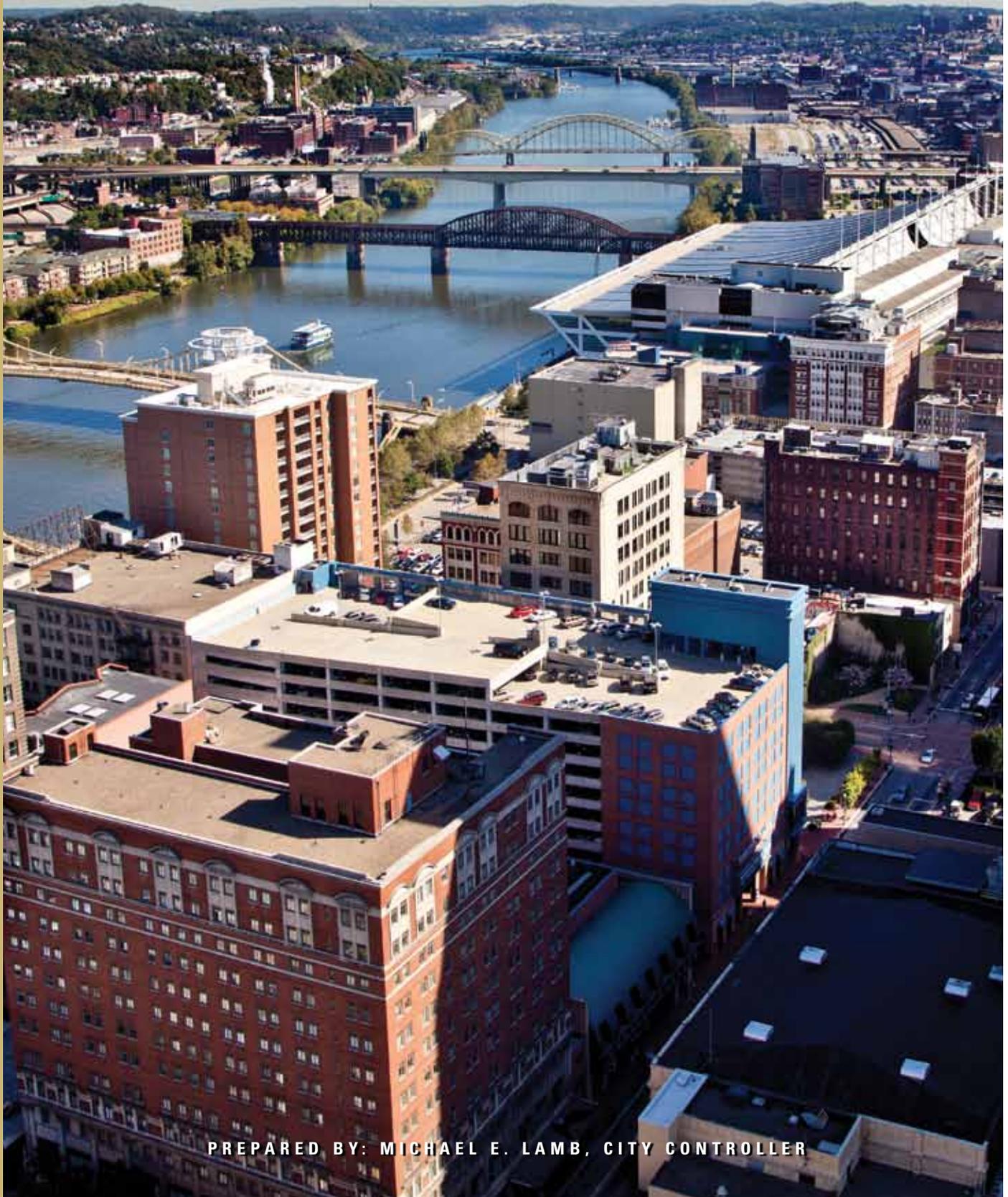


FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

CITY OF PITTSBURGH, PENNSYLVANIA > POPULAR ANNUAL FINANCIAL REPORT



PREPARED BY: MICHAEL E. LAMB, CITY CONTROLLER

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The Mexican War Streets

DEMOGRAPHIC AND ECONOMIC STATISTICS

Population Statistics

Population (2010 Census)	305,704
% Male	47.5%
% Female	52.5%
Median Age	34.5 years

Source:
2009 American
Community Survey,
unless otherwise noted

Type of Transportation to Work:

- Car, Truck, or Van: 64%
- Public Transportation: 19%
- Walk: 12%
- Other: 5%

% of workers who are at work within 30 minutes:	72%
Median Household Income:	\$37,461

Occupations:

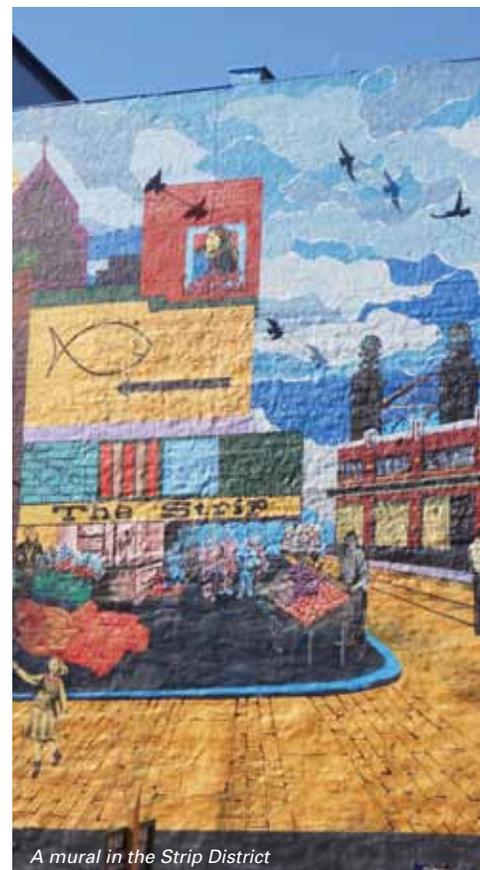
- Management, Business, and Financial Occupations: 43%
- Service Occupations: 21%
- Sales and Office Occupations: 24%
- Other: 12%

