
Accrued compensated absences	10,145,292	-
Accrued claims and judgments	1,500,000	-
Capital lease liability	14,697,203	
Advance from the City of Pittsburgh	-	22,775,168
Total noncurrent liabilities	899,703,371	875,637,865
Total Liabilities	1,027,745,427	992,427,659
Net Assets		
Investments in capital assets, net of related debt	33,115,655	(17,751,149)
Restricted for:		
Capital projects	-	2,153,635
Debt service	215,547	13,894,053
Employee benefits	964,916	-
Endowments	722,535	-
Public Parking Authority	-	11,210,373
Urban development	-	21,775,414
Lending programs	-	144,137,626
Multi-family Housing Program	-	19,386
Unrestricted net assets	(776,978,604)	(13,890,296)
Total Net Assets	$ (741,959,951)	$ 161,549,042

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary government:						
Governmental activities:						
General government	$ 75,496,380	$ 18,628,556	$ 25,869,601	$ 7,430,167	$ (23,568,056)	$ -
Public safety	242,704,887	19,921,883	11,935,973	1,455,136	(209,391,895)	-
Highway and streets	50,930,630	1,159,321	4,062,407	9,494,436	(36,214,466)	-
Sanitation	13,801,070	344,173	560,633	-	(12,896,264)	-
Economic development (includes debt subsidies to URA of $11,013,255)	23,088,545	-	-	13,445,922	(9,642,623)	-
Culture and recreation (includes debt subsidies to Sports and Exhibition and Public Auditorium Authorities of $2,857,749)	15,797,978	1,298,261	884,142	1,560,452	(12,055,123)	-
Interest on long-term debt plus bond issuance cost and amortization of premiums and discounts	48,709,900	-	-	-	(48,709,900)	-
Total primary government	$ 470,529,390	$ 41,352,194	$ 43,312,756	$ 33,386,113	(352,478,327)	-
Total component units	$ 197,062,599	$ 123,661,152	$ 48,214,617	$ 13,203,268		(11,983,562)
General revenues:						
Real estate taxes					131,606,692	-
Earned income taxes					46,638,799	-
Business privilege taxes					40,119,601	-
Parking tax					47,313,082	-
Sales taxes from the Regional Asset District					21,460,780	-
Deed transfer tax					11,633,787	-
Amusement tax					7,479,540	-
Mercantile tax					7,915,096	-
Other taxes					5,538,445	-
Unrestricted investment earnings					1,016,417	3,301,515
Donations and endowments					267,995	-
Gain (Loss) of sale of assets					-	1,153,744
Miscellaneous					2,165,547	3,771,425
Total general revenues					323,155,781	8,226,684
Change in net assets					(29,322,546)	(3,756,878)
Net assets - beginning					(712,637,405)	165,305,920
Net assets - ending					$ (741,959,951)	$ 161,549,042

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2004

Assets	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 13,282,191	$ -	$ 1,664,918	$ -	$ 12,394,908	$ 27,342,017
Cash and cash equivalents - restricted	305,461	187,774	-	21,421,500	-	21,914,735
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of $10,420,631)	9,692,982	-	-	-	-	9,692,982
Taxpayer - assessed taxes receivable	11,789,030	-	-	-	-	11,789,030
Other receivables	4,363,346	-	-	-	972,150	5,335,496
Due from component units	704,549	-	-	-	-	704,549
Accrued interest	51,400	27,773	-	-	3,610	82,783
Advance to other fund	-	-	-	1,300,000	-	1,300,000
Due from other governments	4,179,092	-	2,470,802	573,753	1,586,100	8,809,747
Due from other funds	4,287,159	-	-	64,873	272,510	4,624,542
Total Assets	$ 48,655,210	$ 215,547	$ 4,135,720	$ 23,360,126	$ 15,229,278	$ 91,595,881

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2004
(Continued)

Liabilities and Fund Balance	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Liabilities:						
Accounts payable	$ 6,306,066	$ -	$ 1,633,016	$ 886,540	$ 840,060	$ 9,665,682
Accrued liabilities	11,070,841	-	118,671	-	546,010	11,735,522
Retainage payable	-	-	-	315,970	-	315,970
Advance from other fund	-	-	1,300,000	-	-	1,300,000
Due to other funds	2,242	-	999,416	2,052,496	1,570,388	4,624,542
Due to other governments	5,049,111	-	-	-	1,513,888	6,562,999
Accrued claims and judgments	3,420,000	-	-	-	-	3,420,000
Deferred revenue, principally real estate taxes	8,277,520	-	-	-	-	8,277,520
Total Liabilities	34,125,780	-	4,051,103	3,255,006	4,470,346	45,902,235
Fund Balance:						
Reserved:						
Encumbrances	1,130,759	-	-	10,054,529	429,991	11,615,279
Reserved for endowments	722,535	-	-	-	-	722,535
Reserved for employee benefits	964,916	-	-	-	-	964,916
Advance	-	-	-	1,300,000	-	1,300,000
Unreserved:						
Undesignated:						
General Fund	11,711,220	-	-	-	-	11,711,220
Special Revenue Fund	-	-	84,617	-	10,328,941	10,413,558
Designated for subsequent years expenditures	-	215,547	-	8,750,591	-	8,966,138
Total Fund Balance	14,529,430	215,547	84,617	20,105,120	10,758,932	45,693,646
Total Liabilities and Fund Balance	$ 48,655,210	$ 215,547	$ 4,135,720	$ 23,360,126	$ 15,229,278	$ 91,595,881

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

YEAR ENDED DECEMBER 31, 2004

Total Fund Balance - Governmental Funds		$ 45,693,646
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets including construction-in-progress used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is $380,161,278 and the accumulated depreciation is $180,047,142.		200,114,136
Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and therefore, are deferred in the funds. Receivable amounts are shown net of allowances, but are not deferred in the governmental activities statements.		8,277,520
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable, net of unamortized premiums/ discounts and bond issuance costs	$ (822,272,363)	
Capital lease liability	(15,108,591)	
Accrued workers' compensation	(111,715,996)	
Accrued compensated absences	(29,824,291)	
Accrued interest payable	(15,624,012)	
Accrued claims and judgments	(1,500,000)	(996,045,253)
Total Net Assets - Governmental Activities		$ (741,959,951)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2004

	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, including penalties and interest	$ 316,267,789	$ -	$ -	$ 955,690	$ -	$ 317,223,479
Payment in lieu of taxes	688,144	-	-	-	-	688,144
Interest and dividends	628,493	337,258	-	-	50,667	1,016,418
Fines and forfeits	8,325,248	-	-	-	201,536	8,526,784
Intergovernmental revenues	28,847,885	-	29,748,302	3,891,231	14,464,872	76,952,290
Charge for user services	26,611,318	-	-	-	5,960,670	32,571,988
Donations and endowments	267,995	-	-	-	-	267,995
Miscellaneous	1,007,394	-	-	1,276,429	434,625	2,718,448
Total revenues	382,644,266	337,258	29,748,302	6,123,350	21,112,370	439,965,546
Expenditures:						
Current:						
General government	55,303,660	-	8,027,729	2,785,178	949,671	67,066,238
Public safety	202,540,226	-	1,353,931	1,153,542	6,845,884	211,893,583
Public works	21,168,786	-	5,608,259	10,687,658	3,824,320	41,289,023
Sanitation	13,974,648	-	-	-	22,778	13,997,426
Community, recreational, and cultural	4,773,855	-	2,083,108	1,712	9,583,151	16,441,826
Economic and physical development	-	-	12,033,366	-	-	12,033,366
Claims and judgments	2,795,690	-	-	-	-	2,795,690
Miscellaneous	1,275,498	-	-	-	-	1,275,498
Debt service:						
Principal retirement of bonds	-	40,760,000	-	-	-	40,760,000
Interest on bonds	-	48,077,781	-	-	-	48,077,781
Bond issuance costs	-	-	-	-	-	-
Pittsburgh Sports and Exhibition Authority subsidy	459,637	-	-	-	-	459,637
Public Auditorium Authority subsidy	2,398,112	-	-	-	-	2,398,112
Urban Redevelopment Authority subsidy	12,138,255	-	-	-	-	12,138,255
Capital outlay:						
Building	15,434,653	-	-	-	-	15,434,653
Highways, streets, and other construction projects	-	-	641,909	1,054,689	1,785,311	3,481,909
Total expenditures	332,263,020	88,837,781	29,748,302	15,682,779	23,011,115	489,542,997
Excess (Deficiency) of Revenues Over Expenditures	50,381,246	(88,500,523)	-	(9,559,429)	(1,898,745)	(49,577,451)
Other Financing Sources (Uses):						
Capital lease	15,434,653	-	-	-	-	15,434,653
Transfers from other funds	377,500	86,008,948	-	-	1,848,358	88,234,806
Transfer from discretely presented component units	-	2,535,000	-	-	-	2,535,000
Transfer to other funds	(86,857,307)	-	-	(999,999)	(377,500)	(88,234,806)
Total other financing sources (uses)	(71,045,154)	88,543,948	-	(999,999)	1,470,858	17,969,653
Net Change in Fund Balance	(20,663,908)	43,425	-	(10,559,428)	(427,887)	(31,607,798)
Fund Balance:						
Beginning of year	35,193,338	172,122	84,617	30,664,548	11,186,819	77,301,444
End of year	$ 14,529,430	$ 215,547	$ 84,617	$ 20,105,120	$ 10,758,932	$ 45,693,646

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balance - Governmental Funds		$ (31,607,798)
Amounts reported for governmental activities in the statement of activities are		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays less net deletions in the current period:		
Capital outlays	$ 6,021,094	
Less: net deletions	(552,907)	
Less: depreciation expense	(12,978,985)	(7,510,798)
Some taxes and other revenues will not be collected for several months after the City's year-end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased by this amount during the year.		1,794,197
The issuance of long-term obligations (e.g. notes and bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction; however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.		38,646,788
In the statement of activities, certain expenses - workers' compensation, compensated absences, claims and judgments, and interest are measured by the amounts incurred during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.		(30,644,935)
Change in Net Assets of Governmental Activities		$ (29,322,546)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts expressed in thousands)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, net of refunds and banking fees:				
Real estate	$ 128,000	$ 128,000	$ 123,576	$ (4,424)
Nonprofit payment for services	2,650	2,650	688	(1,962)
Mercantile	7,400	7,400	7,500	100
Amusement	9,953	9,953	7,714	(2,239)
Earned income	46,789	46,789	45,185	(1,604)
Deed transfer	8,500	8,500	10,614	2,114
Parking	47,313	47,313	44,511	(2,802)
Occupation privilege	3,200	3,200	3,176	(24)
Business privilege	43,250	43,250	39,902	(3,348)
Institution and service privilege	430	430	475	45
Public service	1,125	1,125	1,158	33
Penalties and interest	2,700	2,700	2,552	(148)
Act 77 - tax relief	14,200	14,200	13,396	(804)
Total taxes	315,510	315,510	300,447	(15,063)
Interest earnings	1,825	1,825	605	(1,220)
Fines and forfeits	7,337	7,337	6,691	(646)
Licenses and fees:				
Liquor and malt beverage	430	430	407	(23)
Business	31	31	66	35
General government	740	740	749	9
Rentals and charges	3,935	3,435	3,722	287
Total licenses and fees	5,136	4,636	4,944	308
Federal and state grants	3,197	3,197	986	(2,211)
Reimbursement, CDBG	2,055	2,055	1,292	(763)
Public Parking Authority	1,900	1,900	1,900	-
PWSA reimbursement	5,300	5,300	5,300	-
Sports and Exhibition Authority	87	87	87	-
State utility tax	450	450	367	(83)
Act 77 - operations	5,990	5,990	5,903	(87)
Act 77 - civic arena	1,600	1,600	1,600	-
Additional Authority payments	9,800	10,300	276	(10,024)
Breakeven centers	20,180	20,180	17,484	(2,696)
Joint operations	100	100	100	-
Provisions of services	7,814	7,814	6,025	(1,789)
Sale of public property	50	50	-	(50)
Delinquent receivables - magistrates court	500	500	722	222
Total revenues	388,831	388,831	354,729	(34,102)

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts Express in Thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Expenditures:							
General Government:							
City Council and City Clerk's Office:							
City Council:							
Salaries	1,378	7	1,385	1,306	-	1,306	79
Council service, supplies, and equipment	13	2	15	2	-	2	13
Education and training	17	-	17	4	-	4	13
Miscellaneous services	96	20	116	99	-	99	17
Total city council	1,504	29	1,533	1,411	-	1,411	122
City Clerk's Office:							
Salaries	513	(1)	512	499	-	499	13
Premium pay	4	8	12	12	-	12	-
Miscellaneous services	169	88	257	131	1	132	125
Supplies	15	-	15	15	-	15	-
Equipment	7	-	7	-	-	-	7
Total city clerk's office	708	95	803	657	1	658	145
Mayor's Office:							
Salaries	1,291	-	1,291	1,244	-	1,244	47
Premium pay	2	-	2	1	-	1	1
Miscellaneous services	99	2	101	4	-	4	97
Education and training	85	-	85	82	-	82	3
Supplies	31	1	32	15	-	15	17
Equipment	3	-	3	1	-	1	2
Rentals	5	-	5	4	-	4	1
Total mayor's office	1,516	3	1,519	1,351	-	1,351	168
City Information Systems:							
Salaries	2,538	-	2,538	2,254	-	2,254	284
Premium pay	30	-	30	3	-	3	27
Miscellaneous services	754	-	754	643	-	643	111
Education and travel expense	38	-	38	38	-	38	-
Supplies	169	-	169	73	-	73	96
Equipment	35	12	47	26	-	26	21
Rentals	276	-	276	274	-	274	2
Utilities	625	-	625	505	-	505	120
Total city information systems	4,465	12	4,477	3,816	-	3,816	661
Magistrates Court:							
Salaries	1,117	-	1,117	1,114	-	1,114	3
Premium pay	16	4	20	18	-	18	2
Miscellaneous services	172	(4)	168	161	-	161	7
Education and training	1	-	1	-	-	-	1
Supplies	11	1	12	11	-	11	1
Equipment	1	-	1	-	-	-	1
Rentals	12	-	12	10	-	10	2
Total magistrates court	1,330	1	1,331	1,314	-	1,314	17
Commission on Human Relations:							
Salaries	145	-	145	145	-	145	-
Miscellaneous services	26	45	71	7	20	27	44
Education and training	1	-	1	-	-	-	1
Supplies	1	-	1	1	-	1	-
Equipment	1	-	1	-	1	1	-
Total commission on human relations	174	45	219	153	21	174	45

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts Express in Thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Finance:							
Salaries	3,035	(115)	2,920	2,789	-	2,789	131
Premium pay	31	-	31	13	-	13	18
Miscellaneous services	977	355	1,332	763	71	834	498
Education and training	13	-	13	1	-	1	12
Supplies	440	16	456	291	-	291	165
Materials	5	2	7	-	-	-	7
Equipment	52	4	56	9	-	9	47
Repairs	2	-	2	-	-	-	2
Rentals	30	-	30	26	-	26	4
Total department of finance	4,585	262	4,847	3,892	71	3,963	884
Office of City Controller:							
Salaries	2,577	-	2,577	2,569	-	2,569	8
Premium pay	8	-	8	2	-	2	6
Miscellaneous services	148	58	206	128	9	137	69
Education and training	21	-	21	19	-	19	2
Supplies	11	8	19	9	3	12	7
Equipment	17	4	21	7	10	17	4
Rentals	15	2	17	14	-	14	3
Total office of city controller	2,797	72	2,869	2,748	22	2,770	99
Department of Law:							
Salaries	1,417	(1)	1,416	1,404	-	1,404	12
Premium pay	-	1	1	1		1	-
Miscellaneous services	508	339	847	374	50	424	423
Education and training	18	-	18	10	-	10	8
Supplies	23	3	26	22	1	23	3
Equipment	25	(25)	-	-	-	-	-
Rentals	8	-	8	8	-	8	-
Total department of law	1,999	317	2,316	1,819	51	1,870	446
Department of Law - OBEO:							
Salaries	212	-	212	137	-	137	75
Miscellaneous services	51	-	51	1	-	1	50
Education and travel expense	4	-	4	3	-	3	1
Supplies	3	-	3	-	-	-	3
Equipment	13	-	13	3	-	3	10
Total department of lLaw - OBEO	283	-	283	144	-	144	139
Department of Law - OMI:							
Salaries	424	-	424	343	-	343	81
Premium pay	1	-	1	-	-	-	1
Miscellaneous services	167	75	242	178	-	178	64
Education and training	10	-	10	-	-	-	10
Supplies	6	2	8	4	-	4	4
Equipment	3	1	4	3	-	3	1
Rentals	3	2	5	2	-	2	3
Total department of law - OMI	614	80	694	530	-	530	164
Department of Personnel and Civil Service Commission:							
Salaries	1,163	-	1,163	1,154	-	1,154	9
Premium pay	3	-	3	1	-	1	2
Miscellaneous services	242	280	522	114	73	187	335
Education and training	12	-	12	5	-	5	7
Supplies	18	12	30	16	1	17	13
Equipment	55	31	86	23	-	23	63
Materials	4	-	4	-	-	-	4
Repairs	1	-	1	-	-	-	1
Rentals	3	-	3	2	-	2	1
Total department of personnel and civil service commission	1,501	323	1,824	1,315	74	1,389	435

