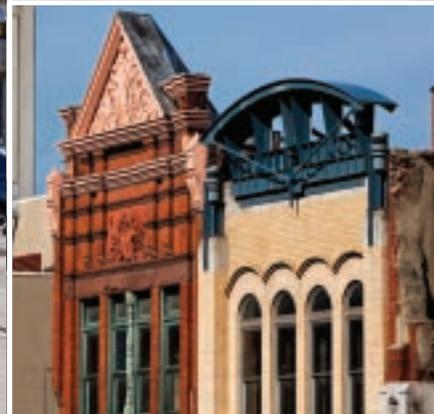




# CITY OF PITTSBURGH

## *Popular Annual Financial Report*

**FOR THE FISCAL YEAR ENDED – DECEMBER 31, 2013**  
PREPARED BY: MICHAEL E. LAMB, CITY CONTROLLER



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## ELECTED OFFICIALS

### MAYOR: WILLIAM PEDUTO

**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

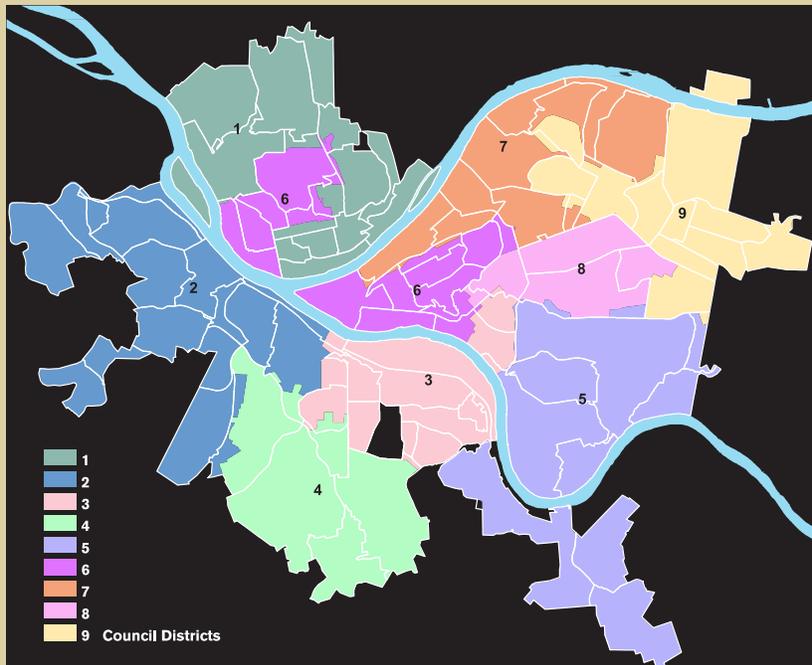
### CITY COUNCIL MEMBERS

**TERM:** 4 YEARS, ELECTIONS  
STAGGERED EVERY  
TWO YEARS

**RESPONSIBILITY:** LEGISLATIVE AUTHORITY

Council Member	District	Telephone
Darlene Harris	1	(412) 255-2135
Theresa Kail-Smith	2	(412) 255-8963
Bruce Kraus President	3	(412) 255-2130
Natalia Rudiak	4	(412) 255-2131
Corey O'Connor	5	(412) 255-8965
R. Daniel Lavelle	6	(412) 255-2134
Deborah Gross	7	(412) 255-2140
Daniel Gilman	8	(412) 255-2133
Rev. Ricky Burgess	9	(412) 255-2137

## CITIZENS OF THE CITY OF PITTSBURGH



# A MESSAGE FROM THE CITY 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, 2013. 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 user friendly manner that will summarize and communicate the City's financial condition. I am pleased that, for the fourth consecutive year, the City's Controller's Office has received the Award for 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.

