

City of Pittsburgh

Quarterly Financial & Performance Report

For the Period Ending March 31, 2012



Department of Finance
Office of Management and Budget

June 18, 2012

The material in this report is preliminary and subject to revision and is not an official statement of the City of Pittsburgh.

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Performance Report**

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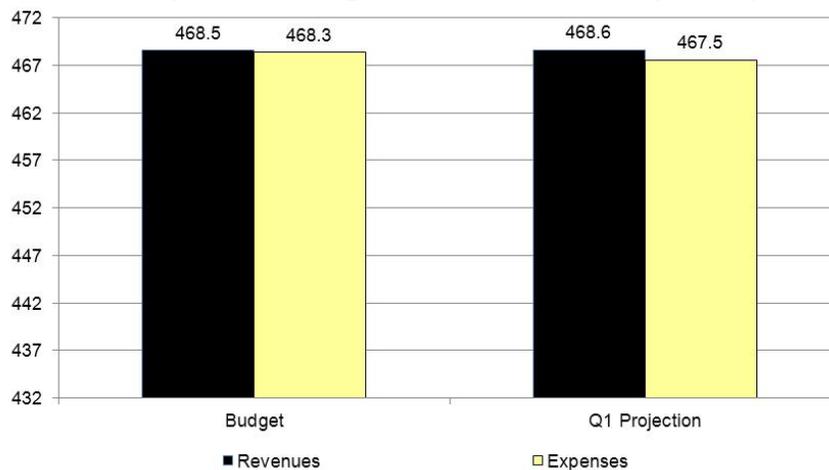
May 29, 2012

We have reviewed the City of Pittsburgh’s Quarterly Financial and Performance Report for the first quarter of 2012. This report covers the first three-month period of the City’s 2012 fiscal year, running from January 1, 2012 through March 31, 2012.

The primary goal of our review is to assess the City’s financial performance for the quarter, discuss revenue and expenditure trends, and consider the implications those trends hold for final 2012 results and future financial performance. We will also highlight potential threats to the City’s finances, any opportunities to improve projections and potential variances under the Act 11 process. Variances are defined as adverse changes of more than one percent of any individual departmental budget or revenue line reasonably projected to occur at year end.

Based on this year’s first quarter results, the City projects General Fund revenues (\$468.6 million) will exceed expenditures (\$467.5 million) for a positive operating result of \$1.1 million. This projected positive result includes the City depositing \$10 million of the additional State pension aid that the City received in 2011 into the employee pension trust fund.¹ The 2012 year-end projection result is slightly higher than \$211,000 operating balance in the City’s 2012 budget.

Revenues and Expenses – Budget and Q1 Year End Projection (\$ Millions)



While the City’s year-end projections are very close to budget, two trends bear monitoring because of the first quarter results:

- **Real estate taxes:** The City collected \$10.0 million (or 10.8 percent) less in current year real estate tax revenue this year than it did a year ago through one quarter. The apparent

¹ Like many other Pennsylvania municipalities, Pittsburgh received a one-time boost in State pension aid in 2011 because of a change in how the Commonwealth collects the tax revenue that funds this aid.

drop was due to billing delays related to the Allegheny County reassessment process. Uncertainty over which assessment the City could use resulted in City tax bills being mailed later than usual and an extension on when taxpayers can receive the two percent discount for early payment.

- **Earned income taxes:** The City collected \$8.2 million (or 44.3 percent) less in earned income tax revenue this year than it did a year ago through one quarter. As required in Act 32 of 2009, the City now uses Jordan Tax Services for EIT collection. Over the full year, changing the tax collector hopefully will not lead to a decrease in EIT revenue. In fact, the changes brought by Act 32 should ultimately generate more revenue for local governments since the law reduces the number of EIT collectors and the risk that revenue will not be collected and distributed properly. But in the short term, the City is running behind last year's collections.

Timing issues have also impacted the City's Q1 2012 expenditures relative to budget. On one hand, the City did not receive its employee health insurance bill for part of 2011 until January 2012. The City paid that delayed bill and its usual first quarter expenses during Q1 2012, creating an apparent 44.3 percent year-to-year increase in first quarter health insurance expenditures. On the other hand, the City processed reimbursement payments for police overtime worked in prior years during Q1 2012, creating an apparent 79.8 percent drop in police premium pay expenditures.

Setting these timing issues aside, this report represents important progress for the City toward improved financial management and eventually exiting Commonwealth oversight. The City generated this report using its new JD Edwards Enterprise Resource Planning (ERP) system. After several years of planning, the City moved the general ledger portion of its financial activities to the County's financial management software platform during Q1 2012. The numbers in this report come from this new ERP system. The new system will provide a more stable, and eventually more integrated, tool for managing the City's financial and human resource activities than the prior patchwork of City systems did. It will also enable the City to better allocate centrally budgeted expenditures, like employee health insurance, to operating departments, which has been an important objective for us and the ICA since the City first entered Commonwealth oversight in 2004.

Those changes won't happen overnight. Implementing a new ERP system is complicated and time consuming. City Finance and the City Controller have been working hard on this process for months, along with the County, the software vendor, the ICA and other parties.

The new ERP system also changes how the City categorizes its revenues and expenditures in these quarterly reports. Our report summarizes the major changes and will help the reader find the new location for some of the largest revenue and expenditure items that have moved.

Methodology and improved format

Projecting government financial results is, by nature, an inexact science. Even with sound financial planning, governments are subject to unexpected events necessitating changes in

planned expenditures. The goal of financial reporting is to regularly evaluate projected results and identify contingencies, make spending adjustments to account for emerging budget threats and create some level of reserve for unplanned expenditures or revenue shortfalls. Consistent with the provisions of Act 47 and Act 11, we work with the City in a regular quarterly cycle of financial performance reviews.

To complete this response, we reviewed the revenue, expenditure and staffing information presented in the City's first quarter report. We compared the City's first quarter financial performance this year to its first quarter performance in fiscal years 2009 - 2011. This analysis builds on bi-weekly meetings with the City, Commonwealth officials and the ICA Executive Director in which the parties raise emergent and recurring issues in a constructive, problem-solving environment.

Major Recovery Plan initiative update

Other Post-Employment Benefits (OPEB): As of January 1, 2010, the City has a \$488.6 million unfunded OPEB liability, mostly related to the health insurance benefits due to retired City employees. This was one of the four critical legacy costs addressed in the City's 2009 Amended Recovery Plan.² To help address these costs, the City has enacted legislation to establish an OPEB Trust Fund that will hold the assets set aside to address this large liability. These assets will be used to fund the long term OPEB liability as opposed to the year-to-year costs of retired employee health insurance, which the City covers in its operating budget. The City's 2012 budget includes a \$2.2 million allocation to the OPEB trust fund that must be deposited this year to comply with terms of the ICA's budget approval and the City's Amended Recovery Plan.

