

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
for the year ended December 31, 2008**



Michael E. Lamb, City Controller
CITY OF PITTSBURGH
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Prepared by: Office of City Controller

MICHAEL E. LAMB, CONTROLLER

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

City of Pittsburgh



Pennsylvania

OFFICE OF CITY CONTROLLER
Michael E. Lamb, Controller

Phone: 412-255-2055
Fax: 412-255-8990

April 29, 2009

The Honorable Mayor, Members of
City Council, and the Citizens of
The City of Pittsburgh, Pennsylvania:

I am pleased to submit The Comprehensive Annual Financial Report (CAFR) of the City of Pittsburgh (City) for the year ended December 31, 2008. The City's charter mandates that only a general purpose financial statement be issued by May 1st. This does not include component units, statements mandated under GASB Statement No. 34, footnotes, and the statistical section. This year we are issuing a full CAFR by May 1st that meets Government Finance Officers Association standards and that allows the City to get an unqualified opinion from the City's independent auditors.

We believe that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. This statement will enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of data, and the completeness and fairness of the presentation, rests with the management of the City. This report contains all the funds of the City.

Maher Duessel, Certified Public Accountants, have issued an unqualified ('clean') opinion on the City's financial statements for the year ended December 31, 2008. The independent auditor's report is located in front of the Management's Discussion and Analysis (MD&A).

The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1816, is located in the south-western part of the State of Pennsylvania. It currently occupies 58.3 square miles and serves a population of

334,563. The City is empowered to levy property taxes on real estate and earned income taxes on residents that live within the boundaries of the City. In addition, the City levies taxes on employees that work within the City and on businesses that operate within the City. Other usage taxes are charged when using certain facilities within the City. See the Revenues section of this letter that explains all taxes.

The City operates on a strong elected mayor and a council, elected by district, form of government. The Mayor is the chief executive of the City and the council has all the legislative authority. The Mayor appoints the heads of the various departments. The Mayor is elected for a four-year term and the council members are elected for staggered four-year terms with the even numbered districts being elected in one year and the odd numbered districts being elected two years later.

The City provides a full range of services, including police, fire, and emergency medical services; construction and maintenance of City property and infrastructure; sanitation services; and recreation and cultural activities. The Pittsburgh Water and Sewer Authority, Urban Redevelopment Authority, Stadium Authority, and Parking Authority are component units of the City and are shown as such in the financial statements and the notes to the CAFR.

Council is required to adopt a final operating and capital budget for the next year by the last day of the fiscal year, which is December 31. The annual budget is the basis of the City's financial planning and control. The operating budget is prepared on a departmental basis. The department heads may spend within a budget classification (e.g., salaries, supplies, rentals, miscellaneous) as they see fit. Any transfers between classifications or departments have to be approved by council. The Mayor's Office also prepares a five-year plan annually. Most of the strategic and development planning is done by the Urban Redevelopment Authority.

FINANCIAL INFORMATION

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgements by management.

Budget Control: Budget control is maintained at the line item level on a departmental basis. Activities of the General Fund, the Special Revenue Fund (Community Development Fund only), and the Capital Projects Fund are controlled by an annual legally appropriated budget. Capital Projects are also controlled on a multi - year basis.

ECONOMIC CONDITION

Located at the confluence of the Ohio, Monongahela, and Allegheny Rivers, the City serves as the seat for Allegheny County (County). The City is the largest of the County's 130 municipalities. Downtown Pittsburgh is commonly known as the Golden Triangle and serves as the regional center for Southwestern Pennsylvania, Eastern Ohio, and Northern West Virginia.

Economic Background

The City 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 has modernized its economy. While nationally the number of jobs has declined, the City has increased its number of job from 2006 to 2008 by 1.6%. As of February 13, 2009, the City's unemployment rate was 6.3% compared to 6.7% for the state and 7.6% nationally.

Initiatives such as "*one-stop service providers*" allow firms doing business in the City to be assigned 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 also contains three State Enterprise Zones which enable businesses located within those designated areas to enjoy more favorable interest rates and tax incentives. The City 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, the City 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 underway. The 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 City is also working to make downtown the region's chief entertainment destination. The expansion of the convention center and the construction of two new sports facilities have attracted visitors from the surrounding regions and all over the world. In 2007, ground was broken for a new casino on the North Side and in 2008 construction was started on a new arena in upper downtown to replace the current Mellon Arena which would have the Pittsburgh Penguins as their prime tenant. 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 were available downtown with an additional 1,000 units to coming on line in 2008. The downtown office climate is getting a boost from long-time Pittsburgh companies who have recently built new offices, such as ALCOA, GNC, Bank of New York Mellon, PNC Bank, Seagate, Del Monte, Heinz, Highmark Blue Cross/Blue Shield, and Kvaerner Metals. Corporate offices of the University of Pittsburgh Medical Center were relocated to the Central Business District in 2008.

The City has also implemented an aggressive strategy to reclaim the City's valuable riverfront property and reuse industrial sites left behind by the decline of the steel mills. Through the Urban Redevelopment Authority, the City 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 purchased the 130 acre former LTV South Side Works site in late 1993. The site has been developed into a mixed use development including housing, office space, warehousing, restaurants, retail, entertainment, and light-industrial and high-technology space. The University of Pittsburgh Medical Center (UPMC) has finished an 80,000 square-foot distribution center and a 45,000-square foot office and laboratory facility called 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 Monongohela River has been renovated to allow cars and pedestrians to travel between the South Side Works and the Pittsburgh Technology Center. In addition, residential and commercial developments completed on Washington's Landing on the banks of the Allegheny River proved that the strategy of land acquisition and site preparation can be used effectively as an economic development strategy.

The City is also strengthening and revitalizing its neighborhoods, encouraging new housing, and mixed-use development 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 in the Lawrenceville Shopping Center and a Home Depot and Whole Foods in East Liberty. Both Home Depot and Whole Foods exceeded corporate projections at these sites. Whole Foods at this site is currently a corporate-wide leader in sales. Spurred by this success more than \$90 million in private investments is now underway or due to begin construction 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 the City, however, may 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 spending are a significant sign that the City's universities are working to commercialize technology development.

This R & D spending will spin off new companies, new jobs, and new wealth. During the past 15 years, the City has more than doubled its number of technology driven firms, creating over 1,200 new enterprises. Today, nearly 2,400 high technology firms employ over 90,000 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. The City is also the third largest environmental technology hub in the country. In aggregate, technology companies have produced over 30,000 new jobs since 1980, sharply offsetting job losses from other industries in the region.

In cooperation with the Pittsburgh School District, the City has created a program called Pittsburgh Promise. If a student in the Pittsburgh School District meets certain criteria, the City promises to provide scholarships up to \$5,000 per year to any accredited post-secondary institution within Pennsylvania. In 2008, more than 650 students took advantage of this promise. This should help to grow the City's population and make it attractive for families to stay or move into the City.

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

REVENUES

Real Estate Tax - Real estate property in the City is assessed by the County Board of Property Assessment, Appeals, and Review at a rate of 100% of its fair market value. The rates for 2008 were 10.8 mills on buildings and on land. A mill is \$1 on each \$1,000 of assessed value. The 2008 total assessed valuation for the City is \$13,254,877,546 vs. the 2007 total of \$13,325,234,154, a decrease of approximately .5%.

Earned Income Tax - This tax is levied at the rate of 1% on the wages or net profits earned by residents of the City.

Business Privilege Tax - The City taxes the gross receipts from operating or conducting a service business, trade or profession in, or attributable to, the City at a rate of one mills in 2007.

Parking Tax - A tax equal to 40% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City; e.g. on a \$11.20 parking fee, \$3.20 is tax, or 40% of the \$8 underlying parking charge. The rate is to be reduced to 37.5% in 2009 and 35% in 2010.

Amusement Tax - This tax is levied at a rate of 5% on the admission price paid by patrons of all manners and forms of for profit amusement within the City. Non-profits are exempt from the amusement tax.

Deed Transfer Tax - A tax of 2% of the consideration paid for real property transfers is levied upon the transfer of an interest in real property situated in the City.

Institution Service Privilege Tax - Certain receipts of non-profit, non-charitable organizations conducting or operating a service or service institution in the City are taxed at a rate of six mills.

Local Services Tax - A \$52 tax levied upon each individual whose principal place of employment is located in the City, regardless of residency. If an employee's income is less than \$12,000, they only pay \$10. In 2008, the name of this tax was change from Emergency and Municipal Service Tax and it begun to be collected quarterly as opposed to annually.

Payroll Preparation Tax - This tax is imposed on all for-profit employers at a rate of .55% of the total wages of all employees who work in the City. This tax is paid quarterly based on the payroll of the previous quarter. The installments are due February 28, May 31, August 31, and November 30.

Facility Usage Fee – A 3% tax on wages earned by non-resident athletes and performers that work at certain facilities that have been subsidized with public money.

Tax Payments - Real estate taxes are payable in three installments, but a 2% discount was granted if paid by February 10th. If payment is not made on time, interest is charged at the rate of 10% per annum, and is added to the balance of the tax due for the year.

RISK MANAGEMENT

The City is self-insured for purposes of workers' compensation benefits. Provisions are recorded in the General Fund for benefits estimated to be payable from available spendable financial resources. As non-current amounts mature, they are liquidated from General Fund resources. In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth of Pennsylvania requirements. The requirements for 2008 are as follows: (1) maintain an irrevocable trust fund; the City's contribution to the General Fund is determined annually in negotiations with the Commonwealth of Pennsylvania Department of Labor, (2) satisfy the financial responsibility requirements established by the Commonwealth of Pennsylvania, (3) establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of the fiscal year. The City complied with all of the above requirements during 2008. The irrevocable trust, which is recorded as an expendable trust fund, may only be used in the event of default by the City under the self-insurance regulations.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City covers all claim settlements and judgments, not covered by insurance, within its General and Capital Projects Funds.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal

year ended December 31, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last sixteen consecutive years (fiscal years ended 1992-2007). We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not be possible without the concerted effort of the entire staff of the Controller's Office. The continued efforts of the accounting department are gratefully appreciated. I would like to thank the employees of the various departments and authorities of the City for their assistance in providing the Controller's staff and the independent auditors with the necessary information to complete this report.

Respectfully submitted,



Michael E. Lamb
City Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburgh
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

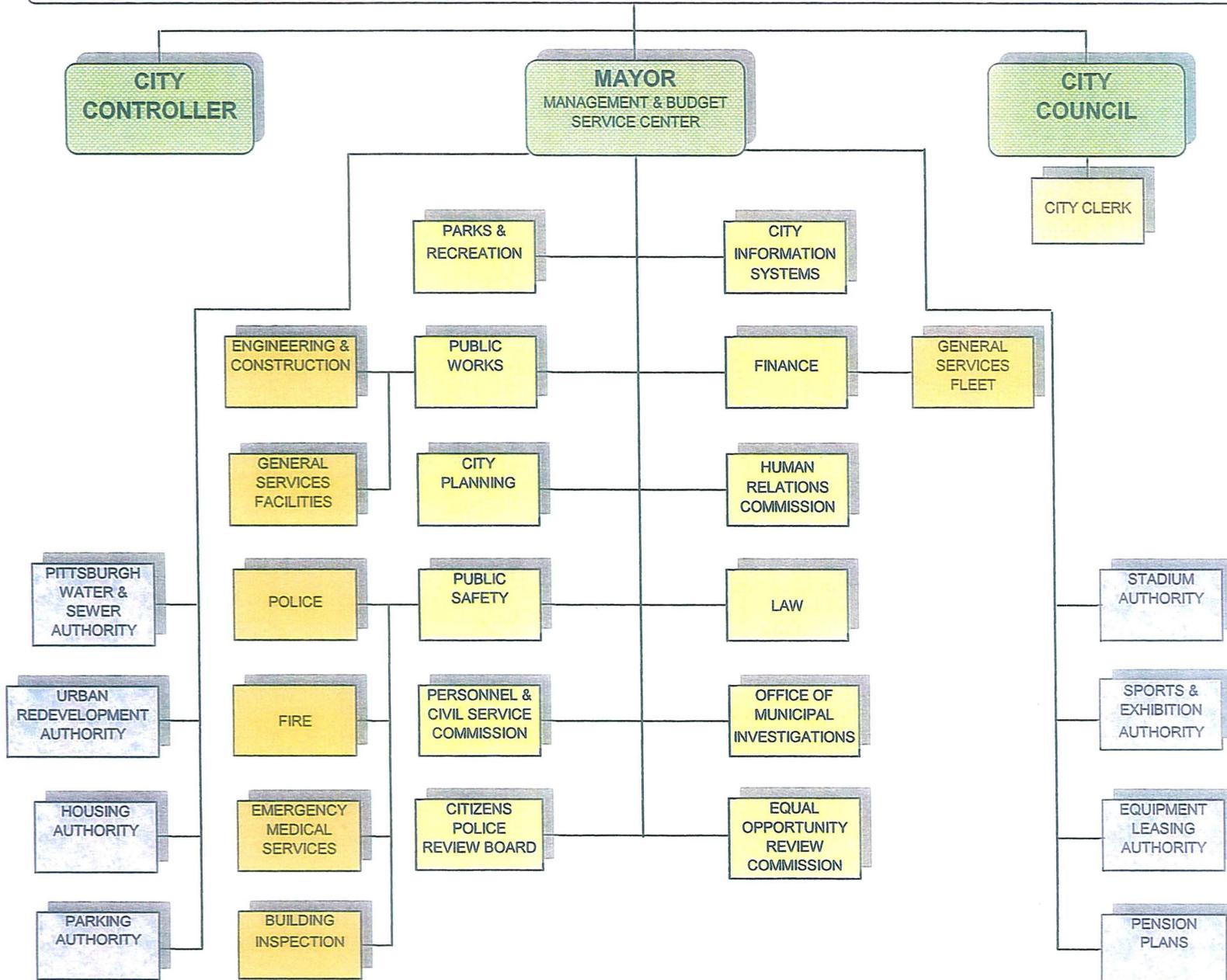
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITIZENS OF THE CITY OF PITTSBURGH



CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

As of April 29, 2009

MAYOR

Luke Ravenstahl

CONTROLLER

Michael E. Lamb

MEMBERS OF COUNCIL

Doug Shields, President, District 5

William Peduto, Finance/Budget Committee, District 8

Darlene Harris, District 1
Theresa Kail-Smith, District 2
Bruce Kraus, District 3
Jim Motznik, District 4
Tonya Payne, District 6
Patrick Dowd, District 7
Rev. Ricky Burgess, District 9

FINANCIAL SECTION

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, 2008, 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 collectively represents 17% of the assets and 18% 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, 2008 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 xiv, and the pension and other post-employment benefits schedules on pages 95 through 98 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 other governmental 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 other governmental 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.

Mahe Duessel

Pittsburgh, Pennsylvania
April 29, 2009

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, 2008. 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 \$561.9 million. As of December 31, 2008, the City, in its statement of net assets, has a net asset unrestricted deficit of \$640.6 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 (\$240.0 million outstanding as of December 31, 2008), 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 increased by \$29.9 million in 2008.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$193.7 million, an increase of \$8.8 million from the previous year. Approximately 89% of this total amount, \$171.4 million, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$46.5 million (compared to \$84.1 million in 2007) or 11.1 % of total General Fund expenditures and debt service transfers for 2008, down from 21.7% in 2007 and 18.5% in 2006.

The City's gross bonded debt amounted to \$723.1 million at the end of the fiscal year.

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

The governmental funds financial 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 other 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

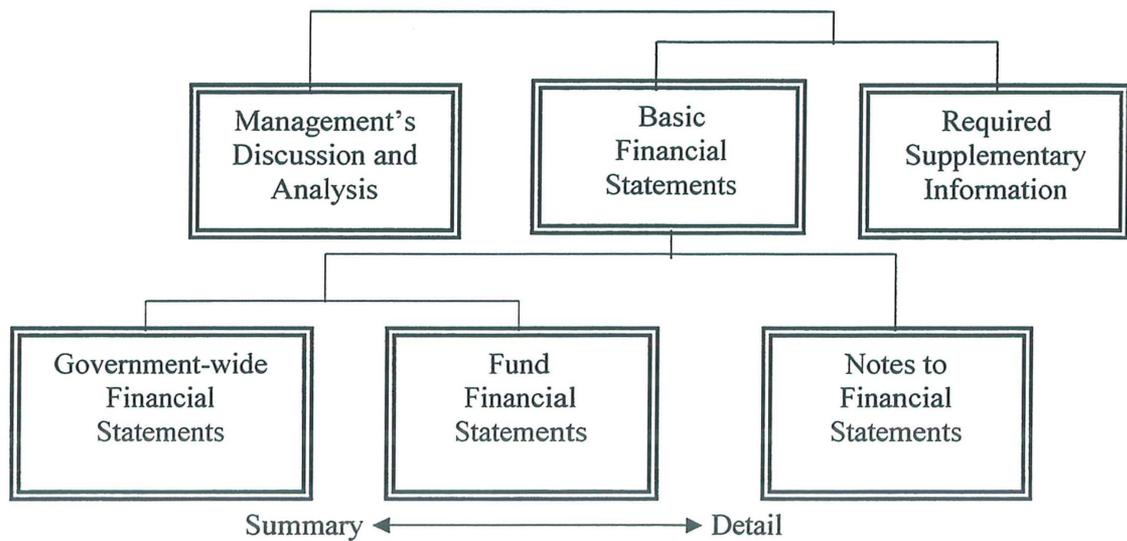


Figure A-2 summarizes the major features of the City’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

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	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • 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 FINANCIAL STATEMENTS

The government-wide financial 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.

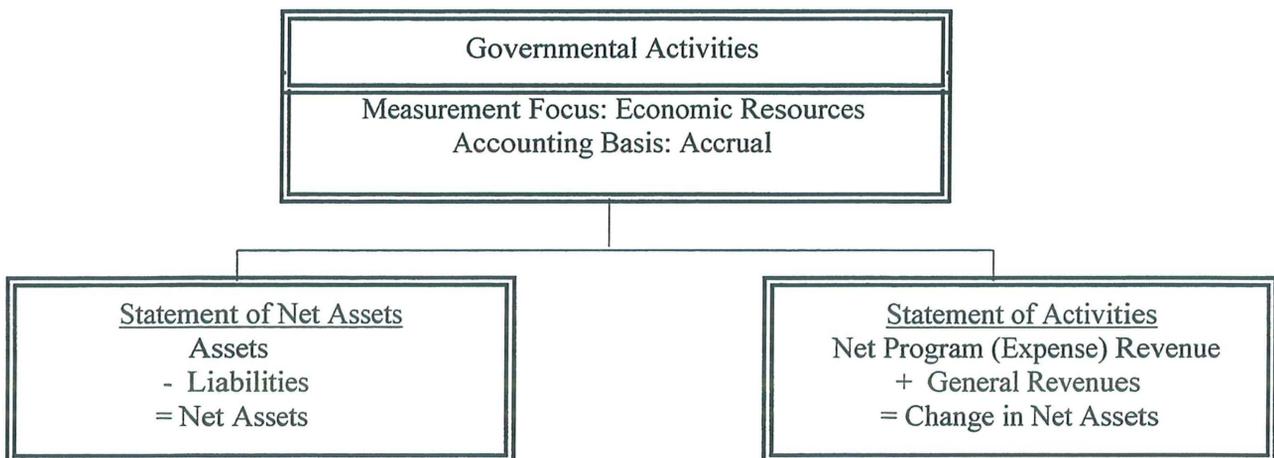
The statement of net assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 financial 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 financial 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 funds 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 Debt Service Fund, the Community Development Fund, and the Capital Projects 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 municipal 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 statements because the resources of those funds are not available to support the City'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 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 24-94 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 95-98 of this report.

Government-wide Financial Analysis

In the case of the City, liabilities exceeded assets by \$561.9 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 \$640.6 million. This deficit is partially offset by investment in capital assets less any related debt still outstanding used to acquire those assets of \$28.4 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)	
	2008	2007
Assets		
Current assets:		
Unrestricted assets	\$ 167	\$ 207
Restricted assets	65	20
Capital assets	177	181
Total assets	409	408
Liabilities		
Current liabilities	138	130
Long-term liabilities, outstanding	833	870
Total liabilities	971	1,000
Net Assets		
Invested in capital assets, net of related debt	28	28
Restricted	50	4
Unrestricted	(640)	(624)
Total net assets	\$ (562)	\$ (592)

At the end of the current fiscal year, the City reports a \$561.9 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 increased the City's net assets by \$29.9 million. Key elements in the increase in net assets were increases of \$7.8 million in Earned Income Taxes, \$2.3 million in Payroll Preparation Tax, \$2.7 million in Amusement Tax, offset by the reduction of the Parking Tax of \$3.4 million. The remaining amounts are as follows:

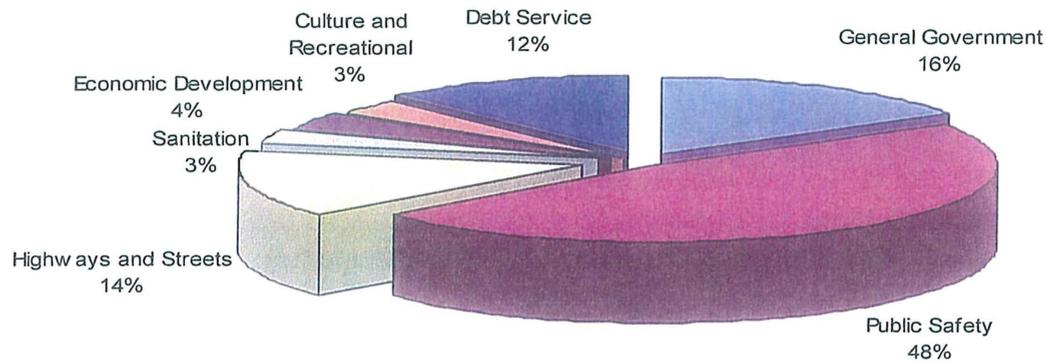
City's of Pittsburgh Activities

(\$ millions)	Governmental Activities	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 44	\$ 45
Operating grants and contributions	73	66
Capital grants and contributions	21	25
Total program revenues	138	136
General revenues:		
Real estate taxes	128	129
Earned income taxes	65	57
Business privilege taxes	9	9
Local services taxes	14	16
Payroll preparation taxes	47	45
Parking taxes	46	49
RAD sales taxes	20	21
Deed transfer taxes	17	17
Amusement taxes	11	9
Nonprofit payment for municipal services	1	5
Facilities usage tax	3	3
Other taxes	2	2
Unrestricted investment earnings	4	10
Miscellaneous	1	3
Total general revenues	368	375
Total revenues	506	511
Expenses:		
General government	73	68
Public safety	231	242
Highways/streets	67	57
Sanitation	17	21
Economic development	33	34
Culture and recreation	12	10
Interest on long-term debt plus amortz. of issuance cost and premium/discounts	43	43
Total expenses	476	475
Change in Net Assets	30	36
Net Assets:		
Beginning of year	(592)	(628)
End of year	\$ (562)	\$ (592)

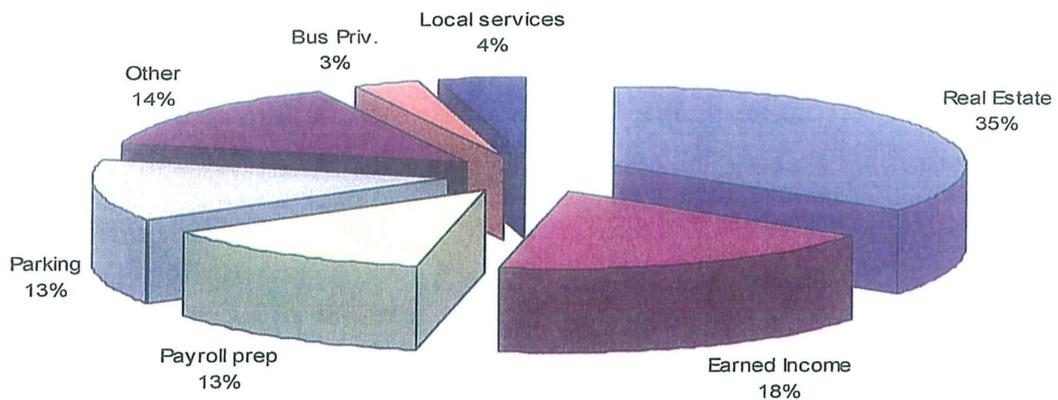
Highways/Streets accounted for an increase in expenditures of \$10 million, an increase in General Government spending of \$5 million, and an increase in Culture and Recreation of \$2 million. The increases in Highways/Streets and General Government are mainly due to an

increase in street resurfacing and the purchase of new vehicles. Public Safety accounted for a decrease of \$11 million due to a decrease in workers compensation expenses.

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 \$451.0 million in 2008, a decrease of \$2.2 million, or by .5%, compared to 2007. The net increase of \$9.0 million in tax revenue was mostly due to an increase of \$8.2 million in earned income tax, a \$2.7 million increase in the amusement tax, and a \$1.7 million increase in the payroll preparation tax, offset by a \$3.4 million decrease in the parking tax and decreases in other taxes. All other taxes were relatively stable.

In addition to the above General Fund tax revenues, the City collected \$17.2 million in the Community Development Fund, \$3.8 million in Capital Projects, and \$35.7 million in Other Governmental Funds mostly from pass-thru of federal and state monies.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$193.7 million, an increase of \$8.8 million from 2007. Approximately, 31% of this total fund balance, or \$59.8 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 encumbered in the prior period, \$19.0 million; 2) pay debt service \$48.3 million; 3) other reserved purposes, \$2.0 million; and 4) held for capital projects \$64.6 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 \$46.5 million, while total fund balance for the General Fund was \$52.9 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 9.5% of total General Fund expenditures and operating transfers, while total fund balance represents 10.8% 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 \$36.6 million during the current fiscal year and increased by \$9.0 million in 2007.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2008 increased to \$491.6 million, compared to \$448.2 million in 2007 representing an increase of 9.7% or \$43.4 million overall. This increase is due mainly to a \$27 million transfer to the Capital Projects Fund and a \$45.4 million transfer to the Debt Service Fund. Due to the \$27 million transfer, the City will not have to issue capital bonds until at least 2012.

Transfers to the Debt Service Fund of \$84.7 million combined with debt subsidies of \$13.4 million totaled \$98.1 million compared to \$80.2 million in 2007. The debt subsidies are for the URA and Public Auditorium Authority and are commitments made by the City over the life of their bonds. Debt and debt subsidies accounted for 19.9% of the expenditures illustrating the

magnitude of the City's annual debt service. The City's normal debt service percentage is between 22%-25%.

The Debt Service Fund has a total fund balance of \$48.3 million, 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 \$46.9 million, due mainly to a transfer from the General Fund.

The Community Development Fund had intergovernmental revenues of \$17.2 million and expenditures of \$17.2 million. The Capital Projects Fund had \$3.8 million of revenues, \$25.7 million in maintenance costs, \$0.5 million in capital related expenditures, and paid \$8.4 million in operating transfers. The Capital Projects Fund, fund balance decreased by \$3.1 million in 2008 to \$78.3 million as of December 31, 2008.

General Fund Budgetary Highlights

Actual General Fund revenues were above the budgeted revenues by \$7.4 million mainly due to increases in Deed Transfer Tax by \$2.7 million, Earned Income Tax by \$4.8 million, Payroll Preparation Tax by \$2.4 million, and Amusement Tax by \$2.3 million. In addition, the final cash basis expenditures exceeded the final cash basis revenues by \$33 million, in effect having a deficit for the year. Some revenue sources exceeded budget estimates; real estate, earned income tax, deed transfer tax, local services tax, payroll preparation tax, and amusement tax all contributed to about \$16.1 million of the increase. But other revenue stream unfavorable variances offset this; payment in lieu of taxes by \$2.0 million, federal and state grants by \$2.0 million, interest earnings by \$3.4 million, and Sport & Exhibition Authority payments by \$2.5 million. Final budget General Fund expenditures were greater than original budget by \$6.2 million or about 1.9% and were less than the actual expenditures by \$47.4 million or 1.0%.

During fiscal year 2008, City Council amended the budget primarily for the following reasons:

- To appropriate funds to pay prior year 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, 2007 totaled \$6.2 million.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental-type activities as of December 31, 2008, amounts to \$177.2 million net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure, capital lease, and construction-in-progress.

Major capital asset events during the current fiscal year were limited due to the lack of working capital to invest in assets. The only major increase in assets was the purchase of \$7.3 million in vehicles. Also, furniture, machinery, and equipment totaling \$.4 million were purchased.