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of City Planning:							
Salaries	921	-	921	884	-	884	37
Premium pay	4	-	4	1	-	1	3
Miscellaneous services	57	5	62	35	-	35	27
Education and training	4	-	4	-	-	-	4
Supplies	22	-	22	14	-	14	8
Rentals	7	-	7	5	-	5	2
Equipment	6	2	8	6	-	6	2
Grants	-	328	328	177	-	177	151
Utilities	2	-	2	1	-	1	1
Total department of city planning	1,023	335	1,358	1,123	-	1,123	235
Total general government	22,499	1,574	24,073	20,273	240	20,513	3,560
Public Safety - Department of Public Safety:							
Bureau of Administration:							
Salaries and wages	241	-	241	87	-	87	154
Miscellaneous services	-	339	339	249	-	249	90
Education and training	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-	-
Equipment	106	4	110	106	-	106	4
Repairs	-	-	-	-	-	-	-
Total bureau of administration	347	343	690	442	-	442	248
Bureau of Emergency Medical Services:							
Salaries	8,890	(163)	8,727	8,461	-	8,461	266
Premium pay	2,115	150	2,265	2,198	-	2,198	67
Miscellaneous services	103	1	104	103	-	103	1
Education and training	14	13	27	25	-	25	2
Supplies and materials	216	13	229	200	5	205	24
Equipment	126	6	132	92	23	115	17
Rentals	3	-	3	3	-	3	-
Repairs	54	-	54	50	-	50	4
Uniforms	121	-	121	117	-	117	4
Total bureau of emergency medical services	11,642	20	11,662	11,249	28	11,277	385
Bureau of Police:							
Salaries	53,367	301	53,668	50,140	-	50,140	3,528
Premium pay	6,600	(300)	6,300	3,579	-	3,579	2,721
Miscellaneous services	1,663	94	1,757	1,545	-	1,545	212
Education and training	76	77	153	13	-	13	140
Supplies and materials	296	46	342	255	10	265	77
Equipment	139	97	236	219	-	219	17
Repairs	8	-	8	10	-	10	(2)
Rentals	140	19	159	122	1	123	36
Uniforms	879	209	1,088	849	-	849	239
Total bureau of police	63,168	543	63,711	56,732	11	56,743	6,968
Bureau of Fire:							
Salaries and wages	49,288	(1,703)	47,585	47,263	-	47,263	322
Premium pay	10,631	1,703	12,334	12,334	-	12,334	-
Miscellaneous services	136	-	136	102	-	102	34
Education and training	13	-	13	3	-	3	10
Supplies	128	15	143	128	-	128	15
Repairs	40	-	40	34	-	34	6
Equipment	27	-	27	27	-	27	-
Uniforms	648	-	648	497	-	497	151
Total bureau of fire	60,911	15	60,926	60,388	-	60,388	538

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts Express in Thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Bureau of Building Inspection:							
Salaries	2,552	(28)	2,524	2,500	-	2,500	24
Premium pay	5	-	5	-	-	-	5
Miscellaneous services	129	28	157	120	-	120	37
Education and training	8	-	8	8	-	8	-
Supplies	13	-	13	11	-	11	2
Repairs	1	-	1	-	-	-	1
Rentals	6	-	6	2	-	2	4
Equipment	9	-	9	9	-	9	-
Uniforms	13	-	13	7	-	7	6
Total bureau of building inspection	2,736	-	2,736	2,657	-	2,657	79
Total public safety - department of public safety	138,804	921	139,725	131,468	39	131,507	8,218
Department of General Services:							
Administration:							
Salaries	827	34	861	861	-	861	-
Premium pay	9	-	9	6	-	6	3
Miscellaneous services	230	37	267	218	-	218	49
Education and training	1	-	1	1	-	1	-
Supplies	14	2	16	7	1	8	8
Equipment	4	1	5	-	-	-	5
Repairs	1	-	1	-	-	-	1
Rentals	549	13	562	495	18	513	49
Total administration	1,635	87	1,722	1,588	19	1,607	115
Facilities Management:							
Salaries	1,823	21	1,844	1,844	-	1,844	-
Premium pay	46	-	46	38	-	38	8
Miscellaneous services	905	3	908	901	-	901	7
Supplies	19	1	20	16	3	19	1
Equipment	8	-	8	5	1	6	2
Repairs	19	-	19	19	-	19	-
Materials	117	16	133	110	10	120	13
Uniforms	28	-	28	26	-	26	2
Total facilities management	2,965	41	3,006	2,959	14	2,973	33
Fleet Management:							
Salaries	2,347	(355)	1,992	1,913	-	1,913	79
Premium pay	195	-	195	145	-	145	50
Miscellaneous services	271	6	277	277	-	277	-
Education and training	2	-	2	-	-	-	2
Supplies	2,791	307	3,098	3,075	1	3,076	22
Materials	33	3	36	36	-	36	-
Equipment	336	7	343	342	-	342	1
Uniforms	46	-	46	36	-	36	10
Repairs	914	-	914	914	-	914	-
Rentals	12	-	12	12	-	12	-
Utilities	-	21	21	-	-	-	21
Total fleet management	6,947	(11)	6,936	6,750	1	6,751	185
Community Communications:							
Salaries	516	-	516	509	-	509	7
Premium pay	15	-	15	7	-	7	8
Miscellaneous services	54	15	69	39	-	39	30
Supplies	25	4	29	15	1	16	13
Equipment	85	30	115	48	1	49	66
Total community communications	695	49	744	618	2	620	124

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts Express in Thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Engineering and Construction:							
Operations:							
Premium pay	25	25	50	-	-	-	50
Miscellaneous services	17	-	17	11	-	11	6
Education and training	1	-	1	-	-	-	1
Supplies	25	2	27	19	6	25	2
Equipment	8	-	8	3	3	6	2
Rentals	28	-	28	27	-	27	1
Repairs	1	-	1	1	-	1	-
Materials	6	1	7	4	1	5	2
Total operations	111	28	139	65	10	75	64
Total Department of General Services	12,353	194	12,547	11,980	46	12,026	521
Public Works - Department of Public Works:							
Administration:							
Salaries	1,054	(8)	1,046	985	-	985	61
Premium pay	45	-	45	4	-	4	41
Miscellaneous services	170	8	178	178	-	178	-
Education and training	10	-	10	1	-	1	9
Supplies	25	-	25	17	-	17	8
Equipment	50	3	53	43	-	43	10
Rentals	15	-	15	11	-	11	4
Total administration	1,369	3	1,372	1,239	-	1,239	133
Operations:							
Salaries	6,823	-	6,823	6,792	-	6,792	31
Premium pay	773	-	773	396	-	396	377
Miscellaneous services	290	-	290	284	-	284	6
Supplies	150	12	162	91	1	92	70
Equipment	80	22	102	68	-	68	34
Materials	450	11	461	444	5	449	12
Repairs	395	-	395	275	-	275	120
Rentals	615	20	635	619	10	629	6
Total operations	9,576	65	9,641	8,969	16	8,985	656
Environmental Services:							
Salaries	6,934	1	6,935	6,168	-	6,168	767
Premium pay	600	-	600	506	-	506	94
Miscellaneous services	3,552	(25)	3,527	2,791	-	2,791	736
Supplies	121	-	121	22	1	23	98
Equipment	32	2	34	7	-	7	27
Uniforms	90	-	90	89	-	89	1
Materials	8	-	8	1	-	1	7
Rentals	8	-	8	5	-	5	3
Total environmental services	11,345	(22)	11,323	9,589	1	9,590	1,733
Total public works	22,290	46	22,336	19,797	17	19,814	2,522
Community, Recreational, and Cultural - Department of Parks and Recreation:							
Administration:							
Salaries	1,421	-	1,421	1,312	-	1,312	109
Premium pay	83	-	83	37	-	37	46
Miscellaneous services	543	237	780	465	53	518	262
Education and training	5	-	5	-	-	-	5
Supplies	284	-	284	69	-	69	215
Utilities	160	-	160	160	-	160	-
Repairs	9	-	9	2	-	2	7
Rentals	42	-	42	16	-	16	26
Equipment	42	-	42	22	-	22	20
Grants	-	58	58	6	-	6	52
Total community, recreational, and cultural - department of parks and recreation	2,589	295	2,884	2,089	53	2,142	742

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts Express in Thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Nondepartmental:							
Employee Benefits:							
Pension	17,195	-	17,195	17,047	-	17,047	148
Fringe benefits	72,962	2,334	75,296	73,055	100	73,155	2,141
Total employee benefits	90,157	2,334	92,491	90,102	100	90,202	2,289
Claims and Judgments - Citywide	1,500	246	1,746	1,698	(450)	1,248	498
Citizens Review Board:							
Salaries	279	-	279	234	-	234	45
Miscellaneous services	99	14	113	69	10	79	34
Education and training	9	-	9	6	-	6	3
Supplies	5	2	7	3	-	3	4
Equipment	2	-	2	1	-	1	1
Rentals	50	9	59	50	7	57	2
Total citizens review board	444	25	469	363	17	380	89
Utilities-Citywide	7,550	92	7,642	6,706	-	6,706	936
GF Grants-Citywide	-	72	72	-	-	-	72
GF Grants-Other	4,040	-	4,040	40	-	40	4,000
Miscellaneous (Postage/refunds)-Citywide	985	412	1,397	1,012	288	1,300	97
Debt Service:							
Debt service	86,232	-	86,232	86,009	-	86,009	223
Debt service subsidy	3,613	-	3,613	3,613	-	3,613	-
Total debt service	89,845	-	89,845	89,622	-	89,622	223
Government cooperative measures	(4,225)	-	(4,225)	-	-	-	(4,225)
Total Nondepartmental	190,296	3,181	193,477	189,543	(45)	189,498	3,979
Total Expenditures	388,831	$ 6,211	395,042	$ 375,150	$ 350	375,500	19,542
Excess (Deficiency) of Revenues over Expenditures	$ -		$ (6,211)			$ (20,771)	$ (14,560)

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts expressed in thousands)
(continued)

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the statement of revenues, expenditures, and changes in fund balance - actual and budget	$	354,729
Actual amounts not included on budgetary basis.		1,135
Capital lease not included in budgetary basis but included as revenue on a GAAP basis.		15,435
State pension aid not included in budgetary basis but included as revenue on a GAAP basis.		17,902
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.		8,878
Total General Fund revenue and capital lease proceeds on GAAP basis as reported on the statement of revenues, expenditures, and change in fund balance.	$	398,079

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement.	$	375,150
Actual amounts not included on budgetary basis.		15,935
Capital lease not included in budgetary basis but included as expenditures on a GAAP basis.		15,435
State pension aid not included in budgetary basis but included as expenditures on a GAAP basis.		17,902
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.		(5,679)
Total General Fund expenditures and net transfers as reported on the statement of revenues, expenditures, and change in fund balance.	$	418,743

(concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 50,706,932	$ 50,706,932	$ 26,479,096	$ (24,227,836)
Expenditures:				
General government:				
Council and City Clerk's Office	5,409,152	5,409,152	2,027,950	3,381,202
Finance	51,855	51,855	-	51,855
Department of Personnel and Human Relations	956,127	956,127	503,384	452,743
Department of City Planning	5,690,930	5,690,930	3,271,455	2,419,475
General services	165,849	165,849	9,705	156,144
Public safety	1,873,006	1,873,006	1,252,896	620,110
Public works:				
Public works	7,317,976	7,317,976	5,220,610	2,097,366
Engineering and construction	4,031,762	4,031,762	991,361	3,040,401
Community, recreational, and cultural programs	3,074,046	3,074,046	1,560,452	1,513,594
Intergovernmental programs	22,136,229	22,136,229	11,047,522	11,088,707
Total expenditures	50,706,932	50,706,932	25,885,335	24,821,597
Excess (Deficiency) of Revenues Over Expenditures	-	-	593,761	593,761
Fund Balance:				
Beginning of year	-	-	974,441	974,441
End of year	$ -	$ -	$ 1,568,202	$ 1,568,202

(continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts expressed in thousands)
(continued)

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement.	$ 26,479
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.	3,269
Total community development fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and change in fund balance.	$ 29,748

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	$ 25,885
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.	3,863
Total community development fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and change in fund balance.	$ 29,748

(concluded)

See accompanying notes to financial statements.

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

DECEMBER 31, 2004

	Pension Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	$ 36,998,961	$ 4,939,445
Investments:		
Mutual funds	112,286,865	-
Preferred and common stock	126,497,027	-
Fixed income	98,569,338	-
Accounts receivable	-	14,340
Other assets	368,969	292,151
Due from component units	-	721,099
Accrued interest and dividend receivables	1,659,618	-
Total Assets	376,380,778	5,967,035
Liabilities		
Benefits and related withholdings payable	2,610,955	-
Accounts payable	120,493	7,500
Due to other governments	-	18,884
Deposits held in trust	-	1,836,026
Accrued liabilities and other payables	40,923	4,104,625
Total Liabilities	2,772,371	5,967,035
Net Assets		
Held in trust for pension benefits	$ 373,608,407	$ -

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2004

		Pension Trust Fund
Additions:		
Contributions:		
Employer	$	17,619,509
Plan members		10,512,737
State		17,901,923
Total contributions		46,034,169
Investment income:		
Net appreciation in fair value of investments		26,432,214
Interest and dividends		10,815,704
Total investment income		37,247,918
Investment expense		(956,815)
Net investment income		36,291,103
Miscellaneous:		
Other		639,670
Total additions		82,964,942
Deductions:		
Benefit payments		65,641,282
Refund of employee contributions		1,740,097
Administrative expense		1,393,662
Total deductions		68,775,041
Increase in Net Assets		14,189,901
Net Assets:		
Beginning of year		359,418,506
End of year	$	373,608,407

See accompanying notes to financial statements.

COMBINING STATEMENTS OF DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2004

Assets	URA	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Current assets:						
Cash and cash equivalents	$ 224,897,133	$ -	$ 20,617,000	$ 2,442,160	$ 111,940	$ 248,068,233
Cash and cash equivalents - restricted	-	6,166,113	-	-	3,334,407	9,500,520
Investments - unrestricted	-	-	-	-	4,479,574	4,479,574
Investments - restricted	-	-	-	-	6,160,253	6,160,253
Accounts receivable	-	-	19,927,000	-	373,694	20,300,694
Due from other governments	8,822,414	-	-	-	-	8,822,414
Grant receivable	-	-	-	2,568,166	-	2,568,166
Notes receivable	-	-	-	87,754	207,045	294,799
Inventory	-	-	1,555,000	-	-	1,555,000
Accrued interest	-	8,839	-	-	482,743	491,582
Other receivables	10,597,090	-	2,332,000	161,486	-	13,090,576
Other receivables - restricted	-	-	-	-	-	-
Prepaids	-	-	179,000	-	-	179,000
Total current assets	244,316,637	6,174,952	44,610,000	5,259,566	15,149,656	315,510,811
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	-	25,757,000	-	-	25,757,000
Investments	-	-	16,004,000	-	16,888,845	32,892,845
Accrued interest receivable	-	-	86,000	-	-	86,000
Accounts receivable - parking	-	-	-	45,753	-	45,753
Total restricted assets	-	-	41,847,000	45,753	16,888,845	58,781,598
Capital assets:						
Buildings and building improvements	39,957,089	-	-	-	-	39,957,089
Land and land improvements	15,077,285	-	-	-	18,926,807	34,004,092
Parking facilities	-	-	-	-	115,743,627	115,743,627
Machinery and equipment	-	-	102,167,000	-	5,196,709	107,363,709
Utility plant	-	-	427,677,000	-	-	427,677,000
Non-utility plant	-	-	16,477,000	-	-	16,477,000
Construction-in-progress	1,567,604	-	17,413,000	1,011,498	1,706,965	21,699,067
Less: accumulated depreciation	(8,878,148)	-	(122,012,000)	-	(51,387,528)	(182,277,676)
Total capital assets	47,723,830	-	441,722,000	1,011,498	90,186,580	580,643,908
Leasehold improvements	-	-	-	-	299,551	299,551
Other assets	1,799,507	-	-	-	-	1,799,507
Other assets - restricted	-	-	-	-	-	-
Assets held for sale	29,090,224	-	-	-	-	29,090,224
Assets held for sale - restricted	-	-	-	-	-	-
Loans/notes receivable	151,834,052	-	-	1,965,000	4,277,362	158,076,414
Loans/notes receivable - restricted	-	-	-	-	-	-
Deposits held for development fund	-	-	-	1,130,364	-	1,130,364
Bond issue costs, net of amortization	-	-	7,357,000	12,501	1,274,823	8,644,324
Total noncurrent assets	230,447,613	-	490,926,000	4,165,116	112,927,161	838,465,890
Total Assets	$ 474,764,250	$ 6,174,952	$ 535,536,000	$ 9,424,682	$ 128,076,817	$ 1,153,976,701

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2004
(Continued)