Unemployment Rate

Nation:	9.0%
Pennsylvania:	7.5%
Pittsburgh:	6.5%*

Source:
April 2011, U.S. Bureau
of Labor Statistics

* rate is not seasonally adjusted



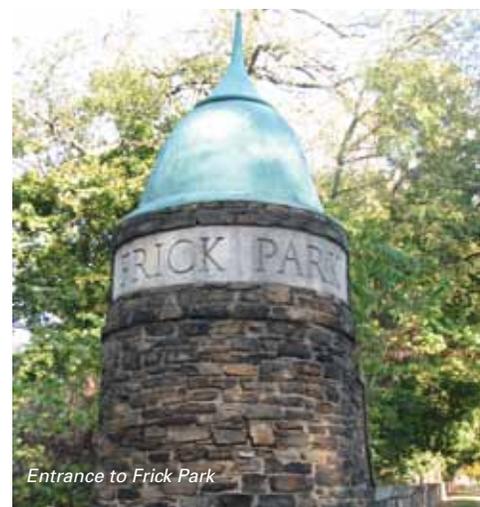
A mural in the Strip District

PITTSBURGH PROMISE

In cooperation with the Pittsburgh Public School District, the City of Pittsburgh has created the Pittsburgh Promise Program. This program provides scholarships of up to **\$10,000** per year to qualified students for any post-secondary education within Pennsylvania.

As of the end of 2010, more than **2,500** graduates of the Pittsburgh Public Schools have taken advantage of the Pittsburgh Promise scholarship.

For more information on the Pittsburgh Promise, please visit www.pittsburghpromise.org.



Entrance to Frick Park



A Message From The Controller

To the Citizens of the City of Pittsburgh:

I am pleased to present to you the City of Pittsburgh's (the "City's") Popular Annual Financial Report for the year ended December 31, 2010. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a manner that will summarize and communicate, in a user friendly manner, the City's financial condition. I am pleased that, for the first time, the City has received the Award of Outstanding Achievement from the Government Finance Officers Association for the 2009 Popular Annual Financial Report.

In addition to providing financial information, it is important to demonstrate what makes Pittsburgh a great place to live, study and work. Pittsburgh's economy is supported by a vast network of for-profit and not-for-profit businesses. It is important for us to demonstrate the role City government is playing in supporting these activities.

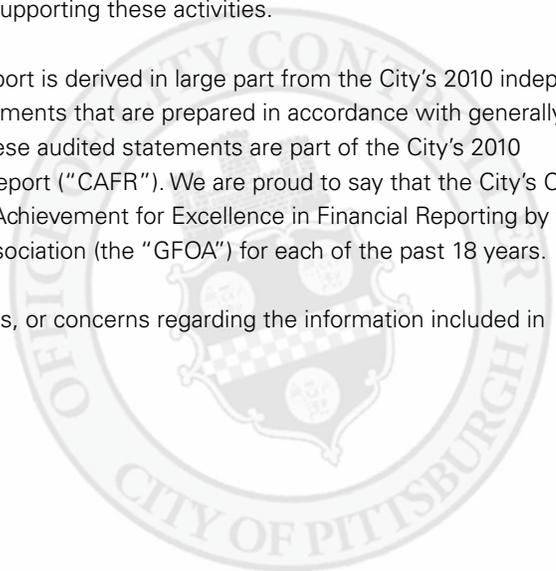
Financial information within this report is derived in large part from the City's 2010 independently audited set of financial statements that are prepared in accordance with generally accepted accounting principles. These audited statements are part of the City's 2010 Comprehensive Annual Financial Report ("CAFR"). We are proud to say that the City's CAFR has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Governmental Finance Officers Association (the "GFOA") for each of the past 18 years.

I welcome any feedback, comments, or concerns regarding the information included in this report.

Sincerely,

A handwritten signature in black ink that reads "Michael Lamb". The signature is written in a cursive, flowing style.

Michael E. Lamb
City Controller





PITTSBURGH

WHAT IS PITTSBURGH?



Photo: Pittsburgh Downtown Partnership/John Altdorfer

COLLEGES AND UNIVERSITIES IN THE CITY



- The Art Institute of Pittsburgh
- Carlow University
- Carnegie Mellon University
- Chatham University
- Community College of Allegheny County
- Duquesne University
- Point Park University
- University of Pittsburgh

Source: 2011 Pittsburgh Business Times Book of Lists

Photo left: Pittsburgh Downtown Partnership/John Altdorfer

MUSEUMS IN THE CITY



Photo by John Altdorfer

LARGEST ARTS AND HUMANITIES NONPROFITS

- ASSET, Inc.
- Carnegie Library of Pittsburgh
- Pittsburgh Ballet Theatre
- Pittsburgh CLO
- The Pittsburgh Cultural Trust
- Pittsburgh Parks and Conservancy
- The Pittsburgh Symphony
- Pittsburgh Zoo and PPG Aquarium
- Western Pennsylvania Conservancy



- The Andy Warhol Museum
- August Wilson Center for African American Culture
- Carnegie Museum of Art & Natural History
- Carnegie Science Center
- Children's Museum of Pittsburgh
- Frick Art and Historical Center
- Mattress Factory Art Museum
- Pittsburgh Center for the Arts
- Sen. John Heinz History Center
- Society for Contemporary Craft
- Soldiers and Sailors Memorial Hall & Museum