City of Pittsburgh's Changes in Capital Assets

(\$ millions)	Governmental Activities	
	2008	2007
Land and land improvements	\$ 46	\$ 46
Construction in progress	3	3
Buildings and building improvements	89	89
Furniture and fixtures	4	4
Machinery and equipment	4	3
Vehicles	54	49
Infrastructure	178	178
Capitalized leases	15	15
	393	387
Less accumulated depreciation for:		
Buildings and building improvements	(76)	(74)
Furniture and fixtures	(4)	(4)
Machinery and equipment	(3)	(3)
Vehicles	(38)	(36)
Infrastructure	(91)	(86)
Capitalized leases	(4)	(3)
	(216)	(206)
	\$ 177	\$ 181

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

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$723.1 million which comprises debt backed by the full faith and credit of the government.

City of Pittsburgh's Outstanding Debt

(\$ millions)	Governmental Activities	
	2008	2007
General obligation bonds:		
Beginning balance at January 1	\$ 764	\$ 803
Debt issued and other	69	-
Refinanced bonds	(69)	-
Principal payments and other	(41)	(39)
Ending balance at December 31	\$ 723	\$ 764

More detailed information about long-term debt is provided in Note 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 the 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 the City with new taxing authority that was intended to balance its 2005 and subsequent operating budget allowing for a surplus each year to build a General Fund fund balance of \$21.9 million by 2009. As of December 31, 2008, the City has exceeded these expectations by having a General Fund fund balance of \$52.9 million. 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 and total elimination of the mercantile tax.

On September 11, 2008, the City closed on \$66.8 million of refinancing bonds. The refinancing saved the City \$2.9 million in debt service costs (cash flow) between the new bonds and the old bonds refinanced over the next nine years.

Cash Position

During 2008, 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 2008 by allowing the City to meet its beginning of the year obligations without executing a bank note at the beginning of 2009. The City expects cash flows to be sufficient enough in 2009 to maintain a positive cash position.

Due to the revenue increase combined with the cost reductions in the budget, at the end of 2008, the City projected a 2009 General Fund ending cash balance of \$98.2 million, an increase of \$3.4 million, or 7.6%, 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 2012.

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

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

Assets	Primary Governmental Activities	Component Units
Current assets:		
Cash, cash equivalents, and investments	\$ 138,251,971	\$ 280,374,398
Restricted cash	48,765,619	13,834,766
Investments - restricted	-	4,713,153
Real estate taxes (net of allowance for uncollectible accounts of \$16,562,702)	12,597,895	-
Accounts receivable, net	-	22,990,211
Accrued interest receivable	176,411	901,115
Due from other governments	5,546,901	6,936,057
Due from component unit	266,783	-
Taxpayer - assessed taxes receivable	17,442,054	-
Inventory	-	1,564,000
Notes receivable	-	522,290
Other receivables	9,490,088	14,510,201
Grant receivable	-	205,000
Prepaid expenses	-	198,096
Total current assets	232,537,722	346,749,287
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	-	22,366,000
Investments	-	134,182,978
Accrued interest receivable	-	484,000
Insurance escrow	-	48,628
Replacement escrow	-	115,526
Accounts receivable - parking	-	894,462
Total restricted assets	-	158,091,594
Capital assets:		
Capital assets not being depreciated:		
Land and land improvement	45,602,091	38,837,950
Construction-in-progress	3,069,189	39,013,616
Capital assets being depreciated:		
Buildings and building improvements	88,778,564	72,241,505
Parking facilities	-	159,583,182
Machinery and equipment	3,932,186	6,055,081
Utility plant	-	583,079,000
Non-utility plant	-	16,228,000
Furniture and fixtures	4,051,988	-
Vehicles	54,590,095	-
Infrastructure	177,810,167	2,241,369
Capital lease	15,434,653	-
Less accumulated depreciation	(216,091,589)	(264,536,652)
Total net capital assets	177,177,344	652,743,051
Leasehold improvements	-	7,368,681
Other assets	-	1,334,110
Bond issuance costs, net of amortization	-	24,934,984
Loans/notes receivable	-	97,280,866
Property held for redevelopment	-	24,273,125
Development fund	-	2,971,206
Total noncurrent assets	177,177,344	968,997,617
Total Assets	409,715,066	1,315,746,904

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

(Continued)

	Primary Governmental Activities	Component Units
Liabilities		
Current liabilities:		
Accounts payable - wastewater treatment	-	13,757,000
Accrued expenses and deferred income	-	1,263,085
Accounts and retainage payable	11,644,179	3,533,249
Accrued payroll and related obligations	13,596,314	44,335,913
Accrued interest payable	13,451,826	11,135,129
Accrued worker's compensation	19,354,471	-
Unfunded post-retirement employee benefits	16,821,009	-
Accrued compensated absences	16,503,705	-
Accrued claims and judgments	1,205,000	-
Unearned revenue	-	14,606,448
Due to other governments	837,423	-
Capital lease liability, current portion	550,308	-
Note due to City of Pittsburgh, current portion	-	2,220,000
Bonds and loans payable, current portion	44,325,000	66,217,261
Total current liabilities	138,289,235	157,068,085
Noncurrent liabilities:		
Unearned revenue	-	356,000
Other liabilities	-	6,268,125
Accrued payroll - related obligations	-	1,150,000
Note due to the City of Pittsburgh	-	2,425,000
Bonds and loans payable, net of unamortized premiums/ discounts and bond issuance costs	678,767,248	916,846,866
Accrued workers' compensation	124,438,033	-
Accrued compensated absences	10,938,351	-
Accrued claims and judgments	6,500,000	-
Capital lease liability	12,658,714	-
Advance from the City of Pittsburgh	-	22,775,168
Total noncurrent liabilities	833,302,346	949,821,159
Total Liabilities	971,591,581	1,106,889,244
Net Assets		
Invested in capital assets, net of related debt	28,406,314	(34,560,536)
Restricted for:		
Capital projects	-	19,180,271
Debt service	48,287,359	9,955,996
Employee benefits	1,267,802	-
Endowments	757,829	-
Public Parking Authority	-	12,296,820
Urban development	-	30,904,573
Lending programs	-	80,975,306
Multi-family Housing Program	-	5,433,180
Unrestricted net assets	(640,595,819)	84,672,050
Total Net Assets	\$ (561,876,515)	\$ 208,857,660

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 72,646,015	\$ 20,182,426	\$ 44,860,185	\$ 6,244,940	\$ (1,358,464)	\$ -
Public safety	230,989,104	18,821,117	13,032,539	2,288,546	(196,846,902)	-
Highway and streets	67,275,379	2,983,073	12,047,997	4,946,888	(47,297,421)	-
Sanitation	16,568,056	232,010	535,911	-	(15,800,135)	-
Economic development (includes debt subsidies to URA of \$13,186,551)	32,919,201	-	-	5,783,512	(27,135,689)	-
Culture and recreation (includes debt subsidies to Public Auditorium Authority of \$257,838)	12,075,955	1,673,694	2,155,499	1,502,973	(6,743,789)	-
Interest on long-term debt plus bond issuance cost and amortization of premiums and discounts	43,066,831	-	-	-	(43,066,831)	-
Total primary government	\$ 475,540,541	\$ 43,892,320	\$ 72,632,131	\$ 20,766,859	(338,249,231)	-
Total component units	\$ 264,401,726	\$ 194,424,633	\$ 61,582,197	\$ 4,766,000		(3,628,896)
General revenues:						
Real estate taxes					128,532,482	-
Earned income taxes					65,108,103	-
Business privilege taxes					9,460,665	-
Local services tax					13,743,861	-
Payroll preparation tax					46,733,471	-
Parking tax					45,920,603	-
Sales taxes from the Regional Asset District					20,178,425	-
Deed transfer tax					17,071,424	-
Amusement tax					11,593,318	-
Nonprofit payment for municipal services					778,417	-
Facilities usage tax					2,791,302	-
Public service privilege					1,298,789	-
Mercantile tax					34,388	-
Other taxes					55,391	-
Unrestricted investment earnings					4,147,306	11,530,879
Donations and endowments					575,000	-
Gain (loss) of sale of assets					-	2,284,071
Miscellaneous					189,317	840,946
Total general revenues					368,212,262	14,655,896
Change in Net Assets					29,963,031	11,027,000
Net assets - beginning					(591,839,546)	197,830,660
Net assets - ending					\$ (561,876,515)	\$ 208,857,660

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2008

Assets	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 44,485,178	\$ -	\$ 1,664,474	\$ 76,500,265	\$ 15,602,054	\$ 138,251,971
Cash and cash equivalents - restricted	343,461	48,422,158	-	-	-	48,765,619
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of \$16,562,702)	12,597,895	-	-	-	-	12,597,895
Taxpayer - assessed taxes receivable	17,442,054	-	-	-	-	17,442,054
Other receivables	8,208,450	-	-	-	1,281,638	9,490,088
Due from component units	266,783	-	-	-	-	266,783
Accrued interest	60,336	114,974	-	-	1,101	176,411
Advance to other fund	-	-	-	1,300,000	-	1,300,000
Due from other governments	2,412,210	-	1,296,244	1,387,965	450,482	5,546,901
Due from other funds	916,534	-	2,834	64,873	251,852	1,236,093
Total Assets	\$ 86,732,901	\$ 48,537,132	\$ 2,963,552	\$ 79,253,103	\$ 17,587,127	\$ 235,073,815

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2008

(Continued)

	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 7,405,683	\$ -	\$ 1,134,263	\$ 817,279	\$ 2,286,954	\$ 11,644,179
Accrued liabilities	13,083,533	-	39,787	-	450,237	13,573,557
Advance from other fund	-	-	1,300,000	-	-	1,300,000
Due to other funds	5,680	-	404,885	112,614	712,914	1,236,093
Due to other governments	525,470	249,773	-	-	62,180	837,423
Accrued claims and judgments	1,205,000	-	-	-	-	1,205,000
Deferred revenue, principally real estate taxes	11,621,622	-	-	-	-	11,621,622
Total Liabilities	33,846,988	249,773	2,878,935	929,893	3,512,285	41,417,874
Fund Balance:						
Reserved:						
Encumbrances	4,401,033	-	-	13,735,308	824,243	18,960,584
Reserved for endowments	757,829	-	-	-	-	757,829
Reserved for employee benefits	1,267,802	-	-	-	-	1,267,802
Advance	-	-	-	1,300,000	-	1,300,000
Unreserved:						
Undesignated:						
General Fund	46,459,249	-	-	-	-	46,459,249
Special Revenue Fund	-	-	84,617	-	13,250,599	13,335,216
Designated for subsequent years expenditures	-	48,287,359	-	63,287,902	-	111,575,261
Total Fund Balance	52,885,913	48,287,359	84,617	78,323,210	14,074,842	193,655,941
Total Liabilities and Fund Balance	\$ 86,732,901	\$ 48,537,132	\$ 2,963,552	\$ 79,253,103	\$ 17,587,127	\$ 235,073,815

(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, 2008

Total Fund Balance - Governmental Funds \$ 193,655,941

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 \$393,268,933 and the accumulated depreciation is \$216,091,589.

177,177,344

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 government-wide financial statements.

11,621,622

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	\$ (723,092,248)	
Capital lease liability	(13,209,022)	
Accrued workers' compensation	(143,792,504)	
Accrued compensated absences	(27,442,056)	
Unfunded post-retirement employee benefits	(16,821,009)	
Accrued other payable	(22,757)	
Accrued interest payable	(13,451,826)	
Accrued claims and judgments	(6,500,000)	(944,331,422)

Total Net Assets - Governmental Activities \$ (561,876,515)

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, 2008

	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, including penalties and interest	\$ 366,144,497	\$ -	\$ -	\$ 75,490	\$ -	\$ 366,219,987
Payment in lieu of taxes	778,417	-	-	-	-	778,417
Interest and dividends	2,313,394	1,756,391	-	-	77,520	4,147,305
Fines and forfeits	5,858,420	-	-	-	550,163	6,408,583
Intergovernmental revenues	41,648,554	2,530,000	17,176,957	3,589,902	30,983,578	95,928,991
Charges for user services	34,011,143	-	-	-	3,472,593	37,483,736
Donations and endowments	-	-	-	150,000	425,000	575,000
Miscellaneous	151,629	-	-	-	197,708	349,337
Total revenues	450,906,054	4,286,391	17,176,957	3,815,392	35,706,562	511,891,356
Expenditures:						
Current:						
General government	47,671,539	-	6,032,575	1,975,481	1,596,803	57,276,398
Public safety	212,150,449	-	2,395,273	2,755,579	3,007,986	220,309,287
Public works	31,916,229	-	1,595,525	19,767,090	7,829,686	61,108,530
Sanitation	15,703,428	-	-	-	17,672	15,721,100
Community, recreational, and cultural	7,277,113	-	1,015,348	194,030	3,183,149	11,669,640
Economic and physical development	-	-	6,138,236	555,000	13,001,153	19,694,389
Claims and judgments	1,047,156	-	-	-	-	1,047,156
Miscellaneous	5,111,416	-	-	-	-	5,111,416
Debt service:						
Principal retirement of bonds	-	44,490,000	-	-	-	44,490,000
Interest on bonds	-	42,717,253	-	-	-	42,717,253
Bond issuance costs	-	249,773	-	494,016	-	743,789
Public Auditorium Authority subsidy	257,838	-	-	-	-	257,838
Urban Redevelopment Authority subsidy	13,186,551	-	-	-	-	13,186,551
Capital outlay:						
Highways, streets, and other construction projects	-	-	-	508,946	9,790,375	10,299,321
Total expenditures	334,321,719	87,457,026	17,176,957	26,250,142	38,426,824	503,632,668
Excess (Deficiency) of Revenues Over Expenditures	116,584,335	(83,170,635)	-	(22,434,750)	(2,720,262)	8,258,688
Other Financing Sources (Uses):						
Refunding bond proceeds	-	-	-	66,775,000	-	66,775,000
Bond premium	-	-	-	3,292,711	-	3,292,711
Transfers from other funds	4,098,500	130,024,501	-	27,195,793	9,200,493	170,519,287
Payments to escrow agents for refunded debt	-	-	-	(69,573,696)	-	(69,573,696)
Transfer to other funds	(157,327,294)	-	-	(8,359,321)	(4,832,672)	(170,519,287)
Total other financing sources (uses)	(153,228,794)	130,024,501	-	19,330,487	4,367,821	494,015
Net Change in Fund Balance	(36,644,459)	46,853,866	-	(3,104,263)	1,647,559	8,752,703
Fund Balance:						
Beginning of year	89,530,372	1,433,493	84,617	81,427,473	12,427,283	184,903,238
End of year	<u>\$ 52,885,913</u>	<u>\$ 48,287,359</u>	<u>\$ 84,617</u>	<u>\$ 78,323,210</u>	<u>\$ 14,074,842</u>	<u>\$ 193,655,941</u>

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, 2008

Net Change in Fund Balance - Governmental Funds **\$ 8,752,703**

Amounts reported for governmental activities in the statement of activities are different because:

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	\$ 8,283,845	
	Less: net deletions	(159,715)	
	Less: depreciation expense	<u>(12,319,554)</u>	(4,195,424)

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 decreased by this amount during the year. (3,697,763)

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, interest, 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. 41,860,194

In the statement of activities, certain expenses - workers' compensation, compensated absences, other post-employment benefits, and claims and judgments 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. (12,756,679)

Change in Net Assets of Governmental Activities **\$ 29,963,031**

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, 2008

(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
<u>Taxes, net of refunds and banking fees:</u>				
Real estate	\$ 125,545	\$ 125,545	\$ 127,637	\$ 2,092
Payment in lieu of taxes	4,316	4,316	2,274	(2,042)
Mercantile	-	-	13	13
Payroll preparation	44,000	44,000	46,364	2,364
Amusement	8,840	8,840	11,181	2,341
Earned income	60,535	60,535	65,348	4,813
Deed transfer	14,900	14,900	17,604	2,704
Parking	44,107	44,107	44,236	129
Occupation privilege	-	-	10	10
Local Services Tax	8,700	8,700	10,513	1,813
Business privilege	8,150	8,150	9,225	1,075
Institution and service privilege	460	460	67	(393)
Facility usage fee	2,500	2,500	2,955	455
Public service	950	950	1,299	349
Penalties and interest	2,717	2,717	2,253	(464)
Act 77 - tax relief	13,100	13,100	12,765	(335)
	<u>338,820</u>	<u>338,820</u>	<u>353,744</u>	<u>14,924</u>
Total taxes, net of refunds and banking fees				
Interest earnings	6,000	6,000	2,636	(3,364)
Fines and forfeits	6,210	6,210	7,185	975
<u>Licenses and fees:</u>				
Liquor and malt beverage	428	428	417	(11)
General government	820	820	717	(103)
Rentals and charges	4,387	4,387	4,437	50
	<u>5,635</u>	<u>5,635</u>	<u>5,571</u>	<u>(64)</u>
Total licenses and fees				
Federal and state grants	13,950	13,950	11,915	(2,035)
Reimbursement, CDBG	750	750	986	236
Public Parking Authority	1,300	1,300	1,287	(13)
PWSA reimbursement	7,800	7,800	7,800	-
Sports and Exhibition Authority	2,530	2,530	-	(2,530)
Urban Redevelopment Authority	1,500	1,500	1,500	-
State utility tax	500	500	437	(63)
Miscellaneous	331	331	155	(176)
Breakeven centers	21,366	21,366	21,983	617
Joint operations	150	150	181	31
Provisions of services	8,962	8,962	7,668	(1,294)
State aid - pension	15,200	15,200	15,148	(52)
Economic development slots revenue	5,100	5,100	5,100	-
Intergovernmental service fee	722	722	971	249
	<u>436,826</u>	<u>436,826</u>	<u>444,267</u>	<u>7,441</u>
Total revenues				

(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, 2008

(Amounts expressed 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	1,253	24	1,277	1,198	-	1,198	79
Education Training	-	4	4	4	-	4	-
Supplies	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Miscellaneous services	-	32	32	10	-	10	22
Total city council	1,253	60	1,313	1,212	-	1,212	101
City Clerk's Office:							
Salaries	440	67	507	480	-	480	27
Miscellaneous services	115	93	208	86	14	100	108
Supplies	8	1	9	9	-	9	-
Rentals	-	12	12	-	-	-	12
Equipment	5	8	13	5	-	5	8
Transfers	-	6	6	-	-	-	6
Total city clerk's office	568	187	755	580	14	594	161
Total city council and city clerk's office	1,821	247	2,068	1,792	14	1,806	262
Mayor's Office:							
Salaries	880	15	895	891	-	891	4
Premium pay	2	8	10	7	-	7	3
Miscellaneous services	100	15	115	78	1	79	36
Education and training	84	-	84	77	-	77	7
Supplies	31	1	32	19	-	19	13
Equipment	3	-	3	2	-	2	1
Rentals	6	-	6	2	-	2	4
Total mayor's office	1,106	39	1,145	1,076	1	1,077	68
City Information Systems:							
Salaries	2,411	-	2,411	2,124	-	2,124	287
Premium pay	34	-	34	3	-	3	31
Miscellaneous services	1,396	-	1,396	1,393	-	1,393	3
Education and travel expense	25	4	29	20	-	20	9
Supplies	168	-	168	168	-	168	-
Equipment	39	122	161	150	-	150	11
Utilities	802	-	802	802	-	802	-
Total city information systems	4,875	126	5,001	4,660	-	4,660	341
Total Mayor's Office	5,981	165	6,146	5,736	1	5,737	409
Commission on Human Relations:							
Salaries	218	-	218	197	-	197	21
Miscellaneous services	10	16	26	5	9	14	12
Education and training	1	-	1	-	-	-	1
Supplies	1	-	1	1	-	1	-
Equipment	1	-	1	1	-	1	-
Total commission on human relations	231	16	247	204	9	213	34

(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, 2008

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Office of City Controller:							
Salaries	2,125	-	2,125	2,088	-	2,088	37
Premium pay	7	-	7	1	-	1	6
Miscellaneous services	75	38	113	1	70	71	42
Education and training	11	-	11	8	-	8	3
Supplies	9	4	13	9	1	10	3
Equipment	15	13	28	23	-	23	5
Rentals	14	-	14	9	-	9	5
Total office of city controller	2,256	55	2,311	2,139	71	2,210	101
Department of Law:							
Salaries	1,555	-	1,555	1,375	-	1,375	180
Premium pay	-	-	-	-	-	-	-
Miscellaneous services	323	98	421	330	17	347	74
Education and training	17	-	17	14	-	14	3
Supplies	25	8	33	25	-	25	8
Equipment	17	2	19	13	-	13	6
Rentals	8	-	8	-	-	-	8
Total department of law	1,945	108	2,053	1,757	17	1,774	279
Department of Law - EORC:							
Salaries	240	-	240	171	-	171	69
Premium pay	-	-	-	-	-	-	-
Miscellaneous services	10	45	55	2	-	2	53
Education and training	4	1	5	5	-	5	-
Supplies	1	-	1	-	-	-	1
Equipment	3	-	3	-	-	-	3
Rentals	13	-	13	7	-	7	6
Total department of law - EORC	271	46	317	185	-	185	132
Department of Law - OMI:							
Salaries	465	-	465	391	-	391	74
Premium pay	-	-	-	-	-	-	-
Miscellaneous services	98	82	180	51	-	51	129
Education and training	10	-	10	1	-	1	9
Supplies	6	-	6	6	-	6	-
Equipment	3	-	3	1	-	1	2
Rentals	3	(1)	2	1	-	1	1
Total department of law - OMI	585	81	666	451	-	451	215
Total Department of Law	2,801	235	3,036	2,393	17	2,410	626
Department of Personnel and Civil Service Commission:							
Salaries	1,301	-	1,301	1,286	-	1,286	15
Premium pay	3	-	3	2	-	2	1
Miscellaneous services	260	408	668	376	86	462	206
Education and training	8	-	8	7	-	7	1
Supplies	18	1	19	14	-	14	5
Equipment	34	-	34	34	-	34	-
Materials	4	4	8	4	-	4	4
Rentals	9	-	9	9	-	9	-
Total department of personnel and civil service commission	1,637	413	2,050	1,732	86	1,818	232

(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, 2008

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Finance:							
Administration:							
Salaries	3,731	-	3,731	3,173	-	3,173	558
Premium pay	32	-	32	13	-	13	19
Miscellaneous services	820	216	1,036	387	(294)	93	943
Education and training	18	-	18	17	-	17	1
Supplies	300	13	313	285	-	285	28
Materials	4	2	6	-	-	-	6
Equipment	43	7	50	37	1	38	12
Repairs	2	-	2	-	-	-	2
Rentals	29	-	29	17	-	17	12
Total administration	4,979	238	5,217	3,929	(293)	3,636	1,581
General Services:							
Salaries	934	-	934	853	-	853	81
Premium pay	16	-	16	10	-	10	6
Miscellaneous services	5,882	121	6,003	5,926	780	6,706	(703)
Education and training	3	-	3	2	-	2	1
Uniforms	3	-	3	2	-	2	1
Supplies	32	3	35	15	-	15	20
Equipment	4	1	5	4	-	4	1
Repairs	1,555	592	2,147	1,783	9	1,792	355
Rentals	1,999	588	2,587	1,784	(735)	1,049	1,538
Total general services	10,428	1,305	11,733	10,379	54	10,433	1,300
Fleet Management:							
Miscellaneous services	-	-	-	(19)	-	(19)	19
Uniforms	-	-	-	-	-	-	-
Supplies	-	8	8	(7)	-	(7)	15
Utilities	-	21	21	-	-	-	21
Equipment	-	1	1	-	-	-	1
Repairs	-	-	-	(31)	-	(31)	31
Total fleet management	-	30	30	(57)	-	(57)	87
Total department of finance	15,407	1,573	16,980	14,251	(239)	14,012	2,968

(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, 2008

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of City Planning:							
Salaries	1,470	-	1,470	1,159	-	1,159	311
Premium pay	4	-	4	1	-	1	3
Miscellaneous services	69	30	99	77	(49)	28	71
Education and training	4	-	4	2	-	2	2
Supplies	27	-	27	20	-	20	7
Utilities	8	-	8	3	-	3	5
Rentals	2	-	2	1	-	1	1
Equipment	6	2	8	6	-	6	2
Grants	-	233	233	-	-	-	233
Total department of city planning	1,590	265	1,855	1,269	(49)	1,220	635
Total general government	31,724	2,969	34,693	29,516	(90)	29,426	5,267
Public Safety - Department of Public Safety:							
Bureau of Administration:							
Salaries and wages	239	-	239	161	-	161	78
Premium pay	-	1	1	1	-	1	-
Miscellaneous services	-	101	101	-	-	-	101
Equipment	-	3	3	-	-	-	3
Total bureau of administration	239	105	344	162	-	162	182
Bureau of Emergency Medical Services:							
Salaries and wages	9,168	-	9,168	8,792	-	8,792	376
Premium pay	2,608	100	2,708	2,691	1	2,692	16
Miscellaneous services	124	1	125	80	-	80	45
Education and training	28	-	28	23	-	23	5
Supplies and materials	240	31	271	230	25	255	16
Equipment	110	69	179	114	9	123	56
Rentals	5	-	5	2	-	2	3
Repairs	66	-	66	55	-	55	11
Uniforms	125	-	125	116	-	116	9
Total bureau of emergency medical services	12,474	201	12,675	12,103	35	12,138	537
Bureau of Police:							
Salaries	56,329	(425)	55,904	55,201	-	55,201	703
Premium pay	7,119	249	7,368	6,906	-	6,906	462
Miscellaneous services	1,656	280	1,936	1,783	8	1,791	145
Education and training	66	29	95	58	-	58	37
Fringe benefits	-	-	-	-	-	-	-
Supplies and materials	275	59	334	301	(21)	280	54
Equipment	146	25	171	146	14	160	11
Repairs	8	1	9	8	-	8	1
Rentals	147	99	246	107	23	130	116
Uniforms	923	187	1,110	1,092	5	1,097	13
Total bureau of police	66,669	504	67,173	65,602	29	65,631	1,542
Bureau of Fire:							
Salaries and wages	38,974	(1,200)	37,774	37,051	-	37,051	723
Premium pay	9,347	1,200	10,547	10,238	-	10,238	309
Miscellaneous services	128	4	132	128	-	128	4
Education and training	18	-	18	17	-	17	1
Supplies	145	13	158	145	-	145	13
Repairs	41	-	41	41	-	41	-
Equipment	28	-	28	28	-	28	-
Uniforms	408	-	408	402	-	402	6
Total bureau of fire	49,089	17	49,106	48,050	-	48,050	1,056

(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, 2008

(Amounts expressed in thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Bureau of Building Inspection:							
Salaries	2,968	-	2,968	2,579	-	2,579	389
Premium pay	5	20	25	18	-	18	7
Miscellaneous services	136	3	139	117	-	117	22
Education and training	27	-	27	21	-	21	6
Supplies	13	-	13	12	-	12	1
Repairs	1	-	1	-	-	-	1
Rentals	6	-	6	2	-	2	4
Equipment	13	-	13	6	-	6	7
Uniforms	18	-	18	12	-	12	6
Total bureau of building inspection	3,187	23	3,210	2,767	-	2,767	443
Public Safety-Department of Public Safety							
Public Safety Animal Control:							
Salaries	653	-	653	516	-	516	137
Premium pay	80	-	80	54	-	54	26
Miscellaneous services	425	-	425	298	110	408	17
Education and training	7	-	7	-	-	-	7
Supplies	-	3	3	-	-	-	3
Repairs	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-
Equipment	2	7	9	4	-	4	5
Uniforms	10	3	13	10	-	10	3
Total bureau of building inspection	1,177	13	1,190	882	110	992	198
Total public safety - department of public safety	132,835	863	133,698	129,566	174	129,740	3,958
Department of Public Works:							
Administration:							
Salaries	521	9	530	527	-	527	3
Premium pay	47	-	47	-	-	-	47
Miscellaneous services	110	-	110	105	-	105	5
Education and training	10	-	10	9	-	9	1
Supplies	24	-	24	15	-	15	9
Equipment	51	4	55	45	-	45	10
Rentals	15	-	15	15	-	15	-
Total administration	778	13	791	716	-	716	75
Operations:							
Salaries	12,117	-	12,117	11,815	-	11,815	302
Premium pay	744	-	744	670	-	670	74
Miscellaneous services	342	-	342	334	-	334	8
Supplies	99	14	113	77	-	77	36
Equipment	56	21	77	54	-	54	23
Materials	1,115	30	1,145	1,076	(1)	1,075	70
Repairs	325	-	325	277	-	277	48
Rentals	645	20	665	646	30	676	(11)
Total operations	15,443	85	15,528	14,949	29	14,978	550
Environmental Services:							
Salaries	6,735	-	6,735	5,917	-	5,917	818
Premium pay	526	-	526	313	-	313	213
Miscellaneous services	2,868	156	3,024	2,814	-	2,814	210
Supplies	118	(9)	109	45	-	45	64
Equipment	31	2	33	22	-	22	11
Uniforms	76	-	76	63	-	63	13
Materials	8	-	8	-	-	-	8
Rentals	8	-	8	2	-	2	6
Total environmental services	10,370	149	10,519	9,176	-	9,176	1,343
Engineering:							
Salaries	1,772	-	1,772	1,341	-	1,341	431
Miscellaneous services	-	-	-	-	-	-	-
Supplies	-	-	-	(1)	-	(1)	(1)
Equipment	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-
Total engineering	1,772	-	1,772	1,340	-	1,340	430