Collective bargaining: The Amended Recovery Plan establishes parameters within which the City can negotiate collective bargaining agreements with its employee unions. The City's agreement with the Fraternal Association of Professional Paramedics expired on December 31, 2010. The agreement with the Pittsburgh Joint Collective Bargaining Council (PJCBC), which represents tradesmen such as carpenters, electricians and laborers, expired on December 31, 2011. Negotiations with both groups continue.

Revenues

As noted earlier, the City is implementing the new JD Edwards financial management system. This new system changes the way the City tracks revenues in its quarterly reports. At the most basic level, the new system uses 20 revenue subclasses while the old one had over 30. The City still tracks all the individual kinds of revenue, but they are organized differently as follows:

- The City now tracks the penalty and interest revenue associated with a specific tax in the same subclass as the current and prior year tax revenue. For example, the revenue from penalties and interest payments for delinquent parking taxes is tracked in the parking tax subclass. Previously all tax-related penalties and interest payments were tracked together in a subclass called "other taxes."

² The other three legacy costs were debt service, pensions and worker's compensation.

- The City has a new intergovernmental revenue subclass that gathers several items that were previously reported separately such as the Authority payments, gaming revenue and Commonwealth pension aid.
- The City has a new “charges for service” subclass that groups several items that were previously reported separately including EMS revenues, service charges managed by the Department of Finance and the Borough of Wilkinsburg payments for City trash and fire services.

While the City is using different subclasses to track its revenue, the new system still has detail on the items listed in prior quarterly reports. For the reader’s convenience, we have included a table at the end of this report that shows the City’s Q1 2012 collections according to the former structure and compares them to the first quarter revenues for 2009-2011.³ Over time and with the County’s support, the City will be able to adapt the system to report revenue figures differently as audience interest and needs dictate.

Revenue performance

Based on the first quarter results, the City projects \$468.6 million in total year-end revenue for 2012, which is slightly more than the \$468.5 million budgeted. The City collected \$144.4 million in the Q1 2012, which is lowest amount since at least 2007 and \$12.9 million less than the \$157.3 million that the City averaged in the first quarters of 2009-2011. The primary factors contributing to these lower receipts are:

- Current year real estate tax revenue was \$7.6 million lower than the three-year average (\$82.9 million versus \$90.6 million). The apparent drop is due to timing issues related to the Allegheny County reassessment process. Uncertainty whether the City could use the new assessment resulted in City tax bills being mailed later than usual and an extension on when taxpayers can receive the two percent discount for early payment.
- Earned income tax revenue was \$7.2 million lower than the three-year average (\$10.3 million versus \$17.5 million) because of the change in tax collectors. As required in Act 32 of 2009, the City now uses Jordan Tax Services for EIT collection. That change took effect this year so Q1 2012 is the first quarter in which Jordan handled these duties. The change in collector delayed when the City received its EIT revenue, but hopefully will not reduce the total amount collected over a full year.

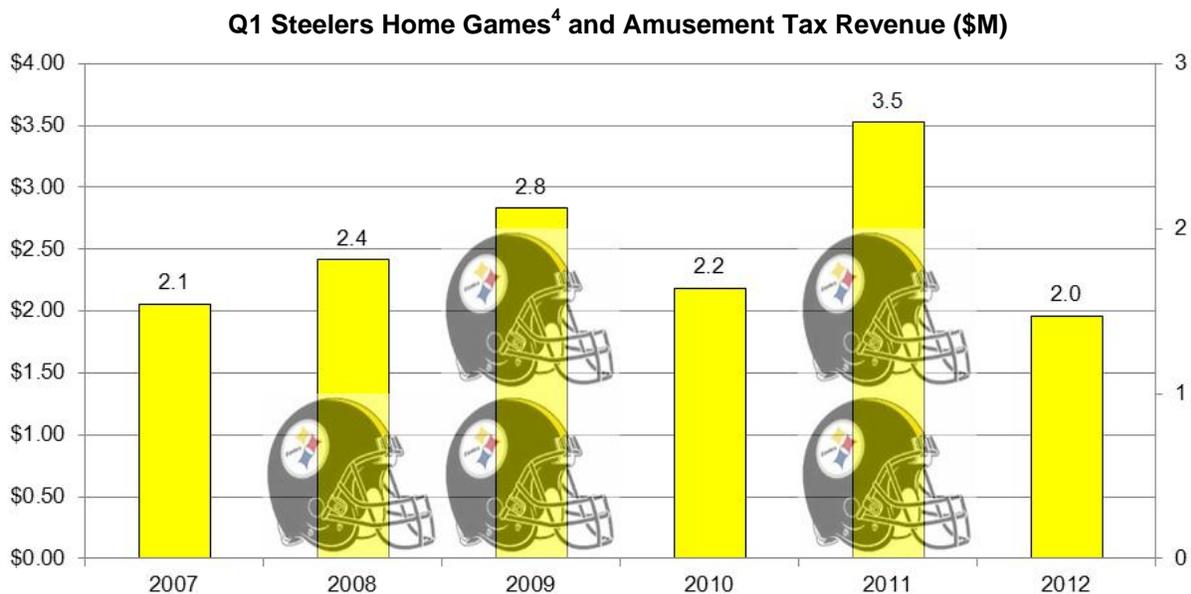
The City projects the six revenue categories listed below will have a “variance” in 2012. Variances are defined as an adverse change of at least one percent relative to the budget.

³ We do not show the revenue for the former Rentals and Charges and BBI – Breakeven subclasses. The revenue lines that were previously tracked in those subclasses are now distributed between several new subclasses in the new report.

Projected Revenue Variances for 2012

	Projected FY2012	Budgeted FY2012	Variance (\$)	Variance (%)
Amusement Tax	11,374,648	12,262,977	(888,329)	-7.2%
Intergovernmental	51,139,893	51,899,811	(759,918)	-1.5%
Charges for Services	31,037,217	31,421,500	(384,283)	-1.2%
Miscellaneous	74,171	254,265	(180,094)	-70.8%
Local Service Tax	13,380,909	13,548,000	(167,091)	-1.2%
Other taxes	231,085	259,226	(28,141)	-10.9%
Total	107,006,836	109,386,553	(2,379,717)	-2.2%

The City collected \$2.0 million in amusement tax revenue during the first quarter, which is the lowest amount reported since at least 2007. The first quarter average for the prior three years was \$2.8 million. The City's narrative notes that first quarter revenues were lower because the Pittsburgh Steelers did not have a home game during that period. As the chart below shows, there is a correlation between the Steelers' home games and the City's first quarter amusement tax revenue.



The City projects that Intergovernmental revenue will fall short of budget because of a smaller-than-budgeted transfer from the Liquid Fuels Fund to the General Fund. The City receives State

⁴ Each helmet represents one home game.

liquid fuels aid in a designated fund, pays for materials related to road maintenance out of that fund and then transfers the remaining money to the General Fund. A lower Commonwealth allocation and higher material costs are anticipated to reduce the amount available for transfer to the General Fund this year.

The City projects Miscellaneous revenue will fall \$180,000 short of the \$254,000 projection. This category has three items in it, the largest of which is a catchall “unidentified revenue” category for miscellaneous items.

