

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2017



Michael E. Lamb, City Controller
CITY OF PITTSBURGH PENNSYLVANIA

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CITY OF PITTSBURGH, PENNSYLVANIA

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

April 27, 2018

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

I am pleased to present The Comprehensive Annual Financial Report (hereinafter, CAFR) of the City of Pittsburgh (hereinafter, City) for the year ended December 31, 2017. The City's charter mandates that only a general purpose financial statement be issued by May 1st. This does not include component units, statements mandated under GASB 34, footnotes and the statistical section. This year we are issuing a full CAFR by April 27th, which meets the Government Finance Officers Association (GFOA) standards and allows the City to get an unmodified opinion from the City's independent auditors.

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

Maher Duessel, Certified Public Accountants, has issued an unmodified ('clean') opinion on the City of Pittsburgh's financial statements for the year ended December 31, 2017. The independent auditor's report is located in front of the Management's Discussion and Analysis (hereinafter, MD&A).

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

Profile of the Government

The City of Pittsburgh, incorporated in 1816, is located in the southwestern part of the Commonwealth of Pennsylvania occupying 58.3 square miles with a current population of

303,147. The City government is comprised of a strong elected mayor, a nine-member council elected by district and an elected controller. The mayor is the chief executive of the City who appoints the heads of various departments and the council has the legislative authority. The controller audits City government-related expenditures and conducts audits of all City departments and authorities. The mayor is elected to a four-year term and the council members are elected to a staggered four-year term. The even numbered districts are elected in one year and the odd numbered districts are elected two years later. Like the mayor, the controller is elected to a four-year term.

The City is empowered to levy a variety of taxes including: property taxes on real estate, earned income taxes on residents that live within the boundaries of the City, and other usage taxes are charged when using certain facilities within the City. In addition, the City levies taxes on employees that work within the City and on businesses that operate within the City. Please see the Revenue section, (*page I-6*) for a more detailed explanation of the taxes collected.

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

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

FINANCIAL INFORMATION

The Financial Information is broken down into two categories: Internal Control and Budget Control, and are explained in further detail below.

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance

recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

ECONOMIC CONDITION

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

Economic Background

The City continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. The primary goal is to assist businesses both small and large in developing and enhancing working relationships among economic development practitioners throughout the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City strives to modernize its economy. It ranked as the 25th largest economy among U.S. Metro areas, down from the 23rd largest in 2016. Throughout 2017 however, Pittsburgh continued to see ongoing regional growth in key sectors, including financial business services, the tech industry, hospitality and food service, and healthcare, all of which have contributed significantly to the increase in employment vitality of the city. As of December 31, 2017, Pittsburgh's unemployment rate was down .6 % to 4.5%, compared to 4.8% for the state and 3.9% nationally.

Tax credits granted by both the federal government and the Commonwealth of Pennsylvania provide financial incentives for companies to hire new employees. The City's footprint covers multiple State Enterprise Zones which enable businesses located within those designated areas to enjoy more favorable interest rates, tax incentives, and regulatory relief, including exemptions from a majority of state and local taxes for an extended time. A principle component in facilitating economic sustainability is the Pittsburgh Central Keystone Innovation Zone (PCKIZ), a consortium of higher education institutions, businesses, government agencies, and community organizations. PCKIZ orchestrates a combination of tax incentives, entrepreneurial resources, internships & educational events to

spur economic sustainability by incentivizing economic development in the more economically challenged areas of central Pittsburgh.

The concept of coworking has increased significantly throughout the City in 2017, wherein office and studio space with markedly more flexible terms is made available to entrepreneurs and growing startups. Approximately 60,000 square feet of new coworking space opened, including locations such as One PPG Place, 600 Liberty Ave, and the Investment Building. Additional locations in East Liberty, Oakland, and Lawrenceville are also in operation, thereby providing the means for Downtown and neighboring areas to remain competitive for entrepreneurs and growing companies that require flexibility in their leases to accommodate growth and variations in their business cycle.

The City continues to focus on the revitalization of its downtown core with ongoing initiatives helping to establish it as a regional destination point for entertainment and business. The Pittsburgh Downtown Partnership, since the formation of the Business Improvement District in 1996, has continued to spearhead improvements in maintenance, safety, and marketing. One such initiative was the Phase II launch of their Public Safety Campaign, Look Alive, which included a public safety awareness video focusing on distracted drivers and pedestrians. Another such project is the Life on Liberty initiative which commenced in early 2017. This project targets pedestrians, transit and economic improvements to re-establish the Liberty Ave corridor as a dynamic destination within Downtown, and as a link between the Cultural District and the central business district.

In addition, 2017 marked the opening of the Cultural District Police Substation to enhance police presence in the Cultural District throughout evenings and weekends.

In 2017, 498 meetings and conventions alone were held downtown, attracting over 90,000 attendees bringing an estimated \$205M in direct spending. The largest single convention downtown was the Anthrocon 2017 Annual Convention which brought in \$7.7M in direct spending by 7,545 attendees. Overall, entertainment venues attracted over 14M visitors, over 9M of which were downtown.

A highlight of 2017 was the securing of an agreement with the NCAA that will bring 22 preliminary and championship events for the years 2018-2022. As a result, Pittsburgh will host more NCAA events than any other city in the nation during that time period.

After the opening of a number of new hotels, the current accommodation level includes 16 hotels in greater downtown with approximately 5000 rooms and suites. New hotels which opened in 2017 downtown included the Drury Plaza Hotel, marking Drury's debut into the Pittsburgh market with 207 guest rooms located in the historic Federal Reserve Bank building; the Distrikt Hotel, a 185-room boutique property in the former Salvation Army

headquarters downtown; and a 144-suite Residence Inn in Oakland which opened in June, 2017 adjacent to the University of Pittsburgh and the Carnegie Mellon University campuses.

In addition to these openings, Pittsburgh continues to renew through the redevelopment of the former Saks Fifth Ave site which will include the 174-room Moxy Hotel, a boutique hotel specifically targeting millennial travelers. Moxy Hotel made its debut in Milan, Italy in 2014, and currently has locations worldwide including ten in the US. In addition to the hotel, overall plans for the redevelopment project include a residential portion involving construction of 56 loft apartments above a 582-space parking garage. Completion is anticipated to span two phases, beginning with construction of the parking garage and 30,000 sq. ft. of retail space in Phase I, and subsequent completion of the hotel and apartments in Phase II.

Future construction plans of additional hotels and renovations include the 133-boutique room AC Hotel in the Strip District; the 160-room Even Hotel Pittsburgh in the former Macy's building; the 221-room Rivers Casino Hotel at the Rivers Casino; the 111-room Hotel Indigo Downtown at the Pittsburgh Technology Center; the Oaklander Hotel, a Marriott 'autograph collection' hotel on the site of the Pittsburgh Athletic Association; and the 108-room Wyndham TRYP Hotel in the former Washington Education Center in Lawrenceville, in addition to other projects planned for the North Side and the South Side.