Liabilities	URA	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Current liabilities:						
Bonds and loans payable, current portion	$ 7,933,229	$ 3,070,000	$ 16,180,000	$ 1,945,000	$ 4,555,000	$ 33,683,229
Note due to City of Pittsburgh, current portion	-	-	-	1,540,000	-	1,540,000
Accrued payroll and related obligations	-	-	810,000	-	-	810,000
Accounts payable - City of Pittsburgh	-	-	-	-	410,462	410,462
Accounts payable - wastewater treatment	-	-	14,322,000	-	-	14,322,000
Unearned revenue	19,014,073	-	-	-	-	19,014,073
Accrued expenses and deferred income	-	-	-	-	1,025,182	1,025,182
Accounts payable and other accrued expenses	29,250,822	-	6,186,000	19,502	3,012,174	38,468,498
Accrued interest payable	-	-	6,551,000	87,500	877,850	7,516,350
Total current liabilities	56,198,124	3,070,000	44,049,000	3,592,002	9,880,668	116,789,794
Noncurrent liabilities:						
Unearned revenue	-	-	442,000	-	-	442,000
Accrued payroll and related obligations	-	-	962,000	-	-	962,000
Note due to City of Pittsburgh	-	-	-	2,006,996	-	2,006,996
Bonds and loans payable, net of current portion	185,985,243	47,985,000	531,673,000	10,215,000	73,593,458	849,451,701
Advances from the City of Pittsburgh	-	-	-	22,775,168	-	22,775,168
Total noncurrent liabilities	185,985,243	47,985,000	533,077,000	34,997,164	73,593,458	875,637,865
Total Liabilities	242,183,367	51,055,000	577,126,000	38,589,166	83,474,126	992,427,659
Net Assets						
Invested in capital assets, net of related debt	18,287,462		(52,022,000)		15,983,389	(17,751,149)
Restricted for:						
Capital projects	-	-	-	-	2,153,635	2,153,635
Debt service	-	-	7,726,000	-	6,168,053	13,894,053
Public Parking Authority	-	-	-	-	11,210,373	11,210,373
Urban Development	21,775,414	-	-	-	-	21,775,414
Lending programs	144,137,626	-	-	-	-	144,137,626
Multi-family housing program	19,386	-	-	-	-	19,386
Unrestricted	48,360,995	(44,880,048)	2,706,000	(29,164,484)	9,087,241	(13,890,296)
Total Net Assets	$ 232,580,883	$ (44,880,048)	$ (41,590,000)	$ (29,164,484)	$ 44,602,691	$ 161,549,042

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets							
					Urban Redevelopment Authority							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	URA Component Units	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Urban Redevelopment Authority:												
Governmental activities:												
Urban development	$ 50,167,424	$ -	$ 38,591,818	$ 7,348,778	$ (4,226,828)	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,226,828)
General government	8,917,901	4,306,307	2,500,000	-	(2,111,594)	-	-	-	-	-	-	(2,111,594)
Interest on long-term debt	1,398,156	-	-	-	(1,398,156)	-	-	-	-	-	-	(1,398,156)
Total governmental activities	60,483,481	4,306,307	41,091,818	7,348,778	(7,736,578)	-	-	-	-	-	-	(7,736,578)
Business-type activities:												
Lending programs	9,304,327	9,666,034	251,238	-	-	612,945	-	-	-	-	-	612,945
Property management	3,553,716	3,179,838	-	-	-	(373,878)	-	-	-	-	-	(373,878)
Total business-type activities	12,858,043	12,845,872	251,238	-	-	239,067	-	-	-	-	-	239,067
Component units	2,539,381	93,011	702,281	943,877	-	-	(800,212)	-	-	-	-	(800,212)
Total URA	75,880,905	17,245,190	42,045,337	8,292,655	(7,736,578)	239,067	(800,212)	-	-	-	-	(8,297,723)
Urban Redevelopment Authority - PDF Trust:												
General government	-	-	6,169,280	-	-	-	-	6,169,280	-	-	-	6,169,280
Interest on debt, net	4,605,290	-	-	-	-	-	-	(4,605,290)	-	-	-	(4,605,290)
Total PDF Trust	4,605,290	-	6,169,280	-	-	-	-	1,563,990	-	-	-	1,563,990
Pittsburgh Water and Sewer Authority	81,943,000	73,800,000	-	-	-	-	-	-	(8,143,000)	-	-	(8,143,000)
Stadium Authority	1,766,435	1,438,455	-	4,676,333	-	-	-	-	-	4,348,353	-	4,348,353
Public Parking Authority	32,866,969	31,177,507	-	234,280	-	-	-	-	-	-	(1,455,182)	(1,455,182)
Total Component Units	$ 197,062,599	$ 123,661,152	$ 48,214,617	$ 13,203,268	(7,736,578)	239,067	(800,212)	1,563,990	(8,143,000)	4,348,353	(1,455,182)	(11,983,562)
General revenues:												
Investment income					878,221	918,502	38,942	-	685,000	126,958	653,892	3,301,515
Gain (loss) on sale of assets					-	-	614,001	-	-	539,743	-	1,153,744
Miscellaneous					4,447,348	-	(3,457)	-	-	(727,785)	55,319	3,771,425
Total general revenues					5,325,569	918,502	649,486	-	685,000	(61,084)	709,211	8,226,684
Change in net assets					(2,411,009)	1,157,569	(150,726)	1,563,990	(7,458,000)	4,287,269	(745,971)	(3,756,878)
Net assets - beginning					147,743,312	81,360,138	4,881,599	(46,444,038)	(34,132,000)	(33,451,753)	45,348,662	165,305,920
Net assets - ending					$ 145,332,303	$ 82,517,707	$ 4,730,873	$ (44,880,048)	$ (41,590,000)	$ (29,164,484)	$ 44,602,691	$ 161,549,042

See accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PRIMARY GOVERNMENT

Description of City

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

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

(A) The Financial Reporting Entity

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

The City is financially accountable for:

1. Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

   a. **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

   b. **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

2. Legally separate organizations that are fiscally dependent on the City, fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the City.

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

(B) Net Asset Deficit and Liquidity

As of December 31, 2004, the City, in its statement of net assets, shows a total net deficit of $742.0 with an unrestricted net asset deficit of $777.0 million offset by $35.0 million in capital and restricted assets. A structural imbalance that has been growing over years as a result of demographic shifts of residents and businesses, non-profit legislation and a stagnant taxation authority for the City has lead to this deficit. The largest components of the unrestricted deficit are principally the general obligation debt to meet funding requirements to the Pension Trust Fund, borrowings to finance economic development efforts (including projects of the City's Authorities, related principally to the URA), maintenance, and equipment expenditures on City infrastructure. The City's debt service expenditures and debt subsidies in its governmental funds were $48.0 million and $13.0 million, respectively, or a combined 13% of its total expenditures; and the City used 19% of its current tax revenues to finance debt service requirements.

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

During 2004 the City continued efforts begun the latter half of 2003 to control costs, improve collections and maintain solvency. These efforts combined with remaining available fund balance produced benefits into 2004 by allowing the City to meet its beginning of the year obligations without executing a bank note. Although the cash balance available for general operations of the City as of December 31, 2004 was $13.6 million, this was not enough to maintain normal function throughout the City in January 2005. As a result, on January 4, 2005, the City executed a $40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues. The City repaid the entire borrowing as of March 31, 2005.

Due to the revenue increase provided by new taxes combined with the cost reductions in the budget, the City is projecting a cash balance at the end of 2005 of $20.0 million, an improvement of $6.4 million, approximately 32%, in liquidity over one year ago.

(C) Individual Component Unit Disclosures

Blended Component Units

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

City of Pittsburgh Equipment Leasing Authority
Employee Pension Plans

City of Pittsburgh Equipment Leasing Authority (ELA)

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

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

Employee Pension Funds

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

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

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

Discretely Presented Component Units

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

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

Pittsburgh Water and Sewer Authority (PWSA)

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

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

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

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

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

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

Public Parking Authority of Pittsburgh (Parking Authority)

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

Urban Redevelopment Authority of Pittsburgh (URA)

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 the City's neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through intergovernmental grants. Additionally, the URA 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. In addition, the City guarantees approximately 30% of the URA's debt.

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

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

Urban Redevelopment Authority – PDF Trust

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

Administrative Offices

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

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

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

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

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

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

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 (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 and Allegheny Country to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA). The SEA is currently responsible for the management of the David L. Lawrence Convention Center (Convention Center) and the Mellon Arena (formerly the Civic Arena) and leases the Benedum Center and the John Heinz History Center to other entities located in the City. The SEA was also responsible for the construction of the new Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium (Heinz Field), the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project, and various associated infrastructure improvements herein referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2004, the SEA's operating loss was $42,055,740, and the change in net assets was a decline of $33,992,312 and the SEA had total net assets of $539,213,887. Under a 1978 Cooperation Agreement the City and Allegheny County are responsible to finance the Convention Center's operating deficits.

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

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

The SEA has suffered operating deficits and has indicated that it may require funding from the City and the County in the future. No liability has yet been recorded for any such payments, as the City does not anticipate payment during 2005 and any future payments, if any, are yet to be determined.

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

The City's portion of debt subsidies for the SEA for the year ended December 31, 2004 was $459,637 is reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City does not collect any material tax amounts on behalf of the SEA; and, there are no other related party transactions.

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

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

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 ended December 31.

Jointly Governed Organization

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

(D) Financial Statement Presentation

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

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

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

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

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

Statement of Activities – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue and included as general revenue.

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

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

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

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

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

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

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

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

Other Governmental Funds – This fund includes all other non-major governmental funds.

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

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

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

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

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

Budgetary Comparison Statements – The statements are presented to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget for the General Fund and the Community Development Fund. The City revises the original budget over the course of the year for various reasons. Under the new reporting model, budgetary information continues to be provided and now includes a comparison of the government's original adopted budget to the current comparison of final budget and actual results. The City's budget is prepared on the cash basis of accounting (Non-GAAP).

(E) Basis of Accounting

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

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

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

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

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

(F) Cash and Cash Equivalents

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

(G) Investments

Investments in all funds 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. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash equivalents and investments held by the City.

(H) Due To/From Other Governments

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

(I) Taxpayer Assessed Taxes Receivable

Local wage taxes and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. Taxes for which there is an enforceable legal claim as of December 31, 2004 but which were levied to finance fiscal year 2005 operations have been recorded as deferred revenue until such time as the taxes become due.

(J) *Other Receivables*

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

(K) *Capital Assets*

Capital assets acquired or constructed by the City are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Capital assets with an initial individual cost of more than $5,000 and estimated useful life in excess of one year. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land and construction-in-progress. The estimated useful lives for capital assets are a follows:

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

(L) *Workers' Compensation*

The City is self-insured for purposes of workers' compensation benefits. Both short-and-long-term amounts payable are reported within the government-wide financial statements only.

In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth requirements. The requirements for 2004 are as follows:

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

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

(M) Compensated Absences

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are due and payable. Current and non-current portions of compensated absences totaling $29,824,291 are recorded in the governmental activities, in the government-wide statements, and represent a reconciling item between the government-wide and fund presentations.

(N) Pensions

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

(O) Long-Term Obligations

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

(P) Interfund Transactions

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

(Q) Encumbrances

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

(R) Net Assets

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

(S) Use of Estimates

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

(T) Pending Pronouncements

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"* and in June 2004 issued Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* These statements provide the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Currently, the City recognizes the cost of other postemployment benefits on a pay-as-you-go basis. For the government-wide financial statements, GASB requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. This change in accounting will require an actuarial valuation to be performed.

This change in accounting will be applicable in calendar year 2006 and 2007, respectively. The effect of implementation of these statements has not yet been determined.

Component Unit Disclosures:

Assets Held for Sale

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

Loans Receivable

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

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

2. BUDGETS AND BUDGETARY ACCOUNTING

1. **General Budget Policies** – As required by the Home Rule Charter, the City follows these procedures in establishing the budgetary data reflected in the financial statement:

   a. On the second Monday of November preceding the fiscal year, the Mayor presents to City Council a General Fund and Community Development Fund operating budget and a capital budget for the succeeding fiscal year.

   b. Public hearings are conducted to obtain the advice of other officials and citizens as part of the preparation of these budgets.

   c. Before the beginning of the fiscal year, City Council adopts, by resolution, these budgets.

   d. The adoption of the operating and capital budgets constitutes an appropriation or setting apart of funds from general resources of the City for purposes set forth in the budgets.

   e. City Council may amend, by resolution, the operating budget within five weeks after the beginning of the fiscal year, but not thereafter except with the approval of the Mayor. The capital budget may, by resolution, be amended by City 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 Fund. Budget and actual data for the Community Development Fund is reflected in the Community Development Fund. The remainder of the capital budget is reflected in the Capital Project Fund.

   h. Formal budgetary integration is employed as management control device for the General, the Community Development, and the Capital Projects Funds. Formal budgetary integration is not employed for the debt service fund since effective budgetary control is alternatively achieved through general obligation bond indenture provisions, nor for the other governmental funds since control is prepared on a project basis. The General, Community Development, and Capital Projects Funds have legally adopted annual budgets.

i. All budgets are prepared and controlled at the department level on a line item basis (i.e., salaries, supplies, equipment, miscellaneous services). Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office. The general fund budget to actual comparison at the legal level of appropriation is located within the financial statements.

j. Operating appropriations lapse at year-end. City Council can; however, authorize, by resolution, the carryover of appropriations to the following year. The Community Development and Capital Projects Funds appropriations carryover to subsequent years without formal re-appropriation.

k. Operation budget figures are amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditures accounts and carryover of appropriations from the previous year. The original approved General Fund budget includes revenues and expenditures of $388.8 million and $395.0 million, respectively, in 2004. The difference between budgeted revenues and expenditures is the authorized use of beginning fund balance of $6.2 million. The budgetary expenditures, as amended, include carryover appropriation and other changes approved by City Council during 2004.

2. Budgetary Basis of Accounting

The General Fund budget is adopted on a cash basis. Budgeted encumbrances for purchase commitments are treated as restrictions of available cash and as expenditures. Budgets in Capital Projects Funds are also adopted on a cash basis, except that budgets for each project are adopted on a project basis, which may encompass a period longer than one year. Accordingly, budget figures, as amended, for Community Development and Capital Projects Funds reflect current year appropriations and unexpended prior year's appropriations.

3. DEPOSITS AND INVESTMENTS

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

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

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

The City's cash and investments are subject to varying investment policies and custodial arrangements. Deposits and investments as of December 31, 2004, except the Stadium Authority, which is as of March 31, 2004, and the Parking Authority, which is as of September 30, 2004, are as follows:

	Category			Fair
Primary Government	1	3	Cost	Value
City of Pittsburgh:				
Certificate of deposit	$ 600,000	$ 3,604,341	$ 4,204,341	$ 4,200,000
Short-term institutional funds	-	7,000,000	7,000,000	7,000,000
U.S. Government				
and agency obligations	-	30,149,101	30,149,101	31,015,228
Total investments	600,000	40,753,442	41,353,442	42,215,228
Total deposits	549,377	12,747,336	13,296,713	7,041,524
Total	$ 1,149,377	$ 53,500,778	$ 54,650,155	$ 49,256,752

Component Units - Unrestricted	Category 1	Category 3	Non-categorized	Cost	Fair Value
Stadium Authority:					
Money market pooled investments	$ -	$ -	$ 2,347,637	$ 2,347,637	$ 2,347,637
Investments not subject to categorization	-	-	-	-	-
Total investments	-	-	2,347,637	2,347,637	2,347,637
Total deposits	94,523	-	-	94,523	94,523
Total investments and deposits - Stadium Authority	$ 94,523	$ -	$ 2,347,637	$ 2,442,160	$ 2,442,160
PWSA:					
Deposits	$ 300,000	$ 20,395,000	$ -	$ 20,695,000	$ 20,617,000
Public Parking Authority:					
Investments not subject to categorization:					
Mutual funds	$ -	$ -	$ 4,479,574	$ 4,479,574	$ 4,479,574
Total investments	-	-	4,479,574	4,479,574	4,479,574
Total deposits	55,965	-	-	55,970	55,970
Total investments and deposits - Public Parking Authority	$ 55,965	$ -	$ 4,479,574	$ 4,535,544	$ 4,535,544
URA:					
U.S. Government and agency obligations	$ 4,356,305	$ 77,651,960	$ -	$ 82,008,265	$ 82,008,265
Investments not subject to categorization:					
Guaranteed investment agreements	-	-	36,163,843	36,163,843	36,163,843
Pooled investment fund	-	-	66,058,545	66,058,545	66,058,545
Total investments	4,356,305	77,651,960	102,222,388	184,230,653	184,230,653
Total deposits	804,904	41,164,317	-	41,969,221	40,666,480
Total investments and deposits - URA	$ 5,161,209	$ 118,816,277	$ 102,222,388	$ 226,199,874	$ 224,897,133
Total investments - unrestricted component units	$ 4,356,305	$ 77,651,960	$ 109,049,599	$ 191,057,864	$ 191,057,864
Total deposits - unrestricted component units	955,392	41,164,317	-	42,119,714	61,433,973
Total deposits and investments - unrestricted component units	$ 5,311,697	$ 118,816,277	$ 109,049,599	$ 233,177,578	$ 252,491,837

Component Units - Restricted	Category 1	Category 3	Non-categorized	Cost	Fair Value
PWSA:					
Repurchase agreements	$ -	$ 7,409,000	$ -	$ 7,409,000	$ 7,409,000
Investment agreements	-	-	8,595,000	8,595,000	8,595,000
Money markets funds	-	-	25,757,000	25,757,000	25,757,000
Total	$ -	$ 7,409,000	$ 34,352,000	$ 41,761,000	$ 41,761,000
Public Parking Authority:					
Mutual funds	$ -	$ -	$ 23,049,098	$ 23,049,098	$ 23,049,098
Total investments	-	-	23,049,098	23,049,098	23,049,098
Total deposits	100,000	-	3,234,407	3,334,407	3,390,377
Total	$ 100,000	$ -	$ 26,283,505	$ 26,383,505	$ 26,439,475
URA PDF Trust:					
Deposits	$ -	$ -	$ 6,166,113	$ 6,166,113	$ 6,166,113
Total	$ -	$ -	$ 6,166,113	$ 6,166,113	$ 6,166,113
Total investments - restricted component units	$ -	$ 7,409,000	$ 57,401,098	$ 64,810,098	$ 64,810,098
Total deposits - restricted component units	100,000	-	9,400,520	9,500,520	9,556,490
Total deposits and investments - restricted component units	$ 100,000	$ 7,409,000	$ 66,801,618	$ 74,310,618	$ 74,366,588