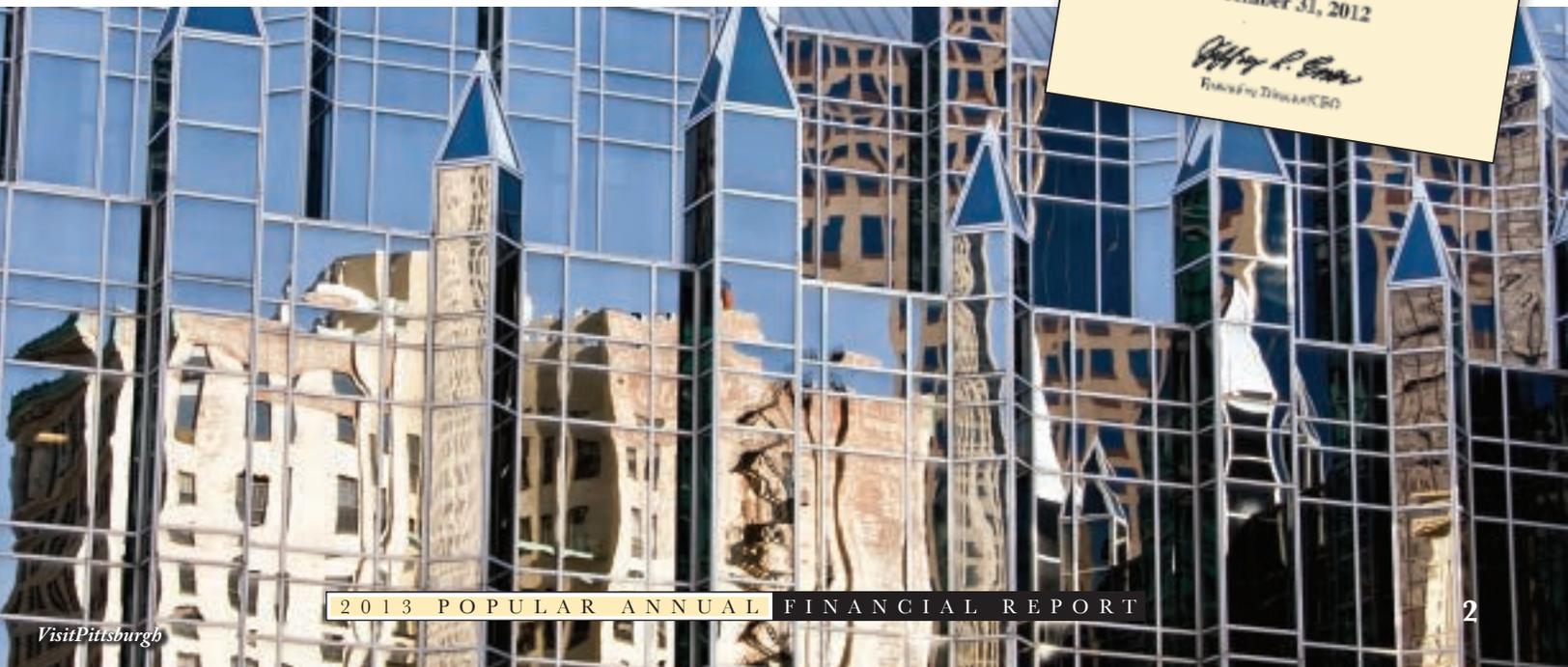
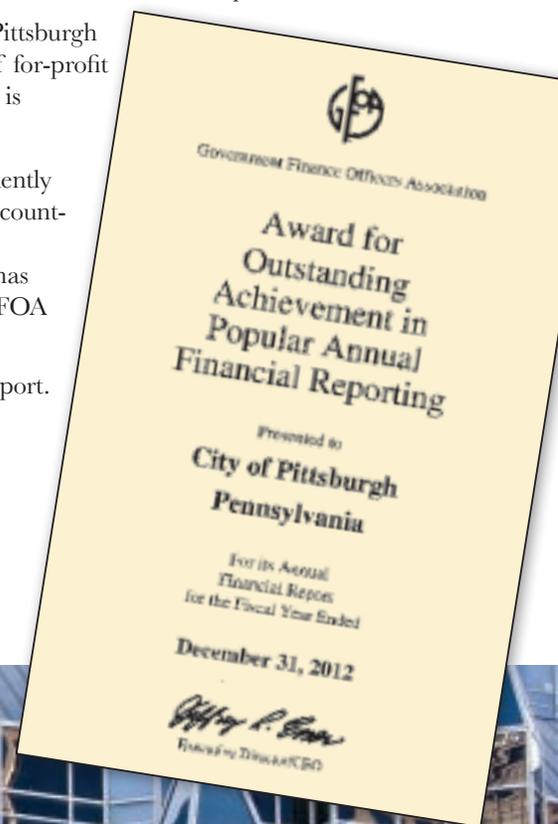
Financial information within this report is derived in large part from the City's 2013 independently audited set of financial statements that are prepared in accordance with generally accepted accounting principles. These audited statements are part of the City's 2013 Comprehensive Annual Financial Report ("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 21 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 E. Lamb".