With 14,764 residents living downtown, per Pittsburgh Downtown Partnership publication, efforts continue in making the City more pedestrian friendly as additional residential units near completion. The City has seen a 76% increase in rentals in the Strip District since 2010. Heinz at 950 North Shore added 151 units in early 2017. By late 2017, 4,222 residential units were in various stages of development and construction. Overall, Pittsburgh continued to be one of the nation's most celebrated cities in 2017 and was ranked as the '2nd Best City for Millennials' by *CNBC*, and the '2nd Most Popular City for Millennial Homebuyers' by *LendingTree*. *WalletHub* ranked Pittsburgh 3rd out of 62 of the largest US cities in its listing of 'the Best Cities to Live'; *Harper's BAZAAR* named Pittsburgh as 'America's Most Underrated City' and ranked it '4th out of the 17 Best Places to Travel in 2017'. It was named 'One of the Top 10 Fall Trips in the World' by *National Geographic*; and since 2015 has continued to be ranked among the 'Top Food Cities in the US' by *Zagat*, in recognition of the numerous newly opening restaurants. Additionally, the Pittsburgh International Airport, offering 72 non-stop flights on 17 airlines to cities throughout the United States, Europe, Canada and the Caribbean, was named as the '#1 Airport of the Year' by *Air Transport World Magazine*.

With a cost of living index that is below the national average, (7.8% below the national average), Pittsburgh continues to be recognized as one of the least costly places to do business, and one of the top cities for starting a new business. Accolades from investment

firms cite Pittsburgh as a 'treasure trove of talent in a low cost-of-living region'. Specific quotes championing Pittsburgh as an investment strategy include:

"It may be a secret outside the region, but Pittsburgh is a great place to hire, retain & grow talented teams..." – J.Ferrara, President and CEO Wombat Securities Technologies;

"There's no better place on the planet than Pittsburgh to develop medical solutions that are transforming the health care system." – T.Heppenstall, President UPMC Enterprises;

"It's my firm belief that world-class talent and expertise in cutting edge technology... have Pittsburgh positioned to play an exciting role in tech and innovation going forward." – M. Asem, Director, M25;

"Pittsburgh is a terrific place to start and grow a technology business. The activity and energy levels in the startup community have never been better. This is a great time to be investing in Pittsburgh and we expect the high level of investment in the region to continue." – M.Stubler, Managing Director, Draper Triangle Ventures.

Investment in Pittsburgh area tech companies and startups hit a ten-year high in 2017 totaling \$687.7 million, marking the largest single year for total investment in the city's tech companies in over a decade. Funding from corporate investments totaled \$216.1 million for 2017, up \$149.7 million or 225.5% from 2016. Venture capital funding also reached a ten-year high in 2017, up 45%, from \$235.1 million in 2016 to \$340.2 in 2017. Angel funding also increased 18% to \$82.0 million in 2017 from \$69.6 million in 2016. The number of deals funded by angels and venture capitals both also reached a ten-year high, up 9% and 10% respectively from 2016. Most noteworthy was Ford's 2017 investment of \$1 billion in Pittsburgh-based Argo AI to build self-driving cars by 2021. Over 150 unique investment firms from around the world invested more than \$2 billion in Pittsburgh-based firms over the past five years, including 20 non-local firms making their first investment in a Pittsburgh company in 2017. As a result, Pittsburgh ranked 9th in the country for the number of venture capital rounds per capita, and 17th in the national rankings of dollars invested per person. 2017 also featured 16 exits (liquidity events such as IPO's, acquisitions, etc.), the largest single year count for Pittsburgh, for a total value of over \$250 million.

The City continues to see success with the Pittsburgh Promise Program which provides scholarships of up to \$5,000 per year for qualified students to approved accredited postsecondary institution within Pennsylvania. By the end of 2017, Pittsburgh Promise had administered its 10th class of high school graduates, thus totaling more than 8,038 graduates of the Pittsburgh Public Schools who took advantage of the Pittsburgh Promise program. Over \$119M in scholarships had been given to facilitate attendance at 135 post-secondary

schools. This investment in education should encourage the City's population to grow, making it more attractive for families to call Pittsburgh home.

The overall outlook for Pittsburgh in the 21st century and beyond remains quite promising. The City's investments and initiatives of the past several years are facilitating increased business development and expanded residential construction to benefit the full spectrum of the city's businesses, investors and residents alike.

REVENUES

Real Estate Tax - Real estate property in the City is assessed by the Allegheny County Board of Property Assessment, Appeals and Review at a rate of 100% of its fair market value. The rates for 2017 were 8.06 mills on buildings and on land. A mill is \$1 on each \$1,000 of assessed value, or \$8.06 for every \$1,000 of assessed value. The 2017 total taxable assessed valuation for the City is \$19,575,934,000 vs. the 2016 total of \$19,257,363,000, an increase of approximately 1.7%.

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

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

Parking Tax - A tax equal to 37.5% of the consideration paid for each parking transaction is levied on the patrons of nonresidential parking places in the City; e.g. on a \$13.75 parking fee, \$3.75 is tax, or 37.5% of the \$10 underlying parking charge.

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

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

Institution Service Privilege Tax - Certain receipts of nonprofit, non-charitable organizations conducting or operating a service or service institution in the City are taxed on their gross income.

Local Services Tax - A \$52 tax levied upon each individual whose principal place of employment is located in the City, regardless of residency. If an employee's income is less than \$12,000, they are exempt from paying.

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

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

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

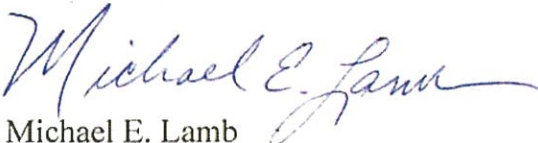
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for over the last twenty-five consecutive years (fiscal years ended 1992 - 2016). We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Michael E. Lamb
City Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Pittsburgh
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