(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, 2008

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
General Services - Facilities:							
Salaries	1,712	-	1,712	1,512	-	1,512	200
Premium pay	37	12	49	47	-	47	2
Miscellaneous services	91	14	105	88	-	88	17
Education and training	1	-	1	1	-	1	-
Supplies	2	5	7	2	-	2	5
Equipment	8	1	9	8	-	8	1
Uniforms	25	-	25	25	-	25	-
Materials	120	35	155	117	-	117	38
Repairs	15	-	15	15	-	15	-
Rentals	-	-	-	-	-	-	-
Total general services - facilities	2,011	67	2,078	1,815	-	1,815	263
Total department of public works	30,374	314	30,688	27,996	29	28,025	2,661
Community, Recreational, and Cultural -							
Department of Parks and Recreation:							
Administration:							
Salaries	3,085	-	3,085	3,047	-	3,047	38
Premium pay	111	-	111	111	-	111	-
Miscellaneous services	441	163	604	398	13	411	193
Education and training	4	-	4	-	-	-	4
Supplies	226	11	237	226	1	227	10
Repairs	9	-	9	4	-	4	5
Rentals	44	-	44	44	-	44	-
Equipment	44	3	47	42	(2)	40	7
Grants	-	47	47	-	-	-	47
Total community, recreational, and cultural - department of parks and recreation	3,964	224	4,188	3,872	12	3,884	304
Nondepartmental:							
Employee Benefits:							
Pension	41,913	-	41,913	41,465	-	41,465	448
Fringe benefits	78,417	1,411	79,828	72,477	(502)	71,975	7,853
Total employee benefits	120,330	1,411	121,741	113,942	(502)	113,440	8,301
Claims and Judgments - Citywide	1,740	(49)	1,691	1,617	(165)	1,452	239
Citizens Review Board:							
Salaries	283	-	283	254	-	254	29
Miscellaneous services	91	41	132	85	5	90	42
Education and training	7	-	7	4	-	4	3
Supplies	5	3	8	4	-	4	4
Equipment	2	-	2	1	-	1	1
Repairs	-	-	-	-	-	-	-
Rentals	53	6	59	59	5	64	(5)
Total citizens review board	441	50	491	407	10	417	74
Utilities - Citywide	7,446	91	7,537	7,353	-	7,353	184
Supplies - Citywide	3,209	900	4,109	3,942	-	3,942	167
GF Transfers - Citywide	10	-	10	10	-	10	-
GF Transfers - Other	1,831	-	1,831	-	-	-	1,831
GF Transfers - unbudgeted operating	-	-	-	72,567	-	72,567	(72,567)
GF Grants - Citywide	-	72	72	-	-	-	72
GF Grants - Other	40	-	40	40	-	40	-
Miscellaneous (postage/refunds) - Citywide	2,367	691	3,058	1,527	585	2,112	946
Debt Service:							
Debt service	87,184	(1,336)	85,848	84,654	-	84,654	1,194
Debt service subsidy	260	-	260	258	-	258	2
Total debt service	87,444	(1,336)	86,108	84,912	-	84,912	1,196
Fund balance restoration	-	-	-	-	-	-	-
Total nondepartmental	224,858	1,830	226,688	286,317	(72)	286,245	(59,557)
Total expenditures	423,755	6,200	429,955	477,267	53	477,320	(47,367)
Excess (Deficiency) of Revenues over Expenditures	\$ 13,071		\$ 6,871			\$ (33,053)	\$ (39,926)

(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, 2008

(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.	\$ 444,267
Actual amounts not included on budgetary basis.	435
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.	<u>10,303</u>
Total General Fund revenue and transfers in on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance.	<u>\$ 455,005</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement.	\$ 477,320
Actual amounts not included on budgetary basis.	568
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.	<u>13,761</u>
Total General Fund expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balance.	<u>\$ 491,649</u>

(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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 41,195,231	\$ 41,195,231	\$ 16,790,430	\$ (24,404,801)
Expenditures:				
General government:				
Council and City Clerk's Office	4,403,454	4,403,454	1,635,712	2,767,742
Finance	285,455	285,455	15,400	270,055
Department of Personnel and Human Relations	1,306,462	1,306,462	815,446	491,016
Department of City Planning	5,334,311	5,334,311	2,774,910	2,559,401
Department of Law	50,000	50,000	50,000	-
General services	22,357	22,357	-	22,357
Public safety	2,796,769	2,796,769	2,339,793	456,976
Public works:				
Public works	4,864,010	4,864,010	1,368,479	3,495,531
Engineering and construction	1,005,374	1,005,374	202,643	802,731
Community, recreational, and cultural programs	2,009,664	2,009,664	1,111,755	897,909
Intergovernmental programs	19,117,375	19,117,375	6,608,076	12,509,299
Total expenditures	41,195,231	41,195,231	16,922,214	24,273,017
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (131,784)	\$ (131,784)

(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, 2008

(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.	\$	16,790
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.		<u>387</u>
Total community development fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance.	\$	<u><u>17,177</u></u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$	16,922
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.		<u>255</u>
Total community development fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balance.	\$	<u><u>17,177</u></u>

(Concluded)

See accompanying notes to financial statements.

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2008

	Pension Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 17,696,243	\$ 9,969,846
Investments:		
Preferred and common stock	68,069,829	-
U.S. government and agency obligations	21,263,677	-
Corporate and other obligations	30,942,195	-
Mutual funds	73,980,537	-
Hedge funds	49,321,765	-
Private equity	1,334,045	-
Accounts receivable	-	115,310
Other assets	-	89,008
Accrued interest and dividend receivables	625,027	-
	263,233,318	10,174,164
Liabilities		
Benefits and related withholdings payable	2,278,626	-
Accounts payable	36,010	12,044
Deposits held in trust	-	1,407,484
Accrued liabilities and other payables	11,060	8,754,636
	2,325,696	10,174,164
Net Assets		
Held in trust for pension benefits	\$ 260,907,622	\$ -
(Schedules of funding progress for each plan are presented on page 95)		

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2008

	Pension Trust Fund
Additions:	
Contributions:	
Employer - pension benefits	\$ 23,385,784
Employer - other benefits	3,919,704
Plan members	9,824,060
State aid	15,147,812
Total contributions	52,277,360
Investment income:	
Net appreciation in fair value of investments	(106,596,461)
Interest and dividends	14,075,930
Total investment income	(92,520,531)
Investment expense	(3,143,852)
Net investment income	(95,664,383)
Miscellaneous:	
Other	847,187
Total additions	(42,539,836)
Deductions:	
Benefit payments	79,994,731
Refund of employee contributions	669,225
Administrative expense	1,107,615
Total deductions	81,771,571
Decrease in Net Assets	(124,311,407)
Net Assets:	
Beginning of year	385,219,029
End of year	\$ 260,907,622

See accompanying notes to financial statements.

COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2008

Assets	URA	Pittsburgh Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Current assets:					
Cash and cash equivalents	\$ 225,636,637	\$ 41,914,000	\$ 2,048,335	\$ 210,644	\$ 269,809,616
Cash and cash equivalents - restricted	5,552,046	-	-	8,282,720	13,834,766
Investments - unrestricted	-	-	-	10,564,782	10,564,782
Investments - restricted	-	-	-	4,713,153	4,713,153
Accounts receivable, net	-	22,533,000	-	457,211	22,990,211
Due from other governments	6,936,057	-	-	-	6,936,057
Grant receivable	-	-	205,000	-	205,000
Notes receivable	-	-	240,000	282,290	522,290
Inventory	-	1,564,000	-	-	1,564,000
Accrued interest	-	-	1,902	899,213	901,115
Other receivables	12,171,676	2,137,000	201,525	-	14,510,201
Prepays	-	190,000	8,096	-	198,096
Total current assets	250,296,416	68,338,000	2,704,858	25,410,013	346,749,287
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	22,366,000	-	-	22,366,000
Investments	-	113,093,000	-	21,089,978	134,182,978
Accrued interest receivable	-	484,000	-	-	484,000
Insurance escrow	-	-	48,628	-	48,628
Replacement reserve	-	-	115,526	-	115,526
Reserve/loans escrow	-	-	894,462	-	894,462
Total restricted assets	-	135,943,000	1,058,616	21,089,978	158,091,594
Capital assets:					
Buildings and building improvements	45,232,300	-	27,009,205	-	72,241,505
Land and land improvements	14,174,892	-	-	24,663,058	38,837,950
Parking facilities	-	-	-	159,583,182	159,583,182
Machinery and equipment	-	-	-	6,055,081	6,055,081
Utility plant	-	583,079,000	-	-	583,079,000
Non-utility plant	-	16,228,000	-	-	16,228,000
Infrastructure	-	-	2,241,369	-	2,241,369
Construction-in-progress	10,480,746	27,307,000	-	1,225,870	39,013,616
Less: accumulated depreciation	(14,172,758)	(182,894,000)	(1,235,910)	(66,233,984)	(264,536,652)
Total capital assets	55,715,180	443,720,000	28,014,664	125,293,207	652,743,051
Leasehold improvements	-	-	-	7,368,681	7,368,681
Other assets	1,334,110	-	-	-	1,334,110
Property held for redevelopment	24,273,125	-	-	-	24,273,125
Loans/notes receivable	92,194,502	-	1,817,985	3,268,379	97,280,866
Deposits held for development fund	-	-	2,971,206	-	2,971,206
Bond issue costs, net of amortization	-	22,561,000	-	2,373,984	24,934,984
Total noncurrent assets	173,516,917	602,224,000	33,862,471	159,394,229	968,997,617
Total Assets	423,813,333	670,562,000	36,567,329	184,804,242	1,315,746,904

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET COMPONENT UNITS

DECEMBER 31, 2008

(Continued)

	URA	Pittsburgh Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Liabilities					
Current liabilities:					
Bonds and loans payable, current portion	\$ 46,679,960	\$ 14,625,000	\$ 397,301	\$ 4,515,000	\$ 66,217,261
Note due to City of Pittsburgh, current portion	-	-	2,220,000	-	2,220,000
Accrued payroll and related obligations	-	673,000	-	-	673,000
Accounts payable - City of Pittsburgh	-	-	-	3,533,249	3,533,249
Accounts payable - wastewater treatment	-	13,757,000	-	-	13,757,000
Deferred revenue	14,280,728	-	-	325,720	14,606,448
Accrued expenses and deferred income	-	-	-	1,263,085	1,263,085
Accounts payable and other accrued expenses	33,499,359	4,936,000	208,533	5,019,021	43,662,913
Accrued interest payable	-	9,704,000	34,167	1,396,962	11,135,129
Total current liabilities	94,460,047	43,695,000	2,860,001	16,053,037	157,068,085
Noncurrent liabilities:					
Unearned revenue	-	356,000	-	-	356,000
Other liabilities	-	-	-	6,268,125	6,268,125
Accrued payroll and related obligations	-	1,150,000	-	-	1,150,000
Note due to the City of Pittsburgh	-	-	2,425,000	-	2,425,000
Bonds and loans payable, net of current portion	135,221,622	660,358,000	20,771,782	100,495,462	916,846,866
Advances from the City of Pittsburgh	-	-	22,775,168	-	22,775,168
Total noncurrent liabilities	135,221,622	661,864,000	45,971,950	106,763,587	949,821,159
Total Liabilities	229,681,669	705,559,000	48,831,951	122,816,624	1,106,889,244
Net Assets					
Invested in capital assets, net of related debt	25,723,435	(81,338,000)	-	21,054,029	(34,560,536)
Restricted for:					
Capital projects	-	15,988,000	-	3,192,271	19,180,271
Debt service	-	-	-	9,955,996	9,955,996
Public Parking Authority	-	-	-	12,296,820	12,296,820
Urban Development	30,904,573	-	-	-	30,904,573
Lending programs	80,975,306	-	-	-	80,975,306
Housing program	5,433,180	-	-	-	5,433,180
Unrestricted	51,095,170	30,353,000	(12,264,622)	15,488,502	84,672,050
Total Net Assets	\$ 194,131,664	\$ (34,997,000)	\$ (12,264,622)	\$ 61,987,618	\$ 208,857,660

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2008

	Program Revenues				Urban Redevelopment Authority						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	URA Component Unit	Water and Sewer Authority	Stadium Authority	Public Parking Authority	
Urban Redevelopment Authority:											
Governmental activities:											
Urban development	\$ 57,446,766	\$ 4,400,690	\$ 50,355,726	\$ 1,250,000	\$ (1,440,350)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,440,350)
General government	9,172,168	4,620,062	2,000,000	-	(2,552,106)	-	-	-	-	-	(2,552,106)
Interest on long-term debt	1,745,282	-	-	-	(1,745,282)	-	-	-	-	-	(1,745,282)
Total governmental activities	68,364,216	9,020,752	52,355,726	1,250,000	(5,737,738)	-	-	-	-	-	(5,737,738)
Business-type activities:											
Lending programs	10,333,761	7,031,047	7,557,172	-	-	4,254,458	-	-	-	-	4,254,458
Property management	3,529,006	3,133,126	-	-	-	(395,880)	-	-	-	-	(395,880)
Total business-type activities	13,862,767	10,164,173	7,557,172	-	-	3,858,578	-	-	-	-	3,858,578
URA Component Unit	3,618,586	82,524	1,669,299	-	-	-	(1,866,763)	-	-	-	(1,866,763)
Total URA	85,845,569	19,267,449	61,582,197	1,250,000	(5,737,738)	3,858,578	(1,866,763)	-	-	-	(3,745,923)
Pittsburgh Water and Sewer Authority	136,350,000	129,938,000	-	986,000	-	-	(5,426,000)	-	-	-	(5,426,000)
Stadium Authority	4,253,835	4,073,937	-	2,530,000	-	-	-	2,350,102	-	-	2,350,102
Public Parking Authority	37,952,322	41,145,247	-	-	-	-	-	-	3,192,925	-	3,192,925
Total Component Units	\$ 264,401,726	\$ 194,424,633	\$ 61,582,197	\$ 4,766,000	(5,737,738)	3,858,578	(1,866,763)	(5,426,000)	2,350,102	3,192,925	(3,628,896)
General revenues:											
Investment income					1,973,833	2,949,943	5,533	5,032,000	-	1,569,570	11,530,879
Gain (loss) on sale of assets					-	-	2,284,071	-	-	-	2,284,071
Miscellaneous revenue (expense)					1,970,971	14,518	(810,877)	-	(518,724)	185,058	840,946
Total general revenues					3,944,804	2,964,461	1,478,727	5,032,000	(518,724)	1,754,628	14,655,896
Change in Net Assets					(1,792,934)	6,823,039	(388,036)	(394,000)	1,831,378	4,947,553	11,027,000
Net assets - beginning					132,546,062	51,122,317	5,821,216	(34,603,000)	(14,096,000)	57,040,065	197,830,660
Net assets - ending					<u>\$ 130,753,128</u>	<u>\$ 57,945,356</u>	<u>\$ 5,433,180</u>	<u>\$ (34,997,000)</u>	<u>\$ (12,264,622)</u>	<u>\$ 61,987,618</u>	<u>\$ 208,857,660</u>

See accompanying notes to financial statements.

NOTES TO BASIC
FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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, 2008, the City, in its statement of net assets, shows a total net deficit of \$561.9 million with an unrestricted net asset deficit of \$640.6 million offset by \$78.7 million in capital and restricted assets. A structural imbalance had 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 which has led 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 \$87.5 million and \$13.4 million, respectively, or a combined 20.0% of its total expenditures; and the City used 27.8% 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 of Pennsylvania 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. During 2008, the City continued efforts to control costs, improve collections, and maintain solvency. The cash balance available for general operations of the City as of December 31, 2008 was \$44.8 million; this was enough to maintain normal function throughout the City in January 2009. Moving forward in 2008, the City submitted for approval "The 2008 Operating and Capital Budgets and Five-Year Financial Forecast & Performance Plan" based on the approval Act 47 Recovery Plan. Currently, the Act 47 coordinators and the ICA will provide continued oversight to ensure compliance with the operating budget and approved five-year plan. On April 8, 2008, a public hearing was held to discuss whether the City should be relieved of its Act 47 status. The City did petition the secretary of the Commonwealth's Department of Community and Economic Development, and on July 16, 2008, the City's petition was denied.

(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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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
City Pension Trust

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 member of senior staff in the Office of the 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.

City Pension Trust

As described in Note 7, the City has a comprehensive pension trust for financial reporting purposes that is comprised of three defined benefit pension plans: the Municipal Pension Plan (Municipal); the Policemen's Relief and Pension Plan (Police); and the Firemen's Relief and Pension Plan (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.

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

The pension plans operate on a fiscal year ending December 31. Their operations are included in the Pension Trust Fund, as a fiduciary fund.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but the omission of which would cause 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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 a Cooperation 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 operates 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 Board 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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

The reporting entity of the URA includes the accounts of all URA operations as well as one entity, which qualifies as a component unit of the URA under the provisions of GASB Statement No. 14. The component unit of the URA is 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.

Administrative Offices

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

Pittsburgh Water and Sewer Authority
Penn Liberty Plaza I
1200 Penn Avenue
Pittsburgh, PA 15222

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

Public Parking Authority of Pittsburgh
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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 County to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA). SEA is currently responsible for the management of the David L. Lawrence Convention Center (Convention Center) and leases the Mellon Arena (formerly the Civic Arena), the Benedum Center and the John Heinz History Center to other entities located in the City. 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, New Arena Project, and various associated infrastructure improvements referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2008, SEA's operating loss was \$36,174,571, and the change in net assets was a decline of \$4,793,263. SEA had total net assets of \$500,288,134.

The Board of Directors (Board) of SEA, a seven-member group, is appointed by the City and Allegheny County. The Board is responsible for the overall activities and operations of 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.

In 2004, SEA borrowed \$20 million 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. As of December 31, 2008, the remaining balance is \$17,555,556.

SEA has suffered operating deficits and has indicated that it may require funding from the City and Allegheny County in the future. No liability has yet been recorded for any such payments, as the City does not anticipate payment during 2009 and any future payments, if any, are yet to be determined.

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 Municipal Authority 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 the 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.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

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.

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.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 Fund – The Comprehensive Fund accounts for the operations of the City's pension plans as described in Note 7. This is accounted for in 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

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 is 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, cash equivalents, and investments held by the City.

(G) Investments

Investments in all funds are carried at fair value. Investments consist of direct obligations of the U.S. government, money market funds, corporate and other obligations, guaranteed investments, money market trust funds, and repurchase agreements. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash, cash equivalents, and investments held by the City.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(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, 2008 but which were levied to finance fiscal year 2009 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 earned, 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 value of the City's art collection is indeterminable and would not be material to capital assets as a whole. The estimated useful lives for capital assets are as 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 2008 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.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

- 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.

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 \$27,442,056 are recorded 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.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(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 June 2007, GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement addresses the recognition and amortization of intangible assets. The guidance in this Statement will be effective for the City's financial statements for the year ended December 31, 2010. The City is currently considering the impact that this new pronouncement will have on the financial statements.

In November 2007, GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

guidance in this Statement will be effective for the City's financial statements for the year ended December 31, 2009. The City is currently considering the impact that this new pronouncement will have on the financial statements.

In June 2008, GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments.*" This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and will be effective for the City's financial statements for the year ended December 31, 2010. The City is currently considering the impact that this new pronouncement will have on the financial statements.

In March 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This Statement's objective is to enhance the usefulness of fund balance information. The guidance in this Statement will be effective for the City's financial statements for the year ended December 31, 2011. The City is currently considering the impact that this new pronouncement will have on the financial statements.

Component Unit Disclosures:

Property Held for Redevelopment

Property held for redevelopment relates mainly to land and buildings held by the URA that is available for redevelopment. Depending on the nature of the redevelopment activity, the transfer of this property may consist of many forms: grant, subsidized or below-market sale, or an independent, market-based sale. These assets are held at the lower of cost or estimated net realizable value.

Loans Receivable

URA loans receivable are recognized when the loan is established for loans with terms of 30 years or less. 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.

URA amortizing loans are recorded at their principal balance due less an allowance for uncollectible accounts.

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 collectability.

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Change in Accounting Principle

In prior periods the PWSA has accounted for revenue for wastewater treatment net of related expenses. During 2008, PWSA elected to change their method of accounting for wastewater treatment. PWSA currently reports wastewater treatment revenue and wastewater treatment expenses gross on the Statement of Revenues, Expenses and Changes in Net Assets. This method of accounting is preferable as it presents the wastewater treatment activity consistent with PWSA's responsibility for this activity. The current presentation allows for the reporting of operational income and losses related to wastewater treatment which is consistent with other Authorities with similar activities. The effect of the accounting change has been to gross up prior year income and expense for wastewater treatment. There is no effect on net income as previously reported for 2007 or any prior year.

Other Long-term Liabilities

An Agreement of Sale in Lieu of Condemnation (Agreement) was executed on April 14, 2004 between the Public Parking Authority and Greyhound Lines, Inc. (Greyhound). As stipulated in the Agreement, the Public Parking Authority purchased from Greyhound the property located at the corner of Liberty Avenue and 11th street for the purchase price of \$6,242,000 for the construction of the new bus terminal. Greyhound leases the bus terminal from the Public Parking Authority. The lease calls for an annual base rent of \$1 for an initial term of 30 years with three consecutive 10 year extensions for an annual base rent of \$100,000. This amount will be recognized as revenue over the term of the initial lease. On October 1, 2008, the new Greyhound Bus Terminal was fully operational.

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.

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- g. The capital budget is generally based on a proposed six year capital program, which must be updated each year and submitted to 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 Projects 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. For the year ended December 31, 2008, expenditures within in the General Fund exceeded appropriations, in transfers. The excess of expenditures within the General Fund was due an unbudgeted transfer and was funded with available fund balance.
- 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 approved General Fund budget includes revenues of \$436.8 million and expenditures of approximately \$430 million in 2008. The budgetary expenditures, as amended, include carryover appropriation and other changes approved by City Council during 2008; budgeted revenues were not amended during 2008 and reminded as adopted.

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.

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3. DEPOSITS AND INVESTMENTS

Both Pennsylvania statutes and City code provide guidelines for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. Both allow the pooling of funds for investment purposes. Neither the statutes, nor City code prescribe regulations related to demand deposits, however, all depositories of City funds must meet qualifying criteria set forth in Section 223 of the City code.

The investment policy of the City compliments state statutes and adheres to prudent business practice. There were no investment transactions during the year that were in violation of either the state statutes or the policy of the City.

GASB 40 "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the City and its component units deposit and investment policies and related risk:

(A) Primary Government 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.

Investment policies 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

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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.

Governmental Funds

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank or counterparty failure, the City's funds may not be returned to it. The City policy does not specifically address custodial credit risk. As of December 31, 2008, \$19,289,239 of the City's combined bank balances of \$20,144,385 subject to custodial credit risk were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Interest Rate Risk – The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2008, the City's exposure to interest rate risk was limited to \$7,603,770, 4.07% of deposit and investment funds available, with a weighted average maturity period of 83 days.

Credit Risk – The City's investment policy limits its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$155,014,141 of the City's cash and cash equivalents are held in U.S. Treasuries and are therefore not exposed to this type of risk.

Agency Funds

Custodial Credit Risk – As of December 31, 2008, the City Agency Funds' combined bank balances of \$7,245,819 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Interest Rate Risk – The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2008, the City's Agency Funds had no exposure to interest rate risk.

Credit Risk – The City's investment policy limit its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating

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organizations. \$5,000,000 of the City's Agency Fund investments are held in U.S. Treasuries and are therefore not exposed to this type of risk.

(B) Pension Trust

Deposits are maintained by all entities within the Funds. The Comprehensive Municipal Pension Trust Fund (CMPTF) holds all investment vehicles on behalf of the Funds. The CMPTF was established on January 1, 1988 by combining the assets and liabilities of the three prior investment plans representing the City of Pittsburgh Police and Fire Departments and Non-uniformed Municipal workers in order to provide a consolidated investment strategy to support the City of Pittsburgh pension obligation.

The CMPTF is governed by a formal investment policy established by its Board of Directors (Board). The policy dictates that investments must be managed in a manner consistent with the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205) and the Pennsylvania Fiduciaries Code. The policy covers the two components of the CMPTF: 1) the Operating Fund and 2) the Long-Term Assets. The Operating Fund is a liquidity pool to accept employee, employer and supplemental state contributions and to make benefit dispersals. As such, the Operating Fund investments are restricted to high quality, very short duration fixed income instruments whose average maturity must not exceed six months and whose quality is restricted to investment grade and above securities. The Long-Term Asset component includes restrictions on both fixed income and equity investments as discussed below.

Deposits

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the combined deposits of the City's pension funds may not be returned to it. There are no formal deposit policies specifically addressing custodial credit risk.

As of December 31, 2008, \$1,113,377 of the City's pension cash and equivalents of the \$18,271,420 combined bank balance was insured by the Federal Depository Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. \$2,734,460 of cash and cash equivalents were held at December 31, 2008 in the separate pension funds; the remaining \$14,961,783 was held in the CMPTF.

Investments

Long-term investments are all held by the CMPTF. These investments are assigned to professional asset managers that specialize in certain types of investments with oversight by an outside investment consultant and the Board in order to achieve an appropriate, diversified and balanced asset class mix to minimize portfolio risk.

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The Investment Policy of the CMPTF dictates an allocation of 65% equity, 35% fixed income with a variation of 10% above or below these targets for each classification. At December 31, 2008, the CMPTF had an allocation of 63% equity and 37% fixed income. Within each investment category are specific policies to further address various types of risk compared to return.

As of December 31, 2008, the CMPTF had the following cash and investments in its pension trust fund:

<u>Investment Type</u>	<u>Fair Market Value</u>
U.S. government and agency obligations	\$ 21,263,677
Corporate debt	13,893,102
Other	<u>17,049,093</u>
Total debt securities	<u>52,205,872</u>
Cash and cash equivalents	14,961,783
Mutual funds	73,980,537
Preferred and common stocks	68,069,829
Hedge funds	49,321,765
Private equity	<u>1,334,045</u>
Total cash, cash equivalents, and other investments	<u>207,667,959</u>
Combined total	<u>\$ 259,873,831</u>

Concentration of Credit Risk – The CMPTF investment guidelines address this risk by requiring diversity and investment percentage limits. With the exception of Federal Government and Agency obligations, no one issue will comprise more than 10% of the aggregate fixed-income portfolio without the Board's prior approval. In addition equity investment concentration in any single industry and in any company shall not exceed 25% and 5%, respectively, of the market value of the plan assets. To further reduce risk, diversification will also be achieved by using multiple managers whose styles and strategies are sufficiently distinctive. As of December 31, 2008, these limits have been met.

Interest Rate Risk - The CMPTF has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The schedule below details maturity by investment type.

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Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2008			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government and agency obligations	\$ 21,263,677	\$ 690	\$ 922,629	\$ 3,403,218	\$ 16,937,139
Corporate debt	13,893,102	683,913	4,813,738	4,981,928	3,413,524
Other	17,049,093	2,794,339	2,869,908	787,132	10,597,714
Total debt securities	\$ 52,205,872	\$ 3,478,942	\$ 8,606,275	\$ 9,172,278	\$ 30,948,377

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The policy guidelines of the CMPTF limit investments to Federal Government and Agency issues and corporate issues having a Moody's rating of Aaa to Baa, with the exception that up to 20% of the fixed income assets may be allocated to high yield fixed-income securities. The Pension trust fund's December 31, 2008 investments in corporate bonds have received the following ratings from Moody's:

	Moody's Credit Rating	% of Corporate Debt Portfolio
Corporate debt	Aaa	23.17%
Corporate debt	Aa1	2.51%
Corporate debt	Aa2	7.32%
Corporate debt	Aa3	3.25%
Corporate debt	BAA & below	61.55%
Corporate debt	Unrated	2.20%
		100.0%

The City's investment in mutual funds and U.S. Government agencies implicitly guaranteed by the U.S. Government were unrated.

(C) Pittsburgh Water and Sewer Authority (PWSA)

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 trustee assets, as otherwise permitted by the trust indenture as supplemented and amended in 1998. Throughout the year ended December 31, 2008, PWSA invested its funds in such authorized investments. PWSA does not have a formal investment policy which addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

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Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, PWSA’s deposits may not be returned to it. As of December 31, 2008, \$42,153,000 of PWSA’s bank balance of \$42,653,000 was exposed to custodial credit risk. These amounts are collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. These deposits have carrying amounts of \$41,914,000 as of December 31, 2008, all of which is reported as current assets in the statement of net assets.