Countering these variances, the City projects that the five revenues below will each generate a surplus of at least \$400,000 over the 2012 budgeted level.

Projected Revenue Surpluses for 2012

	Projected 2012	Budgeted 2012	Surplus (\$)	Surplus (%)
Parking Tax	48,099,418	47,613,685	485,734	1.0%
Payroll Preparation Tax	49,735,879	49,313,123	422,756	0.9%
Act 77 - Tax Relief	12,767,729	12,287,777	479,952	3.9%
License and Permit	4,270,282	3,423,236	847,046	24.7%
Fines and Forfeits	10,125,623	9,450,203	675,420	7.1%
Total	124,998,931	122,088,023	2,910,908	2.4%

The City’s narrative addresses the projected surpluses in revenue from the parking tax, payroll preparation tax, Regional Assets District sales tax (Act 77 tax relief) and fines and forfeits. The largest item in the License and Permit category is zoning fees (\$1.1 million). The City collected \$199,000 during the first quarter, which is more than the first quarter receipts in two of the prior three years.

Expenses

The transition to the JD Edwards financial management system has significantly changed how the City tracks its expenditures. For years the City tracked several expenditures that cut across departmental boundaries in sections of its budget marked “Non-Departmental.” In the new system, those “Non-Departmental” expenditures have been moved into one of the operating departments. The largest non-departmental expenditures are placed in the following departments.

New Location of Non-Departmental Expenditures

Item	Old location	New location
Debt Service	Non-departmental – Debt	Finance
Pension Fund Contribution	Non-departmental – Personnel	Finance
Retiree Fund Contribution	Non-departmental – Personnel	Finance
OPEB Contribution	Non-departmental – Personnel	Finance
Health insurance (Active and retired employees)	Non-departmental – Personnel	Personnel
Social Security	Non-departmental – Personnel	Personnel
Medicare Retiree Benefits	Non-departmental – Personnel	Personnel
Workers' Compensation	Non-departmental – Personnel	Personnel
Utilities	Non-departmental – Citywide	CIS
Vehicle fuel	Non-departmental – Citywide	Finance
Judgments	Non-departmental – Citywide	Law
Postage	Non-departmental – Citywide	Finance
Ceridian (Payroll services)	Non-departmental – Citywide	Personnel
ERP Expenses	Non-departmental – Citywide	Finance

Eventually the City should charge some of these centrally budgeted expenses back to the associated departments. For example, the cost of health insurance for police officers should be listed in the Bureau of Police budget rather than budgeted centrally in the Personnel Department. The cost of vehicle fuel should be charged to the departments that use the vehicles rather than budgeted centrally under Finance's Bureau of Procurement, Fleet and Asset Services. City Finance is aware of that objective and will work toward it as it becomes more accustomed to the new system.

The new system tracks salaries and premium pay (including overtime) in one subclass called Salaries and Wages. The system maintains detailed information on premium pay spending by department and the City's narrative discusses premium pay expenditures for the Bureaus of Police and Fire. But the department-by-department tables near the back of this report will no longer show premium pay spending for each bureau.

Spending on non-personnel operating expenses, such as materials, supplies and service contracts, is now tracked according to the Governmental Accounting Standards Board (GASB) categories, which differ significantly from the City's prior chart of accounts.

Expense performance

During Q1 2012, the City spent \$116.2 million or 24.8 percent of its annual \$468.3 million operating budget. Based on those results, the City projects it will spend \$467.5 million this year, which would be \$697,000 or 0.2 percent less than budgeted. At that level 2012 expenditures would be 4.6 percent higher than last year's total of \$447.2 million.⁵

The City projects this year's expenditures will finish at or below budget for seven of the ten subclasses. The subclass with the largest savings by dollar amount is Salaries and Wages (\$1.7 million), though that amount is less than one percent of the total salary budget. The City also projects it will spend \$1.3 million (or 9.0 percent) less than budgeted on the new Professional and Technical Services category. Vehicle repair expenses have been partially paid out of the Property Services subclass instead of Professional and Technical Services where they were initially budgeted. That change alone creates a \$1.4 million savings in Professional and Technical Services and a corresponding overage in Property Services.⁶

The three subclasses where the City projects to spend more than its budget are Employee Benefits (\$1.6 million or 1.1 percent), Property Services (explained above) and Property (\$122,000 or 7.1 percent).⁷

The projected variance in Employee Benefits is due to delayed billing for active and retired employee health insurance costs in 2011. The vendor did not bill the City for part of 2011's expenses until early 2012. The City paid the late Q4 2011 bill and its usual first quarter bill during Q1 2012, which makes City spending look much higher than usual. This counters the Q4 2011 results when the City's health insurance spending looked much lower than usual because the City had not been billed for some of the annual costs. As the chart below shows, that billing delay could swing the City's spending levels several million dollars in both years.

Health Insurance Expenditures		Health Insurance Expenditures	
Q4 2011	7,649,271	Q1 2012	16,213,715
Q4 2010	11,650,000 ⁸	Q1 2011	11,233,829
Difference	(4,000,729)	Difference	4,979,886

⁵ This total comes from the City's Q4 2011 report, so it is a non-audited figure.

⁶ The City shows both changes in the Bureau of Procurement, Fleet and Asset Services.

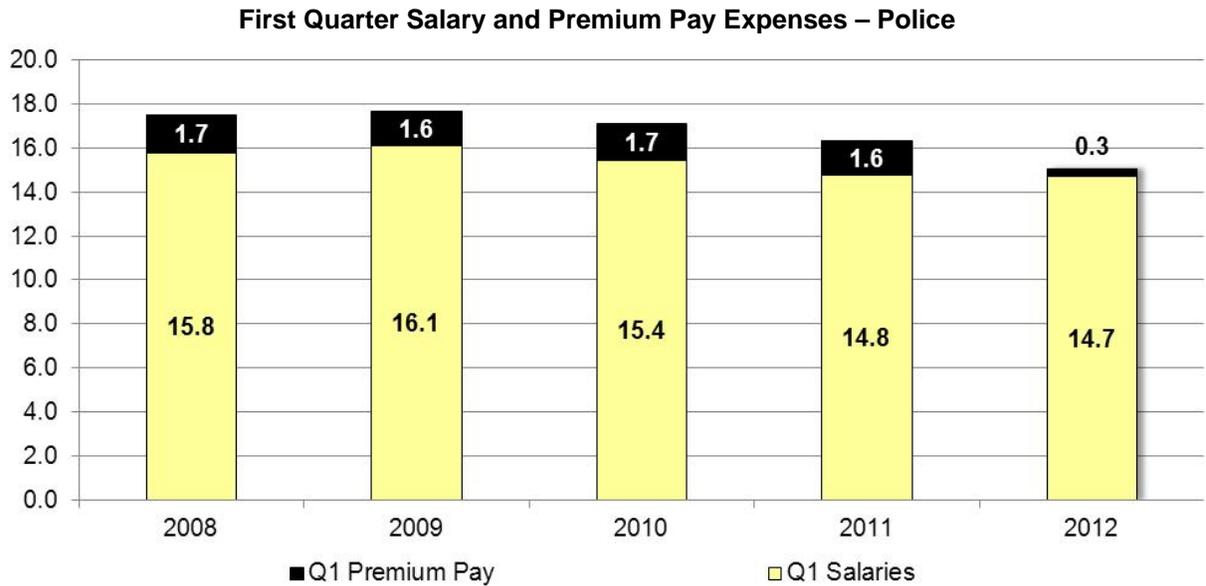
⁷ Property Services is the construction and maintenance of City-owned properties. Property is the acquisition of land, buildings, machinery, and equipment.