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

Pension Trust - Unrestricted	Category 1	Category 2	Category 3	Non-categorized	Cost	Fair Value
City of Pittsburgh:						
Preferred and common stocks	$ -	$ 101,727,091	$ -	$ -	$ 101,727,091	$ 126,497,027
U.S. Government and agency obligations	-	35,349,279	-	-	35,349,279	35,769,276
Corporate and other obligations	-	57,528,541	-	-	57,528,541	62,800,062
Investments not subject to categorization:						
Mutual funds	-	-	-	111,742,156	111,742,156	112,286,865
Total investments	-	194,604,911	-	111,742,156	306,347,067	337,353,230
Cash	400,000	3,894,818	-	-	4,294,818	2,712,255
Short-term institutional funds	-	-	34,286,706	-	34,286,706	34,286,706
Total	$ 400,000	$ 198,499,729	$ 34,286,706	$ 111,742,156	$ 344,928,591	$ 374,352,191

Agency Funds	Category 1	Category 2	Category 3	Non-categorized	Cost	Fair Value
Employee benefits:						
Deposits	$ -	$ -	$ 714,205	$ -	$ 714,205	$ 714,205
Payroll withholdings:						
Deposits	-	-	66,609	-	66,609	66,609
Deposits:						
Deposits	-	-	3,043,441	-	3,043,441	3,043,441
Other:						
Deposits	-	-	1,115,190	-	1,115,190	1,115,190
Total	$ -	$ -	$ 4,939,445	$ -	$ 4,939,445	$ 4,939,445

(A) Governmental Funds and Agency Funds

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

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

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

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

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

(B) Pension Trust

Investments:

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

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

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

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

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

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

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

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

The following summarizes pension trust fund investments as of December 31, 2004, which individually are 5% or more of net assets available for benefits, at fair value:

Federated	$31,245,468	ICAP	$23,561,292
Blackrock	31,154,966	Mellon	21,125,769
Deutsche	31,267,555	Frontier	17,763,541
W.R. Huff	24,197,220	GeewaxTerker	17,855,849
Jennison	37,433,792	Guyasuta	16,811,041
SSgA	28,594,414		
Artisan/Cap Guardian/HCC INTL			42,324,616

(C) *Pittsburgh Water and Sewer Authority*

The PWSA is authorized to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities and highly rated bank promissory notes or investment funds or trusts; and, as to trusteed assets, as otherwise permitted by the trust indenture as supplemented and amended in 1998. Throughout the year ended December 31, 2004, the PWSA invested its funds in such authorized investments.

(D) *Stadium Authority*

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2004.

(E) *Public Parking Authority*

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

(F) Urban Redevelopment Authority and PDF Trust

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

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

4. TRANSACTIONS WITH THE PITTSBURGH WATER AND SEWER AUTHORITY

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

(A) Cooperation Agreement

On January 1, 1995, the City water department employees became employees of the PWSA. The PWSA 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 PWSA under the Cooperation Agreement. The City continues to provide the PWSA with various services in accordance with the Cooperation Agreement, and the PWSA reimburses the City for direct and indirect costs attributed by the City to the operation and maintenance of the System.

Under the Agreements, the PWSA provides up to 600 million gallons of water annually for the City's use without charge. The PWSA also continues to reimburse the City for the cost of subsidizing water service to those residents of the City situated beyond the PWSA's service area so that those water users pay charges, that mirror the rates of the

PWSA. In 2004, the PWSA reimbursed $2,543,000 to other City water companies on behalf of the City.

(B) System Lease

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

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

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

See additional related party transaction disclosures for the URA, Stadium Authority, and Public Parking Authority in Note 14.

5. REAL ESTATE TAXES AND PROPERTY TAX REASSESSMENTS

Real Estate Taxes

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by the Allegheny County Office of Property Assessment pursuant to the terms of the General County Assessment Law and the Second Class County Assessment Law, which require property to be assessed at actual market value. Property is assessed by the board at 100% of fair market value. The assessed value for 2004 was

$13,237,681,712. All real property in the County is required to be reassessed every three years.

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

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

Property Tax Reassessments

The City, 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 was forced to abandon its two-tiered or bifurcated tax, which had been in existence since 1913. The City now taxes land and building at the same unified rate and plans to maintain a unified rate unless land values are reassessed in the future.

City and School Real Estate Taxes (property taxes) are based on the assessed value of the property as determined by the Allegheny County Board of Assessors. The assessed value of a property is broken down by land value and building value. For 2004, the City's tax rate was 10.8 mills on the assessed value of the property. The School District of Pittsburgh's tax rate was 13.31 on mills assessed value. A mill is 1/10 of a cent. For example, on a property assessed at $1,000, the City Real Estate tax would be $10.80. The School District of Pittsburgh Real Estate tax would be $13.31.

Taxes are billed on a calendar year. There are two tax relief programs in the City. They are: Homestead and Senior tax relief.

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

6. CAPITAL ASSETS

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Governmental activities:				
Non-depreciable assets:				
Land	$ 45,602,091	$ -	$ -	$ 45,602,091
Construction-in-progress	4,794,603	1,495,609		6,290,212
Total	50,396,694	1,495,609	-	51,892,303
Depreciable assets:				
Buildings and systems	92,994,657	-	(4,216,093)	88,778,564
Accumulated depreciation	(71,674,388)	(1,832,559)	3,675,026	(69,831,921)
Net	21,320,269	(1,832,559)	(541,067)	18,946,643
Furniture and fixtures	7,356,392	56,660	-	7,413,052
Accumulated depreciation	(6,940,561)	(190,474)	-	(7,131,035)
Net	415,831	(133,814)	-	282,017
Machinery and equipment	1,769,314	1,271,094	-	3,040,408
Accumulated depreciation	(1,722,708)	(1,101,677)	-	(2,824,385)
Net	46,606	169,417	-	216,023
Vehicles	41,403,612	2,544,824	(2,528,195)	41,420,241
Accumulated depreciation	(31,100,569)	(3,531,907)	2,516,355	(32,116,121)
Net	10,303,043	(987,083)	(11,840)	9,304,120
Infrastructure	171,855,213	326,844	-	172,182,057
Accumulated depreciation	(61,821,312)	(5,679,599)	-	(67,500,911)
Net	110,033,901	(5,352,755)	-	104,681,146
Capitalized leases	-	15,434,653	-	15,434,653
Accumulated depreciation	-	(642,769)	-	(642,769)
Net	-	14,791,884	-	14,791,884
Total depreciable assets	315,379,188	19,634,075	(6,744,288)	328,268,975
Total accumulated depreciation	(173,259,538)	(12,978,985)	6,191,381	(180,047,142)
Net	142,119,650	6,655,090	(552,907)	148,221,833
Governmental activities, capital assets, net	$ 192,516,344	$ 8,150,699	$ (552,907)	$ 200,114,136

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

General government	$ 2,295,618
Public safety	2,840,607
Highways, streets, and other capital improvements	5,679,599
Public works	1,981,084
Culture and recreation	182,077
	$12,978,985

Component unit's capital asset activity for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Component Units:				
Non-depreciable assets:				
Land	$ 34,003,352	$ 740	$ -	$ 34,004,092
Construction-in-progress	23,891,786	34,984,821	37,177,540	21,699,067
Total	57,895,138	34,985,561	37,177,540	55,703,159
Depreciable assets:				
Buildings and building improvements	30,403,219	9,553,870	-	39,957,089
Parking facilities	116,085,378	623,018	964,769	115,743,627
Machinery and equipment	106,594,517	1,578,071	808,879	107,363,709
Utility plant	394,370,000	33,307,000	-	427,677,000
Non-utility plant	14,067,000	2,410,000	-	16,477,000
Total	661,520,114	47,471,959	1,773,648	707,218,425
Less: accumulated depreciation	(162,350,141)	(20,734,542)	(807,007)	(182,277,676)
Net	$ 557,065,111	$ 61,722,978	$ 38,144,181	$ 580,643,908

7. PENSION PLANS

(A) Organization and Description of Plans

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

In accordance with Act 205 and the Acts under which the Municipal Pension Fund of the City of Pittsburgh, the Policemen's Relief and Pension Fund of the City of Pittsburgh, and the Firemen's Relief and Pension Fund of the City of Pittsburgh were established; a separate accounting for the activities of these three funds is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Fund's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are 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 (Municipal Fund) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City and the PWSA who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period. The Municipal Fund is a single employer defined benefit plan, and its purpose is to provide retirement, disability, and other benefits to its members. The City and members of the Municipal Fund are required to make contributions to the Municipal Fund for the purpose of paying benefits and administrative expenses. At January 1, 2003, the date of the most recent actuarial valuation, the Municipal Fund has 3,967 total members of which 2,352 are active members; 1,590 retirees, disabled, and survivors; and 25 terminated but vested members.

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

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

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

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

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

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

b. If an employee becomes disabled before attaining age 60, but with at least eight years of service, his benefit will be calculated as though he was age 60 with his service being the greater of 1) his service at disablement or 2) the lesser of 20 years and his completed service assuming he had continued to work until age 60.

c. The above benefit will be reduced so that the combination of this benefit and the employee's monthly workers' compensation benefit shall not exceed the employee's regular salary level at the time of disablement.

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

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

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

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 (Program). The Program became effective July 1, 1995, for those employees who elected to participate by June 30, 1995, who had become members of the Municipal Fund prior to January 1, 1988.

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

The Policemen's Relief and Pension Fund

The Policemen's Relief and Pension Fund of the City of Pittsburgh (Policemen Fund) was established by Act 99 of May 25, 1935, P.L. 233. The Policemen 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 and members of the Policemen Fund to make contributions to the Policemen Fund for the purpose of paying benefits and administrative expenses.

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

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

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

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

The Firemen's Relief and Pension Fund

The Firemen's Relief and Pension Fund of the City of Pittsburgh (Firemen Fund) was established by Act of May 25, 1933, P.L. 1050. The Firemen Fund is a single employer defined benefit plan. Its purpose is to provide retirement, disability, and other benefits to its members. P.L. 1050 requires the City and members of the Firemen Fund to make contributions to the Firemen 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 Firemen Fund. At January 1, 2003, the Firemen Fund had 1,841 total members of which 867 are active members; 973 retirees, disabled, and survivors; and one terminated member not yet receiving benefits.

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

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

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

(B) *Funding Status and Progress*

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

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

The City has three defined benefit pension plans (Municipal, Policemen's, and Firemen's), which are administered by the respective pension boards, the majority of whose members are elected by the employees. The Policemen and Firemen 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.

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

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

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

Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the

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

Annual Pension Cost

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

Fiscal Year Ended	Municipal	Policemen ($ in Thousands)	Firemen
December 31, 2004:			
Annual required contribution	$ 8,136	$ 14,892	$ 8,530
Contribution made	8,136	14,892	8,530
December 31, 2003:			
Annual required contribution	4,325	12,926	6,624
Contribution made	4,325	12,926	6,624
December 31, 2002:			
Annual required contribution	2,829	10,565	5,032
Contribution made	2,829	10,565	5,032

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

	Municipal	Policemen	Firemen
Valuation date	1/1/2003	1/1/2003	1/1/2003
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar Closed	Level dollar Closed	Level dollar Closed
Remaining amortization period	36 years	36 years	36 years
Asset valuation method	Market related	Market related	Market related
Actuarial assumptions:			
Investment return	8.75%	8.75%	8.75%
Projected salary increases	4.00%	5.75%	5.75%
Cost-of-living adjustments	3.50%	3.50%	3.50%

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

Employer contributions reported in the Statement of Changes in Fiduciary Net Assets include contributions for other post employment benefits which are not included in the Annual Required Contribution calculation, as further discussed in Note 8.

Three Year Trend Information

Fiscal Year Ending	Pension Plan	Pension Cost (ARC)	Total Contributions as a Percentage of Annual Required Contributions
12/31/2002	Municipal	$ 2,829	100.0%
	Policemen	10,565	100.0%
	Firemen	5,032	100.0%
12/31/2003	Municipal	$ 4,325	100.0%
	Policemen	12,926	100.0%
	Firemen	6,624	100.0%
12/31/2004	Municipal	$ 8,136	100.0%
	Policemen	14,892	100.0%
	Firemen	8,530	100.0%

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

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

8. Other Postemployment Benefits

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

Municipal Pension Fund:

The 1995 Early Incentive Retirement Program (Program) provided for a lump sum severance payment equal to 2.5 times each electing employee's gross monthly salary. The Program also provides each of the 52 employees who elected to retire under its provisions a monthly benefit of $350 until attainment of 65 years of age.

Policemen's Pension Fund:

Police officers retiring in 1979 are eligible at age 65 to receive a maximum of $50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. Police officers retiring in 1980 and 1981 are eligible at age 60 to receive a maximum of $50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. As of December 31, 2004, the Policemen's Fund has 51 retirees receiving the $50 per month and 5 retirees eligible to receive such benefit in the future through January 2007. Surviving spouses of deceased retirees who do not otherwise receive survivors benefits under the plan received $350 per month. The monthly cost of surviving spouse benefits of deceased retirees not otherwise receiving benefits is approximately $10,150.

The City also provides funds to the Comprehensive Trust for cost of living adjustments and hospitalization benefits. Combined payments received from the City by the Comprehensive Trust to fund such costs for the Firemen's, Policemen's and Municipal Plans totaled $2,346,227 for 2004.

In June of 2002, the General Assembly of the Commonwealth of Pennsylvania passed House Bill No. 1360, which amended Public Law No. 1192. As a result, Policemen and Firemen pension plans are required to pay increased special ad hoc postretirement adjustments to retirees based on years of service. For the year ended December 31, 2004, the additional payments to retirees that were attributable to House Bill No. 1360 were $37,870 for the Firemen's Plan and $51,955 for the Policemen's Plan.

Firemen's Pension Fund:

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

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

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

As of December 31, 2004, the Firemen's Pension Plan incurs a monthly expense of approximately $6,255 for healthcare benefits and $6,300 for surviving spouse benefits of deceased retirees.

Nonunion Fund:

The City provides healthcare benefits to 1,232 retired nonunion municipal, fire, and police employees. In 1993, the City added a new retiree medical plan that provides healthcare benefits to police and fire retirees and their spouses that are over age 65. Prior to 1993, only those Municipal, Policemen, and Firemen 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 2004, postretirement healthcare benefits expense paid by the City was $9,948,783.

In addition, in 1995, the City offered postretirement healthcare benefits to all municipal employees that were age 50 or older with 20 years of service as a retirement incentive. Each retiree is to receive up to $350 per month until age 65. There are 52 retirees in this group with a total cost to the City in 2004 of $218,400.

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 3,185 retirees in this group with a total cost during 2004 of $432,996.

