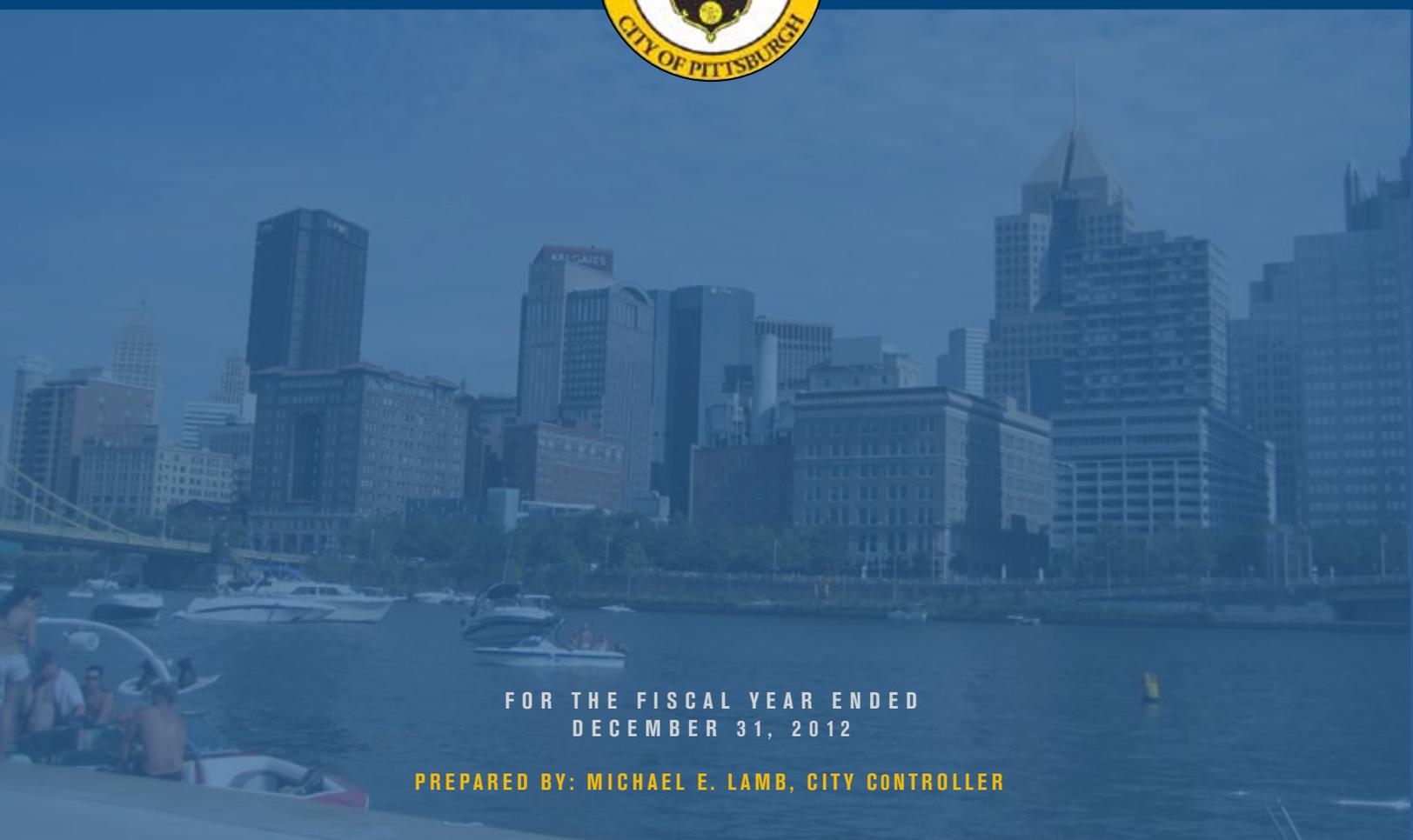




CITY OF PITTSBURGH, PENNSYLVANIA



POPULAR ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

PREPARED BY: MICHAEL E. LAMB, CITY CONTROLLER

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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