**Michael E. Lamb**  
*City Controller*





*John Altdorfer*



*Carlow University*

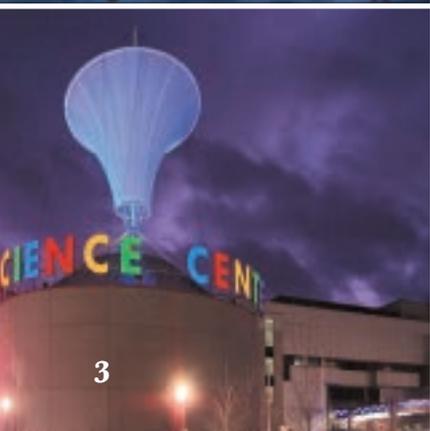
# PITTSBURGH Education and Culture



*Benedum Center: VisitPittsburgh*



*Pittsburgh Ballet Theatre: Nicholas Coppola*



## 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: 2014 Pittsburgh Business Times Book of Lists

## Largest Arts and Humanities Nonprofits

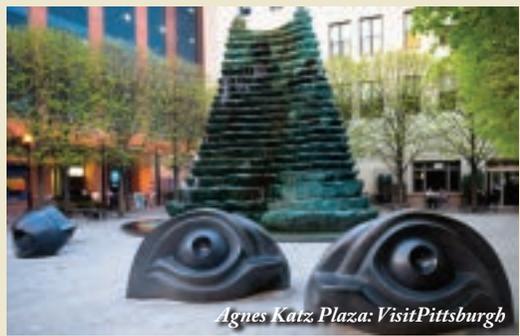
- The Pittsburgh Cultural Trust
- The Pittsburgh Symphony Orchestra
- Carnegie Library of Pittsburgh
- Western Pennsylvania Conservancy
- Pittsburgh Zoo and PPG Aquarium
- Pittsburgh CLO
- Phipps Conservatory & Botanical Gardens, Inc.
- ASSET, STEM Education
- Pittsburgh Ballet Theatre
- Pittsburgh Parks Conservancy

Source: 2014 Pittsburgh Business Times Book of Lists

## Museums in the City

- The Andy Warhol Museum
- August Wilson Center for African American Culture
- Carnegie Museums of Pittsburgh
- 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
- Senator John Heinz History Center
- Society for Contemporary Craft
- Soldiers and Sailors National Military Museum & Memorial
- University of Pittsburgh's Nationality Rooms

Source: 2014 Pittsburgh Business Times Book of Lists



*Agnes Katz Plaza: VisitPittsburgh*



*National Aviary: VisitPittsburgh*



VisitPittsburgh



John Altdorfer

# PITTSBURGH Businesses

## 2013 Fortune 500 Companies Headquartered in Pittsburgh

Allegheny Technologies  
H.J. Heinz Company  
PNC Financial Services Group  
PPG Industries  
United States Steel Corporation  
WESCO International, Inc.

Source: 2013 Fortune Magazine, Fortune 500

## Largest Pittsburgh Area Privately Held Companies

Giant Eagle, Inc.  
GENCO  
Gateway Health Plan  
Armada Supply Chain Solutions  
DCK Worldwide LLC  
K&L Gates LLP  
Reed Smith LLP  
PJ Dick/Trumbull/Lindy Paving  
Starkist

Source: 2014 Pittsburgh Business Times Book of Lists

## 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  
Allegheny County  
Highmark, Inc.  
United States Steel Corporation

Source: 2014 Pittsburgh Business Times Book of Lists

## Largest Health and Social Service Nonprofits

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

Source: 2014 Pittsburgh Business Times Book of Lists



Northside: John Altdorfer

## ABOUT THIS REPORT

Although this report is largely based on the City's 2013 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 2013 CAFR, which is prepared in accordance with GAAP, is located at [www.pittsburghpa.gov/controller](http://www.pittsburghpa.gov/controller).

PAFR Consultants: The Binkley Kanavy Group, LLC, Pittsburgh, PA



John Altdorfer



VisitPittsburgh

## PITTSBURGH PROMISE

In cooperation with the Pittsburgh Public School District, the City of Pittsburgh is involved with 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 2013, more than 4,700 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](http://www.pittsburghpromise.org)

the pittsburgh promise.