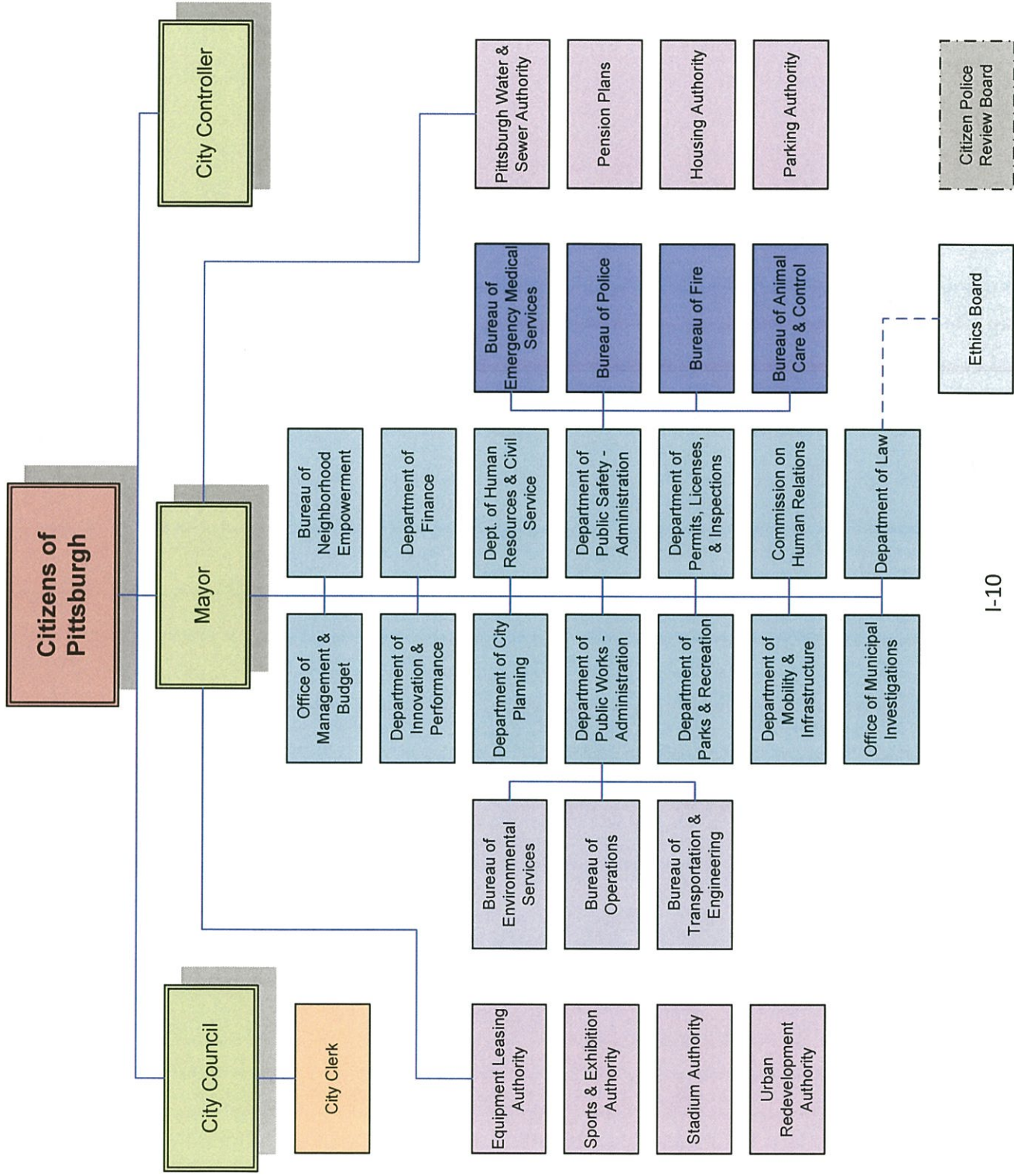
December 31, 2016

Christopher P. Morvill

Executive Director/CEO

City of Pittsburgh

Organization Chart



CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

As of April 27, 2018

MAYOR

William Peduto

CONTROLLER

Michael E. Lamb

MEMBERS OF COUNCIL

Bruce Kraus, President, District 3

Rev. Ricky Burgess, Finance Committee, District 9

Darlene M. Harris, District 1

Theresa Kail-Smith, District 2

Anthony Coghill, District 4

Corey O'Connor, District 5

R. Daniel Lavelle, District 6

Deborah Gross, District 7

Erika Strassburger, District 8

CITY OF PITTSBURGH,
PENNSYLVANIA

FINANCIAL SECTION

Independent Auditor's Report

**The Honorable
Members of Council
City of Pittsburgh,
Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stadium Authority of the City of Pittsburgh (Stadium Authority), which represent 4.3%, 2.1%, and 2.3%, respectively of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as they relate to the amounts included for the Stadium Authority, is based solely upon the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2017 and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Community Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefits schedules on pages i through xiv and 121 through 129 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual other fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual other fund financial statements, agency funds, and the Capital Projects Fund budgetary comparison are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual other fund financial statements and the Capital Projects Fund budgetary comparison are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Maier Duessel

Pittsburgh, Pennsylvania
April 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh (City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

- Government-wide unrestricted net position showed a deficit of \$1.379 billion in 2017. The accumulated deficit results principally from the City's Net Pension Liability of \$874.9 million, outstanding general obligation bonds being issued over the years to finance projects that do not result in recording assets; specifically, to fund the payments to the Pension Trust Fund (\$155.9 million outstanding as of December 31, 2017), the City's borrowings to finance economic development efforts (including projects to the City's Authorities, principally the URA), and maintenance expenditures on City infrastructure and equipment needs. The deficiency will have to be funded from resources generated in future years.
- As of the close of the 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$242.6 million, an increase of \$51.8 million from the previous year. Approximately 46% of this total amount or \$110 million is available for spending at the government's discretion (unassigned fund balance).
- At the end of the 2017 fiscal year, unassigned fund balance for the General Fund was \$110.4 million (compared to \$98.8 million in 2016) or 21.3% of total General Fund expenditures and debt service transfers for 2017, up from 19.3% in 2016, and 16.8% in 2015.
- The City's outstanding gross bonded debt amounted to \$417 million at the end of the fiscal year down from \$426 in 2016.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements.

The financial section of this report consists of three parts: Management's Discussion and Analysis, the basic financial statements (including notes to the financial statements and detailed budgetary comparison schedules), and combining and individual fund statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements:

The first two statements (pages 1-3) are government-wide financial statements that provide short-term and long-term information about the City's overall financial status.

The remaining statements (pages 4 through 20) are fund financial statements that focus on individual parts of City government and report operations in more detail than the government-wide financial statements.

The governmental funds statements describe how general government services were financed such as public safety and sanitation.

Fiduciary fund statements provide information about the retirement plans for City employees in which the City acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources cannot be used to support City activities.

The financial statements include notes which provide an explanation for certain financial statement line items and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, a section with combining statements provides details about the non-major governmental funds that are presented in single columns in the basic financial statements. The following diagram, labeled A-1, shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

Figure A-1
REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

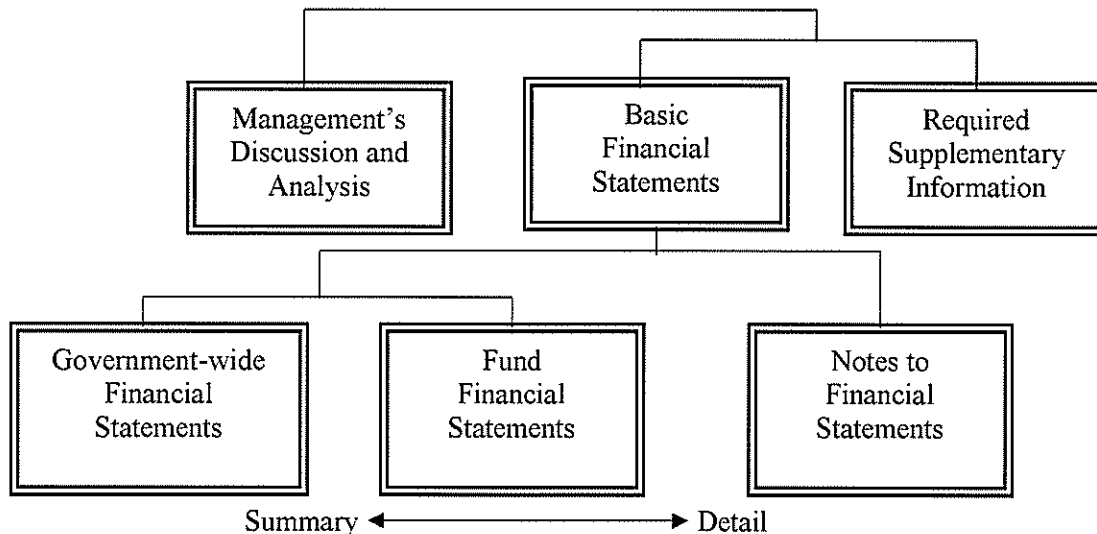


Figure A-2 summarizes the major features of the City’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

**Figure A-2
Major Features of City's Government-Wide and Fund Financial Statements**

| | Fund Statements | | |
|--|--|--|--|
| | Government-wide Statements | Governmental Funds | Fiduciary Funds |
| Scope | Entire City government (except fiduciary funds) | The activities of the City that are not proprietary or fiduciary, such as police, fire, and recreation | Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plans for City employees |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance | <ul style="list-style-type: none"> • Statement of fiduciary net position • Combined statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |
| | Deferred inflows and Outflows recognized | Deferred inflows recognized | |

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate Urban Redevelopment Authority (URA), Pittsburgh Water and Sewer Authority, Public Parking Authority, and the Stadium Authority. Financial information for these component units reported separately from the financial information are presented for the primary government itself. The government-wide statements can be found in the financial section of this report. Although there are a number of government-wide financial statements, for the purposes of this report, only two will be highlighted since they are closely related: the statement of net position and the statement of activities.