In addition to the deposits noted above, included in cash and cash equivalents as noncurrent restricted assets on the statement of net assets are the following short-term investments: money market funds of \$22,366,000.

At December 31, 2008, the PWSA held the following investment balances:

	<u>Carrying Value</u>	<u>Maturity in years</u> <u>Less Than 1 Year</u>
Guaranteed Investment		
Contracts	\$ 8,464,000	\$ 8,464,000
Money market	22,366,000	22,366,000
Repurchase agreements	575,000	575,000
Commercial paper	102,450,000	102,450,000
U.S. Treasury	1,604,000	1,604,000
Total	<u>\$ 135,459,000</u>	<u>\$ 135,459,000</u>

The fair value of PWSA’s investments is the same as their carrying amount, with the exception of the guaranteed investment contracts which are carried at amortized cost. Investments of \$113,093,000 are included as noncurrent restricted investments on the statement of net assets. Investments of \$22,366,000 consisting of money market funds are included as noncurrent restricted cash and cash equivalents on the statement of net assets.

Interest Rate Risk – Interest rate risk, the risk that changes in the interest rates will adversely affect the fair market value of the PWSA’s investments. PWSA is not subject to interest rate risk as all of its investments at December 31, 2008 had maturities of less than one year.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2008, PWSA’s investments in the guaranteed investment contracts were rated AAA by Standard & Poor’s. The counterparty to PWSA’s guaranteed investment contracts is the Commonwealth of Pennsylvania. PWSA’s investments in commercial paper at December 31, 2008 was rated AAA by Standard & Poor’s. Additionally, at December 31, 2008, PWSA had various repurchase agreements. The underlying securities of these repurchase agreements consist primarily of U.S. Treasuries, and are therefore not subject to credit risk.

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Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. PWSA places no limit on the amount it may invest in any one issuer. More than five percent of PWSA’s investments are in Federal National Mortgage Association, Federal Home Loan Bank, and Commonwealth of Pennsylvania. These investments are 12.7%, 62.1%, and 6.2%, respectively, of PWSA’s total investments.

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

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2008.

Interest Rate Risk – Although the Stadium Authority does not have a formal investment policy, it limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All the Stadium Authority’s investments have short-term maturities.

Credit Risk – The Stadium Authority is subject to credit risk on investments. The maximum amount of loss the Stadium Authority would incur, if any, if the parties failed to perform on their obligation is limited to the amount recorded in the financial statements. The Stadium Authority does not hold any type of collateral on these investments.

Concentration of Credit Risk – The Stadium Authority places no limit on the amount that may be invested in any one issuer. The Stadium Authority maintains its cash and cash equivalent balances at four banks. Deposits that exceed \$100,000 constitute federally uninsured amounts. At March 31, 2008, \$300,000 of the Stadium Authority’s cash and cash equivalent deposits were insured under federal insurance programs, with the balance of the cash and cash equivalents uninsured and uncollateralized. Credit risk is low, however, as a majority of the uninsured and uncollateralized balance is in either a bank money market product that invests in government-backed securities or a certificate of deposit.

(E) Public Parking Authority of Pittsburgh (Parking Authority)

Cash and Deposits

The Parking Authority’s cash deposits and time deposits which are insured by the Federal Depository Insurance Company or which were not insured or collateralized in the Parking Authority’s name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. At September 30, 2008, the Parking Authority had a bank and book balance of \$8,493,364. \$8,282,720 of the cash balance is restricted at September 30, 2008.

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Investments

As of September 30, 2008, the Parking Authority had the following investments of which \$25,803,131 are restricted as to their use. Blackrock and J.P. Morgan investments are in Mutual Fund investment pools.

Investment	Amount	% of Total Investment	Maturity	September 30, 2008 Rating	
				Standard & Poor's	Moody's
J.P. Morgan US Gov Securities	\$ 20,168,480	55%		AAAm	Aaa
Blackrock Pif Temporary Fund	10,464,607	29%		AAAm	Aaa
FHLMC	3,586,960	10%	11/28/2008	AAAm	Aaa
General Electic Capital Corp	2,040,173	6%	12/1/2008	AAAm	Aaa
FDRT government obligation	7,518	0%		A1+	none
Dwelling House Account	100,175	0%			
Total	\$ 36,367,913	100%			

Interest Rate Risk – The Parking Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits; however, they do allow pooling of governmental funds for investment. The Parking Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Parking Authority adheres to State statutes, related trust indentures and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Parking Authority.

Concentration of Credit Risk – The Parking Authority places no limit on the amount the Parking Authority may invest in any one issuer.

(F) Urban Redevelopment Authority (URA)

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

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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 unit adhere to statutory and contractual requirements 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.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the URA’s deposits may not be returned to it. The URA does not have a formal policy for custodial credit risk. As of December 31, 2008, \$28,657,940 of the URA’s bank balance of \$31,052,449 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. As of December 31, 2008, the carrying amounts of the URA’s deposits were \$30,009,394.

In addition to the deposits noted above, included in the cash and investments were the following:

	Fair market value	Maturity in years						
		Less than 1 year	1-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years
Money Market Funds	\$ 117,672,959	\$ 117,672,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bonds	3,400,125	-	-	-	3,400,125	-	-	-
GNMA	12,441,736	-	1,166	285,339	2,302,986	-	2,191,319	7,660,926
Guaranteed Investment								
Contracts	27,500,000	27,500,000	-	-	-	-	-	-
Freddie Mac	1,390,543	-	-	-	-	-	-	1,390,543
FHLB	1,356,934	1,090,627	266,307	-	-	-	-	-
FNMA	36,524,187	-	22,009	475,309	4,411,517	14,709,362	12,925,012	3,980,978
FHLMC	892,805	892,805	-	-	-	-	-	-
Total	\$ 201,179,289	\$ 147,156,391	\$ 289,482	\$ 760,648	\$ 10,114,628	\$ 14,709,362	\$ 15,116,331	\$ 13,032,447

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the URA’s investments. The URA’s policy is to attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the URA will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances.

Certain investments are comprised of assets securitized in the secondary market from loans issued from the loan programs. The maturities noted in the table above reflect the final maturity of the respective security and does not take into consideration non-routine

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repayments on principal as it is not possible to forecast these repayments. It is management's intention to hold these securities until maturity. Interest rates on these investments are fixed and principal and interest repayments from these investments will be used to repay the related debt service.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The URA has an investment policy that limits its investment choices based on credit qualifications by investment type. As of December 31, 2008, the URA's investments in money market funds, FHLB investments, FNMA investments, and FHLMC investments were rated AAA by Standard & Poor's. The Authority's investments in guaranteed investment contracts are unrated.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The URA has a concentration of credit risk policy to monitor concentrations to single issuers on a quarterly basis. More than 5% of the URA's investments are in Fannie Mae asset-backed securities (18%) and guaranteed investment contracts (14%).

4. TRANSACTIONS WITH THE PITTSBURGH WATER AND SEWER AUTHORITY (PWSA)

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

(A) Cooperation Agreement

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

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

(B) System Lease

The City and 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

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\$101,000,000, including interest, all of which have been paid. PWSA has the option to purchase the System in 2025 for \$1.

(C) Pension

As of December 31, 2003, the City has retained the pension obligation for PWSA's employees who participate in the City's Municipal Pension Plan. The extent of PWSA's participation in such obligation with respect to these employees whose membership continued upon becoming employees of 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 PWSA and its employees to make contributions to the Plan. Such contributions are contingent upon the continuing eligibility of PWSA's employees to participate in the City's Plan. Eligibility for ongoing employee participation in the City's Plan could end if PWSA was to introduce another pension plan. At this time, PWSA and the City have no definite plans to establish another pension plan for PWSA, other than an agreement in principle that PWSA should have its own plan in the future. Future obligations of PWSA to make contributions to the Plan may also be subject to other amendments of the existing arrangement agreed upon by PWSA and the City.

See additional related party transaction disclosures for the URA, Stadium Authority, and 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 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 2008 was \$13,254,877,546.

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 Allegheny 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

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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 2008, 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 13.92 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 \$13.92.

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 balance sheet (general fund) for payments received that are subject to refund.

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6. CAPITAL ASSETS

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Governmental activities:				
Non-depreciable assets:				
Land	\$ 45,602,091	\$ -	\$ -	\$ 45,602,091
Construction-in-progress	2,560,243	508,946	-	3,069,189
Total	48,162,334	508,946	-	48,671,280
Depreciable assets:				
Buildings and systems	88,778,564	-	-	88,778,564
Accumulated depreciation	(74,386,354)	(1,266,547)	-	(75,652,901)
Net	14,392,210	(1,266,547)	-	13,125,663
Furniture and fixtures	4,039,988	12,000	-	4,051,988
Accumulated depreciation	(3,611,241)	(208,072)	-	(3,819,313)
Net	428,747	(196,072)	-	232,675
Machinery and equipment	3,485,203	446,983	-	3,932,186
Accumulated depreciation	(3,154,204)	(244,335)	-	(3,398,539)
Net	330,999	202,648	-	533,647
Vehicles	49,494,258	7,315,916	(2,220,079)	54,590,095
Accumulated depreciation	(36,320,551)	(4,021,253)	2,060,364	(38,281,440)
Net	13,173,707	3,294,663	(159,715)	16,308,655
Infrastructure	177,810,167	-	-	177,810,167
Accumulated depreciation	(85,402,082)	(5,807,614)	-	(91,209,696)
Net	92,408,085	(5,807,614)	-	86,600,471
Capitalized leases	15,434,653	-	-	15,434,653
Accumulated depreciation	(2,957,967)	(771,733)	-	(3,729,700)
Net	12,476,686	(771,733)	-	11,704,953
Total depreciable assets	339,042,833	7,774,899	(2,220,079)	344,597,653
Total accumulated depreciation	(205,832,399)	(12,319,554)	2,060,364	(216,091,589)
Net	133,210,434	(4,544,655)	(159,715)	128,506,064
Governmental activities, capital assets, net	<u>\$ 181,372,768</u>	<u>\$ (4,035,709)</u>	<u>\$ (159,715)</u>	<u>\$ 177,177,344</u>

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

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General government	\$ 2,379,547
Public safety	2,326,164
Highways, streets, and other capital improvements	5,807,614
Sanitation	850,265
Public works	824,187
Culture and recreation	131,777
	\$ 12,319,554

Component unit's capital asset activity for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Component Units:				
Non-depreciable assets:				
Land	\$ 38,923,943	\$ -	\$ 85,993	\$ 38,837,950
Construction-in-progress	57,806,978	42,504,635	61,297,997	39,013,616
Total	96,730,921	42,504,635	61,383,990	77,851,566
Depreciable assets:				
Building and building improvements	70,426,745	1,814,760	-	72,241,505
Parking facilities	115,992,257	43,590,925	-	159,583,182
Machinery and equipment	5,592,969	640,143	178,031	6,055,081
Utility plant	570,724,000	13,321,000	966,000	583,079,000
Non-utility plant	15,842,000	392,000	6,000	16,228,000
Infrastructure	-	2,241,369	-	2,241,369
Total	778,577,971	62,000,197	1,150,031	839,428,137
Less: accumulated depreciation	(242,048,470)	(22,666,213)	(178,031)	(264,536,652)
Net	\$ 633,260,422	\$ 81,838,619	\$ 62,355,990	\$ 652,743,051

7. PENSION PLANS

(A) Organization and Description of Plans

The City is responsible for the funding of retirement benefits for the three pension plans described below. Investments of the plans are held by the Comprehensive Municipal Pension Trust Fund (Comprehensive Trust), in accordance with the Municipal Pension Plan Funding

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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 Plan of the City of Pittsburgh, the Policemen's Relief and Pension Plan of the City of Pittsburgh, and the Firemen's Relief and Pension Plan of the City of Pittsburgh were established; a separate accounting for the activities of these three plans is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Plan's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each plan. However, the individual plans do not record the undivided interest in the investments in their individual plans since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension plans 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 plans plus the Comprehensive Trust constitute the City's Pension Plan.

The retirement plans 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 Fund
C/O Department of Finance
City/County Building
Pittsburgh, PA 15219

The Municipal Pension Plan

The Municipal Pension Plan of the City of Pittsburgh (Municipal Plan) 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 Plan 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 Plan are required to make contributions to the Municipal Plan for the purpose of paying benefits and administrative expenses. At January 1, 2007, the date of the most recent actuarial valuation, the Municipal Plan has 3,479 total members of which 1,778 are active members; 1,634 retirees, disabled, and survivors; and 67 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 Plan continues with no break in service, as provided for by the Municipal Pension Act, because PWSA has no retirement plan. The City considers PWSA a part of the reporting entity and thus believes the plan continues to be a single employer plan. As of the

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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.

The retirement benefit for employees who became members of the Municipal 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 benefits for certain classes of employees. All members receive a service increment of 1% of three year average pay, four year average pay if hired after December 31, 1987, for each year of service in excess of 20, to a maximum of \$100 per month. The retirement benefit for employees with less than 20 years of service is prorated. The percentage calculation is actual # of years of service/240. In addition, for employees electing the program who have not attained the age of 60, the retirement benefit is reduced by ½% for each month that 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. In 2001, an ordinance was passed to permit an election to change the method of calculation to be consistent with employees hired after January 1, 1988 and the elimination of the offset from social securities benefits received. Under the 2001 Ordinance, average monthly compensation is defined as the last 48 consecutive months of contributory earnings immediately preceding retirement or termination of services.

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:

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- a. If an employee is age 60 or older with eight years of service, the employee 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 Plan 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 Plan prior to January 1, 1988. The Program provides each of the employees who elected to retire under its provisions a monthly benefit of \$350 until attainment of 65 years of age. There are 7 retirees in this group with a total cost to the City in 2008 of \$46,550.

Costs related to healthcare reimbursement and Medicare benefits are considered part of the pension plan and are included in the Municipal Plan's MMO calculation.

The Policemen's Relief and Pension Plan

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

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its members. P.L. 233 requires the City and members of the Policemen Plan to make contributions to the Policemen Plan for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Plan. At January 1, 2007, the Policemen Plan has 2,483 total members of which 848 are active members; 1,630 retirees, disabled, and survivors; and five 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.

Employees hired prior to January 1, 1992 receive pension benefits is equal to 50% of the highest 12 months' base salary at the time of retirement. Employees hired after December 31, 1991 receive a pension benefit based on highest 36-month base salary. 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 base salary instead of the last 48 months average pay for employees hired on or after January 1, 1992.

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 base salary at the time of termination. A terminated member may elect to continue making contributions to the plan, equal to the contribution rate of their rank 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.

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The Firemen's Relief and Pension Plan

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

All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the Firemen Plan. At January 1, 2007, the Firemen Plan had 1,824 total members of which 622 are active members; 1,198 retirees, disabled, and survivors; and four 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 average 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 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 20 years of service. If a retiree is under the age of 50, the retiree must make contributions to the plan until the age of 50 to qualify for a monthly pension at age 50. Upon termination of employment a member's contributions, without accumulation of interest, are refundable.

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

(B) Funding Status and Progress

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

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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, and Firemen), 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 fund, 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.

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. The City received and disbursed \$15.2 million in State Aid in 2008.

Annual Pension Cost

The City's annual pension cost for the past three years are depicted in the following table. Certain revisions to the 2007 amounts are reflected as warranted.

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Fiscal Year Ended	(\$ in Thousands)		
	Municipal	Policemen	Firemen
December 31, 2008:			
Annual required contribution	\$ 10,457	\$ 19,769	\$ 7,901
Contribution made	10,457	19,769	7,901
December 31, 2007:			
Annual required contribution	\$ 11,950	\$ 17,466	\$ 8,742
Contribution made	11,950	17,466	8,742
December 31, 2006:			
Annual required contribution	\$ 10,692	\$ 19,537	\$ 7,750
Contribution made	10,692	19,537	7,750

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

	Municipal	Policemen	Firemen
Actuarial valuation date	1/1/2007	1/1/2007	1/1/2007
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	31 years	31 years	31 years
Asset valuation method	Market related	Market related	Market related
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%

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.

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Three Year Trend Information

(Amounts expressed in thousands)

Fiscal Year Ending	Pension Plan	Pension Cost (ARC)	Total Contributions as a Percentage of Annual Required Contributions
12/31/2008	Municipal	\$ 10,457	100.0%
	Policemen	19,769	100.0%
	Firemen	7,901	100.0%
12/31/2007	Municipal	\$ 11,950	100.0%
	Policemen	17,466	100.0%
	Firemen	8,742	100.0%
12/31/2006	Municipal	\$ 10,692	100.0%
	Policemen	19,537	100.0%
	Firemen	7,750	100.0%

At January 1, 2007, the membership of the three pension plans consisted of:

Status	Municipal	Policemen	Firemen	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,634	1,630	1,198	4,462
Terminated employees - vested	67	5	4	76
Total	1,701	1,635	1,202	4,538
Active members	1,778	848	622	3,248
Total membership	3,479	2,483	1,824	7,786

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2007, is as follows (in thousands):

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Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Municipal:					
\$ 117,692	\$ 237,314	\$ (119,622)	49.59%	\$ 70,189	(170.43)%
Policemen:					
\$ 114,889	\$ 353,522	\$ (238,633)	32.50%	\$ 54,862	(434.97)%
Firemen:					
\$ 142,787	\$ 308,412	\$ (165,625)	46.30%	\$ 47,573	(348.15)%

The required schedule of funding progress included as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Schedules of funding progress are presented on page 95.

As noted above, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2007. The next actuarial valuation will be performed as of January 1, 2009 and will take into account subsequent declines in the market value of investments being held in the Plans. While the exact impact is not known, it is expected that the market declines will negatively impact the funding status of the Plans and increase the future funding requirements of the Plans.

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 funds 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. Post-retirement benefits consisting of health care benefits, Medicare reimbursements and life insurance for firefighters and police officers and life insurance for certain municipal employees.

Benefit provisions for the plan is established and amended through negotiations between the City and the respective unions.

Funding Policy. The City's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the City contributed \$20,287,868 to the plan. Employees are not required to make contributions for basic life insurance. Employees contribute to health care costs at a flat rate based on wages and family size.

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Annual OPEB Cost. The City's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of *the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the City's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

Annual required contribution	\$ 29,635,856
Interest on net OPEB obligation	379,361
Adjustment to annual required contribution	<u>(493,559)</u>
Annual OPEB cost	29,521,658
Contributions made	<u>20,287,868</u>
Increase (decrease) in net OPEB obligation	9,233,790
Net OPEB obligation (asset) beginning of year	<u>7,587,219</u>
Net OPEB obligation (asset) end of year	<u><u>\$ 16,821,009</u></u>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Actuarial valuation date	1/1/2008
Actuarial cost method	Entry Age
Amortization method	Level dollar
Asset valuation method	N/A - the plans are unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases - 1	5.75%
Health care inflation rate	9% in 2008, grading to 5% in 2014

1 - Projected salary increase for municipal is 4.00%.

For the Actuarial Valuation report dated January 1, 2008, the actuarial value of assets is zero, the actuarial accrued liability is \$359.1 million for a funded ratio of zero.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2008	\$ 29,521,658	43%	\$ 16,821,009
December 31, 2007	26,704,998	72%	7,587,219
December 31, 2006	N/A	N/A	N/A

N/A - Not applicable, 2007 is implementation year for GASB Statement No. 45.

Component Unit:

Parking Authority

The Parking Authority Post Employment Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Parking Authority. There is no separate audit requirement. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The following table shows the components of the Parking Authority's annual OPEB cost, the amount actuarially contributed to the plan, and the changes in the net OPEB obligation for the year ended September 30, 2008:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Annual OPEB cost (expense)	\$ 165,226
Contributions made	<u>27,247</u>
Increase in net OPEB obligation	137,979
Net OPEB obligation - beginning of year	<u>161,387</u>
Net OPEB obligation - end of year	<u><u>\$ 299,366</u></u>

The Parking Authority's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan was \$165,226 and 16.49%, respectively. As of October 1, 2006, the date of the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$917,342, all of which was unfunded. The covered payroll was \$502,496, and the ratio of unfunded actuarial accrued liability to cover payroll was 182.6%. The contributions made as a percentage of required contributions were 135%. The contributions were made on a pay-as-you-go basis.

In the October 1, 2006, actuarial valuation, the following actuarial assumptions were used: Actuarial cost method – Entry age normal; Interest rate – 6%; Amortization method – Level dollar; Amortization period – Seven years.

9. LONG-TERM LIABILITIES

The maximum amount payable for future maturities of bond and interest on general long-term debt at December 31, 2008 and changes in bond principal for the year then ended are summarized below:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

	Principal				
	Outstanding at December 31, 2007	Bonds paid or defeased and discount amortized during 2008	Bonds issued during 2008	Outstanding at December 31, 2008	Interest
Council and Public Election General Obligation Bonds:					
Twelve general obligation bond issues with rates ranging from 4.0% to 7.0%. The bonds are payable from general revenues.					
2008	\$ 44,485,000	\$ 44,485,000	\$ -	\$ -	\$ -
2009	47,050,000	8,195,000	5,470,000	44,325,000	41,449,246
2010	49,395,000	4,595,000	4,610,000	49,410,000	39,283,224
2011	51,830,000	5,835,000	5,850,000	51,845,000	32,688,464
2012	54,670,000	9,470,000	9,475,000	54,675,000	30,179,416
2013	57,495,000	9,900,000	9,940,000	57,535,000	27,786,314
2014-2018	319,310,000	31,405,000	31,430,000	319,335,000	95,320,014
2019-2023	119,915,000	-	-	119,915,000	29,678,889
2024	27,875,000	-	-	27,875,000	919,875
Subtotal	772,025,000	113,885,000	66,775,000	724,915,000	297,305,442
Less: Discount on Zero Coupons	(562,845)	(343,792)	-	(219,053)	
Unamortized bond issuance costs	(6,789,052)	(1,249,771)	(494,016)	(6,033,297)	-
Unamortized bond discounts/premiums	22,589,641	3,995,875	3,292,711	21,886,477	-
Excess cost on debt refinancing	(18,121,685)	(4,344,449)	(173,696)	(13,950,932)	-
Less bonds funded by Stadium Authority	(5,022,155)	(1,516,208)	-	(3,505,947)	(2,531,421)
	\$ 764,118,904	\$ 110,426,655	\$ 69,399,999	\$ 723,092,248	\$ 294,774,021

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Discretely Presented Component Units

Debt related to URA supported by the City (debt recorded in the separate URA financial statements)

Future maturities of bond principal on URA related indebtedness supported by the City as of December 31, 2008 are as follows:

	Principal				Interest
	Outstanding at December 31, 2007	Bonds paid or defeased and discount amortized during 2008	Bonds issued during 2008	Outstanding at December 31, 2008	
Urban Redevelopment Authority taxable Revenue Bonds:					
One Special Tax Development Bond with interest rates of 5.0%. The bonds are payable solely from the City's assignment to URA of certain Allegheny Regional Asset District revenues.					
2008	\$ 5,320,000	\$ 5,320,000	\$ -	\$ -	\$ -
2009	5,585,000	-	-	5,585,000	2,097,500
2010	5,885,000	-	-	5,885,000	1,819,500
2011	6,205,000	-	-	6,205,000	1,526,875
2012	6,525,000	-	-	6,525,000	1,218,750
2013	6,880,000	-	-	6,880,000	894,875
2014	11,175,000	-	-	11,175,000	553,625
	<u>\$ 47,575,000</u>	<u>\$ 5,320,000</u>	<u>\$ -</u>	<u>\$ 42,255,000</u>	<u>\$ 8,111,125</u>

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

	Principal				Interest
	Outstanding at December 31, 2007	Bonds paid during 2008	Bonds issued during 2008	Outstanding at December 31, 2008	
Urban Redevelopment Authority					
Taxable Revenue Bonds:					
Eight tax increment financing (TIF) bonds with interest rates ranging from 5.4% to 10.5% and one TIF note with variable interest rates. Terms of the TIF require repayments of principal and interest solely from tax increment generated in districts and related agreements.					
2008	\$ 934,643	\$ 934,643	\$ -	\$ -	\$ -
2009	1,277,661	-	-	1,277,661	1,372,059
2010	1,379,080	-	-	1,379,080	1,278,437
2011	1,793,980	-	-	1,793,980	1,179,546
2012	1,336,967	-	-	1,336,967	1,060,206
2013	1,451,652	-	-	1,451,652	959,484
2014-2018	7,747,278	-	-	7,747,278	3,083,879
2019-2023	3,875,903	-	-	3,875,903	928,966
2024-2025	1,181,418	-	-	1,181,418	104,848
	20,978,582	934,643	-	20,043,939	9,967,425
Total Urban Redevelopment Authority debt supported by the City	\$ 68,553,582	\$ 6,254,643	\$ -	\$ 62,298,939	\$ 18,078,550

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

URA debt recorded by URA (includes PDF Trust Bonds supported by the City)

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2008:

	Balance at December 31, 2007	Additions	Retirements	Balance at December 31, 2008
Primary Government:				
Mortgage Revenue Bond Program	\$ 85,835,000	\$ -	\$ 4,620,000	\$ 81,215,000
Home Improvement Loan Program	4,565,000	-	140,000	4,425,000
Single Family Mortgage Revenue				
Draw Down Bonds	27,500,000	-	-	27,500,000
PDF Trust bonds	47,575,000	-	5,320,000	42,255,000
Bank loan	2,729,116	-	371,852	2,357,264
Total proprietary fund debt	168,204,116	-	10,451,852	157,752,264
Bank loans	6,801,239	1,500,000	405,107	7,896,132
HUD Section 108 loans	8,960,000	10,500,000	670,000	18,790,000
Compensated absences	477,478	-	17,268	460,210
Original issue premium				532,059
Deferred interest				(4,896,192)
Total debt and other long-term obligations	184,442,833	12,000,000	11,544,227	180,534,473
Component Units:				
Pittsburgh Housing Development Corporation:				
Bank construction loans	854,273	691,545	178,709	1,367,109
Total Component Unit Debt	854,273	691,545	178,709	1,367,109
Total debt and other long-term obligations - reporting entity	\$ 185,297,106	\$ 12,691,545	\$ 11,722,936	\$ 181,901,582

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Stadium Authority Debt

Future maturities of bond principal on Stadium Authority indebtedness at March 31, 2008 are as follows:

	Principal			Outstanding at March 31, 2008
	Outstanding at March 31, 2007	Bonds paid or defeased during 2008	Bonds and Notes issued during 2008	
Stadium Authority Revenue Bonds and Notes:				
Gen. Oblig. Bonds funded by Stadium Authority (reflected as Note due to City of Pittsburgh, see Note 14)	\$ 6,670,000	\$ 2,025,000	\$ -	\$ 4,645,000
	\$ 6,670,000	\$ 2,025,000	\$ -	\$ 4,645,000

Parking Authority Debt

Future maturities of bond and note principal on Parking Authority indebtedness at September 30, 2008 are as follows:

	Principal				Interest
	Outstanding at September 30, 2007	Bonds paid or defeased and discount amortized during 2008	Bonds and notes issued during 2008	Outstanding at September 30, 2008	
Parking Authority Revenue Bonds and Notes:					
Seven revenue bond issues with interest rates ranging from 2.20% to 5.0%. These bonds are payable from revenue from Parking Authority operations.					
2008	\$ 4,350,000	\$ 4,350,000	\$ -	\$ -	\$ 4,274,606
2009	4,515,000	-	-	4,515,000	4,118,547
2010	4,680,000	-	-	4,680,000	3,945,291
2011	4,805,000	-	-	4,805,000	3,728,721
2012	22,835,472	-	-	22,835,472	3,489,568
2013-2017	26,218,490	-	-	26,218,490	20,235,072
2018-2022	32,645,000	-	-	32,645,000	14,603,422
2023-2027	8,295,000	-	-	8,295,000	4,459,155
	108,343,962	4,350,000	-	103,993,962	58,854,382
Plus: Appreciated value on Cap. Apprec. Bonds	1,644,277	-	666,854	2,311,131	-
Plus: Bond premium	2,878,158	-	(323,292)	2,554,866	-
Less: Unamortized discount	(54,273)	-	2,831	(51,442)	-
Less: Deferred amount on refinancing	(4,200,281)	-	402,226	(3,798,055)	-
Total	\$ 108,611,843	\$ 4,350,000	\$ 748,619	\$ 105,010,462	\$ 58,854,382

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Pittsburgh Water and Sewer Authority Debt

Future maturities of bond and note principal on PWSA indebtedness at December 31, 2008 are as follows:

	Principal				
	Outstanding at December 31, 2007	Bonds paid or defeased and discount amortized during 2008	Bonds and notes issued during 2008	Outstanding at December 31, 2008	Interest
Pittsburgh Water and Sewer Authority Revenue Bonds:					
Seven revenue bond issues with interest rates ranging from 5.0% to 6.61%, with five revenue refunding bonds with interest rates ranging from 3.0% to 6.5%, and one note with variable interest rate. The bonds are payable from revenue from Water and Sewer operations.					
2008	\$ 15,531,000	\$ 15,531,000	\$ -	\$ -	\$ -
2009	19,431,000	4,800,000	-	14,631,000	29,098,443
2010	20,040,000	3,600,000	-	16,440,000	28,635,692
2011	20,715,000	5,000,000	-	15,715,000	28,082,443
2012	21,891,000	8,660,000	75,000	13,306,000	27,220,825
2013	23,182,200	8,236,000	60,000	15,006,200	26,521,656
2014-2018	133,412,400	61,927,400	16,075,000	87,560,000	124,050,352
2019-2023	163,920,400	104,469,400	48,495,000	107,946,000	106,999,751
2024-2028	195,327,000	89,861,000	26,730,000	132,196,000	144,363,285
2029-2033	80,150,000	13,455,000	73,235,000	139,930,000	99,666,186
2034-2038	-	-	170,365,000	170,365,000	37,414,895
2039-2040	-	-	79,115,000	79,115,000	4,897,541
	<u>693,600,000</u>	<u>315,539,800</u>	<u>414,150,000</u>	<u>792,210,200</u>	<u>656,951,069</u>
Less net bond discount (premium)	85,000	82,000	2,384,000	2,387,000	-
Less unamortized discount on 1998 bonds	(105,314,000)	(14,634,121)	-	(90,679,879)	-
Less deferred refunding loss	(20,543,000)	(9,728,000)	(18,119,000)	(28,934,000)	-
Total	<u>\$ 567,828,000</u>	<u>\$ 291,259,679</u>	<u>\$ 398,415,000</u>	<u>\$ 674,983,321</u>	<u>\$ 656,951,069</u>

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. As of December 31, 2008, the City continues to guarantee the debt.