Source: 2011 Pittsburgh Business Times Book of Lists

Source: 2011 Pittsburgh Business Times Book of Lists

BUSINESSES

2010 Fortune 500 Companies Headquartered in Pittsburgh:

H.J. Heinz
PNC Financial Services Group
PPG Industries
United States Steel
WESCO International

Source: 2010 Fortune Magazine, Fortune 500

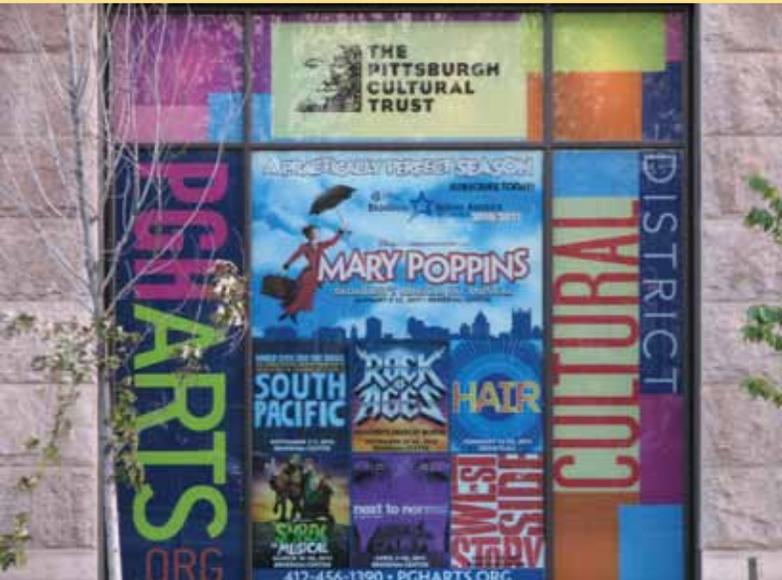


LARGEST HEALTH AND SOCIAL SERVICE NONPROFITS

ACHIEVA

Brother's Brother Foundation
The Children's Institute of Pittsburgh
Goodwill of Southwestern Pennsylvania
Pittsburgh Mercy Health System
UCP/CLASS of Pittsburgh
Wesley Spectrum Services
YMCA of Greater Pittsburgh
YWCA of Greater Pittsburgh

Source: 2011 Pittsburgh Business Times Book of Lists



Largest Pittsburgh Privately Held Companies:

Giant Eagle, Inc.
General Nutrition Centers, Inc.
Gateway Health Plan
Armada Supply Chain Solutions
K&L Gates LLP
Reed Smith LLP

Source: 2011 Pittsburgh Business Times Book of Lists



Photo by John Altomare

LARGEST EMPLOYERS LOCATED IN THE CITY

UPMC
U.S. Government
Commonwealth of Pennsylvania
University of Pittsburgh
West Penn Allegheny Health System
PNC Financial Advisory Services Group
Giant Eagle, Inc.
BNY Mellon
Allegheny County
Highmark, Inc.

Source: 2011 Pittsburgh Business Times Book of Lists

ABOUT THIS REPORT

All 2009 per capita amounts presented in this report were recalculated using 2010 census information. Accordingly, these amounts will not agree to the amounts presented in the City's 2009 popular annual financial report. Although this report is largely based on the City's 2010 Comprehensive Annual Financial Report, this report is not prepared in accordance with generally accepted accounting principles ("GAAP"). Only the financial data for the general government is included in this report and, therefore, all of the City's discretely presented component units are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. A copy of the City's audited 2010 CAFR, which is prepared in accordance with GAAP, is located at www.pittsburghpa.gov/controller/files/10_CityofPgh_CAFR.pdf.

ELECTED OFFICIALS

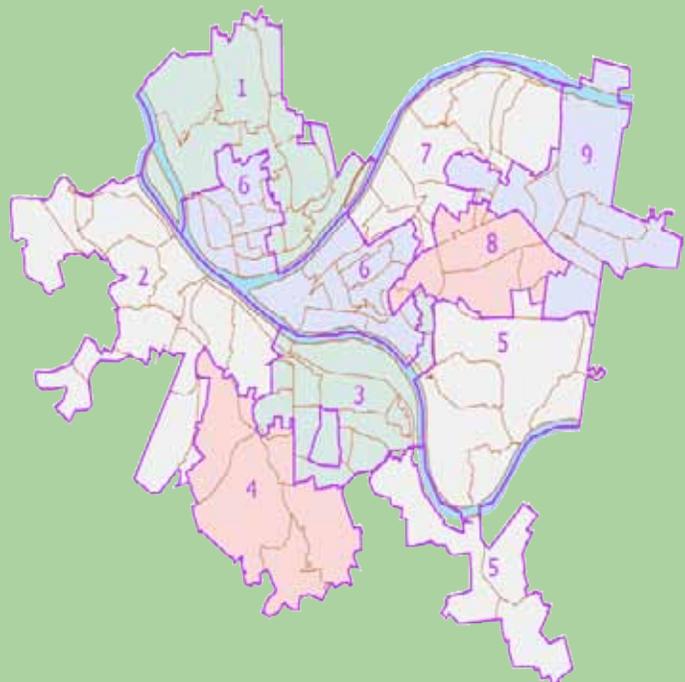
MAYOR: LUKE RAVENSTAHL
TERM: 4 YEARS
RESPONSIBILITY: CHIEF EXECUTIVE
CONTACT INFO: 414 GRANT STREET, ROOM 512
 PITTSBURGH, PA 15219
 (412) 255-2626