Although there are a number of government-wide financial statements, for the purposes of this report, only two will be highlighted since they are closely related: the statement of net position and the statement of activities.

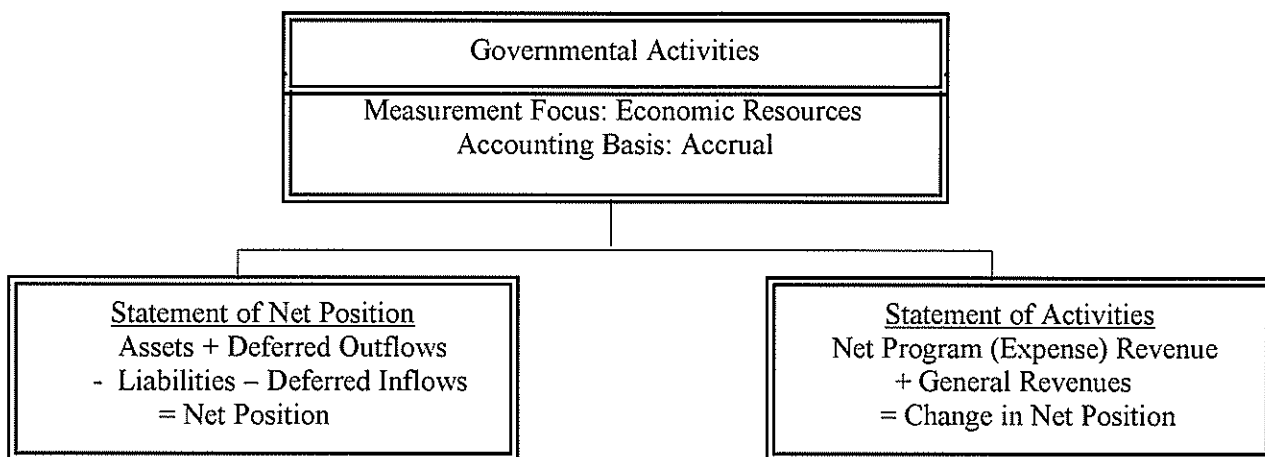
The statement of net position includes all of the City's assets, liabilities, deferred inflows, and outflows, except fiduciary funds. Net position - the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to

measure the City’s financial health, or position. Over time, increases or decreases in the City’s net position serve as a useful indicator of whether its financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Additional non-financial factors such as changes in the City’s real property tax base and general economic conditions must be considered to assess the overall position of the City.

The primary features of government-wide financial statements are reflected in Figure A-3.

**Figure A-3
Government-wide Financial Statements**



- *Governmental activities* - Most of the City’s basic services are included here, such as the police, public works, recreation, and general administration. Property and earned income taxes, charges for services, and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds, not the City as a whole. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to keep track of specific sources of funding and spending for particular purposes. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. However, not all funds are the result of city policy; some are required by state law. The funds of the City can be divided into two categories, governmental funds and fiduciary funds, and are explained in greater detail below:

- *Governmental Funds* - Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to

cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the Capital Projects Fund, the Community Development Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other six governmental funds (non-major funds) are combined into a single, aggregated presentation (other governmental funds).

The City adopts an annual appropriated budget for its General Fund, Capital Projects Fund, and Community Development Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 4-15 of this report.

- *Fiduciary Funds - (Pension Trust Funds, OPEB Trust Fund, and Agency Funds)* – The Pension Trust Fund accounts for the operations of the City's pension plans for general municipal employees, police, and fire, covering essentially all full-time employees. The OPEB Trust Fund is used to report resources held in trust for post-employment benefits other than pension benefits. The City is responsible for ensuring that the assets reported in fiduciary funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate combined statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The fiduciary fund financial statements can be found on pages 16-17 of this report.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-120 of this report.

Required supplementary information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 121-129 of this report.

Government-wide Financial Analysis

The City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1.140 billion at the close of the most recent fiscal year. Net Pension Liability was \$874.9 million in 2017. By far the largest portion of the City's deficit in net position is its unrestricted deficit of \$1.379 billion. This deficit is partially offset by investment in capital assets less any related debt still outstanding used to acquire those assets of \$154 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and the assets have been financed with debt in an amount that exceeds the capital assets carrying value.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Condensed Net Position

The following table presents a condensed summary of net position:

City of Pittsburgh's Net Position

| Assets | Governmental Activities (\$ millions) | |
|--|--|-------------------|
| | 2017 | 2016 |
| Current assets: | | |
| Unrestricted assets | \$ 319 | \$ 250 |
| Capital assets | 182 | 156 |
| Total Assets | <u>501</u> | <u>406</u> |
| Deferred Outflows of Resources | | |
| Differences between expected and actual experience for pension plan | 3 | 7 |
| Net differences between projected and actual earnings on pension investments | - | 22 |
| Changes in assumptions | 48 | - |
| Deferred charge on refunding | 2 | 5 |
| Total Deferred Outflows of Resources | <u>53</u> | <u>34</u> |
| Liabilities | | |
| Current liabilities | 149 | 155 |
| Long-term liabilities, outstanding | 1,509 | 1,485 |
| Total liabilities | <u>1,658</u> | <u>1,640</u> |
| Deferred Inflows of Resources | | |
| Property taxes received prior to the period for which the taxes are levied | 7 | - |
| Net differences between projected and actual earnings on pension investments | 17 | - |
| Differences between expected and actual experience for pension plan | 12 | 3 |
| Total Deferred Inflows of Resources | <u>36</u> | <u>3</u> |
| Net Position | | |
| Net investment in capital assets | 154 | 102 |
| Restricted | 86 | 48 |
| Unrestricted | (1,379) | (1,365) |
| Total net position | <u>\$ (1,139)</u> | <u>\$ (1,215)</u> |