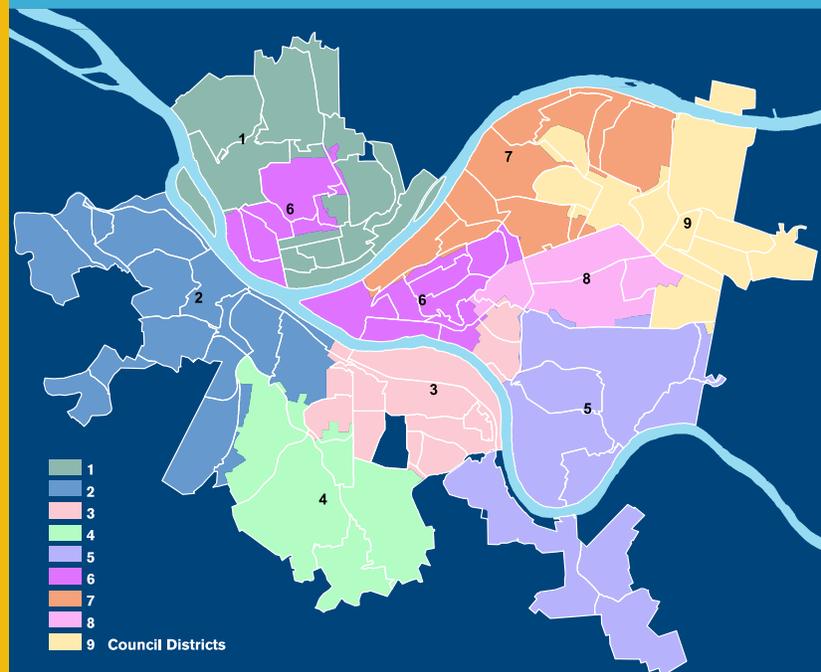
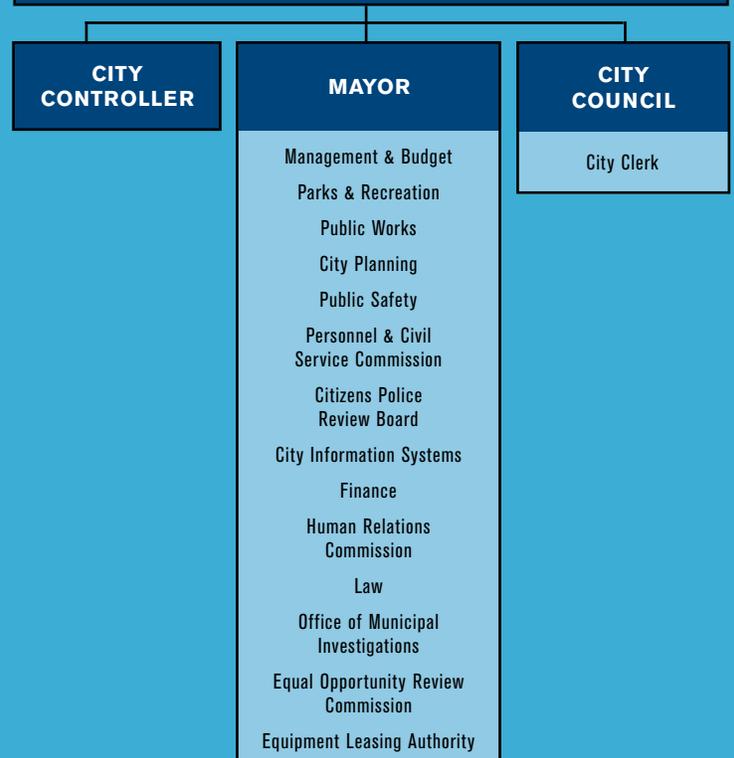
CITY COUNCIL MEMBERS

TERM: 4 YEARS, ELECTIONS
STAGGERED EVERY
TWO YEARS

RESPONSIBILITY: LEGISLATIVE AUTHORITY

Council Member	District	Telephone
Darlene Harris President	1	(412) 255-2135
Theresa Kail-Smith	2	(412) 255-8963
Bruce Kraus	3	(412) 255-2130
Natalia Rudiak	4	(412) 255-2131
Corey O'Connor	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

CITIZENS OF THE CITY OF PITTSBURGH





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, 2012. 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 third consecutive year, the City's Controller's Office has received the Award of Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association ("the GFOA") for the Popular Annual Financial Report.