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YEAR ENDED DECEMBER 31, 2008

	Principal				
	Outstanding at December 31, 2007	Bonds paid or defeased and discount amortized during 2008	Bonds and notes issued during 2008	Outstanding at December 31, 2008	Interest
Public Auditorium Authority Revenue Bonds:					
One bond issue with interest rates ranging from 3.38% to 4.0%. The City's share of debt service on these bonds is payable from general revenues.					
2008	\$ 180,000	\$ 180,000	\$ -	\$ -	\$ -
2009	182,500	-	-	182,500	72,520
2010	187,500	-	-	187,500	65,221
2011	197,500	-	-	197,500	57,720
2012	207,500	-	-	207,500	51,055
2013	225,000	-	-	225,000	43,896
2014-2017	960,000	-	-	960,000	97,038
Total	\$ 2,140,000	\$ 180,000	\$ -	\$ 1,960,000	\$ 387,450

(A) Council and Public Election General Obligation Bonds

General Obligation Bonds - Series of 2008 A

On September 11, 2008, the City issued \$66,775,000 of General Obligation Refunding Bonds, Series A with an average interest rate of 5.08%. These consisted of serial bonds all bearing a fixed rate ranging from 5.0% to 5.25% with maturities commencing on September 1, 2009 and continuing annually through September 2017. Net proceeds of \$69,573,696 (including a bond premium of \$3,292,711 and bond issuance costs of \$494,016) were used to advance refund the General Obligation Bonds, Series 1998D for \$69,400,000. The proceeds 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 refunded bonds will be considered defeased and related liability for the bonds is removed from the City's liabilities.

The City's advance refunding decreased total debt service over the next nine years by approximately \$2.9 million. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of approximately \$2.8 million.

General Obligation Bonds - Series of 2006 A, B, & C

On May 10, 2006, the City issued \$53,615,000 of General Obligation Bonds, Series 2006A with an average interest rate of 5.44%, \$140,560,000 of General Obligation Bonds, Series 2006B with an average interest rate of 5.16% and \$47,800,000 of General Obligation Bonds, Series 2006C, with an average interest rate of 5.25%. These consisted of serial bonds all

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

bearing a fixed rate from 4.00% to 5.54% with maturities commencing on September 1, 2006 and continuing annually through September 2018. Net proceeds of \$201,483,507 (including a bond premium of \$9,650,477 and bond issuance costs of \$2,341,970) were used to advance refund various series of bonds.

The net proceeds of the General Obligation Bonds of \$50 million (including a bond premium of \$3,466,728, bond issuance costs of \$679,249 and a transfer of debt service of \$585,515) are being used to fund capital projects from 2006 through 2008.

The City's General Obligation Bonds Series 1992A, 1993A, 1998D, 2002A, 2003A, 2005A, and 2005B were issued to refunding previous series issued for capital projects. The 1998 Series ABC bonds were issued to fund the City's Pension Fund.

Below is a schedule of the City's General Obligation Bonds as of December 31, 2008:

Serial Bonds	Coupon or Ceiling Rate of Interest	Amount Outstanding
1992A*	6.7% - 6.75%	\$ 3,725,000
1993A	5.50%	25,560,000
1998A, B, C	5.00% - 7.00%	240,015,000
2002A	5.00% - 5.50%	48,245,000
2003A	5.00% - 5.50%	13,550,000
2005A	5.00%	113,390,000
2005B	5.00%	5,635,000
2006 A	5.47% - 5.54%	19,670,000
2006 B	4.00% - 5.25%	140,550,000
2006 C	4.25% - 5.25%	47,800,000
2008 A	5.00% - 5.25%	66,775,000
Subtotal		724,915,000
Less: Discount on zero coupon bonds		(219,053)
Unamortized bond issuance costs		(6,033,297)
Unamortized bond discounts/premiums		21,886,477
Prepaid interest on debt refinancing		(13,950,932)
Less: Bonds funded by Stadium Authority		(3,505,947)
Total general obligation bonds payable		\$ 723,092,248

* Zero Coupon Bonds

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The City's uninsured Bond Debt ratings are Moody's Baa and Standard & Poor's BBB and the City's insured Bond Debt ratings are Moody's Aaa, and Standard & Poor's AAA as of December 31, 2008.

In 1993, 1998, 2002, 2005, 2006, and 2008 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, 2008 is \$511,075,000.

(B) Stadium Authority

During the Stadium Authority's fiscal year March 31, 2006, the Stadium Authority obtained three long-term loans to finance the West General Robinson Street Garage. The Employee Real Estate Construction Fund loan totaling \$16.7 million has a 25-year amortization and a 10-year term. No principal is due on the loan until month 28 and interest is payable immediately at a rate of 7.5%. The Strategic Investment Fund loan totaling \$3.5 million has a 15-year amortization and a 10-year term. No principal is due on the loan until month 28 and interest is payable immediately at a rate of 6.5%. The Infrastructure Development Program loan for \$1.25 million has a term of 20 years with a 2% interest rate. No principal or interest is due for 2006, 2007, and 2008. Interest only payments will be made in 2009 and 2010. The outstanding balances at March 31, 2008 are \$16,524,325, \$3,394,757, and \$1,250,000, respectively for the three loans.

(C) Pittsburgh Water and Sewer Authority

On September 23, 2003, 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, 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 1.45% 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 PWSA.

During March 2007, PWSA issued \$158,895,000 Series 2007 First Lien Water and Sewer Revenue Bonds ("2007 Bonds"): \$43,720,000 Series A of 2007 (fixed rate), \$57,585,000 Series B-1 of 2007 (variable rate demand), and \$57,590,000 Series B-2 of 2007 (variable rate demand). The purpose of this bond issue was to refund the Series 2002 and Series 2005

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Bonds (the refunded bonds). In connection with the debt refundings, PWSA recorded a deferred refunding loss of \$8,099,000 which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2007 Bonds were issued at a bond premium of \$2,660,000, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method. Bond issuance costs of \$598,000 are also being amortized over the life of the 2007 Bonds using the effective interest method.

The 2007 Series A Bonds bear interest at rates ranging from 4.00% to 5.00%. Interest is payable in semi-annual installments on March 1 and September 1 until maturity. The 2007 Series A Bonds are subject to extraordinary redemption prior to maturity at the option of PWSA in the event of a condemnation, damage or destruction of the water and sewer system.

The 2007 Series B Bonds bear interest at a variable rate with interest payments due on the first business day of each month. The 2007 Series B Bonds that mature on September 1 of 2018-2033 are subject to mandatory sinking fund redemption.

During May 2008, the PWSA issued \$93,635,000 Series 2008 Water and Sewer System First Lien Revenue Bonds ("2008 Fixed Rate Bonds"): \$68,970,000 Series A of 2008 (fixed rate, taxable) and \$24,665,000 Series D-1 of 2008 (fixed rate). The purpose of this bond issue was to advance refund portions of certain maturities of the Series 1993A and Series 2003 Bonds, to fund the costs of certain capital additions, to fund the premium for the Bond Insurance Policy securing payments on 2008 Fixed Rate Bonds, and to fund termination payments on certain interest rate swaps.

During June 2008, PWSA issued \$320,515,000 Series 2008 Water and Sewer System First Lien Revenue Bonds ("2008 Variable Rate Demand Bonds"): \$145,495,000 Series B of 2008 (variable rate demand), \$51,910,000 Series C-1 of 2008 (variable rate demand), \$51,885,000 Series C-2 of 2008 (variable rate demand), and \$71,225,000 Series D-2 of 2008 (variable rate demand). The purpose of this bond issue was to currently refund the Series 1998A and Series 1998C, to currently refund certain maturities of the Series 2007 B-1 and Series 2007 B-2 Bonds, to advance refund certain maturities of the Series 1998B Bonds, to fund approximately \$98 million of certain capital additions, to fund the premium for the Bond Insurance Policy securing payments on 2008 Variable Rate Demand Bonds, and to fund termination payments on certain interest rate swaps.

In connection with these advance refundings, portions of the proceeds of the 2008 Bonds were deposited into irrevocable trusts with an escrow agent to provide for certain debt service payments on the refunded bonds. The advance refunding resulted in a deferred refunding loss of \$18,119,000 that will be amortized as an adjustment to interest expense over the life of the 2008 Bonds using the effective interest method. At December 31, 2008, the principal of the defeased Series 1993A Bonds outstanding was \$21,875,000 and the defeased 2003 Bonds outstanding was \$34,530,000. The maturity value of defeased 1998B compound interest bonds outstanding at December 31, 2008 was \$19,300,000.

CITY OF PITTSBURGH, PENNSYLVANIA

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The Taxable 2008 Series A Bonds bear interest at rates ranging from 6.36% to 6.61%. Interest is payable in semi-annual installments on March 1 and September 1 until maturity. The Taxable 2008 Series A Bonds are subject to optional redemption, in whole or in part, on any date, at the option of the Authority. The Taxable 2008 Series A Bonds that mature in 2018 and 2024 are subject to mandatory sinking fund payments beginning in 2017 and continuing through 2024.

The 2008 Series D-1 Bonds (together with the Taxable 2008 Series A Bonds are the 2008 Fixed Rate Bonds) bear interest at rates ranging from 4.50% to 5.00%. Interest is payable in semi-annual installments on March 1 and September 1 until maturity. The 2008 Series D-1 Bonds which mature on or after September 1, 2019 are subject to optional redemption, in whole or in part, on any date, at the option of the PWSA at any time on or after September 1, 2018, at 100% of the principal amount plus accrued interest.

The 2008 Series B, C, and D-2 Bonds (2008 Variable Rate Bonds) bear interest at a variable rate with interest payments due on the first business day of each month. Interest rates are reset weekly; the fluctuating rate per annum to be determined by the respective remarketing agents. The weekly rate is subject to a cap of 12% per annum. Variable Rate Bonds are subject to optional redemption, in whole or in part, on any date, at the option of the PWSA. The 2008 Series B Bonds that mature on September 1 of 2039 are subject to mandatory sinking fund redemption. The 2008 Series C Bonds that mature on September 1 of 2035 are subject to mandatory sinking fund redemption. The 2008 Series D-2 Bonds that mature on September 1 of 2040 are subject to mandatory sinking fund redemption.

The 2008 Series Bonds are subject to extraordinary redemption prior to maturity at the option of the PWSA in the event of a condemnation, damage or destruction of the water and sewer system.

The 2008 Fixed Rate Bonds were issued at a bond premium of \$824,000, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method. Bond issuance costs of \$7,459,000, including \$5,036,000 of swap termination fees, are also being amortized over the life of the Bonds using the effective interest method.

The 2008 Variable Rate Bonds issuance costs of \$9,337,000, including \$594,000 of swap termination fees, are being amortized over the life of the Bonds using the effective interest method.

The fair market value of the 2008 Bonds at December 31, 2008, with carrying amounts of \$414 million, based on quoted market prices, is approximately \$413 million.

The 2008 bond transactions were entered into to obtain approximately \$98 million of new funds while maintaining a specified level of current debt service by extending the maturity of previously held debt. As a result, debt service for the refunded bonds is approximately \$185 million higher over the life of the 2008 Bonds.

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Variable rate bonds require a liquidity facility and/or a letter of credit. PWSA is subject to the risk that the bank does not renew the credit facility and/or that the pricing changes throughout the life of the bonds. Additionally, PWSA purchased insurance as a credit enhancement on the variable rate bonds. Trading spreads on the bonds and the preservation of the liquidity facility may be largely linked to the insurance provider. Therefore, if there is an event that would adversely affect the investor's perception of the credit quality of the insurer, PWSA could be subject to paying higher credit spreads on the bonds and risk losing the liquidity facility.

During 2008, PWSA experienced delays in remarking certain 2008 Variable Rate Demand Bonds (bonds). These bonds were not able to be remarketed on a timely basis due to downgrades in the bond insurer's credit rating and other market concerns. The bonds were temporarily considered to be Bank Bonds as they were purchased by banks as governed by the respective series' Standby Bond Purchase Agreement. The yield on bank bonds was 7% per annum. As of December 31, 2008, all of the 2008 Variable Rate Bonds had been remarketed and were no longer considered to be bank bonds.

Currently, Dexia and JP Morgan provide liquidity for the PWSA's 2007 and 2008 variable rate demand bonds through Standby Bond Purchase Agreements. The JP Morgan and Dexia agreements related to the 2008 variable rate demand bonds are scheduled to expire on June 11, 2009. If PWSA is unable to extend or replace JP Morgan as the liquidity provider for approximately \$123 million of outstanding bonds, the maturity of these bonds will be accelerated and will become due with scheduled maturities over a five year period. Dexia has provided notification to PWSA that they will not be extending the liquidity on approximately \$197 million of bonds. PWSA is currently researching other means to provide liquidity or credit support for these bonds. In the event that liquidity or credit support is not provided, these bonds are not subject to an accelerated maturity but will be purchased by the current liquidity provider Dexia and held as Bank Bonds.

In conjunction with the issuance of the 2008 Variable Rate Bonds, the PWSA entered into various pay fixed/receive variable interest rate swaps to effectively change the Bonds' variable interest rates to synthetic fixed rates. These swap transactions are discussed below.

Swap Transactions

During fiscal year 2008, PWSA entered into five pay-fixed, receive-variable interest rate swap contracts. The interest rate swaps were effective June 12, 2008. Beginning September 1, 2008, the PWSA began to make semi-annual interest payments on the 1st of each March and September through September 1, 2035 (two swaps); September 1, 2039 (two swaps); and, September 1, 2040 (for one swap), respectively. The Counterparties make monthly interest payments on the 1st of each calendar month, which began July 1, 2008 through September 1, 2035 for two of the swaps; September 1, 2039 for two of the swaps; and, September 1, 2040 for one swap.

The intention of the 2008 swaps is to effectively change PWSA's variable interest rate on the \$145,495,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue

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Refunding Bonds Series B of 2008, on the \$71,225,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Bonds Series D-2 of 2008, and on the \$103,795,000 Water and Sewer System (Variable Rate Demand) Subordinate Revenue Refunding Bonds Series C of 2008 (the bonds) to synthetic fixed rates of 4.038%, 4.103%, and 3.998%, respectively.

The bonds will accrue interest at a weekly rate that is determined by a remarketing agent on each effective rate date. The interest rate on the bonds may not exceed 12%. Per the interest rate swap agreements, the Authority will receive SIFMA Municipal Swap Index while paying a fixed rates of 4.038%, 4.103%, and 3.998%, respectively.

The interest payments on the interest rate swaps are calculated based on notional amounts, all of which reduce, beginning on September 1, 2035, so that the notional amounts approximate the principal outstanding on the respective bonds. The interest rate swaps expire consistent with the final maturity of the respective bonds.

As of December 31, 2008, the 2008 swaps had the following notional amounts and market values: \$72,747,000 notional amount and (\$16,508,000) market value; \$41,518,000 notional amount and (\$8,383,000) market value; \$72,747,000 notional amount and (\$16,183,000) market value; \$62,277,000 notional amount and (\$12,287,000) market value; and, \$71,225,000 notional amount and (\$17,238,000) market value. The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

As of April 16, 2009 the market value of the 2008 interest rate swaps was (\$11,744,000); (\$6,234,000); (\$11,894,000); (\$9,444,000); and, (\$12,520,000), respectively.

During fiscal year 2007, the PWSA entered into two pay-fixed, receive-variable interest rate swap contracts. The interest rate swaps were effective March 9, 2007. Beginning September 1, 2007, the Authority began to make semi-annual interest payments on the 1st of each March and September through September 1, 2033. The Counterparties makes monthly interest payments on the 1st of each calendar month, beginning April 1, 2007 through September 1, 2033. During 2008, a portion of the 2007 interest rate swaps were terminated as the underlying bonds were refunded. The PWSA paid \$594 in termination costs related to the termination of these 2007 interest rate swaps.

The intention of the 2007 swaps is to effectively change the PWSA's variable interest rate on the \$41,320,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds Series B-1 of 2007 and on the \$41,325,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds Series B-2 of 2007 (the bonds) to synthetic fixed rates of 3.932%, respectively.

The bonds will accrue interest at a weekly rate that is determined by a remarketing agent on each effective rate date. The interest rate on the bonds may not exceed 12%. Per the interest rate swap agreements, PWSA will receive SIFMA Municipal Swap Index while paying a fixed rate of 3.932%.

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The interest payments on the interest rate swaps are calculated based on notional amounts, both of which reduce, beginning on September 1, 2018, so that the notional amounts approximate the principal outstanding on the respective bonds. The interest rate swaps expire on September 1, 2033 consistent with the final maturity of the bonds.

As of December 31, 2008, the 2007 swaps had the following notional amounts and market values: \$41,325,000 notional amount and (\$6,495,000) market value; and, \$41,320,000 notional amount and (\$6,288,000) market value. The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

As of April 16, 2009 the market value of the 2007 interest rate swaps was (\$5,193,000); and, (\$5,206,000), respectively.

Additionally, during 2007 in anticipation of the issuance of additional bonds, PWSA entered into four forward starting pay-fixed, receive-variable interest rate swaps. These swaps were terminated and cash settled by PWSA during 2008. Termination costs of approximately \$5,063,000 were paid by PWSA from proceeds of the 2008 bond issues. As the 2007 forward starting swaps were entered into to lock interest rates in anticipation of issuing the 2008 bonds the cost of terminating the swaps were considered to be bond issue costs of the 2008 bonds. Bond issue costs are deferred and amortized into expense over the life of the related bonds.

Accounting and Risk Disclosures

During the years ended December 31, 2008 PWSA paid \$7,614,000, fixed and received \$4,964,000 variable related to their outstanding swap agreements.

PWSA has the ability to early terminate the interest rate swaps and to cash settle the transaction on any business day by providing at least two business days written notice to the counterparty. Evidence that PWSA has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, PWSA will be required to pay or receive a settlement amount which is comprised of the market value of the terminated transaction(s) based on market quotations and any amounts accrued under the contract(s).

Through the use of derivative instruments such as this interest rate swap, PWSA is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, basis risk, and rollover risk.

- Credit risk is the risk that a counterparty will not fulfill its obligations. On December 31, 2008, the interest rate swap counterparties were both rated A1 by Moody's Investors Services, Inc., a nationally recognized statistical rating organization. If a counterparty failed to perform according to the terms of the interest rate swap agreement, there is some risk of loss to PWSA, up to the fair market value of the swaps.

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It is PWSA's policy to require counterparty collateral posting provisions in its non-exchange traded derivative instruments. These terms require collateral to be posted if the respective counterparty's credit rating falls below BBB+ by Standard and Poor's and the swap insurer becomes bankrupt. The amount of collateral to be posted is calculated based on derivatives in asset positions to PWSA. As of year-end, the counterparties had not and were not required to post collateral for these transactions.

- Termination risk is the risk that a derivative's unscheduled end will affect PWSA's asset/liability strategy or will present PWSA with potentially significant unscheduled termination payments to the counterparty. The counterparties to the interest rate swaps do not have the ability to voluntarily terminate the interest rate swap; however, PWSA is exposed to termination risk in the event that the one or more of the counterparties default.
- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. PWSA is subject to basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index and the variable interest rate on the bonds is based on a different index, a weekly rate that is determined by a remarketing agent. Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect PWSA's calculated payments, and as a result cost savings or synthetic interest rates may not be realized. During 2008, the weekly rate paid by PWSA on the underlying bonds exceeded the amount received on the various interest rate swaps.

PWSA is further subject to basis risk in the event that the underlying bonds become fixed rate Bank Bonds or that the maturity of the underlying bonds is accelerated.

- Rollover risk is the risk that a derivative associated with PWSA's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. PWSA is not exposed to rollover risk as the swap agreements terminate on the same day the last payment is due on the respective bonds.

Contingencies

All of PWSA's derivative instruments, include provisions that require PWSA to post collateral in the event that the credit ratings of its credit support provider's senior long term, unsecured debt credit rating falls below BBB+ by Standard and Poor's and FSA the swap insurer becomes bankrupt. The amount of collateral to be posted is calculated based on derivatives in negative market value positions to the Authority. The collateral is to be posted in the form of cash, US Treasuries or other approved securities. As of yearend, the Authority had not and was not required to post collateral for these transactions.

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(D) Debt Related to Urban Redevelopment Authority of Pittsburgh (URA) supported by the City

(1) URA - PDF - Special Tax Development Bonds, Taxable Series of 2005 (Debt recorded by URA)

In prior years, PDF bonds payable were issued by the URA as Special Tax Development Bonds, Taxable Series of 1995 for \$61,390,000 (Bonds). The Bonds proceeds were used to fund the Pittsburgh Development Fund to allow for development loans and investments to be made to certain projects in the City.

On September 1, 2005, the URA issued \$57,470,000 of Special Tax Development Refunding Bonds (2005 Bonds). The proceeds of the 2005 Bonds were used to provide funds for the current refunding of the 1995 Bond Series. Including the upfront payment received, this refunding resulted in an economic gain to the URA of approximately \$2,450,500. Debt service payments remained materially consistent with the previous debt service requirements. In connection with the debt refunding, the URA recorded a deferred refunding adjustment of \$7,344,288, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2005 Bonds were issued at a premium of \$798,088, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The City has allocated a portion of the Regional Asset District (RAD) Tax imposed by Allegheny County and irrevocably assigned that portion to the URA. The Bonds are limited obligations of the URA payable solely from that portion of the RAD Tax paid to the URA or the trustee and certain funds held under the indenture and the earnings thereon. The Bonds shall not be deemed to be a debt of the Commonwealth of Pennsylvania, Allegheny County, or the City or a pledge of the faith and credit of the Commonwealth of Pennsylvania, Allegheny County, or the City, and shall not be an obligation of the URA payable from any source except that portion of the RAD Tax assigned to the URA or the Trustee pursuant to the City's agreement and certain funds held under the indenture and the earnings thereon. The URA has no taxing power.

The Bonds bear interest an interest rate of 5.0% and mature through 2014. \$5,585,000 in 2009.

(2) Urban Redevelopment Authority of Pittsburgh (URA) Tax Increment Financing Bonds and Notes - Noncommitment Debt (Debt not recorded in the separate URA financial statements)

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)

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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's 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 2008, the City's share of the TIF revenue was \$5,686,551, whereas the City's share of the principal and interest paid on the TIF Bonds and Note were \$2,373,358.

As of December 31, 2008, the following is a list of the TIF Bonds and Notes outstanding:

<u>Serial Bonds</u>	<u>Coupon Rate of Interest</u>	<u>Total Outstanding</u>	<u>City Portion</u>
1995A (Penn Avenue Place)	6.00%	\$ 2,740,000	\$ 1,037,091
1995B (Lazarus)	6.25%	2,690,000	1,018,166
1996 (Alcoa)	8.01%	4,675,000	1,766,215
2000 (Mellon)	7.58%-8.05%	11,195,000	4,564,203
2001 (Heinz)	6.61%-7.16%	2,920,000	1,071,350
2003A (Station Square)	8.25%-8.50%	3,315,000	1,216,276
2003B (Station Square)	10.50%	3,015,000	1,106,207
2003 Note (Panther Hollow)	Variable	3,735,000	1,370,376
2006 Bond (Fifth and Market)	5.40%-5.88%	18,790,000	6,894,055
Total		<u>\$ 53,075,000</u>	<u>\$ 20,043,939</u>

(E) Urban Redevelopment Authority of Pittsburgh (URA) Debt Recorded by URA and not Supported by the 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 Loans 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, 2008 is as follows:

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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 3.20% to 6.40% and mature through 2036.

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 but without regard to borrower's income in certain designated redevelopment areas within the City. Serial Bonds of \$2,650,000 are currently outstanding. They bear interest at rates varying from 4.65% to 5.15% and mature through 2017. There are also term Bonds outstanding of 1,775,000 with stated interest rates from 5.25% to 5.65% and maturity dates ranging from 2010 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. As of December 31, 2008, \$27,500,000 of tax-exempt, short-term notes is outstanding, of which \$19,013,000 accrues interest subject to alternative minimum tax. The Bonds accrue interest at a variable rate. The Note proceeds are invested in a guaranteed investment agreement at a fixed rate. Upon the issuance of long-term Bonds, the notes will be refunded. The Bonds have a mandatory tender date of June 1, 2009 and if issued no principal payments are due until 2031. In the event that long-term bonds are not issued, the notes will be repaid by the URA in 2009.

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 6.81%, 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, 2008, \$2,568,837 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 6.75%, which is the 5-year FHLB rate plus 2.75%. A mortgage is pledged as collateral for this

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loan. At December 31, 2008, \$891,430 is outstanding. Final maturity is February 28, 2025.

On March 26, 2004, the Authority entered into a construction loan agreement. As of December 31, 2008, the outstanding loan balance was \$3,035,865. The loan accrues interest at a variable rate. The Authority makes interest only payments during the construction period. The loan bears interest at one month LIBOR plus 225 basis points and the URA will make monthly payments of both principal and interest. Final maturity is March 1, 2011.

In 2008, the URA received a \$1.5 million loan to finance the purchase of property. As of December 31, 2008, \$1.4 million is outstanding. The loan bears interest at 6.0% and the Authority makes monthly interest payments.

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, 2008, \$3.55 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, 2008, \$4.74 million is outstanding.

During 2008, the URA received three additional HUD Section 108 loans to provide funding for the Pittsburgh Technology Center. The first loan, in the original principal amount of \$3 million is for site improvements and streets and utilities relocation. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2008, \$3 million is outstanding.

The second loan, in the original principal amount of \$2 million is for the construction of a 160-space parking condominium. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2008, \$2 million is outstanding.

The third loan, in the original principal amount of \$5.5 million will also be used for the construction of the 160-space parking condominium. The loan bears interest at 2.6% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2009. At December 31, 2008, \$5.5 million is outstanding.

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The 2009 loans are secured by future Community Development Block Grant grants, the pledged increment for the Pittsburgh Technology Center Tax Increment Financing District, and payments under the minimum payment agreement.

Annual debt service requirements of the URA are as follows:

	Principal	Interest	Total
2009	\$ 45,312,851	\$ 8,350,494	\$ 53,663,345
2010	12,048,142	7,186,417	19,234,559
2011	13,898,358	6,624,135	20,522,493
2012	11,167,424	6,204,202	17,371,626
2013	11,661,379	6,569,107	18,230,486
2014-2018	36,614,723	19,205,780	55,820,503
2019-2023	20,468,459	12,376,162	32,844,621
2024-2028	22,987,060	6,594,270	29,581,330
2029-2033	9,195,000	1,551,363	10,746,363
2034-2036	1,085,000	129,500	1,214,500
	<u>\$ 184,438,396</u>	<u>\$ 74,791,430</u>	<u>\$ 259,229,826</u>

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. Per the interest rate swap agreement the URA will receive 1 month LIBOR while paying a fixed rate of 5.00%. As of December 31, 2008, the swap had a fair value of \$(334,363). The mark to market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation. As of December 31, 2008, the notional amount is \$4,194,177. The swap will expire on March 1, 2011 consistent with the last anticipated principal payment on the construction loan.

URA Component Unit Debt consists of the following:

PHDC-Bank Loans

The PHDC had outstanding construction loans payable to banks of \$1,367,109. Interest accrues on the loans at rates between 2.5% and 8.25%. Loans are due on demand.