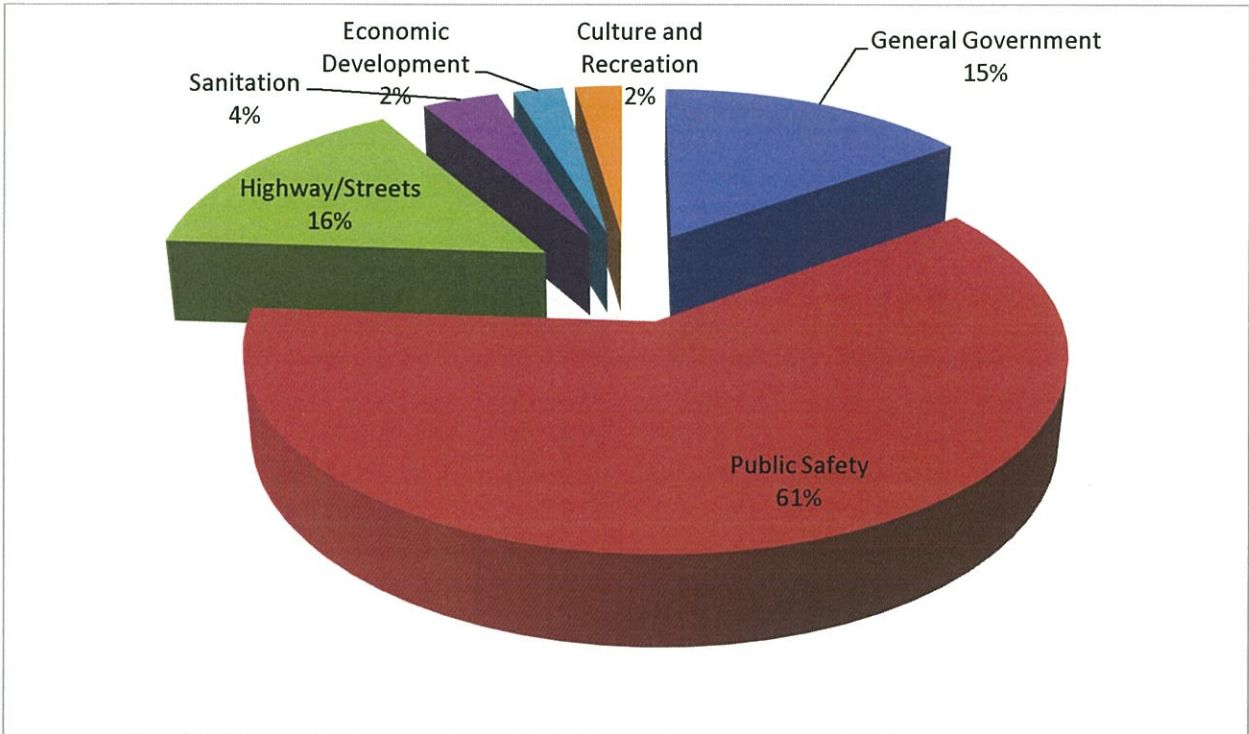
At the end of the current fiscal year, the City reported a \$1.1 billion net deficit for the governmental activities due in large part to GASB 68 reporting requirements of Net Pension Liability and the City's debt burden outstanding. This is a lower number compared to last year's as a result of the City's continued efforts to bring down the deficit.

Governmental activities – Governmental activities increased the City's net position by \$75.4 million in 2017. A large sum of this net position increase is due to the payment of bonds and in interest.

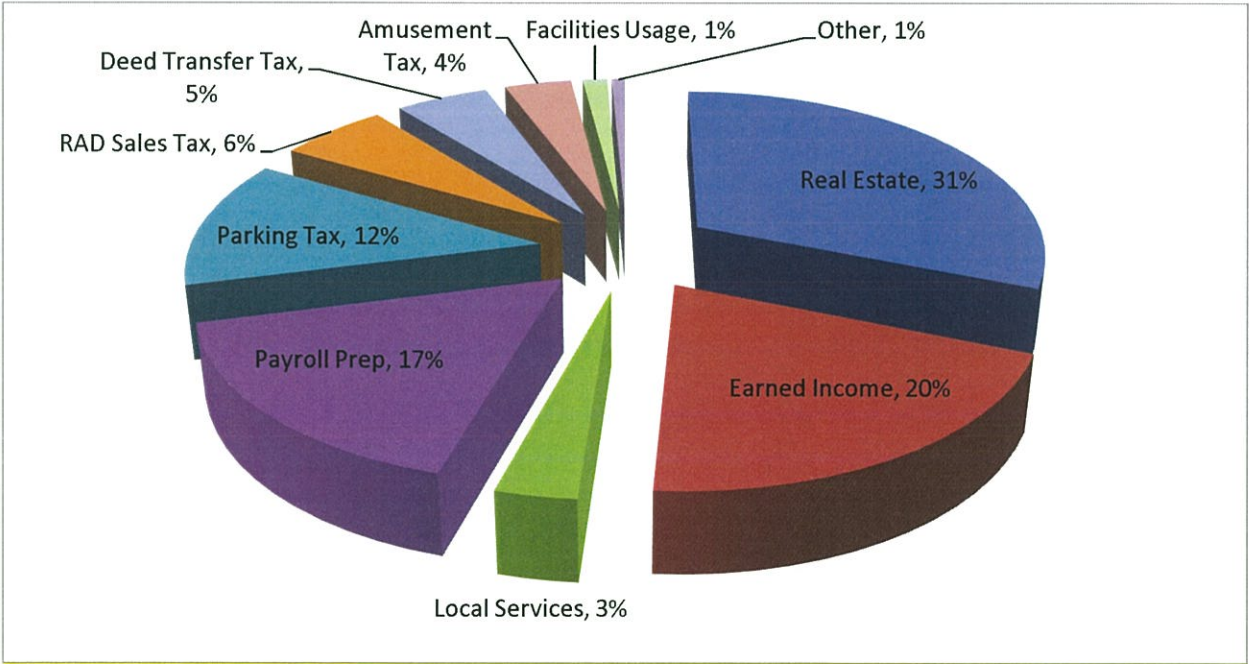
The following table shows the revenues and expenses of the primary government:

| (\$ millions) | Governmental Activities | |
|---|-------------------------|-------------------|
| | 2017 | 2016 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 69 | \$ 67 |
| Operating grants and contributions | 56 | 73 |
| Capital grants and contributions | 23 | 33 |
| Total program revenues | <u>148</u> | <u>173</u> |
| General revenues: | | |
| Real estate property taxes | 143 | 143 |
| Earned income taxes | 97 | 92 |
| Local services taxes | 14 | 14 |
| Payroll preparation taxes | 63 | 61 |
| Parking taxes | 59 | 58 |
| RAD sales taxes | 27 | 28 |
| Deed transfer taxes | 30 | 28 |
| Amusement taxes | 17 | 17 |
| Payment in lieu of taxes | 1 | 1 |
| Facilities usage tax | 5 | 5 |
| Donations and endowments | 5 | 3 |
| Other taxes | 2 | 1 |
| Other | 1 | 2 |
| Total general revenues | <u>464</u> | <u>453</u> |
| Total revenues | <u>612</u> | <u>626</u> |
| Expenses: | | |
| General government | 80 | 90 |
| Public safety | 310 | 318 |
| Highways/streets | 81 | 80 |
| Sanitation | 23 | 17 |
| Economic development | 15 | 13 |
| Culture and recreation | 9 | 11 |
| Interest on long-term debt plus amortz. of issuance cost and premium/discounts | 19 | 21 |
| Total expenses | <u>537</u> | <u>550</u> |
| Change in Net Position | 75 | 76 |
| Net Position: | | |
| Beginning of year | <u>(1,215)</u> | <u>(1,291)</u> |
| End of year | <u>\$ (1,139)</u> | <u>\$ (1,215)</u> |

Expenses of the governmental statement of activities are shown below by functional area:



General Fund tax revenues are presented below by type of tax:



Governmental Funds

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City, with revenues and expenses that are connected to every aspect of the City. Revenues for the General Fund totaled \$545.3 million in 2017, a decrease of \$12.6 million or by 2.26% compared to 2016. The greatest variances from budget to actual in tax revenue came from increases of \$5 million in earned income tax, \$4.5 million in deed transfer taxes, a decrease of \$2.5 million in payroll preparation and \$1 million decrease in Amusement taxes. All other taxes were relatively stable.

In addition to the above General Fund tax revenues, the City collected \$13.2 million in the Community Development Fund, \$17.5 million in Capital Projects, and \$38.4 million in Non-major Governmental Funds, mostly from pass-through of federal and state monies.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$242.6 million, an increase of \$51.8 million from 2016. Approximately 46% of this total fund balance, or \$110.4 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance that is restricted for endowments, employee benefits, State and Federal Purpose Grants, and capital projects is \$105 million and the amount assigned for encumbrances and debt service is \$27 million.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$110.4 million, while total fund balance for the General Fund was \$131.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.3% of total General Fund expenditures and operating transfers.