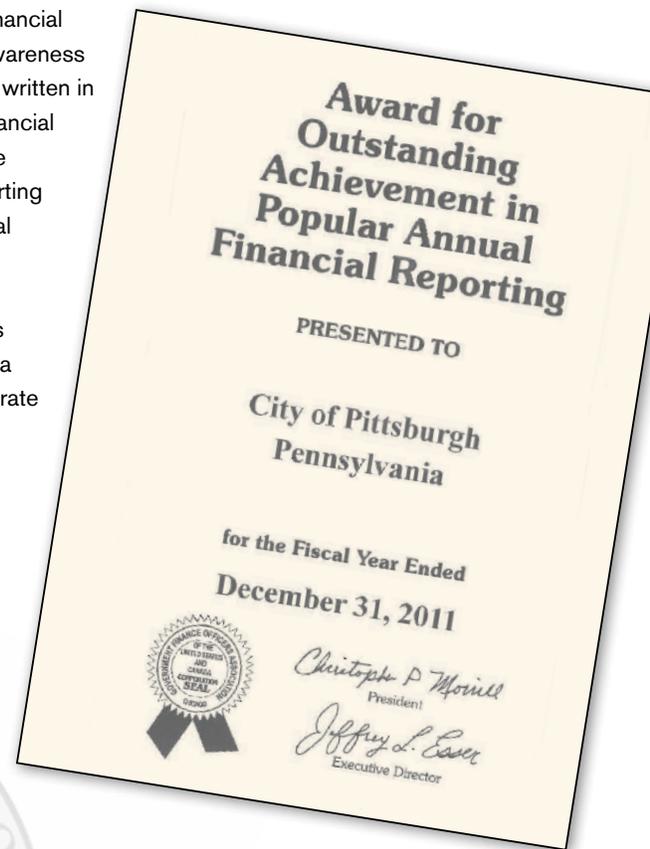
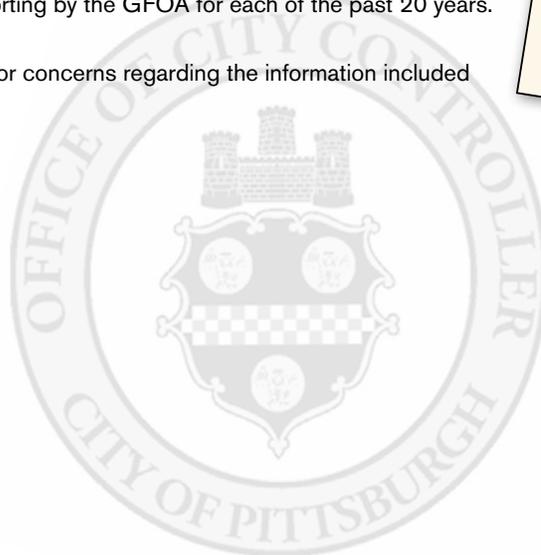
In addition to providing financial information, it is important to demonstrate what makes Pittsburgh a great place to live, study and work. Pittsburgh's economy is supported by a vast network of for-profit and not-for-profit businesses. It is important for us to demonstrate the role City government is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

Financial information within this report is derived in large part from the City's 2012 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 2012 Comprehensive Annual Financial Report ("CAFR"). We are proud to say that the City's Controller's Office CAFR has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the GFOA for each of the past 20 years.

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

Sincerely,

Michael E. Lamb
City Controller





Duquesne University

Pittsburgh Education and Culture



Downtown Stadiums

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: 2013 Pittsburgh Business Times Book of Lists

LARGEST ARTS AND HUMANITIES NONPROFITS

The Pittsburgh Cultural Trust
 The Pittsburgh Symphony Orchestra
 Carnegie Library of Pittsburgh Western Pennsylvania Conservancy
 Pittsburgh Zoo and PPG Aquarium

Pittsburgh CLO
 Phipps Conservatory & Botanical Gardens, Inc.
 ASSET, STEM Education
 Pittsburgh Ballet Theatre
 Pittsburgh Parks Conservancy

Source: 2013 Pittsburgh Business Times Book of Lists

MUSEUMS IN THE CITY



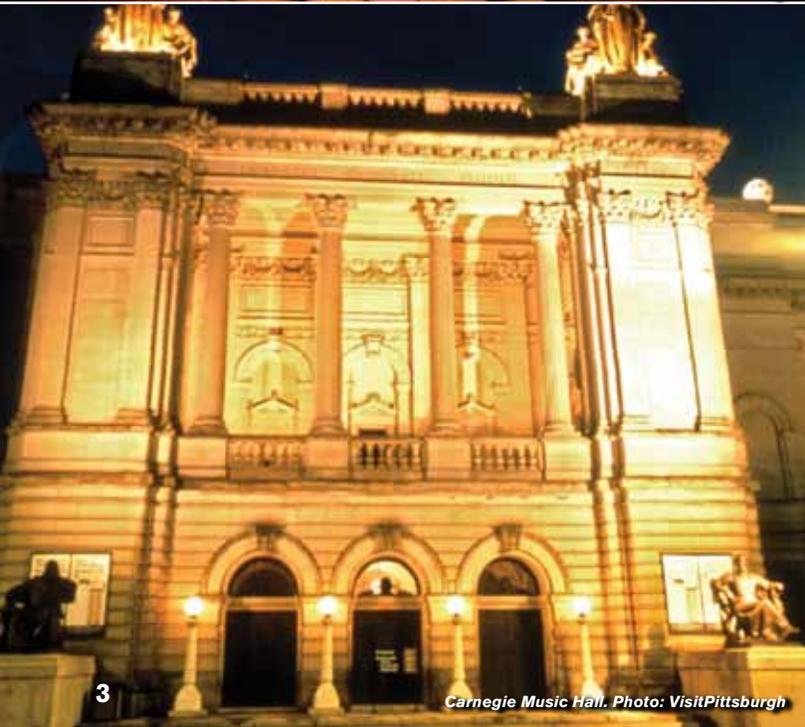
Andy Warhol Museum. Photo: VisitPittsburgh