# ABOUT Pittsburgh



Polish Hill: John Altdorfer

## Demographic and Economic Statistics

### Population Statistics

<b>Population (2010 Census)</b>	305,704
<b>% Male</b>	48.5%
<b>% Female</b>	51.5%
<b>Median Age</b>	34.4 years
<b>Educational Attainment:</b>	
• High school graduate or higher	89.3%
• Bachelor's degree or higher	33.1%
<b>Percentage of population that speaks a language other than English at home</b>	10.6%
<b>Median Value of owner-occupied housing unit (2008-2012)</b>	\$88,500*
<b>Per Capita Income (2008-2012)</b>	\$26,535*
<b>Occupations:</b>	
• 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: 2012 American Community Survey, unless otherwise noted

### Unemployment Rate

Nation:	6.3% (April 2014)
Pennsylvania:	5.7% (April 2014)
Pittsburgh:	4.7%* (April 2014)

Source: U.S. Bureau of Labor Statistics \* Rate is not seasonally adjusted



## PITTSBURGH'S 2013 RECOGNITIONS

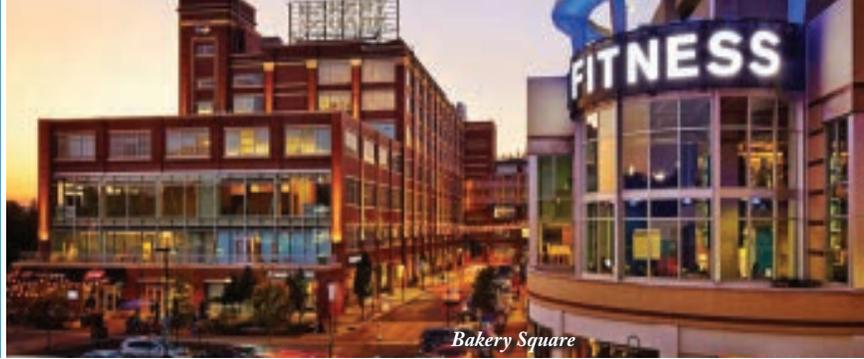
- #1 City where boomers should retire (*NerdWallet*)
- #10 Most well-read U.S. cities (*Amazon.com*)
- PNC Park, Best ballpark in the U.S. (*TripAdvisor.com*)
- #10 Most unexpected romantic city in the U.S. (*Forbes.com*)
- #3 Most secure major city in America (*Farmer's Insurance*)
- Best city for recreational activities (*NerdWallet*)
- 5th Happiest city to work in (*Careerbliss.com*)
- Top 15 U.S. Cities Emerging Downtowns (*Forbes*)
- # 5 Best place to retire (*Livability.com*)
- Top 15 Affordable destinations in America (*US News and World Report*)
- #6 Best Children's hospital in the U.S. (*Parents' Magazine*)
- #13 For startup capital investment (*National Venture Capital Association*)
- Top 10 Great cities for starting a Business (*Kiplinger*)
- Top 10 Cities Where the American Dream is Still Alive (*Business Insider*)



5 Fort Duquesne Blvd.. VisitPittsburgh

# 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 has been recognized as the "most livable city" in the United States many times over the last five years.



*Bakery Square*

## PITTSBURGH Happenings

### 2013 Highlights

- **The Pittsburgh Cultural Trust, as part of the Pittsburgh Cultural Trust's International Festival of Firsts, welcomed more than a million people to Pittsburgh to see The Rubber Duck Project, its first appearance in North America.**
- **The Pittsburgh Pirates made the 2013 Major League Baseball playoffs**
- **Pittsburgh continues to grow with construction projects in neighborhoods around Pittsburgh and in Downtown Pittsburgh. Some of those projects are:**

**Brookline:** Brookline Boulevard Reconstruction Project.

**Downtown:** PNC Bank's new global headquarters and "Gardens of Market Square" are under construction in Pittsburgh's Golden Triangle.

**Hill District:** Full Service Supermarket opens in Pittsburgh's Hill District, the first in three decades.

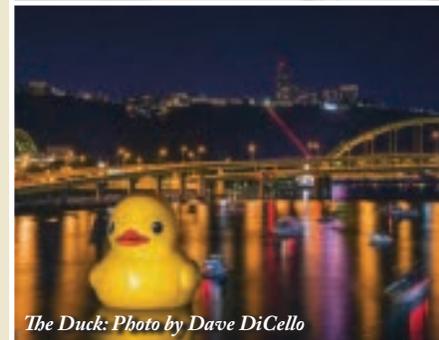
**Homewood:** Homewood Senior Station Apartments will be providing 41 new apartments as well as support and retail outlets.