Future Maturities

Principal payments of \$1,367,109 are due in 2009 for URA's component units.

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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) Other Long-Term Obligations

The following is a summary of transactions affecting other long-term obligations of the City during 2008:

	Accrued Workers' Compensation	Accrued Compensated Absences	Accrued Claims and Judgments	Capital Lease Obligation
Balance, January 1, 2008	\$ 142,993,656	\$ 29,001,388	\$ 3,425,000	\$ 13,727,355
Additions	22,195,464	12,256,256	5,327,156	-
Reductions/payments	(21,396,616)	(13,815,588)	(1,047,156)	(518,333)
Balance, December 31, 2008	143,792,504	27,442,056	7,705,000	13,209,022
Less amounts accrued within short-term	(19,354,471)	(16,503,705)	(1,205,000)	(550,308)
Long-term portion, December 31, 2008	<u>\$ 124,438,033</u>	<u>\$ 10,938,351</u>	<u>\$ 6,500,000</u>	<u>\$ 12,658,714</u>

1. The General Fund is used to liquidate the workers' compensation, compensated absences, claims and judgments, and capital lease obligations.
2. 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 did not start until the Police Bureau took possession of the property in March 2004. The first lease payment was made for March 2004. \$15,434,653 is included in capital assets as capital leases.
3. The minimum future rental payments required by the lease are as follows:

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	Year Ended December 31,
2009	\$ 1,260,000
2010	1,260,000
2011	1,364,417
2012	1,385,300
2013	1,385,300
2014-2018	6,926,500
2019-2023	7,578,900
2024	254,100
Total	21,414,517
Less interest:	(8,205,495)
Present value	\$ 13,209,022

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, 2008:

General Fund:	
Commonwealth of Pennsylvania	\$ 2,412,210
Special Revenue CDBG:	
Housing and Urban Development	1,296,244
Other Governmental Funds:	
Job Training Partnership Program	106,250
Allegheny County - parks	344,232
	450,482
Capital Projects:	
Commonwealth of Pennsylvania - Highway Fund	586,920
Federal Government - Highway Fund	725,555
Regional Asset District	75,490
	1,387,965
Total due from other governments - governmental funds	\$ 5,546,901

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(B) Due To Other Governments

Funds are collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2008:

General Fund:		
Pittsburgh Board of Education	\$	408,285
Commonwealth of Pennsylvania		117,185
		525,470
Debt Service:		
IRS		249,773
Other Governmental Funds:		
Commonwealth of Pennsylvania		62,180
Total due to other governments - governmental funds	\$	837,423

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

	Due From				Total
	General	Other Governmental	Capital Projects	Community Development	
Due To:					
General	\$ -	\$ 710,080	\$ -	\$ 206,454	\$ 916,534
Other Governmental	5,680	-	112,614	133,558	251,852
Capital Projects	-	-	-	1,364,873	1,364,873
Community Development	-	2,834	-	-	2,834
	\$ 5,680	\$ 712,914	\$ 112,614	\$ 1,704,885	\$ 2,536,093

Except as described below, 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, which is included in the total above.

12. TRANSFERS

Transfers between primary government funds:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

	Transfer From			Total
	General	Capital Projects	Other Governmental	
Transfer To:				
General Fund	\$ -	\$ -	\$ 4,098,500	\$ 4,098,500
Debt Service	130,024,501	-	-	130,024,501
Capital Projects	27,195,793	-	-	27,195,793
Other Governmental	107,000	8,359,321	734,172	9,200,493
Total	\$157,327,294	\$ 8,359,321	\$ 4,832,672	\$170,519,287

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, (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move funds to Capital Projects Fund for capital expenditures.

13. FUND DEFICIT

Stadium Authority Deficit

The net asset deficit of the Stadium Authority of \$12,264,622 is expected to be subsidized through future revenues from the RAD. The Stadium Authority will receive decreasing amounts of support through the year 2010.

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. However, the City 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 Bonds 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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

\$4,645,000. However, the City 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 through June of 2009. The balance of the receivable from the URA, should the City continue to exercise its option, at December 31, 2008 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 remaining balance including accrued interest is \$5,123,786 at December 31, 2008.

- (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. As a result of the June 2005 repayment of the outstanding URA Bonds on the Oliver Parking Facility, the Oliver Parking Tax TIF lapsed. In consideration of the increase in parking taxes received by the City for the Oliver Garage as a result of the lapsed TIF, the City agreed to a reduced payment in lieu of real estate taxes for the year ended September 30, 2008. The Parking Authority has reflected within their financial statements at September 30, 2008 as accounts payable and other accrued expenses amounts owed to the City for miscellaneous items totaling \$3,533,249. However, the City does not have a corresponding receivable of the same amount recorded due to the difference in years-ended.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

15. CONSTRUCTION AND LEASE COMMITMENTS

As of December 31, 2008, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Convert Traffic Signals to LED	<u>\$ 163,296</u>

Component Units:

PWSA is proceeding with a capital improvement program which the PWSA's independent engineer has estimated will entail expenditure of the existing construction funds and potential future bond issues. As of December 31, 2008, \$80 million of the program is complete and \$52 million is under active contract.

At December 31, 2008, URA had entered into contracts for professional services and construction totaling approximately \$12.4 million. Approximately, \$2.1 million relates to the Southside Works construction, \$2.7 to Garfield Heights, \$2.5 to Pittsburgh Technology Center and \$1.2 to Federal North. The remaining construction commitments relate to various other projects.

As of December 31, 2008, the URA had approved \$8.8 million of PDF loans to various borrowers. These loans will close and begin to be paid out to the borrowers in 2009. Additionally, there was \$9.1 million in remaining disbursements available to borrowers on closed PDF loans as of December 31, 2008.

At September 30, 2008, the Parking Authority had construction commitments of approximately \$2.84 million.

16. REGIONAL ASSET DISTRICT REVENUES

In December 1993, the Commonwealth legislature approved Act 77 of 1993 authorizing the creation of RAD by Allegheny County. 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 RAD within its reporting entity since the City is not financially accountable for 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 \$20.0 million in 2008. The City allocated approximately \$4.5 million to park operations.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 is used for making loans to and investments in certain projects located within the City. The amounts are pledged for 19 years with \$6,200,000 annually allocated for the first nine years and \$7,500,000 annually through 2014.

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. Any contingent liability accrual deemed appropriate has been reflected in the financial statements as presented.

Component Units

PWSA is subject to federal regulation under the Clean Water Act (1977) and regulations adopted under that Act. Among the specific requirements applicable to PWSA's system are those imposed by the United States Environmental Protection Agency's Combined Sewer Overflow (CSO) Policy (1994). On January 29, 2004, PWSA and the City executed a Consent Order and Agreement (Order) regarding wet weather sewer overflows within the City. The other signatories to the Order are the Pennsylvania Department of Environmental Protection (DEP) and the Allegheny County Health Department (ACHD).

Generally, the Order requires PWSA and the City to assess the City sewers in order to develop a plan with ALCOSAN to address wet weather sewer overflows within the City. The Order is part of a sewer assessment program for all municipalities served by ALCOSAN. Most assessment activities for critical sewers and separate sanitary sewers are to be completed by 2010. Assessment activities for non-critical sewers are to be completed on a longer schedule with some tasks to be completed by 2012. In addition to the assessment, the Order requires PWSA and the City to implement the Nine Minimum Controls to reduce combined sewer overflows, and to perform repairs and maintenance of deficiencies revealed by the assessment. Deficiency corrections identified during assessment in critical sewers and separate sanitary sewers are to be completed by 2010, and in non-critical sewers are to be completed by 2012.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Given the scope of the Order, the size of the City sewer system, and the various conditions and/or deficiencies that may be discovered by the assessment, it is difficult to predict the total cost of compliance with the Order. Moreover, it is difficult to predict what, if any, large-scale and/or regional capital improvements may be required after the completion of the assessment to address wet weather sewer overflows in the City and in the ALCOSAN service area. Large-scale and/or regional capital improvements are not covered by the Order. PWSA has hired two engineering firms to assess and model the sewer system, and it is moving forward with its plans to comply with the Order. Costs associated with Order compliance will be reflected in the capital improvement program and funded by proceeds of potential future bond issuances.

In 2007, the URA as part of a Memorandum of Understanding between the Commonwealth of Pennsylvania, the County of Allegheny (County), the City, the SEA and the Lemieux Group LP, as developer of a new arena, the developer received redevelopment rights to property surrounding the new arena site. The developer is entitled to an aggregate of \$15 million of credits which may be applied to the purchase price of the property over a 10 year period. If all the property is not acquired for redevelopment by the developer, the URA entered into a Put Agreement with the SEA and the County whereby the URA and the Redevelopment Authority of Allegheny County, a component unit of the County, would each agree to purchase from the SEA one half (1/2) of the portion of the property that remains at the end of the draw down period, for the purchase price equal to one half (1/2) of any unpaid portion of the \$15 million credit.

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, 2008, 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, 2008 and 2007 are as follows:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Accrued claims and judgments, January 1	\$ 3,425,000	\$ 2,750,000
Current year claims	5,327,156	1,776,705
Claim payments	<u>(1,047,156)</u>	<u>(1,101,705)</u>
Accrued claims and judgments, December 31	<u>\$ 7,705,000</u>	<u>\$ 3,425,000</u>

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 2.68% and 2.81%. A self-insurance reserve fund in the amount of \$343,461 (classified as restricted within the 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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Accrued worker's compensation, January 1	\$ 142,993,656	\$ 120,874,825
Current year claims	22,195,464	45,814,511
Claim payments	<u>(21,396,616)</u>	<u>(23,695,680)</u>
Accrued worker's compensation, December 31	<u>\$ 143,792,504</u>	<u>\$ 142,993,656</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURGH,
PENNSYLVANIA

**CITY OF PITTSBURGH, PENNSYLVANIA
PENSION TRUST FUNDS**

**SCHEDULES OF FUNDING PROGRESS
(Dollar Amounts in Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<u>Municipal:</u>						
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%
1/1/2005	109,791	234,134	(124,343)	46.89%	67,412	-184.45%
1/1/2007	117,692	237,314	(119,622)	49.59%	70,189	-170.43%
<u>Policemen:</u>						
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%
1/1/2005	117,822	353,479	(235,657)	33.33%	50,253	-468.94%
1/1/2007	114,889	353,522	(238,633)	32.50%	54,862	-434.97%
<u>Firemen:</u>						
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%
1/1/2005	145,995	255,770	(109,775)	57.08%	56,591	-193.98%
1/1/2007	142,787	308,412	(165,625)	46.30%	47,573	-348.15%

See accompanying note to required 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
<u>Municipal:</u>							
2003	\$ 4,325	\$ 1,025	23.7%	\$ 3,300	76.3%	\$ 4,325	100.0%
2004	8,136	4,836	59.4%	3,300	40.6%	8,136	100.0%
2005	10,143	3,328	32.8%	6,815	67.2%	10,143	100.0%
2006	10,692	4,086	38.2%	6,606	61.8%	10,692	100.0%
2007	11,950	6,252	52.3%	5,698	47.7%	11,950	100.0%
2008	10,457	4,810	46.0%	5,647	54.0%	10,457	100.0%
<u>Policemen:</u>							
2003	\$ 12,926	\$ 3,062	23.7%	\$ 9,864	76.3%	\$ 12,926	100.0%
2004	14,892	8,796	59.1%	6,096	40.9%	14,892	100.0%
2005	17,531	11,636	66.4%	5,895	33.6%	17,531	100.0%
2006	19,537	14,416	73.8%	5,121	26.2%	19,537	100.0%
2007	17,466	11,996	68.7%	5,470	31.3%	17,466	100.0%
2008	19,769	14,327	72.5%	5,442	27.5%	19,769	100.0%
<u>Firemen:</u>							
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%
2005	9,046	4,381	48.4%	4,665	51.6%	9,046	100.0%
2006	7,750	3,803	49.1%	3,947	50.9%	7,750	100.0%
2007	8,742	4,728	54.1%	4,014	45.9%	8,742	100.0%
2008	7,901	3,842	48.6%	4,059	51.4%	7,901	100.0%

See accompanying note to required supplementary pension schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2008

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:

	<u>Municipal</u>	<u>Policemen</u>	<u>Firemen</u>
Actuarial valuation date	1/1/2007	1/1/2007	1/1/2007
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	31 years	31 years	31 years
Asset valuation method	Market related	Market related	Market related
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%

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFIT PLANS

YEAR ENDED DECEMBER 31, 2008
(Dollar Amounts in Thousands)

Actuarial Valuation Date	(a) Actuarial Value of Asset	(b) Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio	(c) Covered Payroll	(Overfunded)/Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)
01/01/06	\$ -	\$ 320,367	\$ 320,367	0.0%	N/A	N/A
01/01/08	-	359,140	359,140	0.0%	N/A	N/A

Note: Valuation as of 01/01/06 represents the initial valuation for the plan as required under GASB Statement No. 45 (implemented in 2007).

CITY OF PITTSBURGH,
PENNSYLVANIA

ADDITIONAL INFORMATION

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	Equipment Leasing Authority	Liquid Fuels Tax	JTPA	Public Safety	Civic and Cultural	Grants and Donations	Total
Assets							
Cash and cash equivalents	\$ 96,222	\$ 1,165,164	\$ 936,124	\$ 4,996,092	\$ 6,579,628	\$ 1,828,824	\$ 15,602,054
Other receivables	-	-	-	292,774	952,032	36,832	1,281,638
Accrued interest	-	1,101	-	-	-	-	1,101
Due from other governments	-	-	106,250	-	344,232	-	450,482
Due from General Fund	-	-	-	5,680	-	-	5,680
Due from other Special Revenue Fund	-	-	-	-	133,558	-	133,558
Due from capital projects	112,614	-	-	-	-	-	112,614
Total Assets	\$ 208,836	\$ 1,166,265	\$ 1,042,374	\$ 5,294,546	\$ 8,009,450	\$ 1,865,656	\$ 17,587,127
Liabilities and Fund Balance							
Liabilities:							
Account payable	\$ 86,222	\$ 481,545	\$ 622,725	\$ 309,965	\$ 699,538	\$ 86,959	\$ 2,286,954
Accrued liabilities	-	-	191,137	-	259,100	-	450,237
Due to General Fund	-	-	203,942	446,045	33,357	26,736	710,080
Due to other Special Revenue Fund	-	-	-	2,834	-	-	2,834
Due to other governments	-	-	-	62,180	-	-	62,180
Total Liabilities	86,222	481,545	1,017,804	821,024	991,995	113,695	3,512,285
Fund Balance:							
Reserve for encumbrances	-	-	-	345,985	232,779	245,479	824,243
Unreserved	122,614	684,720	24,570	4,127,537	6,784,676	1,506,482	13,250,599
Total Fund Balance	122,614	684,720	24,570	4,473,522	7,017,455	1,751,961	14,074,842
Total Liabilities and Fund Balance	\$ 208,836	\$ 1,166,265	\$ 1,042,374	\$ 5,294,546	\$ 8,009,450	\$ 1,865,656	\$ 17,587,127

CITY OF PITTSBURGH, PENNSYLVANIA

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

OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2008

	Equipment Leasing Authority	Liquid Fuels Tax	JTPA	Public Safety	Civic and Cultural	Grants and Donations	Total
Revenues:							
Interest and dividends	\$ -	\$ 59,964	\$ -	\$ 17,556	\$ -	\$ -	\$ 77,520
Fines and forfeits	-	-	-	550,163	-	-	550,163
Intergovernmental revenues	468,000	6,546,860	13,001,153	2,462,212	5,829,985	2,675,368	30,983,578
Charges for user services	-	-	-	780,133	2,692,460	-	3,472,593
Miscellaneous	196,089	-	-	101	1,518	425,000	622,708
Total revenues	664,089	6,606,824	13,001,153	3,810,165	8,523,963	3,100,368	35,706,562
Expenditures:							
General government	65,672	-	-	516,230	33,671	981,230	1,596,803
Public safety	-	-	-	2,547,028	-	460,958	3,007,986
Public works	-	3,595,569	-	-	4,234,117	-	7,829,686
Sanitation	-	-	-	-	17,672	-	17,672
Community, recreational, and cultural	-	-	-	-	3,183,149	-	3,183,149
Economic and physical development	-	-	13,001,153	-	-	-	13,001,153
Capital outlay	9,790,375	-	-	-	-	-	9,790,375
Total expenditures	9,856,047	3,595,569	13,001,153	3,063,258	7,468,609	1,442,188	38,426,824
Excess (Deficiency) of Revenues Over Expenditures	(9,191,958)	3,011,255	-	746,907	1,055,354	1,658,180	(2,720,262)
Other Financing Sources (Uses):							
Operating transfers in	9,100,493	-	-	-	100,000	-	9,200,493
Operating transfers out	-	(4,036,500)	-	(94,072)	(702,100)	-	(4,832,672)
Total other financing sources (uses)	9,100,493	(4,036,500)	-	(94,072)	(602,100)	-	4,367,821
Net Change in Fund Balance	(91,465)	(1,025,245)	-	652,835	453,254	1,658,180	1,647,559
Fund Balance:							
Beginning of year	214,079	1,709,965	24,570	3,820,687	6,564,201	93,781	12,427,283
End of year	<u>\$ 122,614</u>	<u>\$ 684,720</u>	<u>\$ 24,570</u>	<u>\$ 4,473,522</u>	<u>\$ 7,017,455</u>	<u>\$ 1,751,961</u>	<u>\$ 14,074,842</u>

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF PLAN NET ASSETS PENSION TRUST FUNDS

DECEMBER 31, 2008

	Comprehensive Trust	Municipal Fund	Policemen's Fund	Firemen's Fund	Total
Assets					
Cash and cash equivalents	\$ 14,961,783	\$ 110,092	\$ 2,604,356	\$ 20,012	\$ 17,696,243
Investments:					
Preferred and common stock	68,069,829	-	-	-	68,069,829
U.S. government and agency obligations	21,263,677	-	-	-	21,263,677
Corporate and other obligations	30,942,195	-	-	-	30,942,195
Mutual funds	73,980,537	-	-	-	73,980,537
Hedge funds	49,321,765	-	-	-	49,321,765
Private equity	1,334,045	-	-	-	1,334,045
Due from (to) other fund	(435,783)	-	435,783	-	-
Accrued interest and dividend receivables	625,027	-	-	-	625,027
Total Assets	260,063,075	110,092	3,040,139	20,012	263,233,318
Liabilities					
Benefits and related withholdings payable	-	-	2,278,626	-	2,278,626
Due to City of Pittsburgh Trust and Agency Fund	-	18,482	17,528	-	36,010
Accrued liabilities and other payables	-	-	6,640	4,420	11,060
Total Liabilities	-	18,482	2,302,794	4,420	2,325,696
Net Assets Held in Trust for Pension Benefits	\$ 260,063,075	\$ 91,610	\$ 737,345	\$ 15,592	\$ 260,907,622

CITY OF PITTSBURGH, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2008

	Comprehensive Trust	Municipal Fund	Policemen's Fund	Firemen's Fund	Total
Additions:					
Contributions:					
Employer - pension benefits	\$ 23,385,784	\$ -	\$ -	\$ -	\$ 23,385,784
Employer - other benefits	2,931,479	-	988,225	-	3,919,704
Plan members	9,824,060	-	-	-	9,824,060
State aid	15,147,812	-	-	-	15,147,812
Total contributions	51,289,135	-	988,225	-	52,277,360
Investment income:					
Net appreciation in fair value of investments	(106,596,461)	-	-	-	(106,596,461)
Interest and dividends	14,073,125	-	-	2,805	14,075,930
Total investment income	(92,523,336)	-	-	2,805	(92,520,531)
Investment expense	(3,143,852)	-	-	-	(3,143,852)
Net investment income	(95,667,188)	-	-	2,805	(95,664,383)
Miscellaneous:					
Other	804,278	32,906	-	10,003	847,187
Total additions	(43,573,775)	32,906	988,225	12,808	(42,539,836)
Deductions:					
Benefit payments	-	19,438,287	32,679,764	27,876,680	79,994,731
Refund of employee contributions	-	436,370	206,226	26,629	669,225
Administrative expense	271,633	365,878	232,260	237,844	1,107,615
Total deductions	271,633	20,240,535	33,118,250	28,141,153	81,771,571
Increase (Decrease) in Net Assets before operating transfers	(43,845,408)	(20,207,629)	(32,130,025)	(28,128,345)	(124,311,407)
Transfers to Pension Funds	(80,706,436)	20,245,803	32,331,633	28,129,000	-
Net Increase (Decrease) in Plan Net Assets	(124,551,844)	38,174	201,608	655	(124,311,407)
Net Assets:					
Beginning of year	384,614,919	53,436	535,737	14,937	385,219,029
End of year	\$ 260,063,075	\$ 91,610	\$ 737,345	\$ 15,592	\$ 260,907,622

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2008

	Balance at December 31, 2007	Additions	Deletions	Balance at December 31, 2008
EMPLOYEE BENEFITS				
Assets				
Cash and cash equivalents	\$ 9,686,488	\$ 67,165,690	\$ 70,245,711	\$ 6,606,467
Other assets	242,741	89,008	242,741	89,008
Total Assets	<u>\$ 9,929,229</u>	<u>\$ 67,254,698</u>	<u>\$ 70,488,452</u>	<u>\$ 6,695,475</u>
Liabilities				
Accrued liabilities	<u>\$ 9,929,229</u>	<u>\$ 67,254,698</u>	<u>\$ 70,488,452</u>	<u>\$ 6,695,475</u>
DEPOSITS				
Assets				
Cash and cash equivalents	\$ 2,147,905	\$ 10,434,481	\$ 10,157,366	\$ 2,425,020
Other receivables	330,310	-	215,000	115,310
Total Assets	<u>\$ 2,478,215</u>	<u>\$ 10,434,481</u>	<u>\$ 10,372,366</u>	<u>\$ 2,540,330</u>
Liabilities				
Accrued liabilities	\$ 1,360,039	\$ 9,682,029	\$ 9,734,398	\$ 1,307,670
Deposits held in trust	1,118,176	752,452	637,968	1,232,660
Total Liabilities	<u>\$ 2,478,215</u>	<u>\$ 10,434,481</u>	<u>\$ 10,372,366</u>	<u>\$ 2,540,330</u>
OTHER				
Assets				
Cash and cash equivalents	\$ 779,314	\$ 554,949	\$ 395,904	\$ 938,359
Other receivables	14,340	-	14,340	-
Total Assets	<u>\$ 793,654</u>	<u>\$ 554,949</u>	<u>\$ 410,244</u>	<u>\$ 938,359</u>
Liabilities				
Accrued liabilities	\$ 610,174	\$ 512,629	\$ 371,312	\$ 751,491
Accounts payable	26,384	-	14,340	12,044
Deposits held in trust	157,096	42,320	24,592	174,824
Total Liabilities	<u>\$ 793,654</u>	<u>\$ 554,949</u>	<u>\$ 410,244</u>	<u>\$ 938,359</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 12,613,707	\$ 78,155,120	\$ 80,798,981	\$ 9,969,846
Other assets	242,741	89,008	242,741	89,008
Other receivables	344,650	-	229,340	115,310
Total Assets	<u>\$ 13,201,098</u>	<u>\$ 78,244,128</u>	<u>\$ 81,271,062</u>	<u>\$ 10,174,164</u>
Liabilities				
Accrued liabilities	\$ 11,899,442	\$ 77,449,356	\$ 80,594,162	\$ 8,754,636
Accounts payable	26,384	-	14,340	12,044
Deposits held in trust	1,275,272	794,772	662,560	1,407,484
Total Liabilities	<u>\$ 13,201,098</u>	<u>\$ 78,244,128</u>	<u>\$ 81,271,062</u>	<u>\$ 10,174,164</u>

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
<u>Intergovernmental</u>	<u>\$ 6,430,015</u>	<u>\$ 6,430,015</u>	<u>\$ -</u>
Total revenues	<u>6,430,015</u>	<u>6,430,015</u>	<u>-</u>
Expenditures:			
Capital projects:			
Engineering and construction	18,679,091	1,774,785	16,904,306
Parks and recreation	1,365,479	148,548	1,216,931
Public works	32,956,281	19,422,030	13,534,251
General services	1,857,273	758,538	1,098,735
Urban Redevelopment Authority	2,295,000	555,000	1,740,000
Capital outlay	3,044,112	511,126	2,532,986
Other	<u>22,678,865</u>	<u>12,214,541</u>	<u>10,464,324</u>
Total expenditures	<u>82,876,101</u>	<u>35,384,568</u>	<u>47,491,533</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(76,446,086)</u>	<u>(28,954,553)</u>	<u>47,491,533</u>
Other Financing Sources (Uses):			
<u>Operating transfers in</u>	<u>-</u>	<u>27,195,793</u>	<u>27,195,793</u>
Net Change in Fund Balance	<u><u>\$ (76,446,086)</u></u>	<u><u>\$ (1,758,760)</u></u>	<u><u>\$ 74,687,326</u></u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2008

(Amounts expressed in thousands)

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.	\$ 6,430
The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget.	<u>(2,615)</u>
Total Capital Projects Fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance.	<u>\$ 3,815</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement.	\$ 35,385
Transfer budgeted as project.	(8,359)
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.	<u>(776)</u>
Total Capital Projects Fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balance.	<u>\$ 26,250</u>

CITY OF PITTSBURGH,
PENNSYLVANIA

STATISTICAL SECTION

Statistical Section

This section of the City of Pittsburgh (City) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	106
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax, and the earned income tax.	112
Debt Capacity	
These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.	118
Demographic and Economic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	126
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	129

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in 2002.

Table 1
CITY OF PITTSBURGH, PENNSYLVANIA
 NET ASSETS BY COMPONENT
 2002 - 2008
 ACCRUAL BASIS OF ACCOUNTING

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Primary Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 28,406,314	\$ 28,068,983	\$ 19,855,494	\$ 32,093,268	\$ 33,115,655	\$ 14,047,401	\$ (491,045,970)
Restricted	50,312,990	3,590,593	17,410,647	2,024,893	1,902,998	1,386,497	1,418,005
Unrestricted	<u>(640,595,819)</u>	<u>(623,499,122)</u>	<u>(665,435,571)</u>	<u>(729,337,724)</u>	<u>(776,978,604)</u>	<u>(728,071,303)</u>	<u>(209,557,174)</u>
<i>Total Primary Government Net Assets</i>	<u>\$ (561,876,515)</u>	<u>\$ (591,839,546)</u>	<u>\$ (628,169,430)</u>	<u>\$ (695,219,563)</u>	<u>\$ (741,959,951)</u>	<u>\$ (712,637,405)</u>	<u>\$ (699,185,139)</u>

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.