9. LONG-TERM LIABILITIES

The maximum amount payable for future maturities of bond and interest on general long-term debt at December 31, 2004 and changes in bond principal for the year then ended are summarized below:

	Principal			
	Outstanding at December 31, 2003	Bonds paid or defeased and discount amortized during 2004	Outstanding at December 31, 2004	Interest
Council and Public Election General Obligation Bonds:				
Sixteen general obligation bond issues with rates ranging from 4.0% to 7.0%. The bonds are payable from general revenues.				
2004	$ 40,760,000	$ 40,760,000	$ -	$ -
2005	44,040,000	-	44,040,000	47,503,245
2006	47,445,000	-	47,445,000	45,246,216
2007	49,915,000	-	49,915,000	42,844,241
2008	52,365,000	-	52,365,000	40,410,086
2009	55,035,000	-	55,035,000	37,842,299
2010-2014	256,000,000	-	256,000,000	142,069,622
2015-2019	179,055,000	-	179,055,000	77,486,730
2020-2024	154,390,000	-	154,390,000	28,556,668
2024-2026	8,755,000	-	8,755,000	695,363
Subtotal	887,760,000	40,760,000	847,000,000	462,654,470
Plus: URA debt guaranteed by the City	1,125,000	1,125,000	-	-
Less: Unamortized discount on zero coupon bonds	(3,304,594)	(905,929)	(2,398,665)	-
Unamortized bond issuance costs	(6,454,731)	(660,259)	(5,794,472)	-
Unamortized bond discounts/premiums	2,218,678	267,639	2,486,317	-
Prepaid interst on debt refinancing	(6,523,095)	(283,614)	(6,239,481)	-
Less bonds funded by Stadium Authority	(14,468,635)	(1,687,299)	(12,781,336)	(9,529,068)
	$ 860,352,623	$ 38,615,538	$ 822,272,363	$ 453,125,402

Discretely Presented Component Units

Debt related to URA supported by the City (debt not recorded in the separate URA financial statements)

Future maturities of bond principal on URA related indebtedness supported by the City as of December 31, 2004 are as follows:

	Principal			
	Outstanding at December 31, 2003	Bonds paid or defeased and discount amortized during 2004	Outstanding at December 31, 2004	Interest
Urban Redevelopment Authority Taxable Revenue Bonds:				
One taxable revenue bond with an interest rate of 8.0%. The bond is payable from general resources from the General Fund.				
2004	$ 1,125,000	$ 1,125,000	$ -	$ -
Urban Redevelopment Authority Taxable Revenue Bonds:				
One Special Tax Development Bond with interest rates ranging from 8.55% to 9.07%. The bonds are payable solely from the City's assignment to URA of certain Allegheny Regional Asset District revenues.				
2004	1,570,000	1,570,000	-	-
2005	3,070,000	-	3,070,000	4,561,244
2006	3,345,000	-	3,345,000	4,297,224
2007	3,650,000	-	3,650,000	4,007,882
2008	3,985,000	-	3,985,000	3,690,332
2009	26,245,000		26,245,000	3,339,652
2010-2014	10,760,000	-	10,760,000	10,061,474
	$ 52,625,000	$ 1,570,000	$ 51,055,000	$ 29,957,808

	Principal			
	Outstanding at December 31, 2003	Bonds paid or defeased and discount amortized during 2004	Outstanding at December 31, 2004	Interest
Urban Redevelopment Authority Revenue Bonds:				
Nine tax increment financing (TIF) bonds with interest rates ranging from 4.65% to 10.5% and one TIF note with variable interest rates. Terms of the TIF require repayments of principal and interest in tax increment districts and related agreements.				
2004	$ 883,074	$ 883,074	$ -	$ -
2005	991,956	-	991,956	1,804,743
2006	1,079,206	-	1,079,206	1,736,021
2007	1,185,379	-	1,185,379	1,659,392
2008	1,273,034	-	1,273,034	1,575,009
2009-2013	1,383,480	-	1,383,480	1,482,760
2014-2018	8,064,677	-	8,064,677	5,708,178
2019-2023	8,342,621	-	8,342,621	2,593,212
2020-2024	506,323	-	506,323	1,000,567
2024-2028	3,447,104	-	3,447,104	657,535
Total	27,156,854	883,074	26,273,780	18,217,417
Subtotal	80,906,854	3,578,074	77,328,780	48,175,225
Less: Debt guaranteed and recorded by the City	(1,125,000)	(1,125,000)	-	-
Portion of Urban Redevelopment Authority related debt supported by the City	$ 79,781,854	$ 2,453,074	$ 77,328,780	$ 48,175,225

URA debt recorded by URA and not supported by City

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2004:

	Balance at December 31, 2003	Additions	Retirements	Balance at December 31, 2004
Primary Government:				
Mortgage Revenue Bond Program	$ 124,025,000	$ -	$ 3,630,000	$ 120,395,000
Home Improvement Loan Program	16,830,000	-	5,855,000	10,975,000
Single Family Mortgage Revenue Draw Down Bonds	35,000,000	-	-	35,000,000
Bank loan	4,017,053	-	292,935	3,724,118
Total proprietary fund debt	179,872,053	-	9,777,935	170,094,118
Bank loans and line of credit	6,296,196	4,634,915	234,928	10,696,183
HUD Section 108 loans	11,000,000	-	275,000	10,725,000
Compensated absences	569,003	-	115,252	453,751
Other	238,000	-	-	238,000
Total debt and other long-term obligations	197,975,252	4,634,915	10,403,115	192,207,052
Component Units:				
URA Housing Corporation:				
Bonds payable	3,670,000	-	3,670,000	-
Pittsburgh Housing Development Corporation:				
Bank construction loans	497,559	1,329,950	116,089	1,711,420
Total Component Unit Debt	4,167,559	1,329,950	3,786,089	1,711,420
Total debt and other long-term obligations - reporting entity	$ 202,142,811	$ 5,964,865	$ 14,189,204	$ 193,918,472

Stadium Authority Debt

Future maturities of bond principal on Stadium Authority indebtedness at March 31, 2004 are as follows:

	Principal			
	Outstanding at March 31, 2003	Bonds paid or defeased during 2004	Outstanding at March 31, 2004	Interest
Stadium Authority Revenue Bonds and Notes:				
One revenue refunding bond issued with interest rates ranging from 4.85% to 5.0%, The bonds are payable from revenue from the RAD tax.				
2004	$ 1,860,000	$ 1,860,000	$ -	$ -
2005	1,945,000	-	1,945,000	196,333
2006	2,040,000	-	2,040,000	102,000
	5,845,000	1,860,000	3,985,000	298,333
Unamortized bond discount	(55,006)	(22,002)	(33,004)	-
	5,789,994	1,837,998	3,951,996	298,333
Plus: Gen. Oblig. Bonds funded by Stadium Authority	13,170,000	1,415,000	11,755,000	-
	$ 18,959,994	$ 3,252,998	$ 15,706,996	$ 298,333

Parking Authority Debt

Future maturities of bond and note principal on Parking Authority indebtedness at September 30, 2004 are as follows:

	Principal				
	Outstanding at September 30, 2003	Bonds paid or defeased and discount amortized during 2004	Bonds and notes issued during 2004	Outstanding at September 30, 2004	Interest
Parking Authority Revenue Bonds and Notes:					
Three revenue bond issues with interest rates ranging from 2.0% to 6.0%. These bonds are payable from revenue from Parking Authority operations.					
2004	$ 3,130,000	$ 3,130,000	$ -	$ -	$ 3,736,972
2005	4,555,000	-	-	4,555,000	3,581,749
2006	4,700,000	-	-	4,700,000	3,423,185
2007	4,850,000	-	-	4,850,000	3,234,875
2008	5,040,000	-	-	5,040,000	3,030,723
2009	5,230,000	-	-	5,230,000	-
2010-2014	25,175,000	-	-	25,175,000	11,183,500
2015-2019	9,775,000	-	-	9,775,000	7,007,215
2020-2024	13,025,000	-	-	13,025,000	3,760,660
2025-2028	5,900,000	-	-	5,900,000	578,833
	81,380,000	3,130,000	-	78,250,000	39,537,712
Plus bond premium	2,228,032	239,606	-	1,988,426	-
Less unamortized discount	(165,914)	(7,747)	-	(158,167)	-
Less deferred amount on refinancing	(2,168,348)	(236,547)	-	(1,931,801)	-
Total	$ 81,273,770	$ 3,125,312	$ -	$ 78,148,458	$ 39,537,712

Pittsburgh Water and Sewer Authority Debt

Future maturities of bond and note principal on PWSA indebtedness at December 31, 2004 are as follows:

	Principal				
	Outstanding at December 31, 2003	Bonds paid or defeased and discount amortized during 2004	Bonds and notes issued during 2004	Outstanding at December 31, 2004	Interest
Water and Sewer Authority Revenue Bonds:					
Four revenue bond issues with interest rates ranging from 4.0% to 5.3125% and two revenue refunding bonds with interest rates ranging from 4.6% to 6.5%. The bonds are payable from revenue from Water and Sewer operations.					
2004	$ 12,038,000	$ 12,038,000	$ -	$ -	$ -
2005	15,887,000	-	293,000	16,180,000	23,384,670
2006	16,165,000	-	441,000	16,606,000	23,101,290
2007	16,511,000	-	446,000	16,957,000	22,754,625
2008	16,923,000	-	451,000	17,374,000	22,341,325
2009	17,413,400	-	449,600	17,863,000	21,865,487
2010-2014	99,396,600	-	2,333,400	101,730,000	96,910,043
2015-2019	122,345,250	-	2,543,750	124,889,000	74,649,569
2020-2024	156,294,750	-	2,076,250	158,371,000	49,518,888
2025-2029	185,940,000	-	-	185,940,000	112,918,276
2030-2031	28,200,000	-	-	28,200,000	12,970,672
	687,114,000	12,038,000	9,034,000	684,110,000	460,414,845
Less net bond discount	(3,564,000)	239,000	-	(3,325,000)	-
Less unamortized discount on 1998 bonds	(116,738,000)	2,639,000	-	(114,099,000)	-
Less deferred refunding loss	(20,974,000)	2,141,000	-	(18,833,000)	-
Total	$ 545,838,000	$ 17,057,000	$ 9,034,000	$ 547,853,000	$ 460,414,845

Guaranteed Debt of Non-Component Unit

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

	Principal				
	Outstanding at December 31, 2003	Bonds paid or defeased and discount amortized during 2004	Bonds and notes issued during 2004	Outstanding at December 31, 2004	Interest
Public Auditorium Authority Revenue Bonds:					
One bond issue with interest rates ranging from 4.6% to 5.85%. The City's share of debt service on these bonds is payable from general revenues.					
2004	$ 1,797,500	$ 1,797,500	$ -	$ -	$ -
2005	1,800,000	-	-	1,800,000	517,928
2006	1,490,000	-	-	1,490,000	432,427
2007	1,125,000	-	-	1,125,000	359,418
2008	455,000	-	-	455,000	303,167
2009-2013	2,447,500	-	-	2,447,500	1,152,423
2014-2018	2,625,000	-	-	2,625,000	446,932
Total	$ 11,740,000	$ 1,797,500	$ -	$ 9,942,500	$ 3,212,295

(A) Council and Public Election General Obligation Bonds

General Obligation Bonds - Series of 2003A

On June 1, 2003, the City issued $13,575,000 of General Obligation Bonds, Series 2003A, with an average interest rate of 3.81%. The bonds consisted of serial bonds bearing various fixed rates ranging from 2.0% to 4.0% with maturities commencing on September 1, 2004 and continuing annually through September 2028. The proceeds of $13,550,157 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds will be considered to be defeased, and the related liability for the bonds is removed from the City's liabilities.

Below is a schedule of General Obligation Bonds as of December 31, 2004:

Serial Bonds	Coupon or Ceiling Rate of Interest	Amount Outstanding
1992A*	6.50% - 6.75%	$ 12,781,337
1993A	5.10% - 5.50%	38,625,000
1995A	4.70% - 5.25%	72,605,000
1995B	4.70% - 5.13%	82,520,000
1996A	6.00%	52,630,000
1996B	6.50% - 7.00%	18,145,000
1997A	5.00%	5,800,000
1997B	4.60% - 5.50%	29,735,000
1997C	5.12% - 5.25%	20,120,000
1998A, B, C	6.00% - 7.00%	249,865,000
1998D	5.00% - 5.25%	121,385,000
1999A	4.60% - 5.15%	1,785,000
2002A	4.00% - 5.50%	125,035,000
2003A	4.00% - 5.50%	13,570,000
Subtotal		844,601,337
Less: Unamortized bond issuance costs		(5,794,472)
Unamortized bond discounts/premiums		2,486,317
Prepaid interest on debt refinancing		(6,239,483)
Less bonds funded by Stadium Authority		(12,781,336)
Total general obligation bonds payable		$ 822,272,363

* Zero Coupon Bonds

The City's uninsured Bond Debt ratings are Moody's Baa3, Fitch BBB, and Standard & Poor's BBB and the City's insured Bond Debt ratings Moody's Aaa, Fitch AAA, and Standard & Poor's AAA as of December 31, 2004.

In 1998 and 2002, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. The outstanding balance of defeased bonds at December 31, 2004 is $166,860,000.

(B) Stadium Authority

In October 1993, the Stadium Authority issued $15,945,000 Guaranteed Stadium Refunding Bonds, Series 1993. These serial bonds still outstanding bear various fixed interest rates and mature annually through October 1, 2005.

(C) Pittsburgh Water and Sewer Authority

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

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

The 2003 Bonds bear interest at rates ranging from 1.450% to 4.75%. Interest is payable in semiannual installments on March 1 and September 1 until maturity. Stated maturities for the 2003 Bonds are at various face amounts on September 1 of each year beginning September 1, 2004 through 2023. The 2003 Bonds, which mature after September 1, 2014, are subject to redemption prior to maturity at the option of the PWSA.

(D) Debt Related to Urban Redevelopment Authority of Pittsburgh (URA) supported by the City (Debt not recorded in the separate URA financial statements)

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

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

The Agreement irrevocably assigns to the URA the right to receive (a) the first

$6,200,000 of the City's allocation of Allegheny Regional Asset District (RAD) revenues for each of the ten years beginning March 1, 1995 and (b) the first $7,500,000 of the City's allocation of Regional Asset District revenues for each of the ten years beginning March 1, 2005.

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

The proceeds of the Bonds, issued February 1, 1995 in the amount of $61,390,000, were used to create the Pittsburgh Development Fund in the URA, along with satisfying certain bond issuance expenses. The Bonds, with maturities occurring in 1996 through 2014, are limited obligations of the URA and are payable solely from the City's portion of the RAD 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.

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

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

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

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

In the event that real estate tax revenues generated under the TIF Agreements are insufficient at any time to pay debt service on the bonds, the respective parties under the Minimum Payment Agreements have agreed to make payments sufficient to remedy such shortfalls. Amounts payable under the Minimum Payment Agreements correspond to debt service requirements on the respective Bonds. Pursuant to the Tenant Agreement, each tenant has agreed to guarantee the full and punctual payment when due of all obligations. During 2004, the City's share of the TIF revenue was $4,723,347, whereas the City's share of the principal and interest paid on the TIF bonds and note were $2,749,074.

As of December 31, 2004, the following is a list of the TIF bonds and notes outstanding:

Serial Bonds	Coupon Rate of Interest	Total Outstanding	City Portion
1995A (Penn Avenue Place)	5.75%-06.00%	$ 4,805,000	$ 1,818,694
1995B (Lazarus)	5.75%-06.25%	3,530,000	1,336,107
1996 (Alcoa)	7.42%-08.01%	6,390,000	2,414,142
1997 (Oliver Garage)	4.70%-05.45%	13,825,000	5,636,457
1999 (PNC Bank)	6.10%-07.85%	10,290,000	4,195,236
2000 (Mellon)	7.41%-8.05%	13,490,000	5,499,876
2001 (Heinz)	5.89%-7.16%	3,555,000	1,304,333
2003a (Station Square)	8.25%-8.50%	3,690,000	1,353,865
2003B (Station Square)	10.50%	3,270,000	1,199,768
2003 Note (Panther Hollow)	6.50%-variable	4,130,000	1,515,302
Total		$66,975,000	$26,273,780

The City has forgiven approximately $3 million in incremental real estate tax revenues to finance the debt service on these bonds during 2004.

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

The URA has various bonds and loans, which are the obligation of the URA and are not guaranteed or financed by the City. The proceeds of these bonds and notes are used to provide mortgages, loans, or grants to individuals or companies within the City to be used for urban redevelopment. The bonds and loans are payable from repayment of mortgages and loans and from other revenue and grants received by the URA. Debt issued for the URA as of December 31, 2004 is as follows:

Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City. The bonds, including various series and term bonds, bear interest at rates from 2.20% to 7.00% and mature through 2033.

Home Improvement Loan Program Bonds

The URA issued various series of bonds over the life of the program to finance the rehabilitation of residential housing for persons and families of low to middle income throughout the City and without regard to income in designated redevelopment areas within the City. Serial bonds of $3,555,000 are currently outstanding. They bear interest at rates varying from 4.35% to 7.20% and mature through 2010. There are also term bonds outstanding of $7,420,000 with stated interest rates from 5.15% to 6.375% and maturity dates ranging from 2004 through 2021.

Single Family Mortgage Revenue Draw Down Bonds

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

Bank Loans

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

In 2002, the URA received a loan to finance construction costs incurred to build a garage located at the South Side Works. Interest payments are at an effective rate of 7%, which is the 3-year FHLB rate plus 2.75%. Rental payments and a mortgage are pledged as collateral for this loan. At December 31, 2004, $3.5 million is outstanding. Final maturity is February 28, 2019.

In 2003, the URA received a second loan to finance construction costs incurred to build garage #2 at the South Side Works. Interest payments are at an effective rate of 7.28%, which is the 5-year FHLB rate plus 2.75%. A mortgage is pledged as collateral for this loan. At December 31, 2004, $2,550,000 is outstanding. Final maturity is April 1, 2018.

On March 26, 2004, the Authority entered into a construction loan agreement. The amount of the loan commitment is a maximum of $5.5 million and will be drawn down over the initial construction period. As of December 31, 2004, the outstanding loan balance was $4,346,589 with the remainder to be drawn in the first half of 2005. No principal payments are due in 2005. The construction loan accrues interest at a variable rate. During the construction phase of the loan, the rate is prime less 25 basis points. The Authority makes interest only payments during the construction period. The loan becomes a term loan on the earlier or March 1, 2006 or another agreed upon commencement date once the construction is completed. After the loan becomes a term loan the loan will bear interest at one month LIBOR plus 225 basis points and the Authority will make monthly payments of both principal and interest.

Revolving Line of Credit

During 2000, the URA entered into a $4 million line of credit agreement with Fannie Mae for the acquisition, construction, development, and rehabilitation of for-sale single-family housing and multi-family rental housing within the City. The line carries a term of five years, and each advance will bear interest ranging from LIBOR plus 92 basis points to LIBOR plus 141 basis points, depending on whether a first mortgage is available as a security. As a condition of the line, the URA has provided Fannie Mae with a bank letter of credit backed by $1 million of the URA's General Fund. There were no draws or payments associated with this loan during 2004. In addition, no balance was outstanding as of December 31, 2004.

During 2002, the URA entered into a $5 million line of credit agreement with Fannie Mae to finance site improvements related to the Summerset at Frick Park project. This line carries a term of 45 months, and each advance will bear interest of LIBOR plus 141 basis points. The loan is secured by a non-recourse promissory note and a $1 million pledge from the General Fund. There is a balance outstanding of $260,000 as of December 31, 2004, which was drawn during 2002.

HUD Section 108 Loans

During 2003, the URA received two HUD Section 108 loans to provide funding for the construction of garages at South Side Works. The first loan, in the amount of $4.5 million is for an 850-space parking garage. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side. At December 31, 2004, $4.5 million is outstanding.