**Lawrenceville:** Doughboy Square Apartments is an urban infill project with 39 luxury apartments.

**Shadyside:** Bakery Square 2.0 is the newest addition to Pittsburgh's East End Bakery Square campus. Scheduled to open in 2014, it will include luxury residential and commercial space.



*Brookline Boulevard Reconstruction*



*The Duck: Photo by Dave DiCello*



*PNC Bank's Global Headquarters*



*Hill District Location*



*Homewood Senior Station Apartments*





John Altdorfer

## 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.



Northside

# PITTSBURGH Government

### 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 the 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.



Carnegie Science Center: VisitPittsburgh



Mount Washington

## 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 2013. While the City has overcome large challenges in the past year, there is still much work to be done.

# 2013 FINANCIAL Highlights

## A YEAR OF MIXED RESULTS

### The City's Cash Position

The City ended 2013 with a total fund balance of \$160.3 million, a decrease of \$30.2 million from 2012. \$82 million of the \$160.3 million is the "unrestricted fund balance" which is available for city government to spend. The \$30.2 million decrease from 2012 is largely due to spending on capital projects.

### Long-Term Debt

In 2013, the City reduced its debt by \$57 million to \$565.2 million. Even with this reduction, long term debt continues to be a problem in moving Pittsburgh toward sustained financial stability.

## CHALLENGES AHEAD

### Pittsburgh's Population

Over the past few decades, the City has experienced a significant decline in population, 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 this stabilization, the Pittsburgh Public Schools continue to see declines in enrollment. 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. In 2011, the City began dedicating a portion of the City's parking tax revenue to the pension fund. In 2013, the City contributed \$13.4 million in parking tax revenue to the City's pension fund. The City will contribute \$13.4 million in parking tax revenue every year through 2017 and \$26.8 million per year from 2018 through 2041. Despite having the parking tax as a source of revenue, the fund remains significantly underfunded and will require additional funding commitments and cost reductions moving forward.

### Aging Infrastructure

The City's aging infrastructure is also a concern and must be addressed by City officials. According to the Department of Public Works, in 2013 the City paved approximately 44.14 miles of roads at a cost of \$8.7 million. In addition to the miles of roads, the City maintains 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.



Bernice Crawley Manor in Hazelwood



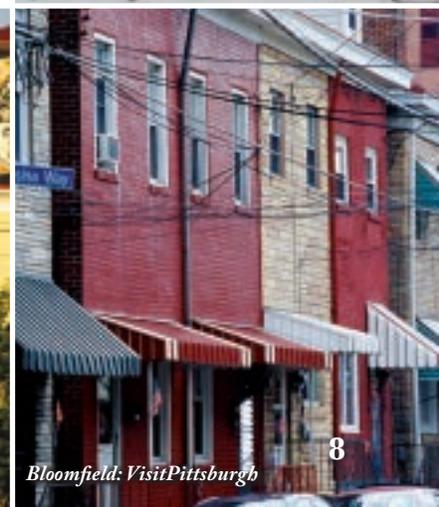
Home Ownership Program



John Altdorfer



John Altdorfer



Bloomfield: VisitPittsburgh



David L. Lawrence Convention Center:  
VisitPittsburgh

## 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.



Art Institute of Pittsburgh

# PITTSBURGH Financials

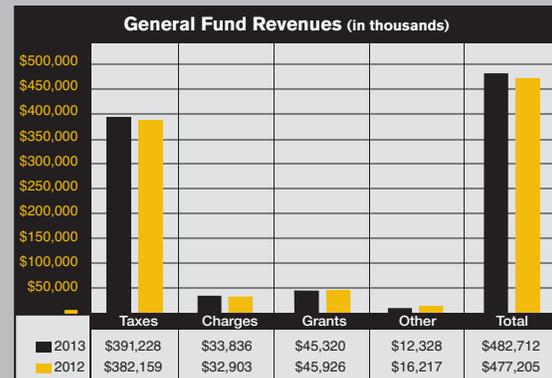
## General Fund

**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.

The revenues of the General Fund come from a variety of sources. Revenues received in 2013 and 2012 are as follows:

	Tax Revenue by Type (in thousands)	
	2013	2012
Real Estate Taxes	\$127,606	\$137,411
Earned Income Taxes	84,103	75,228
Payroll Preparation Taxes	54,151	51,553
Parking Taxes	51,977	50,911
Other	73,391	67,056
<b>Total</b>	<b>\$391,228</b>	<b>\$382,159</b>



Total General Fund revenues increased approximately \$5.5 million or by 1.1%, from 2012 to 2013. The net increase of \$9 million in tax revenue was mostly due to increases of \$8 million in earned income tax, \$5 million in deed transfer taxes, and \$2.5 million in Amusement taxes, and was offset by a \$9.8 million decrease in real estate property taxes. All other taxes were relatively stable. During 2012, there was a court-ordered re-assessment in Allegheny County which prompted the City to enact an anti-windfall millage reduction, and increase the Homestead exemption causing a decrease in Real Estate tax collections for the year 2013.



Bloomfield

## 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 2013 rate was 7.56 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. The City also receives a portion of the Earned Income Tax assessed by the Pittsburgh Public Schools equal to .25%.

### 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.



9  
PPG Holiday Plaza: VisitPittsburgh

# WHERE YOUR MONEY GOES

Once the City collects taxes and other revenues, the funds 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.

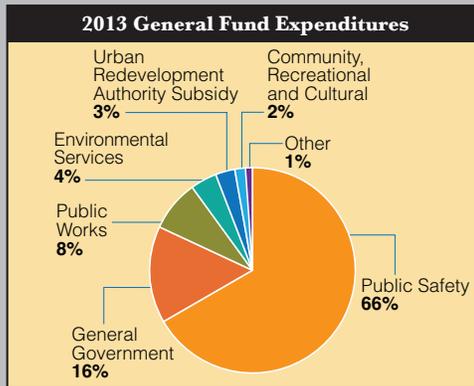
During the years ended December 31, 2013 and 2012, the City expended its funds as shown below. The per capita amounts represent the amount that the City expended on each type of service per resident, while the aggregate represents the total amount spent.

General Fund expenditures increased by 3.5% from 2012 to 2013. This increase is mainly due to a more conservative estimate of potential legal claims and judgments, and the usual increase in city employee health and benefit costs.

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 below:

	General Fund Expenditures (in thousands)		Per Capita*	
	Aggregate (in thousands)		2013	2012
	2013	2012	2013	2012
General Government	\$ 60,001	\$ 53,366	\$ 197	\$ 174
Public Safety	256,660	250,432	840	819
Public Works	32,443	33,340	106	109
Environmental Services	16,014	15,181	52	49
Community, Recreational and Cultural	7,440	7,821	24	26
Urban Redevelopment Authority Subsidy	13,507	14,569	44	48
Other	2,714	834	9	3
<b>Total</b>	<b>\$388,779</b>	<b>\$375,543</b>	<b>\$1,272</b>	<b>\$1,228</b>

\* Expenditures per capita represents aggregate expenditures divided by 2010 population



**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 Emergency Medical Services, Bureau of Police, Bureau of Fire, Building Inspection and Animal Control.

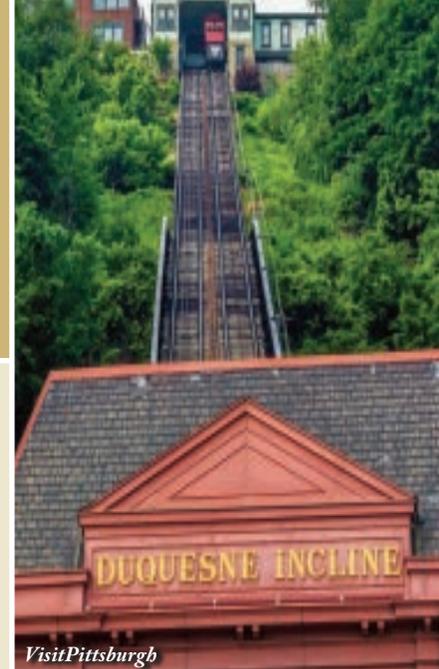
**Public Works** expenditures include administration, transportation and engineering and street and parks maintenance.

**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.



VisitPittsburgh



Heinz Hall: VisitPittsburgh



Station Square: VisitPittsburgh



Carnegie Museum of Art—Hall of Architecture: VisitPittsburgh

# PITTSBURGH

## Financials



Pittsburgh's Southside



Little Italy, Bloomfield



### 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, 2013. It illustrates that the General Fund paid for all of the day-to-day operations of the City and contributed \$86.9 million to pay the City's bonded debt.