Table 2
CITY OF PITTSBURGH, PENNSYLVANIA
 CHANGES IN NET ASSETS
 LAST SEVEN YEARS
 ACCRUAL BASIS OF ACCOUNTING

	2008	2007	2006	2005	2004	2003	2002
Expenses:							
Governmental Activities:							
General government	\$ 72,646,015	\$ 67,454,774	\$ 57,794,631	\$ 63,221,610	\$ 75,496,380	\$ 68,571,952	\$ 78,365,054
Public safety	230,989,104	242,305,419	207,121,913	213,197,078	242,704,887	221,439,681	202,591,954
Highways and streets	67,275,379	57,079,918	56,458,755	55,024,821	50,930,630	50,089,338	52,723,858
Sanitation	16,568,056	20,615,151	18,398,474	14,693,283	13,801,070	12,080,381	12,683,944
Economic development	19,732,650	21,227,314	16,056,706	27,981,189	23,088,545	36,577,174	31,846,181
Cultural and recreation	11,818,117	9,218,087	11,754,122	10,516,854	15,797,978	14,717,879	14,940,866
Interest on long-term debt and debt subsidies	56,511,220	56,806,611	57,886,827	45,374,017	48,709,900	50,274,609	47,493,951
<i>Total primary government expenses</i>	<u>\$ 475,540,541</u>	<u>\$ 474,707,274</u>	<u>\$ 425,471,428</u>	<u>\$ 430,008,851</u>	<u>\$ 470,529,390</u>	<u>\$ 453,751,014</u>	<u>\$ 440,645,808</u>
Program Revenues:							
Governmental Activities:							
Charges for services							
General government	\$ 20,182,426	\$ 20,122,440	\$ 19,621,666	\$ 17,833,330	\$ 18,628,556	\$ 19,328,547	\$ 18,469,281
Public safety	18,821,117	19,366,360	19,348,266	20,600,780	19,921,883	20,171,829	19,088,959
Highway and streets	2,983,073	3,013,764	1,702,493	935,553	1,159,321	1,373,276	1,815,202
Sanitation	232,010	501,152	655,512	718,066	344,173	1,063,853	1,215,355
Culture and recreation	1,673,694	1,841,009	1,701,979	1,520,052	1,298,261	1,809,203	1,502,318
Operating grants and contributions	72,632,131	65,906,114	50,681,637	43,884,590	43,312,756	48,693,028	44,845,500
Capital grants and contributions	20,766,859	24,720,948	17,611,527	26,728,759	33,386,113	38,681,746	29,117,274
<i>Total primary government program revenues</i>	<u>\$ 137,291,310</u>	<u>\$ 135,471,787</u>	<u>\$ 111,323,080</u>	<u>\$ 112,221,130</u>	<u>\$ 118,051,063</u>	<u>\$ 131,121,482</u>	<u>\$ 116,053,889</u>
Net (Expense)/Revenue:							
Governmental activities	<u>\$ (338,249,231)</u>	<u>\$ (339,235,487)</u>	<u>\$ (314,148,348)</u>	<u>\$ (317,787,721)</u>	<u>\$ (352,478,327)</u>	<u>\$ (322,629,532)</u>	<u>\$ (324,591,919)</u>
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Taxes:							
Real estate	\$ 128,532,482	\$ 129,076,234	\$ 138,586,332	\$ 132,619,472	\$ 131,606,692	\$ 127,941,152	\$ 122,365,096
Earned income	65,108,103	57,329,470	50,031,453	48,436,582	46,638,799	45,924,358	47,642,055
Business privilege	9,460,665	9,298,694	15,171,511	14,291,935	40,119,601	43,964,837	42,952,162
Emergency services	13,743,861	16,448,473	16,159,663	16,339,969	-	-	-
Payroll preparation	46,733,471	44,436,947	41,361,676	38,377,704	-	-	-
Parking	45,920,603	49,294,644	52,098,912	52,241,679	47,313,082	31,892,770	32,214,526
Sales tax from Regional Asset District	20,178,425	20,869,051	20,326,691	20,943,521	21,460,780	20,035,967	20,559,667
Deed transfer	17,071,424	16,677,181	18,033,290	18,170,377	11,633,787	9,172,513	10,218,095
Amusement	11,593,318	8,919,870	8,480,222	10,730,856	7,479,540	9,455,537	9,553,973
Nonprofit payment for municipal services	778,417	5,311,595	5,873,622	5,373,497	688,000	510,000	837,000
Mercantile	34,388	64,609	148,658	358,600	7,915,096	7,909,099	7,282,763
Other	4,145,482	5,130,963	3,820,311	2,861,880	4,850,445	8,063,064	7,191,445
Unrestricted investment earnings	4,147,306	9,497,563	6,757,044	2,231,226	1,016,417	1,061,600	2,359,523
Donations and endowments	575,000	482,521	168,209	100	267,995	546,387	523,799
Amortization of bond premium	-	-	3,035,368	-	-	-	-
Miscellaneous	189,317	2,727,556	1,145,517	1,550,712	2,165,547	2,699,982	4,388,461
<i>Total primary government</i>	<u>\$ 368,212,262</u>	<u>\$ 375,565,371</u>	<u>\$ 381,198,479</u>	<u>\$ 364,528,110</u>	<u>\$ 323,155,781</u>	<u>\$ 309,177,266</u>	<u>\$ 308,088,565</u>
Change in Net Assets:							
Primary government - governmental activities	<u>\$ 29,963,031</u>	<u>\$ 36,329,884</u>	<u>\$ 67,050,131</u>	<u>\$ 46,740,389</u>	<u>\$ (29,322,546)</u>	<u>\$ (13,452,266)</u>	<u>\$ (16,503,354)</u>

Table 3
CITY OF PITTSBURGH, PENNSYLVANIA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST SEVEN YEARS
ACCRUAL BASIS OF ACCOUNTING

<u>Function/Program</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental Activities:							
General government	\$ 71,287,551	\$ 68,318,461	\$ 54,018,594	\$ 41,685,156	\$ 51,928,324	\$ 53,644,160	\$ 48,442,370
Public safety	34,142,202	33,789,076	32,358,373	37,581,019	33,312,992	37,628,587	34,730,729
Highways and streets	19,977,958	19,590,563	14,037,094	17,875,858	14,716,164	26,131,273	17,774,927
Sanitation	767,921	573,092	943,637	1,235,374	904,806	1,693,702	1,380,529
Economic development	5,783,512	8,149,974	5,374,674	8,701,367	13,445,922	8,342,979	9,972,930
Cultural and recreation	5,332,166	5,050,621	4,590,708	5,142,357	3,742,855	3,680,781	3,752,404
 Total primary government	 <u>\$ 137,291,310</u>	 <u>\$ 135,471,787</u>	 <u>\$ 111,323,080</u>	 <u>\$ 112,221,130</u>	 <u>\$ 118,051,063</u>	 <u>\$ 131,121,482</u>	 <u>\$ 116,053,889</u>

Table 4
CITY OF PITTSBURGH, PENNSYLVANIA
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 MODIFIED ACCRUAL BASIS OF ACCOUNTING

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund:										
Reserved	\$ 6,426,664	\$ 5,430,635	\$ 6,631,354	\$ 4,070,482	\$ 2,818,210	\$ 4,052,375	\$ 4,217,495	\$ 2,795,308	\$ 1,975,067	\$ 3,805,546
Unreserved	46,459,249	84,099,737	73,942,764	34,057,309	11,711,220	31,140,963	58,035,143	31,402,265	43,494,114	40,363,392
<i>Total General Fund</i>	<u>52,885,913</u>	<u>89,530,372</u>	<u>80,574,118</u>	<u>38,127,791</u>	<u>14,529,430</u>	<u>35,193,338</u>	<u>62,252,638</u>	<u>34,197,573</u>	<u>45,469,181</u>	<u>44,168,938</u>
All Other Governmental Funds:										
Reserved	127,434,812	20,731,177	59,115,022	10,856,290	11,784,520	31,100,430	56,916,488	37,978,154	63,769,592	89,983,461
Unreserved, Reported in:										
Community development funds	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617
Other governmental funds	13,250,599	74,557,072	12,593,863	13,890,134	19,295,079	10,923,059	11,880,112	9,872,552	9,897,591	13,925,509
Total All Other Governmental Funds	<u>140,770,028</u>	<u>95,372,866</u>	<u>71,793,502</u>	<u>24,831,041</u>	<u>31,164,216</u>	<u>42,108,106</u>	<u>68,881,217</u>	<u>47,935,323</u>	<u>73,751,800</u>	<u>103,993,587</u>
<i>Total Governmental Funds</i>	<u>\$ 193,655,941</u>	<u>\$ 184,903,238</u>	<u>\$ 152,367,620</u>	<u>\$ 62,958,832</u>	<u>\$ 45,693,646</u>	<u>\$ 77,301,444</u>	<u>\$ 131,133,855</u>	<u>\$ 82,132,896</u>	<u>\$ 119,220,981</u>	<u>\$ 148,162,525</u>

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)

(\$'s in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
Taxes	\$ 366,220	\$ 357,226	\$ 360,836	\$ 352,034	\$ 317,223	\$ 302,991	\$ 301,371	\$ 292,943	\$ 283,277	\$ 275,291
Payment in lieu of taxes	778	5,312	5,874	5,373	688	510	837	1,612	1,966	1,821
Interest earnings	4,147	9,498	6,757	2,231	1,016	1,062	2,360	6,660	11,083	9,166
Fines and forfeits	6,409	7,387	8,256	4,239	8,527	7,693	8,556	7,739	8,048	8,565
Intergovernmental	80,781	77,974	53,663	55,972	58,797	72,400	57,963	66,607	60,152	66,217
Charges for user services	37,484	37,458	34,774	37,369	32,826	36,054	33,535	32,912	34,680	31,740
Pension state aid	15,148	15,182	14,630	17,166	17,902	18,214	16,000	16,000	13,250	13,258
Miscellaneous	924	3,243	1,314	1,634	2,987	3,291	4,911	1,297	3,838	3,080
Total revenues	511,891	513,280	486,104	476,018	439,966	442,215	425,533	425,770	416,294	409,138
Expenditures:										
General government	57,277	54,357	53,179	60,119	68,885	61,994	71,000	46,512	44,252	43,004
Public safety	220,309	209,937	205,168	208,740	211,894	221,946	207,966	157,684	150,360	143,878
Public works	61,109	56,304	50,877	48,053	41,289	51,655	53,624	27,121	27,619	28,129
Sanitation	15,721	16,825	15,394	13,668	13,997	10,942	12,684	10,600	10,640	10,062
Community, recreational, and cultural	11,670	10,909	11,045	7,324	8,563	10,631	11,978	9,220	7,286	8,403
Employee benefits, etc. (2)	-	-	-	-	-	-	-	65,273	60,596	58,582
Claims and judgments	1,047	962	552	728	2,796	1,113	2,180	1,531	1,012	10,409
Miscellaneous	5,112	3,818	1,696	1,038	1,276	3,024	2,365	2,816	1,448	633
Intergovernmental programs	19,694	21,227	16,057	17,962	19,879	25,281	20,083	21,568	15,495	21,176
Capital outlay	10,299	7,207	4,737	3,003	17,132	21,108	7,893	33,572	38,212	48,448
Bond issue costs	744	-	3,026	2,538	-	200	991	321	-	594
Debt service/authorities:										
Interest	42,717	44,410	41,528	43,845	48,077	43,282	44,573	50,948	50,581	48,101
Principal	44,490	40,670	36,035	40,420	40,760	30,850	32,705	33,843	32,567	24,179
Debt subsidies to component units	13,444	14,118	13,547	13,726	14,995	14,238	11,312	13,409	13,944	11,736
Total expenditures	503,633	480,744	452,841	461,164	489,543	496,264	479,354	474,418	454,012	457,334
Excess (Deficiency) of Revenues Over Expenditures	8,258	32,536	33,263	14,854	(49,577)	(54,049)	(53,821)	(48,648)	(37,718)	(48,196)

(Continued)

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)

(\$'s in Thousands)
(Continued)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Other Financing Sources (Uses):										
Bond issuance	66,775	-	241,975	-	-	13,766	129,091	-	-	56,393
Refunding bond issuance	-	-	-	194,995	-	-	-	-	-	-
Proceeds from capital asset disposition	-	-	-	-	-	-	-	-	-	-
Bond premium	3,293	-	13,117	12,151	-	-	-	-	-	-
Capital lease	-	-	-	-	15,435	-	-	-	-	-
Transfers from other funds	170,519	135,725	96,713	86,679	88,235	75,236	66,618	77,768	96,829	80,563
Transfer from agency funds	-	-	-	-	-	-	-	-	-	623
Transfer from discretely presented component units	-	-	2,530	-	2,535	-	-	3,250	3,260	3,265
Payments to escrow agents	(69,574)	-	(201,480)	(204,732)	-	(13,550)	(65,632)	-	-	-
Transfers to other funds	(170,519)	(135,725)	(96,713)	(86,679)	(88,235)	(75,236)	(66,618)	(69,458)	(91,312)	(77,646)
Transfer to agency funds	-	-	-	-	-	-	-	(8,309)	(5,517)	(3,540)
Pension state aid	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	494	-	56,142	2,414	17,970	216	63,459	3,251	3,260	59,658
Net Change in Fund Balance	\$ 8,752	\$ 32,536	\$ 89,405	\$ 17,268	\$ (31,607)	\$ (53,833)	\$ 9,638	\$ (45,397)	\$ (34,458)	\$ 11,462
Debt service as a percentage of noncapital expenditures	20.0%	20.9%	20.3%	21.4%	22.0%	18.6%	18.8%	22.3%	23.4%	20.5%

Notes:

- (1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.
- (2) Restated for GASB Statement No. 34 implementation. Employee benefits are distributed to the various departments/functions starting in 2002.

(Concluded)

Table 6
CITY OF PITTSBURGH, PENNSYLVANIA

GENERAL FUND TAX REVENUES BY SOURCE

LAST TEN YEARS

(\$'s in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Real estate tax	\$ 130,970	\$ 127,263	\$ 133,735	\$ 128,080	\$ 128,037	\$ 127,113	\$ 123,756	\$ 117,294	\$ 113,449	\$ 117,966
Mercantile tax	12	28	99	249	7,688	7,909	7,283	7,467	7,194	6,935
Amusement tax	11,589	8,914	8,468	10,722	7,471	9,456	9,554	8,809	8,256	5,584
Payroll preparation tax	46,479	44,248	41,172	38,290	-	-	-	-	-	-
Earned income tax	65,296	57,100	49,815	48,238	46,439	45,924	47,642	46,684	48,707	41,595
Facilities usage fee	2,791	2,986	2,397	1,931	-	-	-	-	-	-
Deed transfer tax	17,071	16,677	18,033	18,170	11,634	9,172	10,218	8,322	8,743	10,816
Parking tax	45,902	49,272	52,067	52,186	47,273	31,893	32,215	32,208	30,960	28,817
Emergency services tax	13,271	16,387	15,599	16,445	3,189	3,143	3,134	3,094	3,244	3,106
Business privilege tax	9,113	8,927	14,680	13,748	40,130	43,424	42,952	43,859	38,468	35,447
Institution/service tax	48	823	430	323	514	424	470	538	521	616
Penalties and interest	2,201	2,604	3,089	2,356	2,364	3,394	2,620	3,667	3,234	4,898
Public service privilege	1,299	1,128	925	352	1,024	1,103	967	1,016	936	680
Cable indirect cost	-	-	-	-	-	-	-	-	-	-
Regional Asset District	20,178	20,869	20,327	20,242	20,505	20,036	20,560	19,985	19,565	18,831
Total tax revenues	\$ 366,220	\$ 357,226	\$ 360,836	\$ 351,332	\$ 316,268	\$ 302,991	\$ 301,371	\$ 292,943	\$ 283,277	\$ 275,291

Note:
 In 2005, the occupation privilege tax was replaced by the emergency services tax. The business privilege tax was reduced.
 Two additional revenues were the payroll preparation tax and the facility usage fee. The mercantile tax was eliminated.

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA

ASSESSED VALUATION AND ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY LAST TEN YEARS

(\$'s in Thousands)

Year	Total Assessed Value	Less: Tax- Exempt Property	Total Taxable Assessed Value	Taxable Rate (mills)	Estimated Taxable Value
1999	\$ 3,252,902	\$ 1,156,072	\$ 2,096,830	58.483	\$ 122,629
2000	3,281,678	1,155,910	2,125,768	58.483	124,321
2001	19,486,973	6,140,735	13,346,238	10.800	144,139
2002	20,315,705	6,022,449	14,293,256	10.800	154,367
2003	20,177,452	6,598,533	13,578,919	10.800	146,652
2004	19,985,680	6,747,998	13,237,682	10.800	142,967
2005	19,984,708	6,750,063	13,234,645	10.800	142,934
2006	20,562,685	7,191,577	13,371,108	10.800	144,408
2007	21,084,308	7,759,074	13,325,234	10.800	143,913
2008	21,032,626	7,777,749	13,254,877	10.800	143,153

(1) Figure for Tax Exempt property not available

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

Note: Information by major component of assessed value is not available.

Table 8
CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

Fiscal Year	City of Pittsburgh			School district millage	County millage (2)	Total Millage
	Land millage	Building millage	Average (1)			
1999	184.500	32.000	58.483	59.700	25.200	143.383
2000	184.500	32.000	58.483	59.700	25.200	143.383
2001	10.800	10.800	10.800	13.920	4.720	29.440
2002	10.800	10.800	10.800	13.920	4.720	29.440
2003	10.800	10.800	10.800	13.920	4.720	29.440
2004	10.800	10.800	10.800	13.310	4.690	28.800
2005	10.800	10.800	10.800	13.920	4.690	29.410
2006	10.800	10.800	10.800	13.920	4.690	29.410
2007	10.800	10.800	10.800	13.920	4.690	29.410
2008	10.800	10.800	10.800	13.920	4.690	29.410

Notes:

- (1) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
- (2) As of January 1, 1998, the Institution District was dissolved and its 3.5 tax rate (millage) was included in Allegheny County millage.

The basis for the property tax rates is per each \$1,000 of assessed valuation.

Table 9

CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
500 Grant Street Associates/Mellon Bank	\$ 445,192,400	1	3.37%	\$ 53,039,000	1	2.50%
Buncher Company	196,429,400	2	1.49%	-		0.00%
Market Associates Limited	185,000,000	3	1.40%	38,000,000	2	1.79%
PNC	167,130,300	4	1.27%	32,894,000	4	0.00%
600 GS Prop LP	160,000,000	5	1.21%	36,040,000	3	1.70%
Oxford Development	115,000,000	6	0.87%	25,928,000	5	1.22%
Grant Liberty Development Group	110,000,000	7	0.83%	19,124,000	6	0.90%
Liberty Avenue Holdings	49,210,000	8	0.37%	-		0.00%
Hertz Gateway Center LP	45,700,000	9	0.35%	-		0.00%
Harrahs Forest Assoc.	39,036,900	10	0.30%	7,093,000	10	0.33%
Mellon Bank, N.A.	-		0.00%	16,981,000	9	0.80%
Gateway Trizec, Inc.	-		-	18,185,000	8	0.86%
Penn Liberty Holding	-		-	18,441,000	7	0.87%
	<u>\$ 1,512,699,000</u>		<u>11.46%</u>	<u>\$ 265,725,000</u>		<u>10.97%</u>
Total Taxable Assessed Valuation	<u>\$ 13,254,877,546</u>			<u>\$ 2,125,768,000</u>		

Table 10
CITY OF PITTSBURGH, PENNSYLVANIA
ASSESSED VALUE, TAX RATE, LEVY, AND COLLECTIONS

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	(2) Assessed valuation of land and buildings	Land millage	Building millage	Original net levy	Adjusted net levy (1)	Budgeted	Year of original levy			Delinquent taxes			
							(3) Receipts	Percent of original net levy collected	Percent of adjusted net levy collected	Percent of budget collected	Collection		Percent of budget collected
								Budget	Receipts				
1999	\$ 2,096,829	184.50	32.00	\$122,053	\$117,382	\$ 113,715	\$ 112,569	92.2	95.9	99.0	\$ 5,686	\$ 5,397	94.9
2000	2,125,768	184.50	32.00	125,422	119,649	112,010	110,644	88.2	92.5	98.8	4,500	2,967	65.9
2001	13,346,238	10.80	10.80	144,139	127,784	115,900	118,150	81.9	92.9	101.9	3,500	2,689	76.8
2002	14,677,667	10.80	10.80	158,454	131,245	121,500	123,692	78.1	94.2	102.0	4,300	4,359	101.0
2003	13,578,918	10.80	10.80	146,652	131,484	123,132	123,015	83.9	93.6	99.9	3,139	1,069	34.1
2004	13,237,682	10.80	10.80	142,966	127,864	122,500	119,918	83.9	93.8	97.9	5,500	4,435	80.6
2005	13,234,645	10.80	10.80	142,934	126,124	124,000	124,906	87.4	99.0	100.7	4,500	3,173	70.5
2006	13,371,108	10.80	10.80	143,596	126,077	121,000	127,114	88.5	100.8	105.1	3,758	6,622	176.2
2007	13,325,234	10.80	10.80	144,761	124,973	121,257	127,505	88.1	102.0	105.2	2,741	289	105.0
2008	13,254,877	10.80	10.80	142,526	136,603	122,300	127,273	89.3	93.2	104.1	3,245	4,891	150.7

Notes:

- (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 percent of market value increased to 100% and a unified millage rate was enacted.
- (3) 2001 through 2005 receipts are net of refunds.

Table 11

CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND SEVEN YEARS AGO

Employer	2008			2000		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
University of Pittsburgh Medical Center	37,000	1	12.03 %	28,000	1	8.61 %
U.S. Government	18,666	2	6.07	20,200	2	6.21
Commonwealth of Pennsylvania	13,661	3	4.44	15,300	3	4.70
West Penn Allegheny Health System	11,432	4	3.72	-	-	-
University of Pittsburgh	11,261	5	3.66	8,901	5	2.74
Wal-Mart Stores Inc.	10,030	6	3.26	8,177	7	2.51
PNC Financial Services Group, Inc.	9,150	7	2.97	-	-	-
Giant Eagle	8,347	8	2.71	6,993	8	2.15
Allegheny County	7,194	9	2.34	6,699	9	2.06
Mellon Financial Corp.	6,668	10	2.17	8,613	6	2.65
US Airways, Inc.	-	-	-	11,717	4	3.60
USX Corporation	-	-	-	5,280	10	1.62
Total	<u>133,409</u>		<u>43.36 %</u>	<u>119,880</u>		<u>36.85 %</u>
Total Employees	<u>307,678</u>			<u>325,318</u>		

Source: Pittsburgh Business Times

Notes:

(1) The year 2000 is the first year available.

Table 12

CITY OF PITTSBURGH, PENNSYLVANIA

NET DEBT AND REMAINING DEBT INCURRING MARGIN IN ACCORDANCE WITH ACT NO. 52, APPROVED APRIL 28, 1978

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2008

	Nonelectoral debt	Lease rental debt
Gross debt (1):		
Principal amount of bonds issued and outstanding:		
General obligation	\$ 723,092,248	\$ -
Capital Lease	-	1,960,000
Auditorium Authority	-	4,645,000
Stadium Authority	-	62,298,939
Urban Redevelopment Authority	-	-
	723,092,248	68,903,939
 Total gross debt	 723,092,248	 68,903,939
 Items deductible from gross debt:		
Cash and legal investments held in sinking fund for payment of bonds and notes	48,422,158	-
Cash in bond fund applicable to debt	-	-
Delinquent real estate taxes	8,527,233	-
Self-liquidating and subsidized debt:		
Taxable General Obligation Pension Bonds, 1996B	14,560,000	-
Taxable General Obligation Pension Bonds, 1998ABC	240,015,000	-
	311,524,391	-
 Total deductions	 311,524,391	 -
 Net debt	 \$ 411,567,857	 \$ 68,903,939

(Continued)

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$567,828,000 are not considered debt of the City of Pittsburgh for purposes of this calculation.

Table 12

CITY OF PITTSBURGH, PENNSYLVANIA

NET DEBT AND REMAINING DEBT INCURRING MARGIN IN ACCORDANCE WITH ACT NO. 52, APPROVED APRIL 28, 1978

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2008

(Continued)

Allocation of Total Net Debt

Net nonelectoral debt	\$ 411,567,857
Net lease rental debt	<u>68,903,939</u>
Net nonelectoral and lease rental debt	<u><u>\$ 480,471,796</u></u>

Debt Incurring Margin

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total net revenue of the City	<u>\$ 429,473,960</u>	<u>\$ 439,711,441</u>	<u>\$ 436,619,568</u>
Borrowing base (arithmetic average of total net revenue for said three fiscal years)			<u><u>\$ 435,268,323</u></u>

	<u>Net nonelectoral debt (borrowing base x 250%)</u>	<u>Net nonelectoral and lease rental debt (borrowing base x 350%)</u>
Debt limitations	\$ 1,088,170,808	\$ 1,523,439,131
Less existing net debt	<u>(411,567,857)</u>	<u>(480,471,796)</u>
Remaining debt incurring margin	<u><u>\$ 676,602,951</u></u>	<u><u>\$ 1,042,967,335</u></u>

(Concluded)

Table 13

CITY OF PITTSBURGH, PENNSYLVANIA**LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS**

(dollars in thousands)

	<u>Debt limit</u>	<u>Total Net Debt applicable to limit</u>	<u>Legal debt margin</u>	<u>Legal debt margin %</u>
2008	\$ 1,088,171	\$ (411,568)	\$ 676,603	62.18%
2007	1,056,263	(496,983)	559,280	52.95%
2006	993,016	(490,894)	502,122	50.57%
2005	933,880	(511,500)	422,380	45.23%
2004	901,314	(536,889)	364,425	40.43%
2003	895,645	(567,158)	328,487	36.68%
2002	892,028	(571,852)	320,176	35.89%
2001	896,699	(553,636)	343,063	38.26%
2000	876,308	(548,403)	327,905	37.42%
1999	859,617	(540,731)	318,886	37.10%

Note: The State of Pennsylvania's Local Government Unit Debt Act determines the calculation of the Legal Debt Margin. See Table 12.

Table 14

CITY OF PITTSBURGH, PENNSYLVANIA

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Population	Assessed value (1)	General bonded debt	Less debt service funds	Net general bonded debt	Ratio of net general bonded debt to assessed value	Net general bonded debt per capita
1999	370	\$ 2,096,829	\$ 914,640	\$ 15,705	\$ 898,935	42.87%	\$ 2,430
2000	335	2,125,768	884,428	14,798	869,630	40.91%	2,596
2001	335	13,348,278	852,821	11,044	841,777	6.31%	2,513
2002	335	14,669,013	891,423	510	890,913	6.08%	2,659
2003	335	13,578,918	860,353	172	860,181	6.34%	2,568
2004	335	13,237,682	822,272	215	822,057	6.21%	2,454
2005	335	13,234,645	786,656	177	786,479	5.94%	2,348
2006	335	13,371,107	803,285	15,360	787,925	5.89%	2,352
2007	335	13,325,234	764,124	1,433	762,691	5.72%	2,277
2008	335	13,254,877	723,032	48,287	674,745	5.09%	2,014

Notes:

(1) Method of assessing real estate was changed in 2001.

Table 15

CITY OF PITTSBURGH, PENNSYLVANIA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Principal	Interest (2)	Total debt service	Total general governmental expenditures	Ratio of debt to general governmental expenditures
1999	\$ 24,178	\$ 48,100	\$ 72,278	\$ 457,334	15.80%
2000	32,566	50,581	83,147	454,012	18.31%
2001	33,843	50,881	84,724	474,419	17.86%
2002	32,705	44,573	77,278	483,975	15.97%
2003	30,850	43,278	74,128	496,264	14.94%
2004	40,760	48,078	88,838	489,543	18.74%
2005	40,420	43,690	84,110	461,164	18.24%
2006	36,035	41,528	77,563	452,841	17.13%
2007	40,670	44,410	85,080	480,744	17.78%
2008	44,490	42,717	87,207	491,649	17.74%

Notes:

- (1) City of Pittsburgh bonds only.
- (2) Excludes bond issuance and other costs.

Table 16
CITY OF PITTSBURGH, PENNSYLVANIA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2008

(\$'s in Thousands)

<u>Jurisdiction</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City</u>	<u>Amount applicable to City</u>
Direct debt:			
City of Pittsburgh:			
General obligation	\$ 723,032	100%	\$ 723,032
Stadium Authority	6,670	100%	6,670
Auditorium Authority	3,920	50%	1,960
Urban Redevelopment Authority	95,300	65%	62,299
Parking Authority	<u>105,010</u>	100%	<u>105,010</u>
Total direct debt	<u>933,932</u>		<u>898,971</u>
Overlapping debt:			
Pittsburgh Water and Sewer Authority (1)	881,651	0%	-
The School District of Pittsburgh	467,600	100%	467,600
Allegheny County	<u>648,305</u>	26%	<u>168,559</u>
Total overlapping debt	<u>1,997,556</u>		<u>636,159</u>
Total direct and overlapping debt	<u>\$ 2,931,488</u>		<u>\$ 1,535,130</u>

(1) - Direct obligations of the Pittsburgh Water and Sewer Authority are not considered debt of the City of Pittsburgh.

Table 17
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
 PITTSBURGH WATER AND SEWER AUTHORITY

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Gross revenues	(1) Operating expenses	Net revenue available for debt service	Principal	Interest	Total	Coverage
1999	\$ 59,319	\$ 28,728	\$ 30,591	\$ 8,885	\$ 22,953	\$ 31,838	0.96
2000	59,641	32,338	27,303	9,245	22,516	31,761	0.86
2001	60,401	38,378	22,023	9,635	22,123	31,758	0.69
2002	63,916	37,403	26,513	10,065	25,364	35,429	0.75
2003	65,187	40,347	24,840	14,055	26,631	40,686	0.61
2004	73,880	39,300	34,580	12,079	23,325	35,404	0.98
2005	85,031	39,403	45,628	17,159	23,180	40,339	1.13
2006	86,325	42,597	43,728	17,824	26,021	43,845	1.00
2007	92,526	46,375	46,151	17,299	30,493	47,792	0.97
2008	129,938	89,162	40,776	15,531	24,223	39,754	1.03

Notes:

(1) Total operating expenses exclusive of depreciation and amortization.