The fund balance of the City's General Fund increased by \$17.3 million during the 2017 fiscal year compared to an increase of \$37.1 million in 2016. This is primarily due to lower expected revenue collections and decrease in expected expenditures as well as decrease in intergovernmental revenues.

Expenditures and other uses, including debt service payments/transfers for the General Fund in 2017 increased to \$531 million, compared to \$524 million in 2016, representing an increase of 1.13% or \$7 million overall.

Transfers to the Debt Service Fund of \$86.6 million, combined with debt subsidies of \$5.8 million, totaled \$92.8 million, compared to \$93.8 million in 2016. The debt subsidies are for the URA and Auditorium Authority and are commitments made by the City over the life of their bonds. Debt and debt subsidies accounted for 17.9% of the total expenditures and uses, illustrating the magnitude of the City's annual debt service. The Debt Service Fund has a total fund balance of \$1.5 million, all of which is assigned for the payment of debt service.

The Community Development Fund had intergovernmental revenues of \$17.5 million and expenditures of \$117.5 million. The Capital Projects Fund had \$6.8 million of revenues, and \$43.7 million in maintenance and non-capital related expenses, and \$6.5 million in operating transfers. The Capital Projects Funds fund balance increased by \$30 million to \$79.4 in 2017 as compared to \$49 as of December 31, 2016.

General Fund Budgetary Highlights

Actual General Fund revenues were less than the budgeted revenues by \$1.01 million before use of prior year fund balance, mainly due to a decrease in collections of the parking tax of \$0.40 million, decrease in the payroll preparation of \$2.5 million as well as a decrease in amusement tax by \$1 million. These decreases are mainly due to actual collections being less than the original budgeted amounts. The final budgeted General Fund expenditures were \$2.8 million higher than the original budget. Actual General Fund budgetary basis expenditures were \$11.3 million below the final budget total.

During fiscal year 2017, City Council amended the budget primarily for the following reason:

- To appropriate funds to pay prior year commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2017 totaled \$2.7 million.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental-type activities as of December 31, 2017 amounts to \$153.6 million, net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure, capital lease, and construction-in-progress.

Major increases in assets included \$1.08 construction in progress, \$5.0 million in equipment, the purchase of \$6.3 million in vehicles and the completion of multiple capital projects throughout the City resulting in a \$34.8 million in infrastructure additions.

City of Pittsburgh's Changes in Capital Assets

| (\$ millions) | Governmental Activities | |
|-------------------------------------|-------------------------|--------|
| | 2017 | 2016 |
| Land and land improvements | \$ 46 | \$ 46 |
| Construction in progress | 13 | 18 |
| Buildings and building improvements | 89 | 89 |
| Capital lease | 15 | 15 |
| Infrastructure | 224 | 189 |
| Vehicles | 80 | 76 |
| Furniture and fixtures | 5 | 5 |
| Machinery and equipment | 8 | 4 |
| Total capital assets | 480 | 442 |
| Less accumulated depreciation for: | | |
| Buildings | (86) | (85) |
| Infrastructure | (136) | (131) |
| Vehicles | (57) | (52) |
| Furniture and fixtures | (4) | (4) |
| Capital leases | (11) | (10) |
| Machinery and equipment | (4) | (4) |
| Total accumulated depreciation | (298) | (286) |
| Total capital net assets | \$ 182 | \$ 156 |

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

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$417 million, which comprises debt backed by the full faith and credit of the government.

City of Pittsburgh's Outstanding Debt

| (\$ millions) | Governmental Activities | |
|--------------------------------|-------------------------|--------|
| | 2017 | 2016 |
| General obligation bonds: | | |
| Beginning balance at January 1 | \$ 426 | \$ 493 |
| Debt issued and other | 61 | - |
| Refinanced bonds | - | 24 |
| Principal payments and other | (70) | (91) |
| Ending balance at December 31 | \$ 417 | \$ 426 |

More detailed information about long-term debt is provided in Note 9 of the financial statements.

Significant Events

In November 2003, the City sought municipal self-help as a “financially distressed” municipality under the Municipalities Financial Recovery Act (Act 47) of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania legislature also established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. The Act 47 coordinators appointed by the Commonwealth issued their five-year Recovery Plan, which was originally adopted by the City Council on June 29, 2004. On June 30, 2009, City Council adopted the amended Recovery Plan, making it a City ordinance, which further provided areas for Revenue enhancements and Expenditure reductions. On June 24, 2014, City Council adopted the second amended Recovery Plan, making it a City ordinance. During 2017, the City continued efforts to control costs, improve collections, and maintain solvency. The cash balance available for general operations of the City as of December 31, 2017 was \$101.1 million; this was enough to maintain normal function throughout the City in January 2018.

Currently, the City is no longer under Act 47. As mandated by changes in state law, the City must exit Act 47 status, develop a 3-year exit plan or invoke the fiscal emergency provision. Early in 2018, a resolution by the Commonwealth of Pennsylvania was adopted to allow the City to formally exit Act 47 oversight, thereby ending its designation as a “financially distressed municipality.

Pension Funding

Commonwealth of Pennsylvania Act 47 of 2009 required the City's aggregate pension funding level to be at least 50 percent by December 31, 2010 to avoid having the City's pension funds seized and administered by the Pennsylvania Municipal Retirement System. The City met this requirement by transferring \$45 million to the Comprehensive Trust Fund (Fund) in 2010 and agreeing to dedicate parking tax revenues for the next 30 years. The City contributed \$13.4

million of the parking tax revenue to the Fund from 2011-2017, and intends to contribute \$26.8 million per year from 2018 through 2041. For 2017, the City contributed \$73.5 million, \$24.3 million more than its actuarially determined contribution of \$49.2 million.

Cash Position

During 2017, the City continued efforts that had begun in the latter half of 2003 to control cost, improve collections, and maintain solvency. These efforts combined with remaining available fund balance produced benefits into 2017 by allowing the City to meet its beginning of the year obligations without executing a bank note at the beginning of 2018. The City expects cash flows to be sufficient enough in 2018 to maintain a positive cash position.

Due to an increase in revenue, combined with increased costs in the budget, at the end of 2017, the City projected a 2018 General Fund ending cash balance of \$61 million after budgeted transfers, a decrease of \$28 million. There is every indication at this time that this projection is realistic and that there should be no need to seek outside funding for continuing operations through 2022.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, First Floor, City County Building, 414 Grant Street Pittsburgh, PA 15219.