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
 Fort Pitt Museum
 Frick Art and Historical Center
 Mattress Factory Art Museum
 Pittsburgh Center for the Arts/Pittsburgh Filmmakers
 Sen. John Heinz History Center
 Society for Contemporary Craft
 Soldiers and Sailors National Military Museum & Memorial
 University of Pittsburgh's Nationality Rooms

Source: 2013 Pittsburgh Business Times Book of Lists



Heinz Hall. Photo: VisitPittsburgh



Carnegie Music Hall. Photo: VisitPittsburgh



Pittsburgh Cultural District

Pittsburgh Businesses



PNC Bank. Photo: John Altdorfer

2012 FORTUNE 500 COMPANIES HEADQUARTERED IN PITTSBURGH



Photo: John Altdorfer

Allegheny Technologies, Inc.
H.J. Heinz Company
PNC Financial Services Group
PPG Industries, Inc.

United States Steel Corporation
WESCO International, Inc.

Source: 2012 Fortune Magazine, Fortune 500

LARGEST EMPLOYERS LOCATED IN THE CITY

UPMC
U.S. Government
Commonwealth of Pennsylvania
University of Pittsburgh
Giant Eagle, Inc.
West Penn Allegheny
Health System

BNY Mellon
PNC Financial Services Group
Allegheny County
Highmark, Inc.
United States Steel Corporation

Source: 2013 Pittsburgh Business Times
Book of Lists

LARGEST HEALTH AND SOCIAL SERVICE NONPROFITS



Children's Institute Garden. Photo: Joshua Franzos

Brother's Brother Foundation
Pittsburgh Mercy Health System
YMCA of Greater Pittsburgh
Goodwill of Southwestern
Pennsylvania

ACHIEVA
The Children's Institute of
Pittsburgh
Wesley Spectrum Services

Source: 2013 Pittsburgh Business Times
Book of Lists

LARGEST PITTSBURGH AREA PRIVATELY HELD COMPANIES

Giant Eagle, Inc.
GENCO ATC
Gateway Health Plan
Armada Supply
Chain Solutions

K&L Gates LLP
Reed Smith LLP
PJ Dick/Trumbull/Lindy Paving
Starkist

Source: 2013 Pittsburgh Business Times
Book of Lists

ABOUT THIS REPORT

Although this report is largely based on the City's 2012 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 this PAFR as well as the City's audited 2012 CAFR, which is prepared in accordance with GAAP, is located at www.pittsburghpa.gov/controller.

About Pittsburgh



Allegheny Commons Park-West Park.

Photo: Karen Burns

DEMOGRAPHIC AND ECONOMIC STATISTICS

Population Statistics

Population (2010 Census)	305,704
% Male	48.5%
% Female	51.5%
Median Age	34.4 years
Educational Attainment:	
• High school graduate or higher	89.3%
• Bachelor's degree or higher	33.1%
Percentage of population that speaks a language other than English at home	10.6%
Median Value of owner-occupied housing units (2007-2011)	\$87,800*
Per Capita Income	\$24,527
Occupations:	
• Management, Business, Science & Arts	42.9%
• Service	21.1%
• Sales and Office	23.1%
• Natural Resources, Construction & Maintenance	5.0%
• Production, Transportation & Material Moving	7.9%

Source:
2011 American Community Survey,
unless otherwise noted

* U.S. Census Bureau: State & County Quick Facts

Unemployment Rate

Nation:	7.6% (May 2013)
Pennsylvania:	7.6% (April 2013)
Pittsburgh:	6.4%* (April 2013)

Source:
U.S. Bureau of Labor Statistics

* Rate is not seasonally adjusted



Photo: John Altdorfer

Pittsburgh's 2012 Recognitions:

- #1 family fun destination (ABC City Guides for Kids)
- Top 10 most literate cities (Central Connecticut State University Survey)
- Top 10 Comeback City (*Forbes*)
- 20 Cities with the Happiest Young Professionals (Careerbliss.com)
- Best City for Successful Aging (The Milken Institute)
- #1 City for Veterans (The USAA)
- Monongahela River as Pennsylvania's 2013 River of the Year (*State Department of Conservation and Natural Resources and the Pennsylvania Organization for Watersheds and Rivers*)
- #5 Best College City (Mid-Size Metros) (AIER)
- Most Livable City (Economist Intelligence Unit)

THE 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 2012, more than **3,900** 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.