CONTROLLER: MICHAEL E. LAMB
TERM: 4 YEARS
RESPONSIBILITY: FINANCIAL OVERSIGHT,
 FINANCIAL REPORTING
 AND AUDITING
CONTACT INFO: 414 GRANT STREET, 1ST FLOOR
 PITTSBURGH, PA 15219
 (412) 255-2054

CITY COUNCIL MEMBERS

TERM: 4 YEARS, ELECTIONS
 STAGGERED EVERY TWO YEARS
RESPONSIBILITY: LEGISLATIVE AUTHORITY

Council Member	District	Telephone
Darlene Harris <i>President</i>	1	(412) 255-2135
Theresa Kail-Smith	2	(412) 255-8963
Bruce Kraus	3	(412) 255-2130
Natalia Rudiak	4	(412) 255-2131
Douglas Shields	5	(412) 255-8965
R. Daniel Lavelle	6	(412) 255-2134
Patrick Dowd	7	(412) 255-2140
William Peduto	8	(412) 255-2133
Rev. Ricky Burgess	9	(412) 255-2137



It was an eventful year in the City of Pittsburgh. Economic growth was apparent throughout many City neighborhoods, none larger than the Pittsburgh Penguins' new arena Downtown. Pittsburgh was once again recognized as the "most livable" city in the United States.



©2011 Pittsburgh Penguins



▲ The Pittsburgh Penguins opened the brand new CONSOL Energy Center.

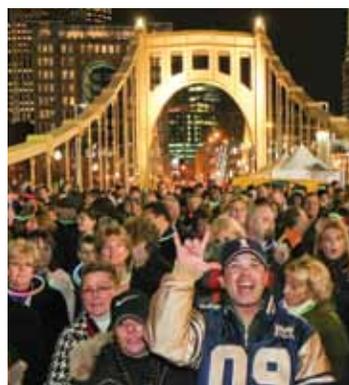
In 2010, Forbes.com named Pittsburgh the most livable city in the United States based upon the City's respective unemployment rates, income growth, the cost of living, artistic and cultural opportunities.

In 2011, The Economic Intelligence Unit ranked Pittsburgh as the most livable city in the United States and 29th most livable in the world.



Photo courtesy of the Pittsburgh Film Office

▲ New economic developments in Pittsburgh include the completion of Bakery Square, and the ongoing development of the future site of a Target department store. ►



▲ Utilizing the PA Film Tax Credit Program, Pittsburgh has played host to several recent Hollywood productions.

◀ Pittsburgh's Annual Light-Up Night®

Photo at left: Pittsburgh Downtown Partnership/John Altdorfer



GOVERNMENT

WHAT YOUR GOVERNMENT DOES

City government must ensure that adequate services are being provided to City residents and businesses in order to maintain its economy. A large portion of the City’s budget provides for police, fire protection and emergency medical services, as well as public works projects such as resurfacing streets, maintaining roads and collecting garbage.



Photo by John Altdorfer



BUREAU OF EMERGENCY MEDICAL SERVICES

The Bureau of Emergency Medical Services is dedicated to the health and safety of residents and visitors through the provision of advanced life support, pre-hospital care, medically directed technical rescue and transportation of the ill and injured.

BUREAU OF FIRE

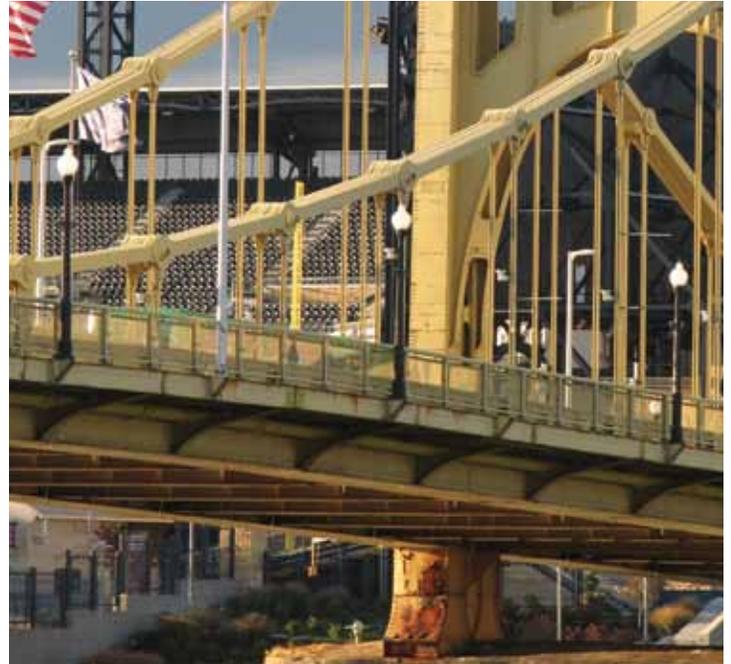
The Bureau of Fire develops, implements and administers public safety programs in areas of fire suppression, first responder emergency medical care, fire prevention, hazardous materials code enforcement, fire and arson investigation and public education.

BUREAU OF POLICE

The Bureau of Police is responsible for the protection of life and property, the enforcement of criminal and traffic law violations and the prevention of crime.

DEPARTMENT OF PUBLIC WORKS

The Department of Public Works maintains the City’s infrastructure by resurfacing streets, preserving park facilities and rehabilitating public structures. The Department also meets the environmental needs of Pittsburgh residents by collecting residential refuse and recyclables. It also ensures public safety by responding to weather-related emergencies such as flooding, land subsidence, snow and ice storms and other disasters.



2010 FINANCIAL HIGHLIGHTS

The previous sections of this document provided information on what we see everyday in the City. The remainder of this document will provide readers with the City's financial information for the year ended 2010. While the City has overcome large challenges in the past year, there is still much work to be done.