⁸ The actual level of health insurance spending for Q4 2010 is not available so we have used the budgeted amounts as a proxy. The difference between annual actual and annual budgeted health insurance expenditures was just 1.0 percent in 2010 so the budgeted figures are a sufficient representation.

Expenditures by department

The only department that is projected to spend more than budget is Personnel because it carries all the employee benefit expenses.

As noted in the City's narrative, spending on salaries in the Bureau of Police was lower this year than in first quarters of recent years. The year-to-year drop in first salary expenditures (0.3 percent) tracks the drop in Bureau headcount (0.4 percent).⁹ Since 2008 first quarter Bureau headcount is down 3.0 percent from 968 employees to 939 employees¹⁰ and first salary expenditures are down 6.7 percent.



Police premium pay spending, which includes overtime, appears to drop by 79.8 percent from \$1.6 million in 2011 to \$317,000 in 2012. While overtime related to certain activities, like court appearances, may have declined, this apparent drop is mainly due to how the City tracks premium pay activity.

The City uses a premium pay expenditure account to track the overtime paid to police officers for working extra shifts requested by individual organizations. The Bureau bills the outside organizations for the overtime, gets reimbursed and deducts that payment from the premium pay expenditure account. While the City has historically tracked its premium pay expenditures in this manner, there was a delay between when some police officers worked overtime in 2011 and when the associated payments were applied to the account in 2012. The delay led to the City depositing a higher than usual amount of reimbursement revenue in the account during Q1 2012, which in turn makes the overtime expenditures look lower than usual.

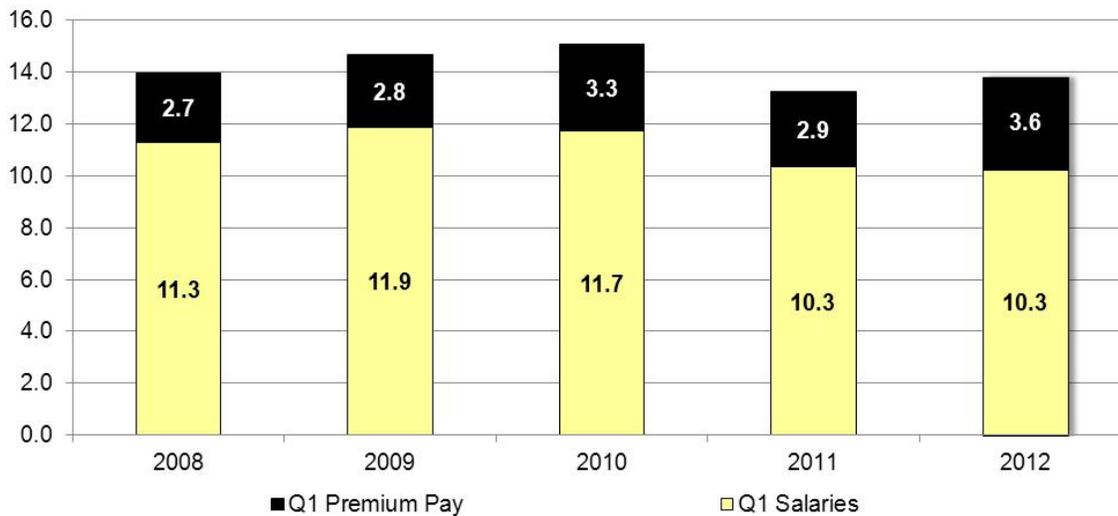
⁹ This includes civilian members of the Bureau of Police except school crossing guards.

¹⁰ These headcount figures are an average of the reported headcount for the first and last pay periods of each quarter.

The City's narrative notes that court-related overtime is down because of improved scheduling and tracking of overtime earned. The City projects that it will finish 2012 \$829,000 (or 1.2 percent) below budget for Police Salaries and Wages, including premium pay.

Looking at the Bureau of Fire, the City spent close to the same amount on salaries in Q1 2012 as last year (\$10.3 million). The Bureau's headcount was 615 in both quarters.¹¹ Premium pay spending is up \$649,000 (or 22.1 percent) from last year so total spending is up \$565,000 (or 4.3 percent). Over the longer period, the Bureau's first quarter headcount is down 4.6 percent from 644 in 2008 to 615 in 2012. Salary expenditures are down \$1.1 million (or 9.3 percent) over that period while premium pay expenditures are up \$919,000 (or 34.5 percent), leaving the City's total spending across these categories down 1.0 percent. The City projects it will finish 2012 at budget for Fire Salaries and Wages, including premium pay.

First Quarter Salary and Premium Pay Expenses - Fire



Looking at the first quarter data alone does not provide enough information to draw meaningful conclusions about where the City will finish the year. Premium pay expenditures may rise during the second and third quarters when employees traditionally take more vacation. Salary expenditures may also rise since the City plans to have a police and fire training class during 2012.

Staffing¹²

As of the last pay period in Q1 2012, the total active employee head count across all funds was 3,201, which are 18 fewer people (or 0.6 percent) than in the last pay period of Q4 2011. The table below shows the departments and bureaus that had a net head count change of at least three over this time.

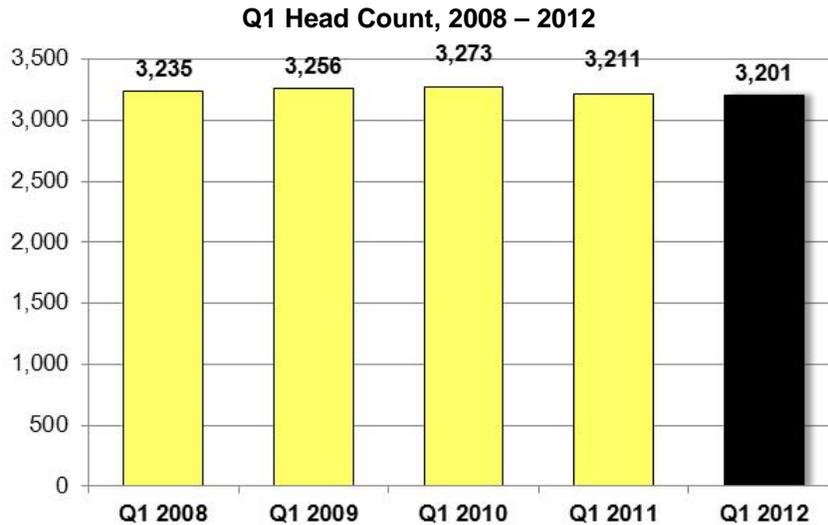
¹¹ Please see the previous footnote.