Photo: Denmark Photography, Inc.

Pittsburgh Happenings

The City of Pittsburgh continues to be a great place to live and work, as noted in many nationally recognized publications over the past few years. Pittsburgh once again has been recognized as the “most livable city” in the United States for the 4th year in a row.



Riverhounds Highmark Stadium. Photo: John Altdorfer

2012 Highlights:

- Phipps Conservatory’s newest addition, the Center for Sustainable Landscapes, opened in February 2013 and was designed to meet or exceed the world’s three highest green standards—the Living Building Challenge, LEED® Platinum, and Sustainable Sites Initiative SITES™ certification for landscapes. (See photo above)
- The Pittsburgh Riverhounds have a new home in Station Square with their new soccer stadium, Highmark Stadium. (See photo top right)
- Pittsburgh hosted approximately 1,300 young leaders from across the world to discuss global issues at the 2012 One Young World Summit. (See photo at right)
- The first college graduating class from the Pittsburgh Promise Program celebrated their accomplishments at Stage AE with Igniting the Promise Charity Concert and Gala. (See photo below right)
- Pittsburgh continues to grow and has renovation projects occurring across the City. Some of the recent neighborhood renovation projects are:

East Liberty: The Highland Building and neighboring buildings are being renovated into apartments, retail space, and a garage.

Uptown: The historic Fifth Avenue School building was renovated into luxury lofts, The Fifth Avenue School Lofts, which opened in 2012.

North Side: The Garden Theater block is being renovated into restaurants and apartments.

Downtown: Renovations of the former State Office and Bell Telephone Buildings into apartments have occurred with River Vue Apartments and 201 Stanwix Apartments, respectively.



Photo: Martyn Hicks Photography



Photo: Pittsburgh Promise





Pittsburgh 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.

Bureau of Building Inspection

The Bureau of Building Inspection is responsible for the administration and enforcement of the Pittsburgh building code and zoning code. The Bureau of Building Inspection also enforces the City's various business and trade licenses.

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.

Citiparks (Department of Parks and Recreation)

Citiparks, Pittsburgh's Department of Parks and Recreation, is responsible for promoting and operating many of City's recreational, educational and cultural programs. Citiparks operates all of the City's swimming pools, spray parks, community and senior recreation centers, the Schenley Oval Sports Complex, Schenley Park Ice Rink and the Mellon Park Indoor Tennis Center.

City Planning

City Planning is responsible for ensuring that development projects are in compliance with the City's neighborhood plans and applicable zoning regulations. Planning also makes sure that development projects are ADA (Americans with Disabilities Act) compliant, and conducts reviews of a project's impact on traffic, storm water management, and the environment.

Controller

The Controller is an independently elected City-wide official and audits City departments and authorities. The Controller is also responsible for auditing City related expenditures, and making payment to City contractors.

Department of Finance/City Treasurer

The Department of Finance/City Treasurer is responsible for the collection and investment of operating cash of the City. Finance audits City revenues and bills and collects tax revenue, fees and charges. The Finance Department is also responsible for the investigation and auditing of revenue accounts.

Personnel & Civil Service Commission

The Department of Personnel and Civil Service Commission (DPCSC) is responsible for overseeing employment and staffing of the City of Pittsburgh government. DPCSC also manages education and training, and benefits and worker's compensation for City employees.



PPG Winter Gardens

2012 Financial Highlights

A YEAR OF MIXED RESULTS

The previous sections of this document provided information on what we see every day in the City. The remainder of this document will provide readers with the City's financial information for the year ended 2012. While the City has overcome large challenges in the past year, there is still much work to be done.

The City's Cash Position

Pittsburgh ended 2012 with a General Fund surplus of \$22.8 million. The City's General Fund has a fund balance of \$92.1 million, which represents 20.1% of expenditures in 2012 after transfers to other funds. 10% is generally considered a healthy balance to carry into the next fiscal year to cover any unexpected financial difficulties. As part of the City's General Fund, the City has a "rainy day fund" or emergency fund with available funds of \$81.4 million.

Long-Term Debt

Long-term debt continues to be a problem in moving Pittsburgh toward sustained financial stability. Over the past six years, the City has been able to retire a large portion of its outstanding debt. However, in March of 2012 the City borrowed \$128 million, \$71 million which is to go toward funding capital projects.