Table 18
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
THE STADIUM AUTHORITY OF THE CITY OF PITTSBURGH (1)

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Gross revenues (2)	Operating expenses (3)	Net revenue available for debt service	Debt service requirements (4)			Coverage (5)
				Principal	Interest	Total	
1999	\$ 5,326	\$ 7,485	\$ (2,159)	\$ 7,101	\$ 2,854	\$ 9,955	-
2000	6,662	6,886	(224)	8,477	2,586	11,063	-
2001	6,997	8,468	(1,471)	4,817	2,218	7,035	-
2002 (6)	1,214	5,989	(4,775)	3,510	1,902	5,412	-
2003 (6)	1,339	678	661	3,750	1,679	5,429	0.12
2004	1,438	322	1,116	3,275	1,425	4,700	0.24
2005	1,458	358	1,100	3,485	1,204	4,689	0.23
2006	1,912	185	1,727	3,730	966	4,696	0.37
2007	2,859	825	2,034	1,855	954	2,809	0.72
2008	4,074	1,449	2,625	2,306	2,063	4,369	0.60

Notes:

- (1) Figures presented are for the fiscal year end of March 31.
- (2) Total revenues including interest.
- (3) Total operating expenses exclusive of depreciation, interest, baseball lease credit adjustments, and loss on disposal of turf.
- (4) Debt service payments on notes are excluded.
- (5) The City of Pittsburgh guarantees the payment of Stadium Authority debt service and/or operating losses.
- (6) The stadium was demolished in February 2001 to make way for PNC Park and Heinz Field, both financed by the Sports and Exhibition Authority.

Table 19

CITY OF PITTSBURGH, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

LAST TEN YEARS

Fiscal Year	(1) Population	(2) Per capita income	(2) Personal income	(2) Median age	(3) School enrollment	(4) Unemployment rate percentage
1999	369,879	\$ 28,014	\$ 64,252	40.0	38,846	4.0%
2000	334,563	29,587	67,288	40.0	38,560	4.4%
2001	334,563	30,644	70,296	40.0	37,612	4.2%
2002	334,563	34,260	74,361	35.5	35,146	5.4%
2003	334,563	32,381	76,354	36.0	34,619	4.9%
2004	334,563	33,015	77,738	35.5	34,167	5.4%
2005	334,563	34,897	79,478	40.9	32,529	5.2%
2006	334,563	36,680	83,116	38.4	31,148	4.2%
2007	334,563	36,894	85,876	39.0	29,445	4.2%
2008	334,563	38,550	91,101	41.9	28,265	6.0%

Data Sources:

- (1) Census Bureau
- (2) U.S. Department of Commerce, 17-month lag
- (3) School District of Pittsburgh
- (4) U.S. Department of Labor, Bureau of Labor Statistics

Table 20

CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Property value (1)	Number of permits issued (2)	Dollar value	Bank deposits (3)
1999	\$ 2,096,830	2,271	\$ 414,860	\$ 88,576,149
2000	2,125,768	2,283	827,765	78,406,393
2001	13,346,238	2,239	531,131	68,345,238
2002	14,293,256	2,216	344,222	68,208,452
2003	13,578,919	2,022	596,463	62,631,246
2004	13,237,682	1,926	597,596	69,486,367
2005	13,234,645	1,844	389,030	77,701,953
2006	13,371,108	2,069	484,249	75,738,573
2007	13,325,234	2,377	595,143	84,948,351
2008	13,254,877	2,277	980,645	95,371,463

Notes:

(1) Assessed value from Table 7

Data Sources:

(2) Bureau of Building Inspection, City of Pittsburgh

(3) Federal Reserve Bank, Cleveland branch

Table 21

CITY OF PITTSBURGH, PENNSYLVANIA**CITY EMPLOYMENT**

LAST TEN YEARS

<u>Fiscal Year</u>	<u>Regular budgeted positions</u>	<u>Actual subsequent January payroll</u>
1999	4,234	4,067
2000	4,365	4,236
2001	4,359	4,246
2002	4,352	4,099
2003	4,337	3,654
2004	3,700	3,312
2005	3,634	3,007
2006	3,313	3,221
2007	3,341	3,281
2008	3,363	3,177

Table 22

CITY OF PITTSBURGH, PENNSYLVANIA

FULL-TIME EQUIVALENT MUNICIPAL EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN YEARS

<u>Function/program</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Government:										
City Council-City Clerk	39	39	21	22	22	26	26	25	25	25
Mayor's Office	16	16	17	22	29	36	35	36	37	36
City Information Systems	51	58	63	59	55	60	56	49	51	52
Magistrates Court	0	0	0	34	34	37	35	37	34	31
Human Relations Commission	8	8	8	8	8	9	9	9	8	8
City Controller	72	72	72	72	72	81	81	80	74	74
Finance Department	111	113	108	99	106	111	105	101	105	102
Finance-General Services	24	26	17	0	0	0	0	0	0	0
Law	46	43	43	44	44	45	45	44	46	44
Personnel & Civil Service	86	87	87	87	87	91	91	90	89	85
City Planning	48	41	36	35	35	41	42	43	44	41
General Services-Administration	0	0	0	26	22	30	30	30	31	30
General Services-Facilities	0	0	0	50	50	61	61	61	64	65
General Services-Fleet Management	0	0	0	2	66	76	76	76	77	79
General Services-Telecommunications	0	0	0	0	15	15	15	15	16	15
Public Safety:										
Administration	4	3	3	4	8	12	13	12	11	11
Emergency Operations Center-911	0	0	0	0	76	76	76	76	76	76
Police	1119	1102	1127	1227	1130	1367	1441	1461	1450	1371
Emergency Medical Services	183	183	183	182	185	209	215	216	215	183
City-County Integrated ID Program	0	0	0	0	31	27	27	30	30	30
Fire	668	669	644	834	849	905	905	903	902	903
Bureau of Building Inspection	72	72	72	67	66	66	66	66	66	65
Animal Control	18									
Public Works:										
Administration	12	12	12	12	31	26	25	24	24	24
Operations	323	323	327	323	327	404	403	404	411	411
Environmental Services	196	215	216	217	217	241	222	220	238	238
Redd Up Program	8	8	0	0	0	0	0	0	0	0
Engineering	39	37	34	37	61	131	131	130	136	130
Animal Control	0	0	0	0	1	1	1	1	0	0
General Services-Facilities	43	42	48	0	0	0	0	0	0	0
General Services-Fleet	0	0	2	0	0	0	0	0	0	0
Parks and Recreation										
	170	165	166	164	66	146	112	112	98	98
Non-Departmental										
	7	7	7	7	7	7	8	8	7	7
Totals:	<u>3363</u>	<u>3341</u>	<u>3313</u>	<u>3634</u>	<u>3700</u>	<u>4337</u>	<u>4352</u>	<u>4359</u>	<u>4365</u>	<u>4234</u>

Note: In 2005, the Emergency Operations Center and the City-County Integrated ID program were merged with Allegheny County.

In 2006, General Services was split between Public Works and Finance.

OTHER INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS

YEAR ENDED DECEMBER 31, 2008

<u>Official</u>	<u>Budgeted Annual Salary</u>	<u>Amount of Surety Bond</u>
Mayor	\$ 98,424	\$ 10,000
Director of Finance	96,597	20,000
Controller	62,479	10,000
Members of City council (9)	56,405	-

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, 1992 Series A (Zero Coupon Bond)	6/01/1992	\$ 29,894,645	\$ 3,505,947	\$1,865,000 in 2009 \$1,860,000 in 2010 \$(219,053) Unamortized Bond Discount	6.70 6.75	\$ 1,245,584	\$ 1,865,000
General Obligation Bonds, 1993 Series A	4/01/1993	60,745,000	25,560,000	\$3,710,000 in 2009 \$3,915,000 in 2010 \$4,130,000 in 2011 \$4,360,000 in 2012 \$4,595,000 in 2013 \$4,850,000 in 2014	5.50 5.50 5.50 5.50 5.50 5.50	1,405,800	3,710,000
General Obligation Bonds, 1998 Series ABC	3/01/1998	255,865,000	240,015,000	\$2,770,000 in 2009 \$3,010,000 in 2010 \$3,230,000 in 2011 \$7,890,000 in 2012 \$10,985,000 in 2013 \$11,690,000 in 2014 \$12,715,000 in 2015 \$13,560,000 in 2016 \$18,245,000 in 2017 \$13,235,000 in 2018 \$20,030,000 in 2019 \$21,400,000 in 2020 \$22,860,000 in 2021 \$24,425,000 in 2022 \$26,095,000 in 2023 \$27,875,000 in 2024	7.00 6.25 6.25 6.30 6.35 6.50 6.50 6.50 6.50 6.50 6.60 6.60 6.60 6.60 6.60 6.60	15,612,703	2,770,000
Carry forward			269,080,947			18,264,087	8,345,000 (Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought forward			\$ 269,080,947			\$ 18,264,087	\$ 8,345,000
General Obligation Bonds, 2002 Series A	1/17/2002	126,585,000	48,245,000	\$180,000 in 2009 \$370,000 in 2010 \$1,240,000 in 2011 \$5,395,000 in 2012 \$5,660,000 in 2013 \$5,935,000 in 2014 \$7,265,000 in 2015 \$7,485,000 in 2016 \$7,815,000 in 2017 \$1,795,000 in 2018 \$1,615,000 in 2019 \$1,700,000 in 2020 \$1,790,000 in 2021	5.00 5.00 5.00 5.00 5.50 5.50 5.50 5.50 5.13 5.13 5.13 5.20 5.25	2,593,017	180,000
General Obligation Bonds, 2003 Series A	6/01/2003	13,575,000	13,550,000	\$5,000 in 2009 \$5,000 in 2010 \$5,000 in 2011 \$6,655,000 in 2012 \$6,880,000 in 2013	5.00 5.00 5.00 5.00 5.50	516,931	5,000
General Obligation Bonds, 2005 Series A	5/01/2005	116,860,000	113,390,000	\$5,015,000 in 2009 \$35,635,000 in 2010 \$37,385,000 in 2011 \$6,415,000 in 2012 \$4,255,000 in 2013 \$4,465,000 in 2014 \$4,690,000 in 2015 \$4,930,000 in 2016 \$5,170,000 in 2017 \$5,430,000 in 2018	5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00	5,669,500	5,015,000
Carry forward			<u>444,265,947</u>			<u>27,043,535</u>	<u>13,545,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds Brought Forward	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
			\$ 444,265,947			\$ 27,043,535	\$ 13,545,000
General Obligation Bonds, 2005 Series B	06/01/05	78,135,000	5,635,000	\$5,635,000 in 2009	5.00	281,750	5,635,000
General Obligation Bonds, 2006 Series A	05/10/06	53,615,000	19,670,000	\$19,670,000 in 2009	5.54	1,089,718	19,670,000
General Obligation Bonds, 2006 Series B	05/10/06	140,560,000	140,550,000	\$5,000 in 2009 \$5,000 in 2010 \$5,000 in 2011 \$14,485,000 in 2012 \$15,220,000 in 2013 \$23,185,000 in 2014 \$31,395,000 in 2015 \$33,230,000 in 2016 \$23,020,000 in 2017	4.00 4.00 4.00 5.00 5.00 5.00 5.25 5.25 5.25	7,246,863	5,000
General Obligation Bonds, 2006 Series C	05/10/06	47,800,000	47,800,000	\$15,000 in 2016 \$11,905,000 in 2017 \$35,880,000 in 2018	4.25 5.25 5.25	2,509,350	-
General Obligation Bonds, 2008 Series A	05/10/06	66,775,000	66,775,000	\$5,470,000 in 2009 \$4,641,000 in 2010 \$5,850,000 in 2011 \$9,475,000 in 2012 \$9,940,000 in 2013 \$10,455,000 in 2014 \$7,800,000 in 2015 \$8,195,000 in 2016 \$4,980,000 in 2017	5.00 5.00 5.00 5.00 5.00 5.00 5.25 5.25	3,278,030	5,470,000
Subtotal			<u>724,695,947</u>			<u>41,449,246</u>	<u>44,325,000</u>
Less: Unamortized bond issuance costs			(6,033,297)				
Unamortized bond discounts/premiums			21,886,477				
Excess costs on debt refinancing			(13,950,932)				
Less bonds funded by Stadium Authority			<u>(3,505,947)</u>			<u>1,245,584</u>	<u>1,865,000</u>
Total: General obligation bonds payable			<u>\$ 723,092,248</u>			<u>\$ 42,694,830</u>	<u>\$ 46,190,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Public Auditorium Authority Revenue Bonds (City Share)							
Auditorium Bonds (Refunding), 2005 Series A	9/15/2005	\$ 4,172,500	\$ 1,960,000	\$182,500 in 2009	4.00	\$ 72,520	\$ 182,500
				\$187,500 in 2010	4.00		
				\$197,500 in 2011	3.38		
				\$207,500 in 2012	3.45		
				\$225,500 in 2013	3.50		
				\$232,500 in 2014	3.60		
				\$237,500 in 2015	3.65		
				\$250,000 in 2016	3.80		
				\$117,500 in 2017	3.90		
				\$122,500 in 2018	4.00		
Total Auditorium Authority Revenue Bonds			<u>\$ 1,960,000</u>			<u>\$ 72,520</u>	<u>\$ 182,500</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Urban Redevelopment Authority Tax Increment Financing Bonds, 1995 Series A	12/1/1995	\$ 2,855,787	\$ 1,037,091	\$232,778 in 2009 \$247,918 in 2010 \$556,395 in 2011	6.00 6.00 6.00	\$ 56,661	\$ 232,778
Urban Redevelopment Authority Tax Increment Financing Bonds, 1995 Series B	12/1/1995	1,637,016	1,018,166	\$94,625 in 2009 \$102,195 in 2010 \$111,658 in 2011 \$119,228 in 2012 \$128,690 in 2013 \$140,045 in 2014	6.25 6.25 6.25 6.25 6.25 6.25	60,678	94,625
Urban Redevelopment Authority Tax Increment Financing Bonds, 1996 Series	5/15/1996	3,179,187	1,766,215	\$196,456 in 2009 \$211,568 in 2010 \$230,458 in 2011 \$247,459 in 2012 \$270,127 in 2013 \$290,906 in 2014 \$319,241 in 2015	8.01 8.01 8.01 8.01 8.01 8.01 8.01	133,606	196,456
Carry forward			3,821,472			250,945	523,859

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 3,821,472			\$ 250,945	\$ 523,859
Urban Redevelopment Authority Tax Increment Financing Bonds, 2000 Series	3/15/2000	6,115,500	4,564,203	\$291,506 in 2009 \$322,083 in 2010 \$350,622 in 2011 \$383,238 in 2012 \$419,931 in 2013 \$460,701 in 2014 \$503,510 in 2015 \$525,933 in 2016 \$574,857 in 2017 \$625,820 in 2018 \$106,002 in 2019	7.58 7.63 7.68 7.95 7.95 7.95 7.95 8.05 8.05 8.05 8.05	350,583	291,506
Carry forward			<u>8,385,675</u>			<u>601,528</u>	<u>815,365</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 8,385,675			\$ 601,528	\$ 815,365
Urban Redevelopment Authority Tax Increment Financing Bonds, 2001 Series	12/15/2001	1,456,593	1,071,350	\$67,877 in 2009 \$73,380 in 2010 \$77,049 in 2011 \$82,553 in 2012 \$88,056 in 2013 \$95,560 in 2014 \$100,898 in 2015 \$108,236 in 2016 \$117,408 in 2017 \$124,746 in 2018 \$135,753 in 2019	6.61 6.61 6.61 6.71 6.71 7.16 7.16 7.16 7.16 7.16 7.16 7.16	72,497	67,877
Urban Redevelopment Authority Tax Increment Financing Bonds, 2003 Series A	1/1/2003	1,396,055	1,216,276	\$49,532 in 2009 \$53,201 in 2010 \$69,711 in 2011 \$77,049 in 2012 \$82,553 in 2013 \$89,891 in 2014 \$110,070 in 2015 \$121,077 in 2016 \$132,084 in 2017 \$139,422 in 2018 \$291,686 in 2019	8.25 8.25 8.25 8.25 8.25 8.25 8.25 8.50 8.50 8.50 8.50	100,010	49,532
Carry forward			<u>10,673,301</u>			<u>774,035</u>	<u>932,774</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 10,673,301			\$ 774,035	\$ 932,774
Urban Redevelopment Authority Tax Increment Financing Bonds, 2003 Series B	1/1/2003	1,201,598	1,106,207	\$40,359 in 2009 \$45,863 in 2010 \$56,870 in 2011 \$64,208 in 2012 \$78,884 in 2013 \$88,056 in 2014 \$97,229 in 2015 \$108,236 in 2016 \$119,243 in 2017 \$132,084 in 2018 \$275,175 in 2019	10.50 10.50 10.50 10.50 10.50 10.50 10.50 10.50 10.50 10.50 10.50	114,033	40,359
Urban Redevelopment Authority Tax Increment Financing Note, 2003 Series		1,515,297	1,370,376	\$49,532 in 2009 \$55,035 in 2010 \$58,704 in 2011 \$64,208 in 2012 \$69,711 in 2013 \$78,884 in 2014 \$84,387 in 2015 \$89,891 in 2016 \$93,560 in 2017 \$104,567 in 2018 \$115,574 in 2019 \$121,077 in 2020 \$133,919 in 2021 \$146,760 in 2022 \$104,567 in 2023	Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable	87,464	49,532
Carry forward			<u>13,149,884</u>			<u>975,532</u>	<u>1,022,665</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 13,149,884			\$ 975,532	\$ 1,022,665
Urban Redevelopment Authority of Pittsburgh Special Tax Development Bonds, 2005 Series	09/01/05	57,470,000	42,255,000	\$5,585,000 in 2009 \$5,885,000 in 2010 \$6,205,000 in 2011 \$6,525,000 in 2012 \$6,880,000 in 2013 \$11,175,000 in 2014	5.00 5.00 5.00 5.00 5.00 5.00	2,097,500	5,585,000
Urban Redevelopment Authority of Pittsburgh Bonds, 2006 Series	10/15/06	18,790,000	6,894,055	\$254,996 in 2009 \$267,837 in 2010 \$282,513 in 2011 \$299,024 in 2012 \$313,700 in 2013 \$332,045 in 2014 \$348,555 in 2015 \$368,735 in 2016 \$388,914 in 2017 \$410,928 in 2018 \$434,777 in 2019 \$460,460 in 2020 \$487,977 in 2021 \$515,495 in 2022 \$546,681 in 2023 \$579,702 in 2024 \$601,716 in 2025	5.40 5.40 5.40 5.40 5.40 5.40 5.40 5.40 5.88 5.88 5.88 5.88 5.88 5.88 5.88 5.88 5.88 5.88	393,527	254,996
Total Redevelopment Authority Bonds			<u>\$ 62,298,939</u>			<u>\$ 3,466,559</u>	<u>\$ 6,862,661</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

<u>Serial Bonds</u>	<u>Date of Issue</u>	<u>Amount Sold</u>	<u>Amount Outstanding</u>	<u>Maturity Information</u>	<u>Coupon or Ceiling Rate of Interest</u>	<u>2009 Maximum Debt Service Requirements</u>	
						<u>Interest</u>	<u>Principal</u>
Gen. Oblig Bonds funded by Stadium Authority			\$ 4,645,000			\$ 1,245,584	\$ 1,865,000
Net Stadium Authority Bonds and Notes Payable			<u>\$ 4,645,000</u>			<u>\$ 1,245,584</u>	<u>\$ 1,865,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
<u>Public Parking Authority of Pittsburgh</u>							
Parking Authority Revenue Bonds, Series 2002	11/01/2002	\$ 38,595,000	\$ 21,730,000	\$3,975,000 in 2009 \$4,130,000 in 2010 \$4,320,000 in 2011 \$4,535,000 in 2012 \$4,770,000 in 2013	3.25 4.50 5.00 5.00 5.00	\$ 931,693	\$ 3,975,000
Parking Authority Current Interest Bonds, Series 2005A	01/15/2005	2,010,000	1,845,000	\$100,000 in 2009 \$105,000 in 2010 \$115,000 in 2011 \$125,000 in 2012 \$700,000 in 2019 \$500,000 in 2020 \$200,000 in 2026	2.30 2.50 2.70 3.00 4.00 4.10 4.30	67,730	100,000
Parking Authority Capital Appreciation Bonds, Series 2005A	01/15/2005	4,439,665	4,439,665	\$708,000 in 2014 \$1,175,510 in 2015 \$1,113,420 in 2016 \$602,490 in 2017 \$570,020 in 2018 \$270,225 in 2019	3.95 4.09 4.22 4.33 4.43 4.50	-	-
Carry forward			<u>28,014,665</u>			<u>999,423</u>	<u>4,075,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 28,014,665			\$ 999,423	\$ 4,075,000
Parking Authority Current Interest Bonds, Series 2005 B	01/15/2005	29,780,000	29,780,000	\$130,000 in 2013 \$2,850,000 in 2020 \$3,100,000 in 2021 \$2,850,000 in 2022 \$2,950,000 in 2023 \$3,100,000 in 2024 \$3,250,000 in 2025 \$5,755,000 in 2026 \$5,795,000 in 2027	3.10 4.00 5.00 5.00 5.00 5.00 4.75 4.75 4.75	1,376,930	-
Parking Authority Capital Appreciation Bonds, Series 2005 B	01/15/2005	9,444,297	9,444,297	\$2,030,239 in 2013 \$1,423,304 in 2014 \$1,341,375 in 2015 \$1,645,096 in 2016 \$1,408,342 in 2017 \$1,595,941 in 2018	3.98 4.00 4.25 4.36 4.46 4.53	-	-
Parking Authority Refunding Bonds, Series 2005 A	05/15/2005	34,745,000	34,615,000	\$100,000 in 2010 \$365,000 in 2013 \$1,815,000 in 2014 \$1,905,000 in 2015 \$2,005,000 in 2016 \$2,100,000 in 2017 \$1,960,000 in 2018 \$2,325,000 in 2019 \$2,435,000 in 2020 \$2,565,000 in 2021 \$2,695,000 in 2022 \$2,845,000 in 2023 \$2,970,000 in 2024 \$3,115,000 in 2025 \$3,115,000 in 2026 \$2,300,000 in 2027	3.00 3.60 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 4.50	1,677,543	-
Carry forward			101,853,962			4,053,896	4,075,000

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 101,853,962			\$ 4,053,896	\$ 4,075,000
Parking Authority Refunding Bonds, Series 2005 B	05/15/05	3,160,000	2,140,000	\$440,000 in 2009 \$345,000 in 2010 \$370,000 in 2011 \$485,000 in 2012 \$250,000 in 2013 \$250,000 in 2018	3.00 3.00 3.30 3.40 3.60 4.00	64,650	440,000
Subtotal			<u>103,993,962</u>			<u>4,118,546</u>	<u>4,515,000</u>
Plus: Appreciated value on Cap. Apprec. Bonds			2,311,131			-	-
Plus: Bond premium			2,554,866			-	-
Less: Unamortized discount			(51,441)			-	-
Less: Deferred amount on refinancing			<u>(3,798,055)</u>			-	-
Total Public Parking Authority Bonds and Notes Payable			<u>\$ 105,010,463</u>			<u>\$ 4,118,546</u>	<u>\$ 4,515,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
<u>Water and Sewer Authority Bonds</u>							
Revenue Refunding Bonds, 1993 Series A	10/15/1993	\$ 278,970,000	\$ 27,230,000	\$10,350,000 in 2011 \$7,685,000 in 2012 \$9,195,000 in 2013	6.50 6.50 6.50	\$ 1,769,950	\$ -
First Lien Revenue Bonds, 1998 Series B (zero coupon bonds)	3/1/1998	36,440,070	56,125,121	\$2,300,000 in 2017 \$2,300,000 in 2018 \$2,300,000 in 2019 \$2,300,000 in 2020 \$2,300,000 in 2021 \$2,305,000 in 2022 \$2,300,000 in 2023 \$4,160,000 in 2024 \$4,160,000 in 2025 \$26,930,000 in 2026 \$26,930,000 in 2027 \$26,930,000 in 2028 \$26,930,000 in 2029 \$14,660,000 in 2030 (\$90,679,879) Unamortized Bond Discount	5.18 5.21 5.22 5.22 5.26 5.26 5.26 5.27 5.27 5.26 5.31 5.28 5.30 5.23	-	-
Carry forward			<u>83,355,121</u>			<u>1,769,950</u>	<u>-</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 83,355,121			\$ 1,769,950	\$ -
First Lien Revenue Refunding Bonds, 2003 Series	10/03/2003	167,390,000	67,005,000	\$10,005,000 in 2009 \$11,650,000 in 2010 \$405,000 in 2011 \$415,000 in 2012 \$430,000 in 2013 \$10,560,000 in 2014 \$11,050,000 in 2015 \$11,535,000 in 2016 \$1,375,000 in 2017 \$1,430,000 in 2018 \$1,490,000 in 2019 \$1,560,000 in 2020 \$1,625,000 in 2021 \$1,700,000 in 2022 \$1,775,000 in 2023	3.000 3.300 3.375 3.625 3.750 4.000 4.000 4.000 4.125 4.250 4.375 4.375 4.500 4.625 4.750	2,542,231	10,005,000
Carry forward			<u>150,360,121</u>			<u>4,312,181</u>	<u>10,005,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 150,360,121			\$ 4,312,181	\$ 10,005,000
First Lien Revenue Refunding Bonds, 2007 Series A	3/15/2007	43,720,000	41,010,000	\$3,815,000 in 2009 \$3,970,000 in 2010 \$4,130,000 in 2011 \$4,290,000 in 2012 \$4,470,000 in 2013 \$4,690,000 in 2014 \$4,945,000 in 2015 \$5,220,000 in 2016 \$5,480,000 in 2017	4.000 4.000 4.000 4.000 5.000 5.500 5.500 5.000 5.000	1,936,625	3,815,000
First Lien Revenue Refunding Bonds, 2007 Series B	3/15/2007	115,175,000	82,645,000	\$6,185,000 in 2018 \$9,110,000 in 2019 \$6,215,000 in 2020 \$6,470,000 in 2021 \$6,735,000 in 2022 \$7,020,000 in 2023 \$7,305,000 in 2024 \$7,615,000 in 2025 \$280,000 in 2026 \$310,000 in 2027 \$295,000 in 2028 \$320,000 in 2029 \$9,320,000 in 2030 \$9,710,000 in 2031 \$2,820,000 in 2032 \$2,935,000 in 2033	3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932	3,993,396	-
Carry forward			<u>274,015,121</u>			<u>10,242,202</u>	<u>13,820,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 274,015,121			\$ 10,242,202	\$ 13,820,000
First Lien Taxable Bonds, 2008 Series A	06/12/08	68,970,000	68,970,000	\$8,005,000 in 2017 \$8,070,000 in 2018 \$5,930,000 in 2019 \$9,595,000 in 2020 \$10,235,000 in 2021 \$10,930,000 in 2022 \$11,805,000 in 2023 \$4,400,000 in 2024	6.360 6.520 6.610 6.610 6.610 6.610 6.610 6.610	4,531,492	-
	06/12/08	145,495,000	145,495,000	\$26,870,000 in 2035 \$34,020,000 in 2036 \$35,520,000 in 2037 \$37,085,000 in 2038 \$12,000,000 in 2039	4.038 4.038 4.038 4.038 4.038	5,875,088	-
Subordinate Revenue Refunding Bonds, 2008 Series C	06/12/08	103,795,000	103,795,000	\$75,000 in 2012 \$60,000 in 2013 \$2,940,000 in 2030 \$15,345,000 in 2031 \$25,505,000 in 2032 \$26,475,000 in 2033 \$27,645,000 in 2034 \$5,750,000 in 2035	Variable	4,149,724	-
Carry forward			<u>592,275,121</u>			<u>24,798,506</u>	<u>13,820,000</u>

(Concluded)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2008

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2009 Maximum Debt Service Requirements	
						Interest	Principal
Brought Forward			\$ 592,275,121			\$ 24,798,506	\$ 13,820,000
First Lien Revenue Bonds, 2008 Series D-1	06/12/08	24,665,000	24,665,000	\$8,380,000 in 2024 \$13,950,000 in 2025 \$2,335,000 in 2031	4.46 4.51 4.80	1,221,575	-
First Lien Revenue Bonds, 2008 Series D-2	06/12/08	71,225,000	71,225,000	\$240,000 in 2032 \$395,000 in 2033 \$3,475,000 in 2034 \$26,675,000 in 2039 \$40,440,000 in 2040	4.103 4.103 4.103 4.103 4.103	2,922,362	-
Pennvest Revolving Loan	Various	14,165,000	13,365,000	\$811,000 in 2009 \$820,000 in 2010 \$830,000 in 2011 \$841,000 in 2012 \$851,200 in 2013 \$883,000 in 2014 \$883,000 in 2015 \$883,000 in 2016 \$883,000 in 2017 \$883,000 in 2018 \$849,200 in 2019 \$849,200 in 2020 \$849,200 in 2021 \$849,200 in 2022 \$849,200 in 2023 \$275,500 in 2024 \$275,500 in 2025	Variable	156,000	811,000
Gross Water and Sewer Authority Revenue Bonds			701,530,121			29,098,443	14,631,000
Plus: Net bond discount			2,387,000			-	-
Less: Deferred series refunding loss			(28,934,000)			-	-
Net Water and Sewer Authority Revenue Bonds			\$ 674,983,121			\$ 29,098,443	\$ 14,631,000

(Concluded)

CITY OF PITTSBURGH,
PENNSYLVANIA



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