¹² The headcount figures used here cover all City funds. They include all active employees, including those on various types of leave.

Head Count Change by Department/Bureau

	Q4 2011	Q1 2012	Change	Change (%)
Fire	620	611	-9	-1.5%
Police	942	937	-5	-0.5%
EMS	180	175	-5	-2.8%
Mayor's Office	15	12	-3	-20.0%
Finance	105	102	-3	-2.9%
Council/Clerk's Office	42	48	6	14.3%
Citywide	3,219	3,201	-18	-0.6%

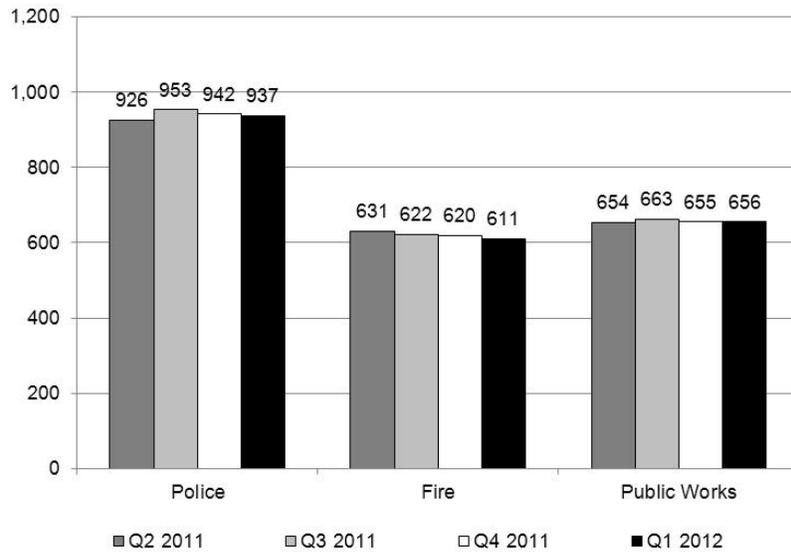
Over the last four quarters, the City's head count dropped by 223 people (6.5 percent), mostly due to changes in seasonal positions. To account for these seasonal changes, the following chart compares head count for the first quarters of 2008 through 2012. Head count has dropped by 34 positions (or 1.1 percent) over this five-year period.



The following graph shows changes in head count over the last four quarters for the Bureaus of Police and Fire and the Department of Public Works.¹³ Public Works head count has remained stable over this period.

¹³ Please note these head count figures include uniform and civilian employees for Police and Fire. For Public Works, the figures include employees in the Bureau of Environmental Services and the Bureau of Transportation and Engineering.

Head Count for Police, Fire and Public Works (Last Four Quarters)



Summary

Procedural changes for the City's real estate and earned income tax collections have left the two largest revenue sources a combined \$18.2 million (or 16.4 percent) lower than the City's first receipts at the end of Q1 2011. The City projects that these changes are timing related and, over the course of a full year, will not significantly impact the City's revenue performance.

Timing issues have also impacted the expenditure side. On the one hand, health insurance spending is \$5.0 million higher than a year ago because the City was not billed for part of 2011's expenses until January 2012. On the other hand, the City processed a higher-than-usual level of reimbursements payments for police overtime worked in prior years, which makes police overtime expenditures look \$1.3 million lower than a year ago on a net basis.

Even with all these timing-related changes, the City projects that it will finish 2012 with a positive operating result of \$1.1 million, a little more than the \$211,000 result included in the City's 2012 budget.

Sincerely,

James H. Roberts

Dean Kaplan

Historical Revenues Tracked According to Former Categories

	1Q 2009	1Q 2010	1Q 2011	1Q 2012	Budget 2012	1Q 2012 to 1Q 2011 Difference	% Collected
Real Estate – Current	91,001,302	87,765,515	92,989,670	82,941,344	127,053,000	(10,048,326)	65.3%
Real Estate – Prior	827,744	351,555	999,816	1,570,147	3,525,000	570,331	44.5%
Payroll Prep Tax	12,133,159	12,212,174	12,754,204	12,986,450	48,956,798	232,246	26.5%
Amusement Tax	2,831,902	2,182,494	3,525,045	1,962,074	12,257,000	(1,562,971)	16.0%
Earned Income Tax	17,683,716	16,361,883	18,486,268	10,291,770	70,766,000	(8,194,498)	14.5%
Deed Transfer Tax	2,201,210	3,238,703	4,008,455	2,452,426	15,612,000	(1,556,029)	15.7%
Parking Tax	10,450,608	9,776,514	10,810,289	11,343,572	47,594,447	533,283	23.8%
EST/LST	3,372,852	3,869,479	3,481,481	3,361,093	13,448,000	(120,388)	25.0%
Business Privilege Tax	1,346,350	183,055	133,213	19,881	17,000	(113,332)	116.9%
Facility Usage Fee	885,022	762,985	897,961	1,002,794	3,818,906	104,833	26.3%
Other Taxes	432,413	356,858	429,921	408,251	2,228,610	(21,670)	18.3%
Interest Earned	127,791	18,285	29,545	16,999	53,000	(12,547)	32.1%
Fines & Forfeit	483,937	1,592,975	2,095,002	2,328,572	9,449,073	233,570	24.6%
Liquor, Bus. & Govt Licenses	206,631	146,981	273,222	192,854	1,462,341	(80,368)	13.2%
Rental & Charges	670,713	893,540	723,576	N/A	5,573,473	N/A	N/A
PSP & POS	689,970	688,182	1,354,243	1,713,457	6,078,945	359,214	0.0%
Breakeven – BBI	1,502,455	1,538,968	1,323,256	N/A	5,108,557	(1,323,256)	0.0%
Breakeven – EMS	1,864,583	2,710,014	2,467,914	3,234,714	10,258,915	766,800	31.5%
Breakeven - Other	1,464,911	1,274,439	1,309,397	1,355,930	5,263,853	46,533	25.8%
Federal & State Grants	517,321	516,100	13,198	0	3,051,277	(13,198)	0.0%
Liquid Fuels	0	0	0	0	4,630,000	0	0.0%
State Grant Support	0	0	0	0	1,000,000	0	0.0%
State Pension Aid	0	0	0	0	15,506,145	0	0.0%
Non-Profit Payment	169,541	37,793	110,988	460,795	3,174,353	349,807	14.5%
Reimbursement - CDBG	0	46,971	0	359,552	680,339	359,552	52.8%
Authority Payments	1,265	1,758	2,950	345,572	11,400,000	342,622	3.0%
State Utility Distribution	0	0	0	0	477,050	0	0.0%
Act 77	3,546,784	3,398,419	3,536,387	3,686,138	12,287,777	149,752	30.0%
Miscellaneous	28,707	36,812	1,923,413	44,393	254,265	(1,879,020)	17.5%
Econ. Dev. Slots Revenue	0	0	0	0	5,100,000	0	0.0%
2% Local Share Slots Revenue	0	3,337,473	0	0	10,000,000	0	0.0%

	1Q 2009	1Q 2010	1Q 2011	1Q 2012	Budget 2012	1Q 2012 to 1Q 2011 Difference	% Collected
Intergovernmental Fee	193,125	198,919	206,787	212,991	2,452,984	6,204	8.7%
Total	154,634,013	153,498,842	163,886,202	144,433,820	458,539,108	-20,870,857	6

Source: Revenues shown are year-to-date. Data comes from the first quarter reports for 2009 through 2012. Quarterly report numbers are unaudited and subject to change. Some categories were not tracked separately in all years.