PROPERTY REASSESSMENT ACCOMPLISHMENTS

Property Reassessment Accomplishments

As a result of the Allegheny County property reassessment, in February of 2012, the Pittsburgh Controller's office established a program offering free assessment appeal services to City of Pittsburgh residential home owners whose property value was \$150,000 or less. The program also offered discount property appraisal services, assistance filing the proper forms, case preparation and representation in reassessment appeal hearings. The following is a summary of the results from the Controller's Office assistance to residents.

- Total City taxpayer assessed value savings: \$55,731,390
- Average assessed value savings per City taxpayer: \$36,593
- Average percentage savings: 30%
- Final dispositions received as of November 26, 2012: 1,523
- Total consultations from City-County Building and Recreation Centers: 2,483
- Total appraisals: 1,200

THE CHALLENGES AHEAD

Pittsburgh's Population

Over the past few decades, the City has experienced great population loss, losing about half of its population during a 30 year time period. Not surprisingly, the City's tax base has decreased along with its population. However, over the past several years, Pittsburgh's population loss has stabilized. Even with signs of a turnaround, it is increasingly important for government officials to make Pittsburgh an attractive place where people want to live and do business.

Pension Funding

The most immediate challenge faced by the City is securing funding for the City's Comprehensive Municipal Pension fund. The Commonwealth of Pennsylvania informed City officials that if the City's pension fund was not funded at the level of 50% by the end of 2010, the fund would face state takeover. In order to bring the funding level of the pension fund to 50%, City officials dedicated future revenue from the City's parking tax to the pension fund. This action has only funded the pension fund above 50%. The fund remains significantly underfunded and will require additional funding commitments and cost reductions moving forward.

Aging Infrastructure

The City's aging infrastructure is a concern and must be addressed by City officials. 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.



Photo: John Altdorfer



Renaissance Hotel. Photo: VisitPittsburgh

Pittsburgh Financials

WHERE OUR MONEY COMES FROM

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.

GENERAL FUND

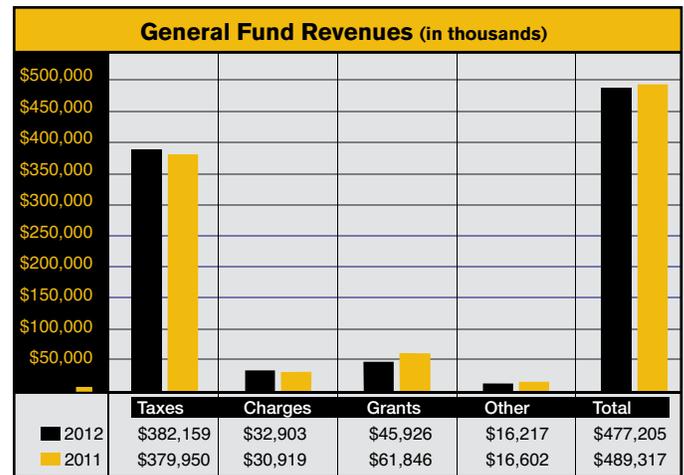
When assessing the financial results of the City, it is important that we focus on the City's General Fund. The General Fund is the general operating fund of the City and supports the regular day-to-day operations of the City. It is used to account for all revenues and expenditures of the City, except those required to be accounted for in another fund. In this section, we will discuss General Fund revenues, 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)	
	2012	2011
Real Estate Taxes	\$137,411	\$134,558
Earned Income Taxes	75,228	74,146
Payroll Preparation Taxes	51,553	50,641
Parking Taxes	50,911	48,217
Other	67,056	72,388
Total	\$382,159	\$379,950

Total General Fund revenues decreased approximately \$12.1 million, or 2%, from 2011 to 2012. The decrease is mainly due to decreases in grants received of approximately \$15.9 million offset by increases to taxes and charges received of approximately \$2.2 million and \$1.9 million, respectively.

The revenues of the General Fund come from a variety of sources. Revenues received in 2012 and 2011 are as follows:



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 2012 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 Taxes

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 Taxes

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.



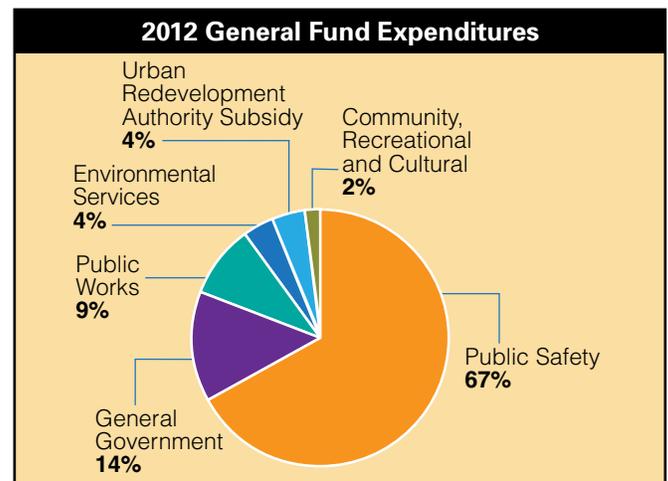
WHERE YOUR MONEY GOES

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, 2012 and 2011, 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 increased by approximately \$2.5 million, or 11%, from 2011 to 2012 mainly due to the increase in salaries and benefits of \$11 million offset by the decrease in pension costs of \$10 million.