The second loan, in the amount of $6.5 million is for the construction of a 367-space parking garage and site improvements in the South Side. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side as well as future Community Development Block Grants. At December 31, 2004, $6.225 million is outstanding. $340,000 is due in 2005.

Annual debt service requirements of the URA are as follows:

	Principal	Interest	Total
2005	$ 6,002,890	$ 8,945,622	$ 14,948,512
2006	5,936,275	8,601,797	14,538,072
2007	5,971,497	8,305,495	14,276,992
2008	6,481,535	8,023,610	14,505,145
2009	8,462,843	7,601,881	16,064,724
2010-2014	34,404,979	32,484,250	66,889,229
2015-2019	33,180,282	22,817,237	55,997,519
2020-2024	25,630,000	14,712,334	40,342,334
2025-2029	23,455,000	7,672,916	31,127,916
2030-2033	41,990,000	1,302,892	43,292,892
	$191,515,301	$120,468,034	$311,983,335

Interest Rate Swap

During fiscal year 2004, the URA entered into a pay-fixed, receive-variable interest rate swap contract. The interest rate swap is effective on the first day of each month which began on October 1, 2004 and terminates on March 1, 2011.

URA Component Unit Debt consists of the following:

URA Housing Corporation - Bonds Payable

The URA Housing Corporation issued Multi-Family Refunding Bonds Series 1998 to refund the outstanding Series 1982 Bonds. The bonds bear interest at 5.40%, per annum and mature on July 1, 2022. Interest is payable semi-annually on January 1 and July 1 each year. The outstanding balance at December 31, 2004 was $0.

PHDC-Bank Loans

The PHDC had outstanding construction loans payable to banks of $1,711,420. Interest accrues on the loans at rates between 0% and 6.0%. Loans are due on demand or through 2005.

Future Maturities

Principal payments of $1,711,420 are due in 2005 for component units.

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

(F) Pittsburgh Water and Sewer Authority

In November 2002, the PWSA issued $38,595,000 Revenue bonds to refund the 1992 Series A Bonds. The 2002 Series Bonds mature through December 1, 2012 with fixed interest rates from 2% to 5%.

In February 2000, the PWSA assumed $15,155,000 in 1997 Series Revenue Bonds with the acquisition of the Oliver Garage. The bonds mature through June 1, 2028 with interest rates ranging from 4.50% to 5.45%.

In February 2000, the PWSA issued $29,330,000 Revenue bonds. The Bonds mature through December 1, 2024 with fixed interest rates from 4.5% to 6.0%.

(G) Other Long-Term Obligations

The following is a summary of transactions affecting other long-term obligations of the City during 2004:

	Accrued Workers' Compensation	Accrued Compensated Absences	Accrued Claims and Judgments
Balance, January 1, 2004	$ 79,360,426	$ 32,034,934	$ 3,067,500
Additions	58,010,576	14,638,391	3,550,690
Reductions/payments	(25,655,006)	(16,849,134)	(1,698,190)
Balance, December 31, 2004	111,715,996	29,824,191	4,920,000
Less amounts accrued within short-term	(16,587,483)	(19,678,999)	(3,420,000)
Long-term portion, December 31, 2004	$ 95,128,513	$ 10,145,192	$ 1,500,000

The General Fund is used to liquidate the workers' compensation, compensated absences, and claims and judgements obligations.

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

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

	Year Ended December 31,
2005	$ 1,260,000
2006	1,260,000
2007	1,260,000
2008	1,260,000
2009	1,260,000
Thereafter	20,175,400
	$ 26,475,400

10. Due From/To Other Governments

(A) Due From Other Governments

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 2004:

General Fund:		
Commonwealth of Pennsylvania	$	381,553
Regional Asset District (RAD)		3,797,539
		4,179,092
Special Revenue CDBG:		
Housing and Urban Development		2,470,802
Other Governmental Funds:		
Job Training Partnership Program		1,135,677
Allegheny County - public safety		154,238
Allegheny County - parks		296,185
		1,586,100
Capital Projects:		
Commonwealth of Pennsylvania - Highway Fund		62,740
Federal Government - Highway Fund		511,013
Total due from other governments - governmental funds	$	8,809,747

(B) Due To Other Governments

Funds collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2004:

General Fund:	
Pittsburgh Board of Education	$ 4,834,228
Commonwealth of Pennsylvania	133,286
Sports and Exhibition Authority	81,597
	5,049,111
Other Governmental Funds:	
Federal government	1,513,888
Total due to other governments - governmental funds	$ 6,562,999

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

	Due From				
	General	Other Governmental	Capital Projects	Community Development	Total
Due To:					
General Fund	$ -	$ 1,570,388	$ 2,052,496	$ 664,275	$ 4,287,159
Other Governmental	2,242	-	-	270,268	272,510
Capital Projects	-	-	-	64,873	64,873
	$ 2,242	$ 1,570,388	$ 2,052,496	$ 999,416	$ 4,624,542

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

The Capital Projects Fund advanced funds to the CDBG Special Revenue fund in the amount of $1.3 million.

12. OPERATING TRANSFERS

Transfers between primary government funds:

	Transfer From			
	General	Other Governmental	Capital Projects	Total
Transfer To:				
General Fund	$ -	$ 377,500	$ -	$ 377,500
Debt Service	86,008,948	-	-	86,008,948
Other Governmental	848,359	-	999,999	1,848,358
Total	$ 86,857,307	$ 377,500	$ 999,999	$ 88,234,806

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

13. FUND DEFICITS

(A) Stadium Authority Deficit

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

(B) Pittsburgh Water and Sewer Authority

Net assets have been reduced by $7,458,000 in 2004, which has resulted in a net asset deficit of $41,590,000 as of December 31, 2004. The PWSA has extended its contract with a nationally known service company to improve operations, has placed delinquent accounts with a collection agency to improve collections, and has approved rate increases in an effort to cover increased debt service and to reduce the deficit position. Water usage rates increased by 19% effective February 1, 2004.

14. RELATED PARTY TRANSACTIONS

(A) Under the terms of agreements dated July 1, 1965, December 1, 1985, and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the stadium complex and debt service on the stadium bonds over the total funds available to the Stadium Authority for those purposes. The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the stadium complex and debt service on the stadium bonds. The Stadium Authority has this reflected as a long-term note due to the City. 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 for a total of $11,755,000. The City; however, does not have a corresponding receivable recorded due to the unlikelihood of collection since the stadium assets were significantly eliminated when the stadium was demolished.

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

The first loan of $2,000,000 was made under an agreement dated October 30, 1981, as amended April 22, 1982 and April 2, 1984, the purpose of which was to assist in the construction costs of the mall; repayments are contingent upon positive cash flows and other factors. The loan, which has a 27-year term with varying interest rates, is to be repaid to the City by the URA at the City's discretion. The Parkway Center Mall asked for and received a deferral of their loan payment for 2003 and 2004. The balance of the receivable from the URA, should the City continue to exercise its option, at December 31, 2004 was $1,106,650.

The second loan of $6,819,972 was made under an agreement dated April 2, 1984 for the construction of highway ramps to connect the mall with I-279. This loan agreement was amended on July 13, 1992. Repayment of the loan was to commence on June 1, 1992.

The term of the loan is 30 years with varying fixed interest rates. The URA also received a deferral in 2003 and 2004 for this loan. The remaining balance including accrued interest is $5,696,655 at December 31, 2004.

(C) In February 2000, the Parking Authority and the City 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 Parking 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 Parking 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 Parking Authority has reflected within their financial statements as accounts payable and other accrued expenses amounts owed to the City for miscellaneous items totaling $410,462. The City; however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

15. Construction and Lease Commitments

As of December 31, 2004, the City had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Edgebrook Avenue Bridge	$ 231,738	Jan 2005
P.J. McArdle Roadway	231,612	Mar 2005
Total	$ 463,350	

The City has operating leases for copier rental and various other small office machines. The rental cost of the copier machines was $189,572 for the year ending December 31, 2004.

16. Regional Asset District Revenues

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

RAD revenue allocated to the City totaled approximately $29.9 million in 2004. The City allocated approximately $5.9 million to park operations, $1.6 million to debt service, $4 million in grants to the school board and $1 million for capital projects.

The City has irrevocably allocated/pledged a portion of its future Regional Asset District revenues to the URA for the establishment of the Pittsburgh Development Fund. As further discussed in Note 9, 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 19 years with $6,200,000 annually allocated for the first nine years and $7,500,000 annually thereafter.

17. CONTINGENCIES

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

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

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

18. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The risk of loss to which the City is exposed for the above mentioned items is handled through various insurance coverages. As of December 31, 2004, there were no settlements exceeding coverage for the past three years. The City also covers certain claim settlements and judgments from its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Provisions are recorded within current liabilities for amounts payable within one year. Amounts not payable within one year are reported within long-term liabilities.

Changes in the accrued claims and judgments liability during the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Accrued claims and judgments, January 1,	$ 3,067,500	$ 3,410,000
Current year claims	3,550,690	1,132,505
Claim payments	(1,698,190)	(1,475,005)
Accrued claims and judgments, December 31,	$ 4,920,000	$ 3,067,500

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

Also, the City is fully self-insured for workers' compensation benefits. These amounts were calculated by actuaries, based on industry standards and utilizing discount rates ranging between 1.08% and 5.43%. A self-insurance reserve fund in the amount of $305,461 (classified as restricted within General Fund) is maintained, due to a legal requirement under self-insurance regulations of the State of Pennsylvania, in the general fund.

Changes in the accrued workers' compensation liability during the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Accrued workers' compensation, January 1	$ 79,360,426	$80,816,573
Current year claims prior year accruals	58,010,576	19,973,215
Claim payments	(25,655,006)	(21,429,362)
Accrued workers' compensation, December 31	$111,715,996	$79,360,426

19. Subsequent Events

On January 4, 2005 the City executed a $40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues received primarily during the first two months of the year. The City only required a $20.0 million draw on that facility to meet its early-year obligations and as of March 31, 2005 the City has repaid that borrowing.

During the first quarter of 2005, the City signed a 5-year contract with the Firefighter's Union that provided the City with a budget savings of $9.1 million in 2005. A combination of staff reduction, station closings and benefit renegotiation produced those savings. The ICA is currently challenging the contract in Commonwealth Court stating that although it met the monetary target under the approved 5-year plan, it failed in the specific required reduction strategies. Should the ICA prevail, the impact would be felt primarily in work process flows and oversight.

On June 7, 2005, the City closed on refinancing $195.0 million worth of bonds which will produce a $6.0 million cash savings in debt financing costs for the year. This savings in the operations will make available needed funds for capital purchases and programs, such as street repair, vacant building demolition and other immediate needs of the City not able to be funded from other sources.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA
PENSION TRUST FUNDS

SCHEDULES OF FUNDING PROGRESS
(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
Municipal						
1/1/1998	$ 75,472	$ 181,412	$ (105,940)	41.60%	$ 65,753	-161.12%
1/1/1999	133,566	184,293	(50,727)	72.47%	66,957	-75.76%
1/1/2000	140,158	183,715	(43,557)	76.29%	63,627	-68.46%
1/1/2001	124,935	185,656	(60,721)	67.29%	64,621	-93.96%
1/1/2002	111,528	205,300	(93,772)	54.32%	69,594	-134.74%
1/1/2003	91,604	212,206	(120,602)	43.17%	69,034	-174.70%
Policemen:						
1/1/1998	$ 39,677	$ 287,790	$ (248,113)	13.79%	$ 54,374	-456.31%
1/1/1999	160,108	292,681	(132,573)	54.70%	54,496	-243.27%
1/1/2000	169,358	298,470	(129,112)	56.74%	52,266	-247.03%
1/1/2001	150,833	305,282	(154,449)	49.41%	51,345	-300.81%
1/1/2002	133,280	314,033	(180,753)	42.44%	54,815	-329.75%
1/1/2003	106,340	323,466	(217,126)	32.88%	54,308	-399.80%
Firemen:						
1/1/1998	$ 57,904	$ 205,889	$ (147,985)	28.12%	$ 45,613	-324.44%
1/1/1999	142,940	208,274	(65,334)	68.63%	46,869	-139.40%
1/1/2000	158,093	215,462	(57,369)	73.37%	47,991	-119.54%
1/1/2001	147,291	222,041	(74,750)	66.34%	50,326	-148.53%
1/1/2002	136,442	233,373	(96,931)	58.47%	52,054	-186.21%
1/1/2003	114,527	230,092	(115,565)	49.77%	54,006	-213.99%

See accompanying note to supplementary pension schedules.

CITY OF PITTSBURGH, PENNSYLVANIA
PENSION TRUST FUNDS

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES
(Dollar Amounts in Thousands)

Calendar Year	Annual Required Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Required Contributions	Commonwealth of Pennsylvania Contributions	Commonwealth of Pennsylvania Contributions as a Percentage of Annual Required Contributions	Total Contributions	Total Contributions as a Percentage of Annual Required Contributions
Municipal:							
1999	$ 3,082	$ 473	15.3%	$ 2,609	84.7%	$ 3,082	100.0%
2000	2,613	694	26.6%	1,919	73.4%	2,613	100.0%
2001	3,865	825	21.3%	3,040	78.7%	3,865	100.0%
2002	2,829	373	13.2%	2,456	86.8%	2,829	100.0%
2003	4,325	1,025	23.7%	3,300	76.3%	4,325	100.0%
2004	8,136	1,321	16.2%	6,815	83.8%	8,136	100.0%
Policemen:							
1999	$ 10,402	$ 3,537	34.0%	$ 6,865	66.0%	$ 10,402	100.0%
2000	9,708	2,582	26.6%	7,126	73.4%	9,708	100.0%
2001	10,502	2,182	20.8%	8,320	79.2%	10,502	100.0%
2002	10,565	1,391	13.2%	9,174	86.8%	10,565	100.0%
2003	12,926	3,065	23.7%	9,861	76.3%	12,926	100.0%
2004	14,892	8,796	59.1%	6,096	40.9%	14,892	100.0%
Firemen:							
1999	$ 6,194	$ 2,410	38.9%	$ 3,784	61.1%	$ 6,194	100.0%
2000	5,730	1,525	26.6%	4,205	73.4%	5,730	100.0%
2001	5,783	1,143	19.8%	4,640	80.2%	5,783	100.0%
2002	5,032	662	13.2%	4,370	86.8%	5,032	100.0%
2003	6,624	1,571	23.7%	5,053	76.3%	6,624	100.0%
2004	8,530	3,540	41.5%	4,990	58.5%	8,530	100.0%

See accompanying note to supplementary pension schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2004

The information presented in the required supplementary pension 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
Actuarial valuation date	1/1/2003	1/1/2003	1/1/2003
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Market related	Market related	Market related
Amortization period	36 years	36 years	36 years
Actuarial assumptions:			
Investment rate of return	8.75%	8.75%	8.75%
Projected salary increases	4.00%	5.75%	5.75%
Cost-of-living adjustments	3.50%	3.50%	3.50%

SUPPLEMENTAL INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2004

Assets	Equipment Leasing Authority	Liquid Fuels Tax	JTPA	Public Safety	Civic and Cultural	Total
Cash and short-term investments	$ 1,870,899	$ 2,798,920	$ 851,942	$ 4,980,747	$ 1,892,400	$ 12,394,908
Receivables:						
Other	-	-	-	962,022	10,128	972,150
Accrued interest	-	3,610	-	-	-	3,610
Due from other governments	-	-	1,135,677	154,238	296,185	1,586,100
Due from General Fund	-	-	-	2,238	-	2,238
Due from other Special Revenue Fund	-	-	183,855	-	86,417	270,272
Total Assets	$ 1,870,899	$ 2,802,530	$ 2,171,474	$ 6,099,245	$ 2,285,130	$ 15,229,278
Liabilities and Fund Balance						
Liabilities:						
Account payable	$ 200	$ 59,146	$ 571,048	$ 136,790	$ 72,876	$ 840,060
Accrued liabilities	-	-	95,981	268,802	93,982	458,765
Due to other governments	-	-	-	1,513,888	-	1,513,888
Due to General Fund	-	-	1,392,630	113,286	64,472	1,570,388
Due to trust	-	-	87,245	-	-	87,245
Total Liabilities	200	59,146	2,146,904	2,032,766	231,330	4,470,346
Fund Balance:						
Reserve for encumbrances	-	-	-	197,577	232,414	429,991
Unreserved	1,870,699	2,743,384	24,570	3,868,902	1,821,386	10,328,941
Total Fund Balance	1,870,699	2,743,384	24,570	4,066,479	2,053,800	10,758,932
Total Liabilities and Fund Balance	$ 1,870,899	$ 2,802,530	$ 2,171,474	$ 6,099,245	$ 2,285,130	$ 15,229,278