1st QUARTER DEPARTMENTAL HEADCOUNT BY PAY PERIOD (1)

<u>DEPARTMENT</u>	<u>1/13/2012</u>	<u>1/27/2012</u>	<u>2/10/2012</u>	<u>2/24/2012</u>	<u>3/9/2012</u>	<u>3/23/2012</u>
COUNCIL/CLERK'S OFFICE	46	45	45	46	47	48
MAYOR'S OFFICE	14	14	13	13	13	12
CIS	54	54	54	54	53	53
HUMAN RELATIONS	7	7	7	7	7	7
CONTROLLER	46	46	46	46	46	46
FINANCE	104	103	101	101	102	102
LAW	34	34	34	34	34	33
OMI	8	8	8	8	8	8
EQUAL OPPORTUNITY REVIEW COMMISSION	5	5	5	5	5	5
PERSONNEL & CIVIL SERVICE	30	30	30	30	30	31
WORKFORCE INVESTMENT ACT	34	34	34	34	34	33
CITY PLANNING	45	44	43	43	43	45
PUBLIC SAFETY ADMINISTRATION	17	17	17	17	17	17
EMS	180	180	180	177	175	175
POLICE	940	939	938	937	937	937
SCHOOL GUARDS	113	113	112	111	114	114
FIRE	618	616	615	615	611	611
BUILDING INSPECTION	65	65	65	64	64	64
PUBLIC WORKS	432	433	434	434	434	432
ENVIRONMENTAL SERVICES	192	192	189	191	193	193
ENG. & CONSTRUCTION	31	30	30	30	30	31
ANIMAL CONTROL	14	14	14	14	14	14
PARKS	183	184	183	183	184	184
CITIZENS' POLICE REVIEW BOARD	6	6	6	6	6	6
TOTAL	3,218	3,213	3,203	3,200	3,201	3,201

(1) Includes headcount for General Fund and all other City funds. Also includes all active City employees, including those on various leave status that have not yet been terminated. As a result, the headcounts shown here differ from the headcounts shown by departments in the Performance Reports herein and the Headcount by Bargaining Unit table herein.

1st QUARTER BARGAINING UNIT HEADCOUNT BY PAY PERIOD (1)

<u>BARGAINING UNIT</u>	<u>1/13/2012</u>	<u>1/27/2012</u>	<u>2/10/2012</u>	<u>2/24/2012</u>	<u>3/9/2012</u>	<u>3/23/2012</u>
NO REPRESENTATION	564	565	566	567	570	571
FRATERNAL ORDER OF POLICE	862	861	860	859	859	859
FIREFIGHTERS	609	607	606	606	602	602
PJCBC BLUE COLLAR	354	353	350	350	350	349
TEAMSTERS/REFUSE	178	178	175	177	179	179
AFSCME FOREMAN	49	49	49	49	49	49
SEIU REC TEACHERS	51	51	51	51	51	51
SEIU SCHOOL GUARDS	111	111	110	109	112	112
AFSCME WHITE COLLAR	280	278	276	274	273	273
FRATERNAL ASSOC. OF PROF. PARAMEDICS	160	160	160	158	156	156
TOTAL	3,218	3,213	3,203	3,200	3,201	3,201

(1) Does not include employees on leave status who are not receiving City paychecks. Includes headcount for General Fund and all other City funds.



Overview

This is the first quarterly report of the City of Pittsburgh for 2012, issued pursuant to Act 11 of 2004 and the Cooperation Agreement between the City of Pittsburgh and the Intergovernmental Cooperation Authority for Cities of the Second Class (ICA). This report is also intended to fulfill the reporting requirements of the revised and adopted Municipalities Financial Recovery Act Recovery Plan for the City of Pittsburgh dated June 30, 2009. This report covers the first quarter of the City's 2012 fiscal year, for the period of January 1, 2012 through March 31, 2012.

Certain material presented herein has been provided by the various City departments, bureaus, boards and commissions, as well as the Office of the City Controller. All of the information included herein is unaudited and is subject to future amendment or correction. All revenue and expenditure information is presented on a cash basis.

The City's first quarter financial results and projections for the balance of the fiscal year forecast that the City will end the year with revenues at budgeted levels and expenditures are projected to be under budget by \$0.7 million or 0.1 percent.



Revenue Results and Projections

The City collected \$144.4 million in revenue during the first quarter. This represents 31.0 percent of total revenue budgeted for the year. This is \$19.4 million less than the same period last year, or a 5.0 percent decrease as a percent of annual budgeted revenue collected when compared to the first quarter of 2011. In 2011, the City collected \$163.9 million or 36.0 percent of the budgeted revenues through the first quarter. The 2012 revenue collections are projected to slightly exceed the budgeted level of \$468.5 million by \$0.04 million.

Real Estate- Current Tax collections are currently \$1.8 million behind projections. Other revenue items for discussion are Real Estate- Prior, and Interest on Bank Balances. Real Estate-Prior is projected to exceed budget by \$0.6 million or 19 percent. Interest on Bank Balances is expected to increase in 2012 and currently show projections exceeding the budgeted amount by \$0.01 million. This line item will be watched carefully to determine whether further revenue adjustments are warranted.