General Fund Expenditures (in thousands)				
	Aggregate (in thousands)		Per Capita*	
	2012	2011	2012	2011
General Government	\$ 53,366	\$ 49,102	\$ 174	\$ 160
Public Safety	250,432	249,485	819	816
Public Works	33,340	28,075	109	92
Environmental Services	15,181	15,482	49	51
Community, Recreational and Cultural	7,821	7,742	26	25
Urban Redevelopment Authority Subsidy	14,569	14,363	48	47
Other	834	8,760	3	29
Total	\$375,543	\$373,009	\$1,228	\$1,220

* Expenditures per capita represents aggregate expenditures divided by 2010 population

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.

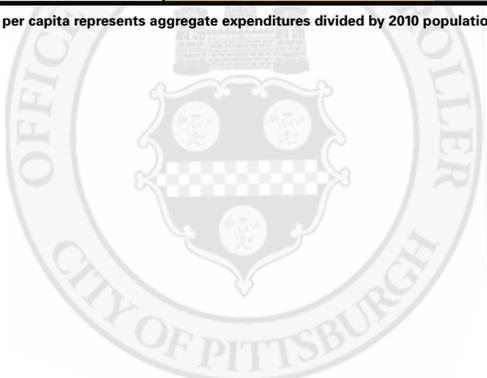
Public Works expenditures include administration, transportation and engineering and street and parks maintenance.

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.





Point Breeze North. Photo: John Altdorfer

Pittsburgh Financials

REVENUES VERSUS EXPENDITURES

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, 2012. It illustrates that the General Fund paid for all of the day-to-day operations of the City and contributed \$82.2 million to pay the City's bonded debt.

Revenues of the City	\$ 477,205
Expenditures of the City to Provide Services	(375,543)
Excess Revenues	101,662
Transfers to the Debt Service Fund	(82,261)
Other Transfers from General Fund	3,429
Net Increase in Fund Balance	\$ 22,830

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 assets. The amount that the City spent on capital assets, by function, is shown below.

Beginning Capital Projects Fund Balance	\$ 29,672
Capital Project Revenues	7,382
Capital Expenditures by Function:	
General Government	(1,396)
Public Safety	(3,575)
Public Works	(25,023)
Community, Recreational, and Cultural	(152)
Economic and Physical Development	(2,894)
Bond Issuance Costs	(358)
Net Bond Proceeds	80,384
Transfers to Other Funds	(3,674)
Ending Capital Projects Fund Balance	\$ 80,366



Three Rivers Art Festival Photo: John Altdorfer

Grants

During 2012, the City received a majority of its \$92.8 million in grant revenues from the Federal Government, the Commonwealth of Pennsylvania and Allegheny County. 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, 2012.



South Shore Park. Photo: John Altdorfer



PPG Place. Photo: VisitPittsburgh

THE CITY'S 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 Position

The following schedule is intended to demonstrate the difference between the City's assets and the City's liabilities as of December 31, 2012:

Our Assets – What We Have

Unrestricted Current Assets consisting mainly of cash and amounts owed to the City	\$ 232,540,221
Net Pension Asset	99,133,406
Net Capital Assets consisting primarily of buildings, equipment and vehicles	148,627,472
Total Assets of the City	\$ 480,301,099

Our Liabilities – What We Owe

Current Liabilities consisting of all the amounts the City owes and expects to pay in 2013, except for bonds and loans	\$ 75,651,700
Amounts the City owes and expects to pay after 2013, except for bonds and loans	217,147,386
Amount of bonds and loans payable	612,114,556
Total Liabilities of the City	\$ 904,913,642

Deficit in Net Position	\$(424,612,543)
--------------------------------	------------------------

The City has a total net deficit of approximately \$424.6 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 heavy manufacturing 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 controls 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.

In November 2012, the Act 47 Coordinator for the City recommended that the Secretary of DCED rescind the City's status as a financially distressed municipality. The Secretary has forwarded the recommendation to the Governor.

By December 31, 2012, the City's 2013 Operating and Capital Budgets, Five-Year Financial Forecast and Performance Plan were submitted to the Act 47 coordinators and subsequently approved.