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2004

	Equipment Leasing Authority	Liquid Fuels Tax	JTPA	Public Safety	Civic and Cultural	Total
Revenues:						
Interest earnings	$ 289	$ 43,634	$ -	$ 6,744	$ -	$ 50,667
Fines and forfeits	-	-	-	201,536	-	201,536
Intergovernmental revenues	-	4,062,407	7,878,332	1,628,652	895,481	14,464,872
Charges for user services	-	-	-	4,464,105	1,496,565	5,960,670
Miscellaneous revenue	350,790	-	-	-	83,835	434,625
Total revenues	351,079	4,106,041	7,878,332	6,301,037	2,475,881	21,112,370
Expenditures:						
General government	181,270	-	-	680,225	88,176	949,671
Public safety	-	-	-	6,845,884	-	6,845,884
Public works	-	3,811,767	-	-	12,553	3,824,320
Sanitation	-	-	-	-	22,778	22,778
Community, recreational, and cultural	-	-	7,878,332	-	1,704,819	9,583,151
Capital projects	1,785,311	-	-	-	-	1,785,311
Total expenditures	1,966,581	3,811,767	7,878,332	7,526,109	1,828,326	23,011,115
Excess (Deficiency) of Revenues Over Expenditures	(1,615,502)	294,274	-	(1,225,072)	647,555	(1,898,745)
Other Financing Sources (Uses):						
Operating transfers in	1,564,291	-	-	575,000	-	2,139,291
Operating transfers out	-	-	-	(640,933)	(27,500)	(668,433)
Total other financing sources (uses)	1,564,291	-	-	(65,933)	(27,500)	1,470,858
Net Changes in Fund Balance	(51,211)	294,274	-	(1,291,005)	620,055	(427,887)
Fund Balance:						
Beginning of year	1,921,910	2,449,110	24,570	5,357,484	1,433,745	11,186,819
End of year	$ 1,870,699	$ 2,743,384	$ 24,570	$ 4,066,479	$ 2,053,800	$ 10,758,932

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

DECEMBER 31, 2004

	Balance at December 31, 2003	Additions	Deletions	Balance at December 31, 2004
EMPLOYEE BENEFITS				
Assets				
Cash and short-term investments	$ 971,028	$ 44,493,641	$ 44,750,464	$ 714,205
Due from other funds	387,870	85,270	180,989	292,151
Due from component units	949,274	721,099	949,274	721,099
Total Assets	$ 2,308,172	$ 45,300,010	$ 45,880,727	$ 1,727,455
Liabilities				
Accrued liabilities	$ 2,308,172	$ 45,300,010	$ 45,880,727	$ 1,727,455
PAYROLL WITHHOLDING				
Assets				
Cash and short-term investments	$ 1,148,746	$ -	$ 1,082,137	$ 66,609
Liabilities				
Accrued liabilities	$ 1,148,746	$ -	$ 1,082,137	$ 66,609
DEPOSITS				
Assets				
Cash and short-term investments	$ 3,271,726	$ 16,389,904	$ 16,618,189	$ 3,043,441
Liabilities				
Accrued liabilities	$ 1,858,740	$ 15,540,963	$ 15,614,868	$ 1,784,835
Deposits held in trust	1,412,986	848,941	1,003,321	1,258,606
Total Liabilities	$ 3,271,726	$ 16,389,904	$ 16,618,189	$ 3,043,441
OTHER				
Assets				
Cash and short-term investments	$ 614,276	$ 1,449,295	$ 948,381	$ 1,115,190
Other receivables	521,479	-	507,139	14,340
Total Assets	$ 1,135,755	$ 1,449,295	$ 1,455,520	$ 1,129,530
Liabilities				
Accrued liabilities	$ 524,272	$ 495,732	$ 494,278	$ 525,726
Due to other governments	18,884	-	-	18,884
Due to General Fund	7,500	-	-	7,500
Deposits held in trust	585,099	953,563	961,242	577,420
Total Liabilities	$ 1,135,755	$ 1,449,295	$ 1,455,520	$ 1,129,530
TOTAL AGENCY FUNDS				
Assets				
Cash and short-term investments	$ 6,005,776	$ 62,332,840	$ 63,399,171	$ 4,939,445
Due from other funds	387,870	85,270	180,989	292,151
Due from component units	949,274	721,099	949,274	721,099
Other receivables	521,479	-	507,139	14,340
Total Assets	$ 7,864,399	$ 63,139,209	$ 65,036,573	$ 5,967,035
Liabilities				
Accrued liabilities	$ 5,839,930	$ 61,336,705	$ 63,072,010	$ 4,104,625
Due to other governments	18,884	-	-	18,884
Accounts payable	7,500	-	-	7,500
Deposits held in trust	1,998,085	1,802,504	1,964,563	1,836,026
Total Liabilities	$ 7,864,399	$ 63,139,209	$ 65,036,573	$ 5,967,035

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (NON-GAAP BASIS)

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2004

	Budget	Actual	Variance
Revenues:			
Sale of building - public safety	$ -	$ 1,276,429	$ 1,276,429
Intergovernmental	5,647,000	4,500,840	(1,146,160)
Total revenues	5,647,000	5,777,269	130,269
Expenditures:			
Capital projects:			
Engineering and construction	63,090,084	8,523,076	54,567,008
Parks and recreation	864,327	8,394	855,933
Public works	4,347,103	3,172,379	1,174,724
General services	1,116,277	314,679	801,598
Urban Redevelopment Authority	1,051,500	-	1,051,500
Capital outlay	3,408,447	1,495,609	1,912,838
Other	13,338,847	4,745,220	8,593,627
Total expenditures	87,216,585	18,259,357	68,957,228
Excess (Deficiency) of Revenues Over Expenditures	(81,569,585)	(12,482,088)	69,087,497
Other Financing Sources (Uses):			
Operating transfers in	841,966	841,966	-
Total other financing sources (uses)	841,966	841,966	-
Net Change in Fund Balance	(80,727,619)	(11,640,122)	69,087,497
Fund Balance:			
Beginning of year	80,727,619	77,996,641	(2,730,978)
End of year	$ -	$ 66,356,519	$ 66,356,519

(continued)

CITY OF PITTSBURGH, PENNSYLVANIA

BUDGETARY COMPARISON STATEMENT

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2004
(Amounts expressed in thousands)
(continued)

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement.	$ 5,777
The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget.	346
Total Capital Projects Fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and change in fund balance.	$ 6,123

Users/Outflows of Revenues:

Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement.	$ 18,259
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.	(2,576)
Total Capital Projects Fund expenditures as reported on the statement of revenues, expenditures, and change in fund balance.	$ 15,683

(concluded)

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APPENDIX C

CERTAIN DEMOGRAPHIC AND ECONOMIC INFORMATION PERTAINING TO THE CITY

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ECONOMIC CONDITION AND OUTLOOK

Located at the confluence of the Ohio, Monongahela, and Allegheny Rivers, the City of Pittsburgh serves as the seat for Allegheny County. Pittsburgh is the largest of the County's 130 municipalities. Downtown Pittsburgh is commonly know as the Golden Triangle and serves as the regional center of Southwestern Pennsylvania, Eastern Ohio and Northern West Virginia. According to the 2000 Census, the City's population is approximately 340,000.

Economic Background

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

Economic Condition and Outlook

The City of Pittsburgh continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. The primary goal is to assist businesses both small and large in developing and enhancing working relationships among economic development practitioners throughout the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City of Pittsburgh has modernized its economy.

Initiatives such as *one-stop service providers* allow firms doing business in Pittsburgh to assign a project coordinator who will serve as a single point of contact throughout the development process. Tax credits granted by both the federal government and the Commonwealth of Pennsylvania provide financial incentives for companies to hire new employees. The City of Pittsburgh also contains three State Enterprise Zones, which enable businesses located within those designated areas to enjoy more favorable interest rates and additional tax incentives. The City of Pittsburgh now has several sites included among the Commonwealth's Keystone Opportunity Zones, which exempt a majority of state and local taxes for a number of years.

Over the past couple of years Pittsburgh has focused on the revitalization of its downtown core, making aesthetic improvements to reestablish it as a regional destination point. With the formation of a Business Improvement District in 1996, the Pittsburgh Downtown Partnership spearheaded improvements in maintenance, safety, and marketing. Several large scale economic development projects are planned and in the final stages of pursuing financing. These projects include Piatt Place – the redevelopment of the former Lazarus-Macy's department store into 180,000 square feet of Class A Office space with 47 luxury residential units on the upper floors and the construction of Three PNC Plaza - a $170 million, 25-30 story building which will house Class A office space, a hotel, and residential units.

The expansion of the convention center and the construction of two new sports facilities has attracted visitors from the surrounding region and all over the world. Downtown housing has been on the rise. According to the Downtown Living Initiative nearly 3,900 people will call Downtown home by 2008, up 60% from 1990. By Fall 2006 an estimated 1,000 new condos and apartments will be available in Downtown, with an additional 1,000 units to come on line by 2008. 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 H.J. Heinz, Highmark Blue Cross/Blue Shield, GNC, ALCOA, and Kvaerner Metals, is a sign of Pittsburgh's bright economic future.

The City of Pittsburgh has also implemented an aggressive strategy to reclaim the City's valuable riverfront property and reuse industrial sites left behind by the dismantling of the steel industry. Through the Urban Redevelopment Authority, the City of Pittsburgh has acquired land and prepared sites to lay the groundwork for economic development. A variety of technology companies and university researchers have located their operations at the Pittsburgh Technology Center. Through the Urban Redevelopment Authority, the City also purchased the 130-acre former LTV South Side Works site in late 1993. The site is currently being developed into a mixed-use development to include housing, office space, warehousing and light-industrial space. The University of Pittsburgh Medical Center (UPMC) has finished building an 80,000 square-foot distribution center, and a 45,000-square foot office and laboratory facility called the Pittsburgh Life Sciences Center is under construction. Over 500,000 square feet of office space is either under construction or in the planning stages. The Mon Con/Hot Metal Bridge that once carried molten steel across the Monongahela River has been renovated to allow cars and pedestrians to travel between the South Side and the Pittsburgh Technology Center on the North Shore of the Monongahela. In addition, residential and commercial developments completed on Washington's Landing in the Allegheny River prove that the strategy of land acquisition and site preparation can be used very effectively as an economic development strategy.

Pittsburgh is also strengthening and revitalizing its neighborhoods, encouraging new housing and mixed-use developments throughout the City, providing both new and existing residents a higher quality of life. The City has also partnered 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. Both Home Depot and Whole Foods exceeded corporate projections at their East Liberty sites. Whole Foods at this site is currently a corporate-wide leader in sales. Spurred by this success more than $90,000,000 in private investment is now underway or due to begin construction in the coming year in this corridor, including a full-service 140-room Holiday Inn, 84 market rate condominiums, 110,000 square feet of commercial space and 640 parking spaces.

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

The overall outlook for Pittsburgh in the 21st century and beyond is very promising. The city's investments and initiative of the past several years are leading to more business development and increased residential construction.

Major Initiatives

The major initiatives of the City from 1994 to the present include large scale brownfield redevelopment such as South Side Works and Summerset at Frick Park, neighborhood development projects, housing developments and business development. To date these investments have exceeded $5 billion in activity, and:

- Redeveloped more than 500 acres of abandoned brownfield sites, increasing taxable market value for the region by more than $570,000,000;
- Created or retained more than 22,000 jobs since 1994;
- Provided $53 million in home improvement loans to help seniors and low income residents maintain and improve their homes over the past ten years; and
- Made more than 40,500 loans to support the purchase, rehabilitation, and development of housing units throughout the City. The majority of these loans have been to low income and first time home buyers in low income neighborhoods.

The following is a summary of selected projects.

South Side Works

- 85% of this former industrial site is developed with the remaining 15% in final planning stages. More than $275 million in private investment has been generated and 2,100 jobs, 1,500,000 sq. ft. of space, and 354 residential units have been created.
- The City's Urban Redevelopment Authority purchased the site in 1993 after LTV Steel idled the plant, and has secured more than $100 million in financing and is overseeing the planning and construction of site infrastructure.
- The assessed fair market value of the properties that comprise the site exceeds $150,000,000. At project build out annual property tax revenues at the site will approach $8,000,000.

Pittsburgh Technology Center

- URA acquired and redeveloped this former mill site in 1983. Tax Increment Financing (TIF) was utilized to create the infrastructure that led to the development of a 90,000,000 square foot Class A Technology and Research Office Park. The TIF was paid off eight years early due to the tremendous success of the site.
- A second TIF has recently been authorized to create the infrastructure needed to more than double the existing research and development, laboratory, office and light industrial space at the site.
- The site currently generates more than $1.6 million per year in property tax revenues, following full build out of the second phase of the development this number will increase to more than $4.7 million per year.

Summerset at Frick Park

- Work continues on the 238-acre former slag dump that is now the site of newly constructed luxury homes in the City of Pittsburgh. The site is currently generating just under $1,000,000 in annual local property tax revenues. This number will rise to more than $6.29 million when all three phases of the project are complete.

Giant Eagle Centre Avenue Expansion

- Approximately 120 upscale condominiums are under construction on top of the newly expanded store, and 350 additional parking spaces will be created. The apartment units will be ready for occupancy in late Summer 2006. All of the one-bedroom units, starting between $180,000 and $210,000, have been pre-sold.

Downtown

- o 15 downtown housing developments have been financed to date, resulting in the construction of 585 units to date, with another 235 units underway within the next year.
- o Financing is nearly in place for PNC Bank to develop Three PNC Plaza, a $170 million, mixed-use building in the center of Downtown Pittsburgh. This 25-30 story building will include 360,000 square feet of office space, a 150-room hotel, 30+ luxury residential condominiums, and 330 underground parking spaces.
- o The former Lazarus Department store has recently been purchased by a private developer who intends to redevelop the space into 50,000 square feet of retail space, 180,000 square feet of Class A office space, and 47 luxury residential condominiums.

Neighborhood Development

<u>East Liberty</u>

- Demolition of three severely deteriorated housing developments was completed in Spring 2005. Residents have been relocated to nearby housing and given the option to return to the new development. 300 new rental and for-sale units are planned.
- Introduction of Home Depot and Whole Foods and renovation of the historic Liberty Building have generated significant interest in the neighborhood's business district. Renovation plans are underway for the historic 13-story Highland Building to be converted for market rate condominiums, for the construction of a 140-room full-service Holiday Inn, 110,000 square feet of commercial space and 640 parking spaces in the core of the neighborhood's commercial district.

<u>Federal Hill</u>

- 60 units of housing (44 market-rate, for sale units and 16 rental units) are planned along Federal Street in Central Northside. Construction will begin in Fall 2006.
- Housing at Federal Hill will serve as an anchor for redevelopment efforts in the Federal North area.

<u>Hazelwood</u>

- 27 deteriorated properties have been acquired, cleared, designated as part of the State's tax-free Keystone Opportunity Zone, and are currently being marketed for redevelopment in the neighborhood's business district.

<u>Hill District</u>

- 75 formerly tax delinquent and/ or publicly-owned properties have been acquired for redevelopment. The City is aggressively recruiting a grocery store to meet neighborhood needs.
- 2,200 new housing units have been constructed and/ or renovated in the last 10 years throughout the neighborhood - including subsidized and market rate apartments, and for sale units selling for $150,000 to $250,000.
- New developments in the neighborhood's business district include a new 105-unit senior housing building which is currently under construction and a state-of-the-art public library which will be under construction in Fall 2006.

Lawrenceville

- The City is providing assistance and aggressively recruiting developer interest for several commercial and market-rate housing developments along Butler Street, and in the blocks surrounding the CMU Robotics Center.
- Public parking is being developed to facilitate private rehabilitation and investment in the neighborhood's business district.
- The City is working with a local architect firm who will be constructing their new headquarters, which will include upper floor residential units on a City-owned lot in the neighborhood's business district. Construction will begin in Fall 2006.

Strip District

- The City is working with the Strip District's community development group to explore the feasibility of converting a portion of the publicly-owned Produce Terminal into a public market house.

Neighborhood Business District Improvements

- The City recently funded 22 Pittsburgh neighborhoods for the growth and improvement of their shopping districts through the Mainstreets Pittsburgh program.
- In 2003 and 2004 123 loans were made to neighborhood businesses to improve their building facades. This resulted in more than $82,600,000 in private investment.

Home Improvement and Home Ownership Activities

- More than $22.1 million towards home improvement and home ownership loans to help 516 seniors and low income residents maintain, improve and purchase their homes was provided in 2003. These efforts are vital in maintaining sound and well maintained housing stock in the City of Pittsburgh.

Source: Urban Redevelopment Authority of Pittsburgh.

Building Activity

According to the City's Bureau of Building Inspection, total construction value within the City in 2003 was $636 million. Over 8% of the construction value represented new housing construction. New commercial construction represented almost 35% of the total value. The remaining percentage represented construction value of extensions and alterations of existing structures.

Table C-1 below sets forth the number and dollar value of residential and commercial building permits issued in the City in the years 1996 to 2005:

TABLE C-1
City of Pittsburgh
Number and Value of Building Permits, 1996-2005

Number of Year	Permits Issued	Dollar Value (In thousands)
1996	2,793	250,315
1997	2,490	193,471
1998	2,405	388,569
1999	2,271	414,859
2000	2,283	827,764
2001	2,239	531,131
2002	2,216	344,223
2003	1,445	636,161
2004	1,213	591,709
2005	1,424	327,778

Source: City of Pittsburgh, Bureau of Building Inspection.

ECONOMY

Employment

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

TABLE C-2
City of Pittsburgh
25 Largest Pittsburgh Area Employers

	Employees (as of 12/31/05)
University of Pittsburgh Medical Center	29,534
U.S. Government	19,777
Commonwealth of Pennsylvania	13,973
West Penn Allegheny Health System	10,844
University of Pittsburgh	10,526
Wal-Mart Stores Inc	9,180
Giant Eagle Inc	8,565
PNC Financial Services Group, Inc	7,357
Allegheny County	6,573
Mellon Financial Corp	6,500
Pittsburgh Board of Education	5,720
Eat'n Park Hospitality Group Inc	4,973
Highmark Inc	4,724
US Airways Group Inc	4,497
Carnegie Mellon University	4,329
United States Steel Corp	4,000
Pittsburgh mercy Health System	3,419
Excela Health	3,365
United Parcel Service	3,234
Allegheny Technologies Inc	3,200
Sony Technology Center	3,200
City of Pittsburgh	3,097
SUPERVALU Inc	3,000
Westinghouse Electric Co	3,000
Port Authority of Allegheny County	2,989

Source: 2006 Pittsburgh Business Times

As set forth in Table C-3, total employment in the City has fluctuated during the past sixteen years from 319,600 in 1990 to 307,678 in 2005.