Budget Year 2012 – Revenue Summary

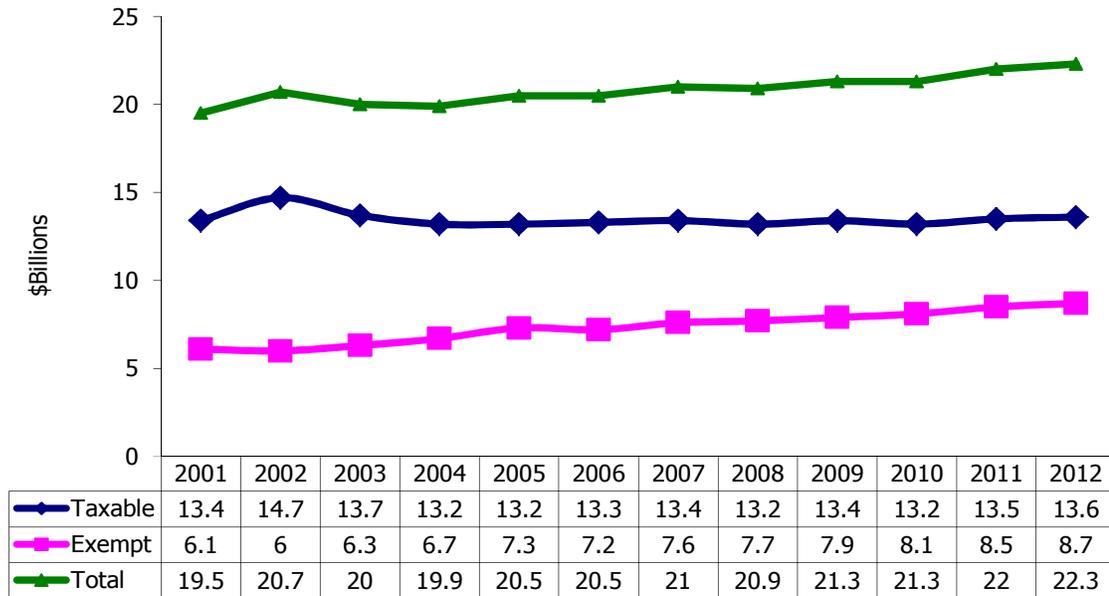
FY 2011 Actual	FY 2012 Budget	1st Qtr Year End Estimate	Budget to Year End Estimate
466.3 million	468.5 million	468.5 million	0.0 million



Real Estate Tax

Real Estate tax collections are the largest single source of revenue in the budget, comprising 28 percent of all revenues. This revenue source has been stagnant in recent years with the decision of Allegheny County to institute a base year method for assessing property. However, the Pennsylvania Supreme Court ruled that the base year method for property valuation as applied by Allegheny County violates the uniformity clause of the State Constitution and as such is unconstitutional. A reassessment was ordered by Judge R. Stanton Wettick and the County submitted its plan for a full reassessment to be completed by the 2012 tax year, which was accepted by the Court. However, Judge Wettick finally ruled that the reassessment would not be implemented until the 2013 tax year. Municipalities and school districts continue to appeal recent sales and seek interim assessment increases on applicable properties. This quarter, the City has appealed the value of approximately 74 recently sold properties of which the selling price of each exceeded the assessed value by 115 percent or more. In spite of the restrictions imposed by the 2002 base year calculated market value in use by the County, the City won approximately 26 percent of the total appeals filed by the City in 2011 that were heard by the Allegheny County Board of Assessments.

City of Pittsburgh 2001-2012 Assessed Values



* Totals may not equal due to rounding.

Real estate collections currently show a projected decrease of \$1.8 million for the first quarter of 2012. This decrease is attributable to the Court decision to delay the reassessment to 2013. Jordan Tax Service began collecting delinquent real estate taxes on January 1, 2011, and has been maintaining appropriate collection levels.



Bottlenecks in delinquent processing from 2011 have been resolved and 2012 collections are expected to improve by \$0.6 million. The City will continue to aggressively pursue delinquent property owners through Treasurer's Sales and to appeal current assessed valuations based upon recent property sales. As a result of these efforts, revenues are projected to miss budgeted levels by \$1.8 million for Real Estate- Current, but exceed in Real Estate- Prior by \$0.6 million.

Current Year Real Estate

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
125.5 million	127.4 million	125.6 million	(1.8) million

Prior Year Real Estate

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
4.0 million	3.7 million	4.3 million	0.6 million

Payroll Preparation Tax

The Payroll Preparation Tax is trending slightly higher than the same period in 2011. Total revenue is projected to exceed budgetary projections by \$0.4 million or 0.9 percent.

Payroll Tax

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
50.3 million	49.3 million	49.7 million	0.4 million

Earned Income Tax

Earned Income tax in the first quarter decreased by \$8.0 million over the same period last year. Due to the Act 32 implementation, Jordan Tax Service is now collecting Earned Income Tax and adjusting to this new process. Total revenue collections for the Earned Income tax are projected to miss budget by \$0.2 million.

Earned Income Tax

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
71.8 million	70.9 million	70.7 million	(0.2) million



Local Services Tax

Local Services tax collections decreased by \$0.08 million over the same period last year. Revenue is projected to miss budget by \$0.1 million.

Local Services Tax

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
13.7 million	13.5 million	13.4 million	(0.1) million

Deed Transfer Tax

Deed Transfer tax collections for the first quarter of 2012 decreased by \$1.5 million when compared to prior year receipts. However, six large commercial properties are currently on the market, and more sales are anticipated. Although sales prices have decreased in the residential market, sales are anticipated to be modest during 2012. Revenues are projected to meet budget.

Deed Transfer Tax

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
18.2 million	15.6 million	15.6 million	0.0 million

Fines and Forfeits

Fines and Forfeits increased by \$0.02 million compared to the same period last year. This is attributable to an increase in parking fines imposed by the Parking Authority as of July 1, 2011. Revenues are projected to exceed budget by \$0.7 million.

Fines and Forfeits

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
9.4 million	9.4 million	10.1 million	0.7 million

Charges for Service- EMS

Charges for Service- EMS revenues increased by \$0.7 million in first quarter collections compared to the prior year. EMS signed a contract with Quick-Med Claims beginning January 1, 2011. Projected revenue for this category is expected to exceed budget by \$0.2 million.

Charges for Service- EMS

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
9.7 million	10.2 million	10.4 million	0.2 million



Amusement Tax

Amusement Tax receipts for the first quarter decreased by \$1.5 million over the same prior year period. The decrease is attributable to the Pittsburgh Steelers having no home playoff games during the 2011-2012 season. The Penguins enjoyed their fifth year of sell-out games as attendance records continue to be set by the Penguins in the Consol Energy Center. The City projects revenues to miss budget by \$0.9 million or 7.2 percent.

Amusement Tax

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
13.5 million	12.2 million	11.3 million	(0.9) million

Parking Tax

First quarter Parking Tax receipts increased by \$0.5 million over the same period in 2011. Revenues are projected to exceed the budget by \$0.5 million or 1.0%.

Parking Tax

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
47.3 million	47.6 million	48.1 million	0.5 million

Non-Profit Payment for Services

Non-Profit Payment for Services first quarter revenue is up by \$0.3 million over the same period last year. The City anticipates signing a new contribution agreement with the Pittsburgh Foundation earmarking \$2.6 million for 2012 and \$2.6 million for 2013. Revenues are projected to reach budgeted levels.

Non-Profit Payment for Services

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
3.5 million	3.2 million	3.4 million	0.2 million



Act 77

Act 77 first quarter collections of the additional 1 percent sales tax are \$0.01 million above the same period in 2011. As the economy continues to improve in 2012, residents will continue to spend more thereby increasing the receipts into the RAD. The City is currently projecting Act 77 revenue to slightly exceed budget.

Act 77 – Tax Relief

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
12.3 million	12.3 million	12.7 million	0.4 million



Expenditure Results and Projections

Expenditures for the first quarter of 2012 totaled \$116.1 million, or 25.0 percent of the total operating budget of \$468.2 million. This represents a \$7.7 million decrease in expenditures compared to the same period in 2011, in which expenditures totaled \$109.0 million, or 24.0 percent of budget.