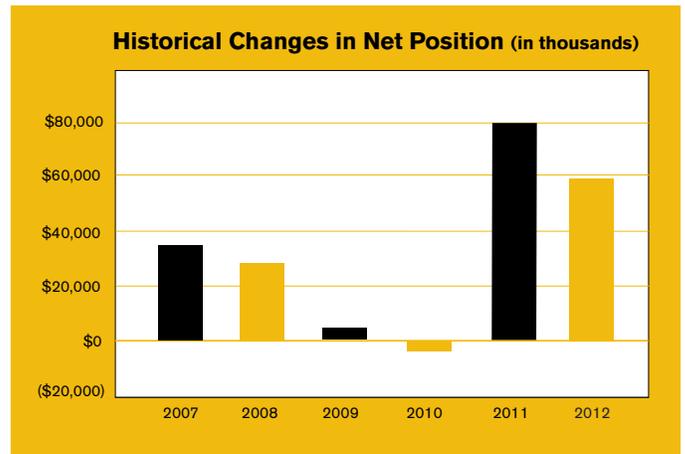
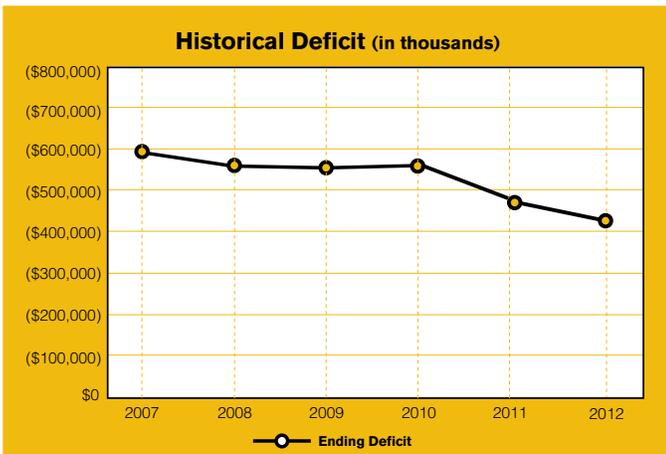
Bloomfield. Photo: John Altdorfer

Pittsburgh Financials

THE CITY'S NET POSITION



Pittsburgh's Three Rivers Regatta. Photo: John Altdorfer.



The City's Net Position

In essence, a negative net position 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 2012, the City's deficit decreased from approximately (\$482.6) million to (\$424.6) million.

Changes in City's Net Position

The changes in the net position 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, since 2003, the City has decreased the deficit by approximately \$288 million. In 2012, as a result of increasing revenues and reducing costs, the City has reduced their deficit by approximately \$58 million.



the Hill District. Photo: John Altdorfer

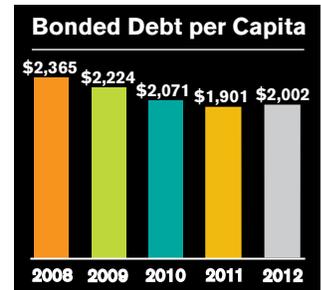


Point State Park. Photo: John Altdorfer

THE CITY'S OUTSTANDING BONDS

A major liability of the City is the amount of bonds outstanding. The City's total bond issuances outstanding as of December 31, 2012 equal approximately \$612 million. In 2012, the City issued a bond to fund capital projects from 2012–2014. Over the past five years, the City has paid off approximately \$232 million of outstanding debt.

(in millions)	2008	2009	2010	2011	2012
General Obligation Bonds:					
Beginning Balance	\$ 764	\$ 723	\$ 680	\$ 633	\$ 581
Debt issued during the year	–	–	–	–	128
Principal repaid and/or refunded during the year	(41)	(43)	(47)	(52)	(97)
Ending Balance	\$ 723	\$ 680	\$ 633	\$ 581	\$ 612
Outstanding Bonds per Capita	\$2,365	\$2,224	\$2,071	\$1,901	\$2,002



Bonded debt per capita represents outstanding bonds divided by 2010 population

The City's uninsured bond debt rating per Moody's is A1 and per Standard & Poor's is BBB. The City's insured bond debt rating per Moody's is A1 and per Standard & Poor's is AAA.

A Moody rating of A1 is an upper medium investment grade and is subject to low credit risk. A Standard & Poor rating of AAA is a high credit-quality investment grade and BBB is a medium credit-quality investment grade.

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 Fund Balance in the Debt Service Fund	\$1,050,617
Debt Service Revenues	37,227
Principal Payments	(49,280,000)
Interest Payments	(32,981,467)
Other Expenditures	(730)
Transfers from General Fund	82,261,467
Ending Fund Balance in the Debt Service Fund	\$1,087,114



Pittsburgh's North Shore. Photo: John Altdorfer



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