A CHALLENGING YEAR

• The City's Cash Position

Unlike the end of 2009 where the City saw a surplus, in 2010 the City finished the year with an operating deficit of \$12.5 million. This is the first time since 2004 that the City saw a deficit as a result of government expenditures outpacing revenues. The City also saw a drop in tax revenues of approximately \$2.7 million.

• Reduction in Long Term Debt

The City was able to repay approximately \$47 million toward outstanding bonds. The total debt the City has retired over the past five years is approximately \$170 million. Over that same time period, the City's interest payments on that debt have decreased by approximately \$3.7 million.

THE CHALLENGES AHEAD

• Declining Population

Over the past few decades, the population of the City decreased from 680,000 people in the 1950s to just over 300,000 in 2010. Not surprisingly, the City's tax base has decreased along with its population. Although recent projections indicate a turnaround in this trend, it is increasingly important for government officials to continue to make Pittsburgh an attractive place to live.

• Pension Funding

The most immediate challenge that the City faces is securing funding for the City's Comprehensive Municipal Pension Trust Fund. The Commonwealth of Pennsylvania informed city officials that if the City's pension fund was not funded at the level of 50% by year end, the fund would face state takeover. At the end of 2010, City Council passed legislation dedicating future revenue from the City's parking tax to the pension fund in order to increase the funding level over 50%. The pension fund remains significantly underfunded and will require additional funding commitments and cost reductions moving forward.

• Aging Infrastructure

The age of the infrastructure in the City is also a concern moving forward. The City maintains miles of roads, bridges, stairways, storm sewers and other systems and facilities that continue to age. Securing funding to upgrade and improve these assets will be critical in the years to come.

Like all governments, the City must raise funds to pay for the services that it provides to its citizens and businesses. These sources of funds, referred to as revenue, are raised through grants, charges and taxes.

The General Fund

When assessing the financial results of the City, it is important that we focus on the City's General Fund. The General Fund is the general operating fund of the City and supports the regular day-to-day operations of the City. It is used to account for all revenues and expenditures of the City, except those required to be accounted for in another fund. In this section, we will discuss the revenues of the General Fund, the largest of which are taxes.

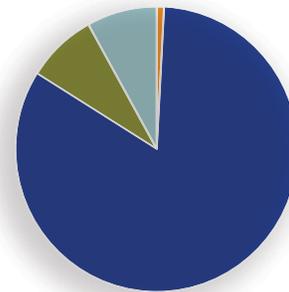
The City collects taxes from different entities for a variety of reasons. The major categories of tax collections of the City are shown below.

	Tax Revenue By Type (in thousands)	
	2010	2009
Real Estate Taxes	\$ 131,625	\$ 131,313
Earned Income Taxes	69,674	67,483
Payroll Preparation Taxes	46,346	46,235
Parking Taxes	46,651	45,274
Other	65,671	72,340
Total	\$ 359,967	\$ 362,645

The tax revenues of the City dropped by approximately \$2.7 million, or less than 1% from 2009 to 2010.

The revenues of the General Fund come from a variety of sources. Revenues received in 2010 are as follows:

2010 General Fund Revenue (in thousands)



● Taxes	\$359,967
● Charges	31,809
● Grants	33,655
● Other	11,275
Total	\$436,706

Major Taxes Assessed by the City

The following are the descriptions of the major types of taxes the City levies:

Real Estate Taxes

Real estate taxes are imposed on most property in the City as assessed by the Allegheny County Board of Property Assessment, Appeals and Review. The 2010 rate was 10.8 mills on buildings and land.

Earned Income Taxes

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

Payroll Preparation Tax

This tax is imposed on all for-profit employers at a rate of 0.55% of the total wages of all employees who work in the City.