<b>Revenues of the City</b>	\$ 482,712
<b>Expenditures of the City to Provide Services</b>	(388,779)
<b>Excess Revenues</b>	93,933
<b>Transfers to the Debt Service Fund</b>	(86,867)
<b>Other</b>	(3,479)
<b>Net Increase in Fund Balance</b>	<b>\$3,587</b>

### 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.

<b>Beginning Capital Projects Fund Balance</b>	<b>\$ 80,366</b>
<b>Capital Project Revenues</b>	16,118
Capital Expenditures by Function:	
General Government	(1,836)
Public Safety	(7,672)
Public Works	(32,580)
Community, Recreational, and Cultural	(1,692)
Economic and Physical Development	(5,569)
Transfers to Other Funds	(3,178)
<b>Ending Capital Projects Fund Balance</b>	<b>\$ 43,957</b>

### GRANTS

During 2013, the City received a majority of its \$91.3 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, 2013.

# THE CITIES ASSETS, DEFERRED OUTFLOWS OF RESOURCES 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, deferred outflows of resources, liabilities, revenues and expenses of the City.



Kennywood: VisitPittsburgh

## Net Position

The following schedule is intended to demonstrate the difference between the City's assets, deferred outflows of resources and liabilities as of December 31, 2013:

### Our Assets — What We Have

Unrestricted Current Assets consisting mainly of cash and amounts owed to the City	\$ 202,561,838
Net Pension Asset	94,256,406
Net Capital Assets consisting primarily of buildings, equipment and vehicles	145,814,381
<b>Total Assets</b>	<b>\$ 442,632,625</b>

<b>Deferred Outflows of Resources</b>	<b>\$ 5,617,025</b>
---------------------------------------	---------------------

### Our Liabilities — What We Owe

Current Liabilities consisting of all the amounts the City owes and expects to pay in 2014, except for bonds and loans	\$ 75,719,985
Amounts the City owes and expects to pay after 2014, except for bonds and loans	231,198,190
Amount of bonds and loans payable	565,180,727
<b>Total Liabilities of the City</b>	<b>\$ 872,098,902</b>

<b>Deficit in Net Position</b>	<b>\$(423,849,252)</b>
--------------------------------	------------------------

The City has a total net deficit of approximately \$423.8 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.

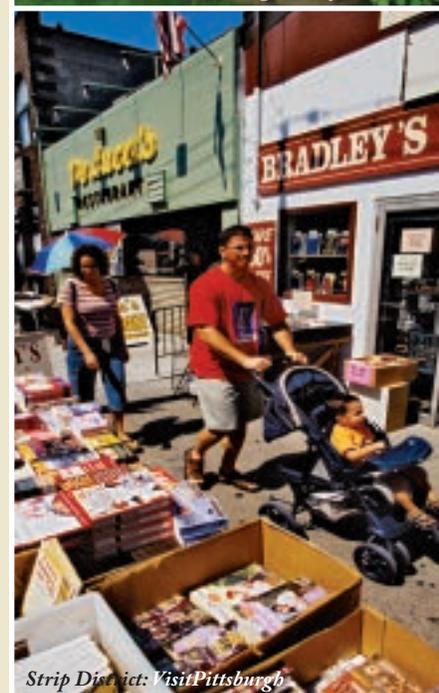
Expenditure reductions and controls enacted by the City included a temporary City-wide salary freeze, a reduction in public safety costs achieved primarily through renegotiation of certain labor contracts, a reduction to the budget of each elected official and regular reporting requirements that verified 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. On March 13, 2014 the Governor denied the request for the removal of Act 47 and stated that Pittsburgh had not made enough progress. The Act 47 coordinators are currently drafting the third-five year recovery plan, which will budget spending for years 2014-2019. The plan will limit how the city will spend its money including negotiations with unions.

On December 31, 2013, the 2014 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan were submitted to and subsequently approved by the Act 47 coordinators and ICA oversight committee. There were no significant changes from the initial five-year plan.