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2017

| | Primary Governmental Activities | Component Units |
|--|---------------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents, and investments | \$ 171,381,318 | \$ 178,481,329 |
| Restricted cash | 51,439,339 | 18,577,398 |
| Real estate taxes (net of allowance for uncollectible accounts of \$20,407,909) | 14,157,439 | - |
| Accounts receivable, net | - | 31,911,048 |
| Accrued interest receivable | 252,390 | 347,559 |
| Due from other governments | 5,491,291 | 2,934,183 |
| Taxpayer - assessed taxes receivable | 44,820,062 | - |
| Inventory | - | 3,777,000 |
| Notes receivable | - | 13,966 |
| Other receivables | 31,863,523 | 2,528,589 |
| Prepaid expenses | - | 684,113 |
| Total current assets | <u>319,405,362</u> | <u>239,255,185</u> |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Cash and cash equivalents | - | 18,264,000 |
| Investments | - | 20,625,672 |
| Non-routine maintenance | - | - |
| Deposit held for development fund | - | 1,329,509 |
| Accounts receivable - parking | - | 5,217,468 |
| Total restricted assets | <u>-</u> | <u>45,436,649</u> |
| Investments - unrestricted | <u>-</u> | <u>11,778,590</u> |
| Capital assets: | | |
| Capital assets not being depreciated: | | |
| Land and land improvement | 45,602,091 | 38,729,254 |
| Construction-in-progress | 12,905,077 | 121,002,640 |
| Capital assets being depreciated: | | |
| Buildings and building improvements | 88,778,564 | 86,556,284 |
| Parking facilities | - | 179,689,722 |
| Machinery and equipment | 8,663,387 | 14,424,775 |
| Utility plant | - | 875,597,000 |
| Non-utility plant | - | 22,717,000 |
| Furniture and fixtures | 4,845,984 | - |
| Vehicles | 79,908,619 | - |
| Infrastructure | 224,271,694 | 2,241,369 |
| Capital lease | 15,434,653 | - |
| Less accumulated depreciation | (298,280,551) | (442,989,648) |
| Total net capital assets | <u>182,129,518</u> | <u>897,968,396</u> |
| Leasehold improvements | - | 5,292,863 |
| Other assets | - | 1,000,200 |
| Loans/notes receivable | - | 62,851,999 |
| Prepaid bond insurance | - | 216,636 |
| Property held for redevelopment | - | 23,499,065 |
| Total noncurrent assets | <u>182,129,518</u> | <u>1,051,266,402</u> |
| Total Assets | <u>501,534,880</u> | <u>1,290,521,587</u> |
| Deferred Outflows of Resources | | |
| Accumulated decrease in fair value of hedging derivatives | - | 3,279,000 |
| Differences between expected and actual experience for pension plan | 3,125,261 | - |
| Changes in assumptions | 47,853,562 | - |
| Deferred charge on refunding | 2,397,980 | 114,835,665 |
| Total Deferred Outflows of Resources | <u>53,376,803</u> | <u>118,114,665</u> |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2017

(Continued)

| Liabilities | Primary Governmental Activities | Component Units |
|---|---------------------------------------|--------------------|
| Current liabilities: | | |
| Accounts payable - wastewater treatment | - | 17,863,000 |
| Accounts and retainage payable | 1,459,582 | 13,601,989 |
| Accrued liabilities | 33,045,957 | 30,607,682 |
| Self-funded health insurance | 3,132,714 | - |
| Accrued interest payable | 6,652,251 | 4,057,581 |
| Accrued worker's compensation | 15,132,086 | - |
| Accrued compensated absences | 24,358,399 | - |
| Accrued claims and judgments | 5,217,000 | - |
| Unearned revenue | - | 3,171,452 |
| Other liabilities | - | 19,367 |
| Due to other governments | 2,048,947 | - |
| Unearned revenue | 3,995,484 | - |
| Capital lease liability, current portion | 943,065 | - |
| Bonds and loans payable, current portion | 53,000,000 | 58,428,406 |
| Total current liabilities | 148,985,485 | 127,749,477 |
| Noncurrent liabilities: | | |
| Unearned revenue | - | 164,000 |
| Other liabilities | - | 4,604,094 |
| Accrued payroll - related obligations | - | 594,000 |
| Swap liability | - | 18,319,000 |
| Bonds and loans payable, net of unamortized premiums/ discounts | 363,627,243 | 924,328,827 |
| Accrued workers' compensation | 110,968,632 | - |
| Unfunded post-retirement employee benefits | 142,634,256 | - |
| Accrued compensated absences | 6,446,916 | - |
| Accrued claims and judgments | 4,950,000 | - |
| Capital lease liability | 5,882,500 | - |
| Net pension liability | 874,888,998 | - |
| Advance from the City of Pittsburgh | - | 22,775,168 |
| Total noncurrent liabilities | 1,509,398,545 | 970,785,089 |
| Total Liabilities | 1,658,384,030 | 1,098,534,566 |
| Deferred Inflows of Resources | | |
| Deferred gain on refunding | - | 2,507,862 |
| Property taxes received prior to the period for which the taxes are levied | 7,428,035 | - |
| Net differences between projected and actual earnings on pension investments | 17,340,361 | 671,019 |
| Differences between expected and actual experience for pension plan | 11,556,685 | 521,418 |
| Total Deferred Inflows of Resources | 36,325,081 | 3,700,299 |
| Net Position | | |
| Net investment in capital assets | 153,629,477 | 92,932,394 |
| Restricted for: | | |
| Capital projects | 60,721,359 | 28,330,646 |
| Debt service | - | 5,754,399 |
| Employee benefits | 11,695,582 | - |
| Endowment earnings | 1,467,841 | - |
| State and Federal Purpose Grants | 11,994,039 | - |
| Indenture funds | - | 25,019,491 |
| Pension | - | 2,022,086 |
| Urban development | - | 44,489,808 |
| Lending programs | - | 88,281,890 |
| Housing Program | - | 2,690,121 |
| Unrestricted | (1,379,305,726) | 16,880,552 |
| Total Net Position | \$ (1,139,797,428) | \$ 306,401,387 |

See accompanying notes to financial statements.

(Concluded)

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------|---|---------------------------------------|--|----------------------------|-----------------------|
| | Expenses | Charges for Services and Contributions | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Component Units |
| Primary Government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 79,890,619 | \$ 40,462,204 | \$ 7,843,808 | \$ 8,223,588 | \$ (23,361,019) | \$ - |
| Public safety | 310,299,262 | 22,811,937 | 35,746,606 | - | (251,740,719) | - |
| Highway and streets | 81,409,654 | 3,694,774 | 10,551,383 | 8,834,684 | (58,328,813) | - |
| Sanitation | 23,206,671 | 107,400 | 1,173,353 | - | (21,925,918) | - |
| Economic development (includes debt subsidies to URA of \$5,715,274) | 14,510,872 | - | - | 5,239,068 | (9,271,804) | - |
| Culture and recreation (includes debt subsidies to Public Auditorium Authority of \$126,983) | 9,181,844 | 2,037,664 | 806,148 | 606,978 | (5,731,054) | - |
| Interest on long-term debt and amortization of premiums and discounts | 18,747,955 | - | - | - | (18,747,955) | - |
| Total primary government | <u>\$ 537,246,877</u> | <u>\$ 69,113,979</u> | <u>\$ 56,121,298</u> | <u>\$ 22,904,318</u> | <u>(389,107,282)</u> | <u>-</u> |
| Total component units | <u>\$ 336,106,039</u> | <u>\$ 295,395,452</u> | <u>\$ 35,573,507</u> | <u>\$ 1,595,000</u> | <u>(3,542,080)</u> | <u>-</u> |
| General revenues: | | | | | | |
| Real estate taxes | | | | | 143,161,069 | - |
| Earned income taxes | | | | | 96,635,845 | - |
| Business privilege taxes | | | | | 4,253 | - |
| Local services tax | | | | | 14,017,903 | - |
| Payroll preparation tax | | | | | 63,274,223 | - |
| Parking tax | | | | | 58,758,563 | - |
| Sales taxes from the Regional Asset District | | | | | 27,346,010 | - |
| Deed transfer tax | | | | | 29,763,117 | - |
| Amusement tax | | | | | 17,341,213 | - |
| Facilities usage tax | | | | | 5,243,615 | - |
| Public service privilege | | | | | 1,544,576 | - |
| Nonprofit payment in lieu of taxes | | | | | 391,491 | - |
| Unrestricted investment earnings | | | | | 1,795,367 | 2,282,841 |
| Donations and endowments | | | | | 4,745,585 | - |
| Gain (loss) of sale of assets | | | | | (124,887) | 265,000 |
| Miscellaneous | | | | | 650,129 | 297,535 |
| Total general revenues | | | | | <u>464,548,072</u> | <u>2,845,376</u> |
| Change in Net Position | | | | | 75,440,790 | (696,704) |
| Net position - beginning | | | | | (1,215,238,218) | 307,098,091 |
| Net position - ending | | | | | <u>\$ (1,139,797,428)</u> | <u>\$ 306,401,387</u> |