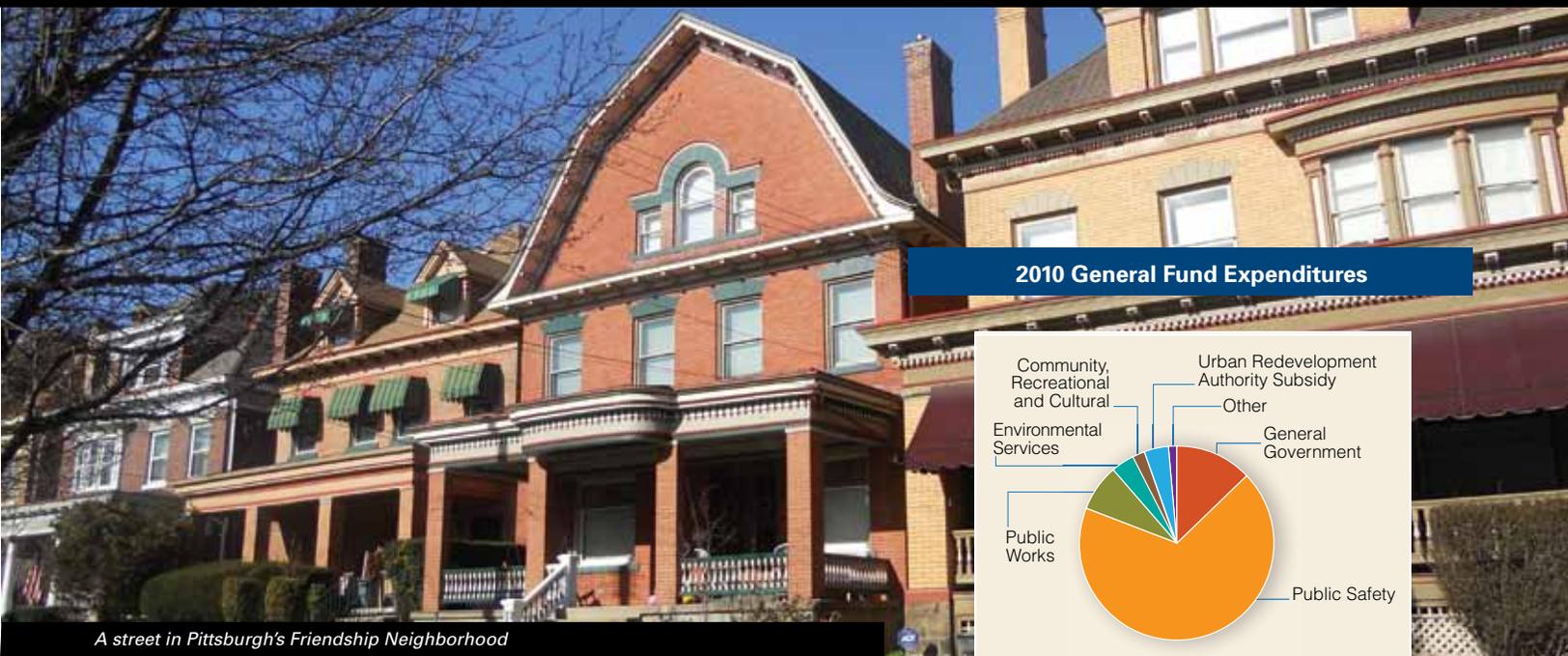
Parking Tax

A tax equal to 37.5% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City.

Other

Other taxes assessed by the City include the Amusement Tax, the Deed Transfer Tax, the Institution Service Privilege Tax, the Local Services Tax and the Facility Usage Fee.

WHERE YOUR MONEY GOES



A street in Pittsburgh's Friendship Neighborhood

Once the City collects taxes and other revenues, the monies must be spent efficiently to provide services to the citizens and businesses of the City. As this section will further detail, the City provides a variety of services to its residents and businesses.

Once again, because the General Fund finances the regular day-to-day operations of the City, this will be our primary focus.

During the years ended December 31, 2010 and 2009, the City expended its funds as shown below. The per capita amounts represent the amount that the City expended on each type of service per resident, while the aggregate represents the total amount spent.

General Fund Expenditures (in thousands)

	Aggregate (in thousands)		Per Capita	
	2010	2009	2010	2009
General Government	\$ 52,887	\$ 45,536	\$ 173	\$ 149
Public Safety	281,516	229,334	921	750
Public Works	31,608	28,232	103	92
Environmental Services	17,059	14,960	56	49
Community, Recreational and Cultural	9,386	6,911	31	23
Urban Redevelopment Authority Subsidy	13,889	13,368	45	44
Other	6,685	10,792	22	35
Total	\$413,030	\$ 349,133	\$ 1,351	\$ 1,142

The expenditures of the General Fund are classified by the type of service provided. Below is a summary of the function and the types of departments within that function reported above:

General Government expenditures are related to the administration of the City's affairs. These expenses include the costs of all elected officials as well as City Information Systems, Finance Department and Law Department, among many others.

Public Safety expenditures represent the Bureau of Emergency Medical Services, Bureau of Police, Bureau of Fire, Building Inspection and Animal Control.

Public Works expenditures include administration, transportation and engineering and street and parks maintenance.

Environmental Services expenditures include garbage collection and recycling services within the public works department.

Community, Recreational and Cultural expenditures are the costs of the Department of Parks and Recreation.

The URA Subsidy is the City's subsidy to the Urban Redevelopment Authority.

Other expenditures include all amounts that are not included in the categories above.



FINANCIALS

Revenues vs. Expenditures (in thousands)

The following table summarizes the revenue and expenditure activity of the City's General Fund for the year ended December 31, 2010:

Revenues of the City	\$ 436,706
Expenditures of the City to Provide Services	(413,030)
Excess Revenues	23,676
Net Transfers to the Debt Service Fund	(39,506)
Other Charges	3,372
Excess Expenditures	\$ (12,458)

The table below illustrates that the General Fund paid for all of the day-to-day operations of the City and contributed \$39.5 million to pay the City's bonded debt.

Net Transfers Between the Debt Service and General Fund (in thousands)

Principal and interest payments transferred from the General Fund to the Debt Service Fund	\$ (84,877)
Excess funds held by the Debt Service Fund transferred to the General Fund	45,371

Net Transfers from the General Fund to the Debt Service Fund	\$ (39,506)
---	--------------------

Capital Projects Fund of the City (in thousands)

The City maintains a separate Capital Projects Fund to account for the financial transactions and resources used by the City for the acquisition or construction of major capital facilities. The amount that the City spent on capital assets, by function, is shown below:

Beginning Capital Projects Fund Balance	\$ 52,764
Capital Project Revenues	8,764
<i>Capital Expenditures by function:</i>	
General Government	(1,427)
Public Safety	(4,500)
Public Works	(15,178)
Community, Recreational, and Cultural	(436)
Economic and Physical Development	(3,385)
Capital Acquisition	(685)
Transfers to Other Funds	(4,203)
Ending Capital Projects Fund Balance	31,714



Murray Avenue in Squirrel Hill

Grants

During 2010, the City received grant revenues from the Federal Government, the Commonwealth of Pennsylvania and Allegheny County amounting to \$99.6 million. Under the terms of the grant agreements, the City must use the grant revenue to fulfill a specific purpose. As such, the City's discretionary use of grant awards is limited, as all grant monies received must be used to fulfill the grant's purpose.

The City received and expended grants related to pension aid, economic development and road maintenance, among others, during the year ended December 31, 2010.