North Aiken Senior Housing in Garfield



Strip District: VisitPittsburgh



Market Square: VisitPittsburgh



North Shore Transit Stop: John Altdorfer

# PITTSBURGH Financials



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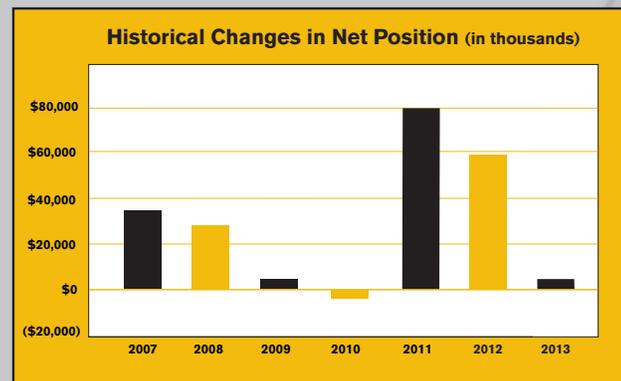
13 Joseph Horne's Landmark Christmas Tree: VisitPittsburgh

## The City's Net Position

In essence, a negative net position balance, or a deficit, means that the City's liabilities exceed its assets and deferred outflows of resources. While this demonstrates that there is an imbalance between the assets, deferred outflow of resources and liabilities of the City, it should be noted that the City has made a significant effort in improving its financial situation. In 2013, the City's deficit decreased from approximately (\$427.9) million to (\$423.8) million.

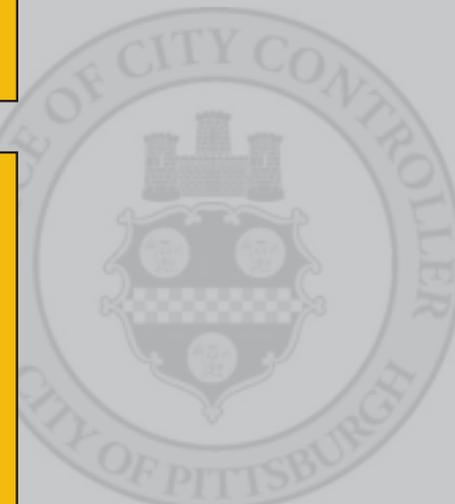


The City's beginning 2013 deficit was restated and increased by \$3 million due to the City's adoption of GASB Statement No. 65, requiring the removal of bond issue costs.



## Changes in the 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 \$292 million. In 2013, as a result of revenues exceeding costs, the City has reduced their deficit by approximately \$4 million.



# THE 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, 2013 equal approximately \$565 million. Over the past five years, the City has paid off approximately \$292 million of outstanding debt.

The 2012 and 2013 beginning balances were increased by \$13 million and \$10 million, respectively due to the City's adoption of GASB Statement No. 65, requiring the removal of bond issue costs and deferred amounts on bond refundings.

(in millions)	2009	2010	2011	2012	2013
General Obligation Bonds:					
Beginning Balance	\$ 723	\$ 680	\$ 633	\$ 594	\$ 622
Debt issued during the year	—	—	—	126	—
Principal repaid and/or refunded during the year and other	(43)	(47)	(52)	(98)	(57)
Ending Balance	\$ 680	\$ 633	\$ 581	\$ 622	\$ 565
Outstanding Bonds per Capita	\$2,224	\$2,071	\$1,901	\$2,034	\$1,849

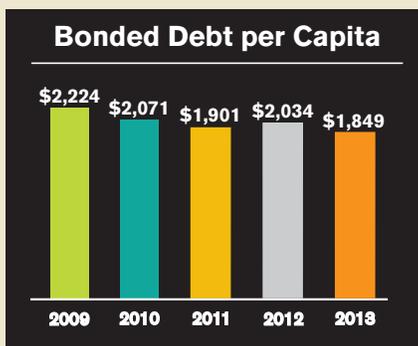
The City's bond debt rating per Moody's is A1 and Standard & Poor's upgraded its rating to A+ in 2014.

A Moody's rating of A1 and a Standard & Poor's rating of A+ is an upper medium investment grade and is subject to low credit risk.

## 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:

<b>Beginning Fund Balance in the Debt Service Fund</b>	<b>\$1,087,114</b>
Debt Service Revenues	5,132
Principal Payments	(53,805,000)
Interest Payments	(33,061,519)
Transfers from General Fund	86,866,519
<b>Ending Fund Balance in the Debt Service Fund</b>	<b>\$1,092,246</b>



Bonded debt per capita represents outstanding bonds divided by 2010 population



VisitPittsburgh



Shadyside Coffee Shop: VisitPittsburgh



Pittsburgh Zoo and PPG Aquarium: VisitPittsburgh



Mexican War Streets



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