TABLE C-3
City of Pittsburgh
Total Number of Jobs in the City
1990-2005

1990	....	319,600
1991	....	327,600
1992	....	318,404
1993	....	314,758
1994	....	314,525
1995	....	311,101
1996	....	310,000
1997	....	305,427
1998	....	319,004
1999	....	323,600
2000	....	325,318
2001	....	310,950
2002	....	315,322
2003	....	316,800
2004	....	309,009
2005	....	307,678

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

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

TABLE C-4
Resident Civilian Labor Force Data
City, PMSA/MSA, Commonwealth, U.S.
2000-2004

Labor Force	**2000**	**2001**	**2002**	**2003**	**2004**
City of Pittsburgh	159,459	162,000	162,275	164,100	156,957
Pittsburgh PMSA/MSA(11)	1,155,400	1,175,900	1,211,200	1,184,900	1,133,500
Pennsylvania	5,971,900	6,073,000	6,289,800	6,170,000	6,249,180
U.S.	140,863,000	141,815,000	144,863,000	146,510,000	148,173,000
Employment					
City of Pittsburgh	152,981	155,500	154,842	156,100	148,604
Pittsburgh PMSA/MSA(11	1,106,500	1,124,800	1,146,100	1,119,100	1,217,830
Pennsylvania	5,722,000	5,786,000	5,933,900	5,826,100	5,908,607
U.S.	135,208,000	135,073,000	136,485,000	137,736,000	138,400,000
Unemployed					
City of Pittsburgh	6,478	6,500	7,975	8,100	8,353
Pittsburgh PMSA/MSA(11	47,400	51,100	65,100	65,800	70,287
Pennsylvania	249,900	287,000	355,800	343,900	340,573
U.S.	5,655,000	6,742,000	8,378,000	8,774,000	8,149,000
Unemployment Rate (%)					
City of Pittsburgh	4.1%	4.0%	4.9%	4.9%	5.3%
Pittsburgh PMSA/MSA(1)	4.1%	4.3%	5.4%	5.6%	5.8%
Pennsylvania	4.2%	4.7%	5.7%	5.6%	5.4%
U.S.	4.0%	4.8%	5.8%	6.0%	5.5%

(1) The figures for the years 2000 through 2004 reflect the Pittsburgh MSA, which includes the counties of Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland.

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

Banking Institutions

The Pittsburgh MSA contains 48 banking institutions with combined total assets of $119,536,364,000. Major banks, which are headquartered in the City, include Mellon Bank, N.A. and PNC Bank, National Association. Each has full service capability and extensive overseas operations.

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

TABLE C-5
City of Pittsburgh
Commercial Banks
Ranked by Total Assets

	Total Assets (as of December 31, 2005)
PNC Bank National Association	$73,809,165,000
Citizens Bank of Pennsylvania	29,788,816,000
Mellon Financial Corp	25,203,827,000
Sky Bank	14,761.331,000
National City Bank of Pennsylvania	13,602,549,000
First Commonwealth Bank	6,114,126,000
Northwest Savings Bank	5,925,817,000
Dollar Bank, FSB	5,236,103,000
First National Bank of Pennsylvania	4,836,550,000
S&T Bank	2,931,558,000

Source: 2006 Pittsburgh Business Times

Foreign Banks

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

EDUCATION

Colleges and Universities

The ten largest, measured by enrollment, colleges and universities located in the Pittsburgh area are shown in Table C-6.

TABLE C-6
Pittsburgh Area
Colleges and Universities
(Ranked by 2005 Enrollment)

	Total Enrollment	
	Full-Time	**Part-Time**
University of Pittsburgh (main campus)	21,676	4,783
Indiana University of Pennsylvania	12,075	2,006
Community College of Allegheny County (all campuses)	7,790	11,062
Slippery Rock University	7,184	921
Clarion University	5,287	1,051
Duquesne University	8,163	1,753
Carnegie Mellon University	8,554	1,463
California University of Pennsylvania	5,936	1,248
University of Pittsburgh at Johnstown	2,800	300
Robert Morris University	3,109	1,947

Source: 2006 Pittsburgh Business Times

Vocational-Technical Schools

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

TRANSPORTATION

Air Transportation

The Pittsburgh International Airport ("PIA") serves the region. The 2.1 million square foot airport, located in Allegheny County 16 miles from the downtown area accommodates nearly 20 million travelers in nearly 450,000 aircraft operations per year.

The state-of-the-art user-friendly terminal complex located between the runways opened October 1, 1992, replacing the 40-year old Main Terminal Building. Built with the latest technologies and designed for incremental expansion to meet forecasted growth, the entire complex is able to expand with relative ease. Currently, the terminal building consists of 69 domestic gates, 6 international gates, and 25 commuter gates.

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

US Airways has terminated the hub status of the Pittsburgh International Airport. US Airways has already eliminated all international flights departing from PIA to Great Britain and Germany. Recently, US Airways has been under financial distress and has filed for bankruptcy protection under Chapter 11 pursuant to the bankruptcy code. The outcome of this proceeding could have an impact on future US Airways flight capacity at PIA. In the fourth quarter of 2004, US Airways downgraded Pittsburgh from a hub city to a "focus city." While the economic effect of the airline's problems may have a negative impact on southwestern Pennsylvania, US Airways is not a significant employer of Pittsburgh residents.

Capacity is one of PIA's most valuable assets. PIA is within a 90-minute flight of 70% of North America's population. The OAG (Official Airline Guide) Worldwide recently listed PIA on its short list of the world's best airports for the third year in a row. Currently, PIA ranks 26th in the United States in passenger volume. Last year, 3 low-cost carriers implemented major flight routes through PIA. The trends in passenger volume at the Pittsburgh International Airport, from 1996 through 2005 are set forth in Table C-7.

TABLE C-7
City of Pittsburgh
Passenger Volume Trend
Pittsburgh International Airport

Year	Passenger Volume	Percentage Change Over Prior Year
1996	20,533,660	2.6
1997	20,759,723	1.1
1998	20,556,075	(1.0)
1999	18,785,728	(8.6)
2000	19,816,511	5.5
2001	19,945,246	0.6
2002	18,027,165	(9.6)
2003	14,266,984	(20.9)
2004	13,271,709	(7.0)
2005	10,478,605	(21.0)

Source: Allegheny County Airport Authority

The following airlines serve Pittsburgh International Airport:

Major International Carriers	Commuter Carriers
Air Canada	American Eagle
Air Tran Airways	Atlantic Southeast
American Airlines	ComAir (Delta Connection)
Continental	Continental Express
Delta	Mesa Airlines
Jet Blue	Mesaba Airlines
Midwest Airlines	Pinnacle
Northwest	Shuttle Express
Southwest	United Express
United	US Airways Express
US Airways	USA 3000

Source: Allegheny County Airport Authority

Allegheny County Airport is the largest service airport in Western Pennsylvania. It is the home of over 160 aircraft and 3 flight schools.

Water Transportation

The Port of Pittsburgh on the Allegheny, Monongahela and Ohio Rivers, is the largest inland port in tonnage and the second busiest in the country, and provides year round facilities for shipments to and from the South and Midwest regions of the United States. Shippers at the Port of Pittsburgh may ship to any port in the world by containerization, lash or seabee barge carriers.

The Port of Pittsburgh supports over 200 publicly and privately owned terminals and barge industry service suppliers. The public terminals are equipped to accommodate such bulk commodities as coal, sand, gravel, petroleum products, chemicals, iron, and steel products, and finished products of all types. Other goods which move on the City's rivers include fertilizer, machinery, steel crap, iron ore, billets, salt, synthetic rubber, lumber products and ferrous alloys.

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

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

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

Rail Service

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

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

Motor Freight Service

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

Mass Transit

The Port Authority of Allegheny County (PAT) has been servicing Allegheny County plus minor portions of Armstrong, Beaver, Washington, and Westmoreland Counties since March 1, 1964. PAT provides transportation via buses, light rail transit, inclines, and the ACCESS Paratransit System.

PAT owns approximately 1,200 revenue vehicles. PAT's average annual ridership is 68 million with an average number of weekday passengers of 230,000.

Passenger Bus Service

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

UTILITIES

Electricity

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

The electric power requirements of residential, commercial and industrial users in the City are provided primarily by the Duquesne Light Company which serves more than 580,000 customers in Southwestern Pennsylvania and uses more than 45,000 miles of overhead lines, 250,000 utility poles, and 103,000 transformers. The Company is subject to regulation by the Pennsylvania Public Utilities Commission.

Natural Gas

The City's suppliers of natural gas are the Equitable Gas Company, Dominion Peoples, and Columbia Gas of Pennsylvania. Together they serve 890,000 customers in the 10 county region of Southwestern Pennsylvania. All three are investor- owned utilities whose service areas cover large portions of Pennsylvania and neighboring states

Water and Sewer

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

Sewage treatment service is provided by Alcosan (Allegheny County Sanitary Authority). Its service area includes the City, 82 neighboring municipalities in the County and parts of communities in Washington and Westmoreland Counties. Alcosan serves an area of 225 square miles with a population of about 900,000.

DEMOGRAPHIC DATA

Population

Table C-8 shows population data for the City, the County and the SMSA from 1970 to 2000.

TABLE C-8
Population
City, County, PMSA
1970-2000

	City of Pittsburgh		Allegheny County[1]		Pittsburgh SMSA[2]	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
1970	520,089	N/A	1,084,899	N/A	796,229	N/A
1980	423,938	(18.5%)	1,026,147	(5.4%)	813,809	2.2%
1990	369,879	(12.8%)	966,570	(5.8%)	720,556	(11.5%)
2000	334,563	(9.5%)	947,103	(2.0%)	1,077,029	33.0%

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

Source: U.S. Census.

Housing

Housing in Pittsburgh is very affordable when compared to the nation. According to the U.S. Census, Pittsburgh has the third most affordable housing in the nation. The local housing affordability has consistently made the city one of the top five places to live in America according to the Places Rated Almanac.

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

Because Pittsburgh was almost completely built up by 1950, more than 75% of the housing stock in the City is over forty years old and 50% is over sixty years old. The housing stock of the City, County, SMSA and Commonwealth is characterized in Table C-9 on the following page:

TABLE C-9
City of Pittsburgh
City, County, PMSA, and Commonwealth
Characteristics of Housing Units Comparison

	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	966,500
Pennsylvania	3,924,757	4,597,412	4,938,140	5,249,750
Percent Owner-Occupied:				
City of Pittsburgh................	50.3%	51.2%	52.3%	52.1%
County of Allegheny...........	64.8%	61.9%	66.2%	67.0%
Pittsburgh PMSA	67.8%	69.0%	72.6%	71.3%
Pennsylvania	68.0%	64.2%	70.6%	71.3%
Median Value of Owner-Occupied Housing:				
City of Pittsburgh................	$12,500	$31,500	$41,200	N/A[1]
County of Allegheny...........	16,000	43,300	57,100	84,200
Pittsburgh PMSA	15,300	42,800	51,800	N/A[1]
Pennsylvania	13,600	39,100	69,700	97,000
Number of Persons per Housing Unit:				
City of Pittsburgh................	2.8	2.4	2.5	2.2
Total County Housing Units:				
Percent of City of Pittsburgh	35.5%	31.4%	29.3%	28.0%

Source: U.S. Census of Housing.
(1) The 2000 information is not currently available.

From 1970 to 2000 the number of housing units in the County increased by 9.4%, while the number of housing units in the City decreased by 13.9%. Over the same period, the number of persons per housing unit in the City decreased 21% and the population declined by 35.7%.

TABLE C-10
County of Allegheny
Average Sale Price of Residential Property
1996 to 2005
(Market Transactions)

Year	County of Allegheny
1996……………………………..	106,785
1997……………………………..	111,831
1998……………………………..	116,064
1999……………………………..	124,716
2000……………………………..	125,525
2001……………………………..	129,525
2002……………………………..	134,463
2003……………………………..	140,438
2004……………………………...	142,354

Source: West Penn Multi-List.

The Redevelopment Authority provides low-cost home improvement loans to low- and moderate-income families utilizing Community Development Block Grant ("CDBG") monies, Commonwealth and local funds, and has issued its bonds for this purpose. The Redevelopment Authority also uses CDBG funds to subsidize the interest rate on rehabilitation loans made by private lenders to owners of residential properties and on property rehabilitation loans made by private lenders to businesses in designated neighborhood retail districts. The Redevelopment Authority has functioned as a loan originator under U.S. Department of Housing and Urban Development ("HUD") programs in which capacity the Redevelopment Authority contracts with HUD to originate twenty-year housing rehabilitation loans or rehabilitation grants funded by HUD.

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

INCOME

Per Capita Income

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

TABLE C-11
Pittsburgh PMSA, County and Commonwealth
Per Capita Personal Income

	1980	1990	2000	% Change 1980-2000
Pittsburgh PMSA..........................	$10,662	$19,906	$29,587	+64.0
Allegheny County...........................	11,402	22,382	33,474	+65.9
Pennsylvania.................................	10,151	19,823	29,539	+65.6

..

Source: United States Department of Commerce, Bureau of Economic Analysis.

APPENDIX D

FORM OF BOND COUNSEL OPINION

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APPENDIX D

FORM OF BOND COUNSEL OPINION

__________, 2006

City of Pittsburgh

Re: $__________ (Federally Taxable) General Obligation Refunding Bonds, Series A of 2006,
$__________ General Obligation Refunding Bonds, Series B of 2006, and
$__________ General Obligation Bonds, Series C of 2006

You have requested our opinion as to the legality of the above general obligation bonds, designated as "(Federally Taxable) General Obligation Refunding Bonds, Series A of 2006," in the aggregate principal amount of $__________ (the "Series A Bonds"); "General Obligation Refunding Bonds, Series B of 2006," in the aggregate principal amount of $__________ (the "Series B Bonds"); and "General Obligation Bonds, Series C of 2006," in the aggregate principal amount of $__________ (the "Series C Bonds," and together with the Series B Bonds, the "Tax-Exempt Bonds," and the Tax-Exempt Bonds together with the Series A Bonds, the "Bonds"). The Bonds are being issued by the City of Pittsburgh, Allegheny County, Pennsylvania (the "City"), under the provisions of the Pennsylvania Local Government Unit Debt Act, 53 Pa. Cons. Stat. §8001, *et seq*., as amended (the "Act"), and pursuant to a resolution duly adopted by the City Council (the "Resolution"). The Bonds are being issued for the purpose of providing funds for the (i) advance refunding of all or portions of certain outstanding general obligation bonds of the City, (ii) current refunding of all or portions of certain outstanding general obligation bonds of the City, (iii) financing of various capital projects of the City, and (iv) payment of the costs of issuing and insuring the Bonds.

The City has covenanted in the Resolution (i) to include the amount of debt service for the Bonds for each fiscal year in which such sums are due and payable in its budget for that year, (ii) to appropriate such amounts from its general revenues for the payment of such debt service, and (iii) to duly and punctually pay, or cause to be paid, from its sinking fund or any other of its revenues or funds, the principal or redemption price of, and interest on, the Bonds at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof; for such budgeting, appropriation and payment the City in the Resolution has pledged its full faith, credit and taxing power.

As Bond Counsel for the City, we have examined the relevant provisions of the Constitution of the Commonwealth of Pennsylvania; the Acts of Assembly pursuant to which the Bonds are authorized, issued and sold; the transcript of proceedings filed with the Pennsylvania Department of Community and Economic Development (the "Department"); and certain statements, affidavits and other documents which we have considered pertinent.

In rendering this opinion we have examined and relied upon (a) the opinion of counsel to the City with respect, *inter alia*, to the due adoption by the City of the Resolution in accordance with applicable laws; and (b) the accuracy of the statements and representations and the performance by the City of its covenants set forth in the Resolution and the City's Non-Arbitrage Certificate delivered on this date in connection with the issuance of the Tax-Exempt Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is authorized under the provisions of the Constitution and laws of the Commonwealth of Pennsylvania to issue the Bonds for the purposes above set forth, and the City has authorized the issuance thereof.

2. As indicated in the City's debt statement filed with the Department in connection with the issuance of the Bonds, outstanding debt of the City, including debt represented by the Bonds, is within the debt limitations of the Act.

3. The Bonds are the valid and binding general obligations of the City payable from the revenues of the City from whatever source derived, which revenues, at the time of the issuance and sale of the Bonds, include *ad valorem* taxes levied upon all the taxable property within the City, without limitation as to rate or amount.

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

5. Interest on the Tax-Exempt Bonds is excludable from gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Tax-Exempt Bonds (but not the Series A Bonds) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. Interest on a Tax-Exempt Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a Tax-Exempt Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the Tax-Exempt 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 Tax-Exempt Bonds. We express no opinion as to such collateral federal income tax consequences.

In providing this opinion, we advise you that it may be determined in the future that interest on the Tax-Exempt Bonds, retroactive to the date of issuance thereof or prospectively, will not be excluded from the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes if certain requirements of the Code are not met. The City has covenanted in the Resolution to comply with such requirements.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

PEPPER HAMILTON LLP

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