CITY ASSETS AND LIABILITIES

So far we have focused on where the City's money comes from and where the City's money goes. This focus is beneficial in understanding the flow of current financial resources. When we look at the overall financial condition of the City, it is better to use the full accrual basis of accounting, which is similar to the basis of accounting used in the private sector. This allows us to consider all assets, liabilities, revenues and expenses of the City.

Net Assets

The following schedule is intended to demonstrate the difference between the City's assets and the City's liabilities as of December 31, 2010:

Our Assets — What We Have

Unrestricted Current Assets consisting mainly of cash and amounts owed to the City	\$ 143,143,757
Net Pension Asset	56,436,368
Capital Assets consisting primarily of buildings, equipment and vehicles	164,408,455
Total Assets of the City	\$ 363,988,580

Our Liabilities — What We Owe

Current Liabilities consisting of all the amounts the City owes and expects to pay in 2011, except for bonds and loans	\$ 83,389,278
Amounts the City owes and expects to pay after 2011, except for bonds and loans	208,827,628
Amount of bonds and loans payable	633,338,320
Total Liabilities of the City	\$ 925,555,226

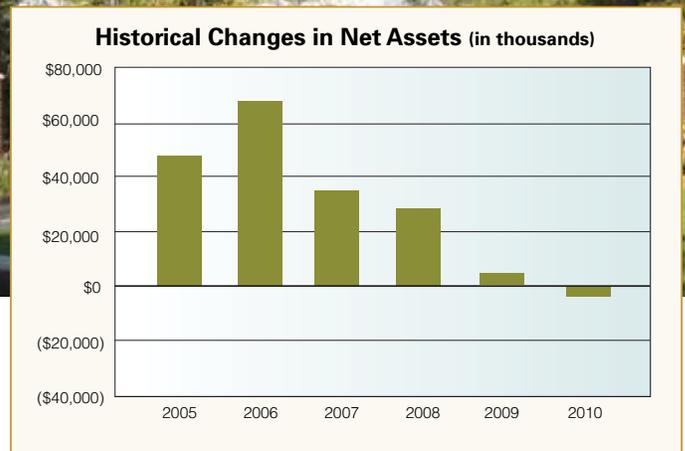
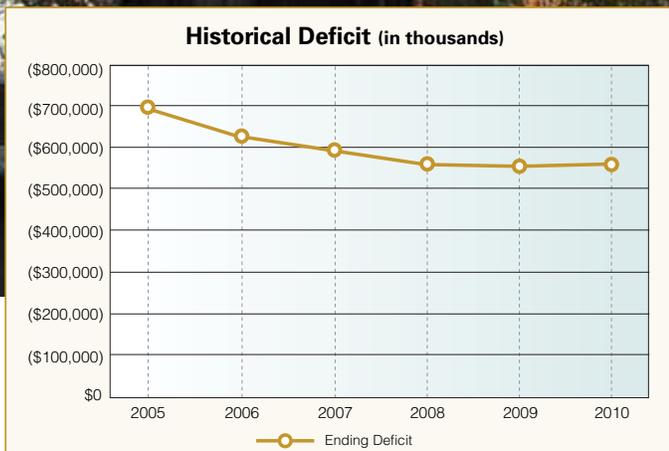
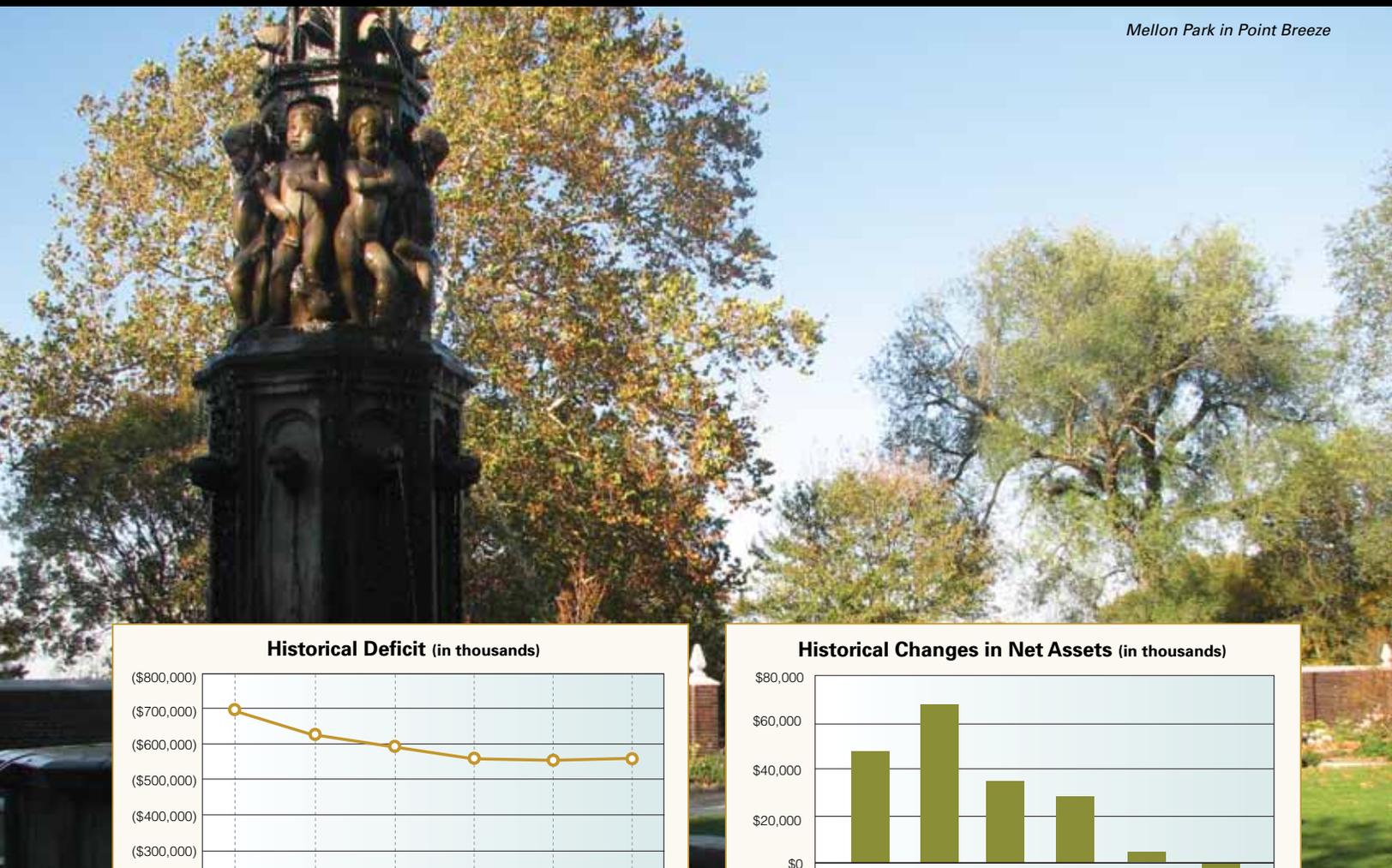
Deficit in Net Assets	\$(561,566,646)
------------------------------	------------------------