Projected total expenditures for 2012 are currently \$467.5 million, which is \$0.7 million below the budget expenditures of \$468.2 million.

Budget Year 2012 – Expenditure Summary

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
447.1 million	468.2 million	467.5 million	(0.7) million

Salaries and Wages Expenditures

Departments continued to operate with tight controls on spending during the first quarter of 2012. However, regular salaries for the first quarter were \$0.5 million higher than the same period in 2011. Together, salaries and wages comprise 40.0 percent of the operating budget. In 2012, the City of Pittsburgh projects expenditures of \$183.6 million on salaries and wages. This represents a budgetary savings of \$1.7 million, or 0.9 percent. A more detailed analysis of the City’s largest staffed departments, Police, Fire, and Public Works, follows in the next section of this document.

Salaries and Wages

FY 2011 Actual	FY 2012 Budget	1 st Qtr Year End Estimate	Budget to Year End Estimate
177.6 million	185.3 million	183.6 million	(1.7) million



Expenditure Analysis: Police, Fire, and Public Works

Bureau of Police

Police officer headcount currently stands at 867. Both Salaries and Premium Pay in the Bureau of Police are down this quarter as compared to the previous two years. Salaries this quarter totaled \$14,741,772, which is just slightly below that of last year (less than half a percent), and 4.6 percent lower than in 2010. Likewise, Premium Pay is significantly lower this year, with only \$317,185 spent this quarter. This is 20 percent of what was spent last year, and a quarter of what was spent in 2010. This is primarily due to a large number of deposits Police made into their premium pay account this quarter--\$2.6 million in reimbursable overtime, though not necessarily just for work done in 2012.

1st Quarter Salaries and Premium Pay

	2012	2011	2010
Salaries	\$14,741,772	\$14,780,847	\$15,449,803
Premium Pay	\$317,185	\$1,567,180	\$1,231,694

Longevity pay within salaries is also down. The total paid in the first quarter is \$1,926,067, which is less than in both 2011 and 2010.

Police Bureau Longevity Pay

	2012 Longevity	2011 Longevity	2010 Longevity
January	\$ 280,621	\$ 334,621	\$ 295,387
February	\$ 1,394,018	\$ 1,273,590	\$ 1,398,762
March	\$ 251,428	\$ 419,467	\$ 256,257
Total	\$ 1,926,067	\$ 2,027,678	\$ 1,950,406

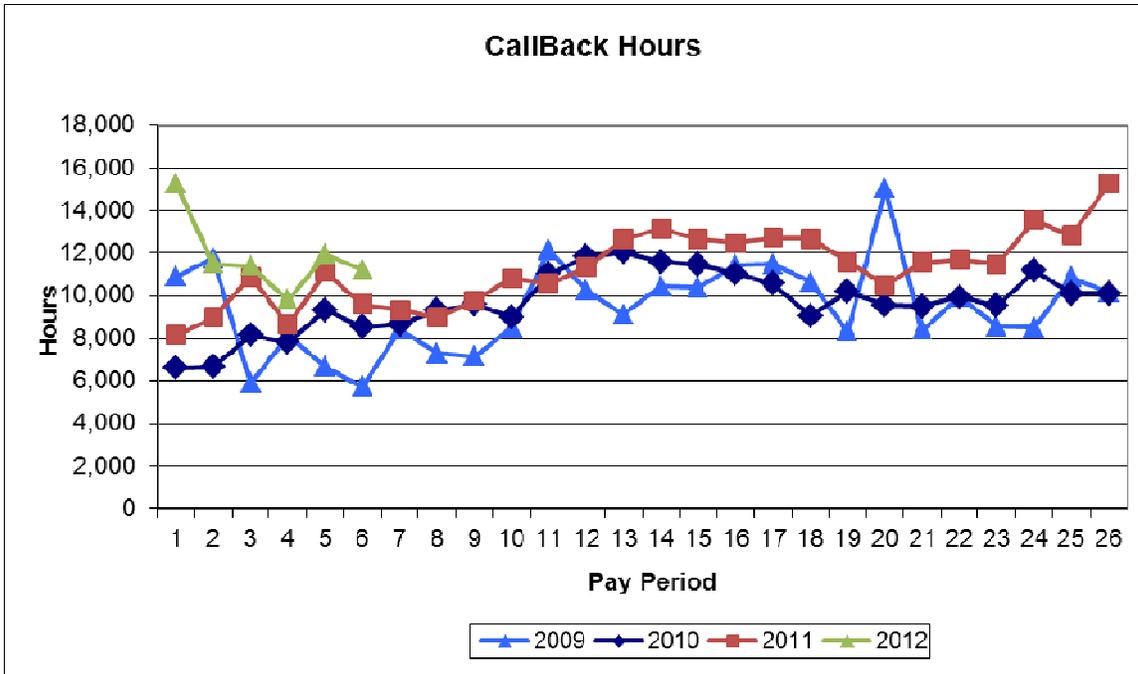
Overtime due to court appearances has been one of the main drivers of overtime. This too has decreased in the first quarter, as shown in the chart below. The number of overtime hours logged due to court overtime was 13.5 percent less than in 2011. This is due to better scheduling- court hearings must now coincide with the officer's normal working hours rather than their time off, and the Automated Court Check-In Kiosks at each court which eliminates any exaggerations of court overtime.

Premium Pay Due to Court Overtime (By Hours and Amount)

	2012	2011	% Change
1st Quarter Totals	17,716	20,478	-13.5%
	\$ 759,785	\$ 863,228	-12%
1st Quarter Averages	2,953	3,413	-13.5%
	\$ 126,631	\$ 143,871	-12%



The chart below compares the callback hours in 2009, 2010, 2011, and 2012.



In December of 2011 the fire suppression staff was at 613 firefighters, sixteen more suppression firefighters than at the end of 2010. This increase in suppression staff is due to the addition of the Wilksburg firefighters.

Longevity pay within the Bureau for 2012 has remained steady compared to previous years.

Fire Bureau Longevity Pay				
	2012 Longevity	2011 Longevity	2010 Longevity	2009 Longevity
January	\$0	\$0	\$0	\$0
February	\$1,263,457	\$1,373,145	\$1,441,601	\$1,436,092
March	\$76,300	\$75,000	\$71,169	\$70,900
Total	\$1,339,757	\$1,448,145	\$1,512,770	\$1,506,993



Department of Public Works

Quarterly reporting for Public Works will be changing to coincide with the deployment of the new financial system. The new reports will be used beginning with the 2012 Second Quarter Report.

The following table shows the amount paid in overtime for Streets Maintenance in DPW:

**Streets Maintenance Premium Pay
2012, First Quarter**

Pay Period	Amount Paid
1	\$36,631
2	\$93,593
3	\$95,034
4	\$77,415
5	\$37,061
6	\$21,641

Refuse collection premium pay for this quarter totaled \$129,282, which is more than in 2011 (\$124,724), but below the \$137,719 in 2010.