The City has a total net deficit of approximately \$561.6 million. This imbalance has accumulated over the years as a result of the demographic shifts of residents out of the City and the decline of the steel industry in the region. The largest components of the deficit are bonds issued over time in an effort to meet the funding requirements of the City's Pension Trust Fund, borrowings related to financing economic development efforts and maintenance and equipment expenditures on City infrastructure.

Municipalities Financial Recovery Act

In November 2003, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act ("Act 47"). The Act 47 Coordinators of the City issued their Recovery Plan on June 11, 2004, which was adopted by City Council on June 29, 2004. On June 30, 2009, City Council adopted the amended Recovery Plan, making it a City Ordinance, which further provides areas for revenue enhancements and expenditure reductions. This plan called for both expenditure cut backs and proposed a new revenue structure.

Expenditure reductions and control enacted by the City included a temporary city-wide salary freeze, a reduction in public safety costs achieved primarily through renegotiation of certain labor contracts, a reduction to the budget of each elected official and regular reporting requirements that verified adherence to the plan's budget.



The City's Net Assets

In essence, a negative net assets balance, or a deficit, means that the City's liabilities exceed its assets. While this demonstrates that there is an imbalance between the assets and liabilities of the City, it should be noted that the City has made a significant effort in improving its financial situation. In 2010, due to a decrease in revenues and an increase in expenses, the City's deficit increased by \$4 million for the first time in 5 years.

Changes in City's Net Assets

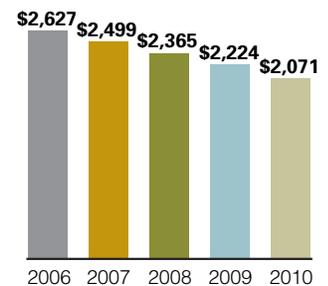
The changes in the net assets of the City are the total revenues of the City in excess of the total expenses of the City. This number is important because when revenues exceed expenses, the City's deficit decreases making the City better off financially. As a demonstration of the City's efforts under Act 47, the net income for the year ended December 31, 2005 was approximately \$47 million. This was an improvement of approximately \$77 million over the prior year. Since 2006, the City has faced relatively flat revenue and increasing costs. As a result of this, during 2010, the City's expenses exceeded its revenues for the first time in 5 years.

THE CITY'S OUTSTANDING BONDS

A major liability of the City is the amount of bonds outstanding. In the recent years the City has been successful in reducing its debt burden, as shown in the table below. The City's total bond issuances outstanding as of December 31, 2010 equals approximately \$633 million dollars. Excluding refinancings, over the past five years the City has only issued bonds once, amounting to \$47 million. In this same period of time the City has paid off approximately \$201 million. This resulted in a net decrease in outstanding debt of approximately \$154 million.

(in millions)	2006	2007	2008	2009	2010
General Obligation Bonds:					
Beginning Balance	\$ 787	\$ 803	\$ 764	\$ 723	\$ 680
Debt issued during the year	47	—	—	—	—
Principal repaid during the year	(31)	(39)	(41)	(43)	(47)
Ending Balance	\$ 803	\$ 764	\$ 723	\$ 680	\$ 633
Outstanding Bonds per Capita	\$2,627	\$2,499	\$2,365	\$2,224	\$2,071

Bonded Debt per Capita



In addition to reducing its liability by \$154 million, the City also refinanced certain bond issuances to take advantage of better interest rates and payment terms.

The City's Debt Service Fund

The City maintains a separate fund to account for the cash reserves and principal and interest payments of the City's bonded debt. The activity that occurred throughout the year is presented below:

Beginning Net Assets in the Debt Service Fund:	\$48,627,013
Debt Service Revenues	2,609,824
Principal Payments -	
prior to Stadium Authority funding	(49,410,000)
Interest Payments	(37,765,476)
Net Transfers from General Fund	39,506,045
Ending Net Assets in the Debt Service Fund:	\$3,567,406

▼ The entrance to the Allegheny Cemetery on Butler Street in Lawrenceville



▼ The entrance to the Carnegie Museum of Pittsburgh





CITY OF PITTSBURGH, PENNSYLVANIA
414 GRANT STREET
PITTSBURGH, PA 15219

WWW.CITY.PITTSBURGH.PA.US