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2017

| | General | Debt Service | Special Revenue CDBG | Capital Projects | Total Nonmajor Funds | Total Governmental Funds |
|---|-----------------------|---------------------|----------------------------|----------------------|----------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 100,749,726 | \$ 1,329,181 | \$ 1,823,564 | \$ 30,928,472 | \$ 36,550,375 | \$ 171,381,318 |
| Cash and cash equivalents - restricted | 339,069 | - | - | 51,100,270 | - | 51,439,339 |
| Receivables: | | | | | | |
| Real estate taxes (net of allowances for uncollectible accounts of \$20,407,909) | 14,157,439 | - | - | - | - | 14,157,439 |
| Taxpayer - assessed taxes receivable | 44,820,062 | - | - | - | - | 44,820,062 |
| Other receivables | 30,213,121 | - | - | - | 1,650,402 | 31,863,523 |
| Accrued interest | 108,507 | 137,287 | - | - | 6,596 | 252,390 |
| Advance to other fund | - | - | - | 1,300,000 | - | 1,300,000 |
| Due from other governments | - | - | 3,595,711 | 1,895,580 | - | 5,491,291 |
| Due from other funds | 1,547,549 | - | - | 67,123 | 1,475,391 | 3,090,063 |
| Total Assets | \$ 191,935,473 | \$ 1,466,468 | \$ 5,419,275 | \$ 85,291,445 | \$ 39,682,764 | \$ 323,795,425 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2017
(Continued)

| | General | Debt Service | Special Revenue CDBG | Capital Projects | Total Nonmajor Funds | Total Governmental Funds |
|---|-----------------------|---------------------|----------------------|----------------------|----------------------|--------------------------|
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 992,225 | - | \$ 130,152 | \$ 167,533 | \$ 169,672 | \$ 1,459,582 |
| Accrued liabilities | 22,164,380 | - | 2,857,620 | 4,555,982 | 3,467,975 | 33,045,957 |
| Self-funded health insurance | 3,132,714 | - | - | - | - | 3,132,714 |
| Advance from other fund | - | - | 1,300,000 | - | - | 1,300,000 |
| Due to other funds | 65,752 | - | 1,046,886 | 1,202,934 | 774,491 | 3,090,063 |
| Due to other governments | 701,281 | - | - | - | 1,347,666 | 2,048,947 |
| Unearned revenue | - | - | - | - | 3,995,484 | 3,995,484 |
| Accrued claims and judgments | 5,217,000 | - | - | - | - | 5,217,000 |
| Total Liabilities | 32,273,352 | - | 5,334,658 | 5,926,449 | 9,755,288 | 53,289,747 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - taxes | 27,886,757 | - | - | - | - | 27,886,757 |
| Total Deferred Inflows of Resources | 27,886,757 | - | - | - | - | 27,886,757 |
| Fund Balance: | | | | | | |
| Restricted: | | | | | | |
| Capital Projects | - | - | - | 60,721,359 | - | 60,721,359 |
| Endowment earnings | 1,467,841 | - | - | - | - | 1,467,841 |
| Employee Benefits | 11,695,582 | - | - | - | - | 11,695,582 |
| State and Federal Purpose Grants | - | - | 84,617 | - | 11,909,422 | 11,994,039 |
| Committed: | | | | | | |
| Interfund Advance | - | - | - | 1,300,000 | - | 1,300,000 |
| Specified Program Services | - | - | - | - | 17,539,789 | 17,539,789 |
| Assigned: | | | | | | |
| General Government | 8,189,298 | - | - | - | - | 8,189,298 |
| Debt Service | - | 1,466,468 | - | - | - | 1,466,468 |
| Capital Projects | - | - | - | 17,343,637 | - | 17,343,637 |
| Public Safety | - | - | - | - | 220,308 | 220,308 |
| Community Recreation and Cultural | - | - | - | - | 257,957 | 257,957 |
| Unassigned | 110,422,643 | - | - | - | - | 110,422,643 |
| Total Fund Balance | 131,775,364 | 1,466,468 | 84,617 | 79,364,996 | 29,927,476 | 242,618,921 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 191,935,473 | \$ 1,466,468 | \$ 5,419,275 | \$ 85,291,445 | \$ 39,682,764 | \$ 323,795,425 |

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

| | | |
|---|-----------|------------------------|
| Total Fund Balance - Governmental Funds | \$ | 242,618,921 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets including construction-in-progress used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$480,410,069 and the accumulated depreciation is \$298,280,551.</p> | | 182,129,518 |
| <p>Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and, therefore, are treated as deferred inflows in the funds. Receivable amounts are shown net of allowances, but are not deferred inflows in the government-wide financial statements.</p> | | 20,458,722 |
| <p>The net pension liability, and deferred inflows and outflows of resources for pension are not recorded on the fund financial statements.</p> | | (852,807,221) |
| <p>The deferred outflows related to long-term debt are not reported in the funds.</p> | | 2,397,980 |
| <p>Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p> | | |
| Bonds payable, net of unamortized premiums/discounts | \$ | (416,627,243) |
| Capital lease liability | | (6,825,565) |
| Accrued workers' compensation | | (126,100,718) |
| Accrued compensated absences | | (30,805,315) |
| Unfunded post-retirement employee benefits | | (142,634,256) |
| Accrued interest payable | | (6,652,251) |
| Accrued claims and judgments | | (4,950,000) |
| | | (734,595,348) |
| Total Net Position - Governmental Activities | \$ | (1,139,797,428) |

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

| | General | Debt Service | Special Revenue CDBG | Capital Projects | Total Nonmajor Funds | Total Governmental Funds |
|--|-----------------------|---------------------|----------------------|----------------------|----------------------|--------------------------|
| Revenues: | | | | | | |
| Taxes, including penalties and interest | \$ 446,951,440 | \$ - | \$ - | \$ 166,965 | \$ 5,633,489 | \$ 452,751,894 |
| Payment in lieu of taxes | 391,491 | - | - | - | - | 391,491 |
| Interest and dividends | 1,225,158 | 496,553 | - | - | 73,656 | 1,795,367 |
| Fines and forfeits | 9,031,455 | - | - | - | 145,224 | 9,176,679 |
| Intergovernmental revenues | 41,132,418 | - | 17,465,658 | 5,650,038 | 14,988,879 | 79,236,993 |
| Charges for user services | 45,364,537 | - | - | - | 14,121,495 | 59,486,032 |
| Miscellaneous | 1,187,544 | - | - | 997,355 | 3,449,170 | 5,634,069 |
| Total revenues | 545,284,043 | 496,553 | 17,465,658 | 6,814,358 | 38,411,913 | 608,472,525 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 64,609,313 | - | 6,472,591 | 3,157,698 | 13,587,878 | 87,827,480 |
| Public safety | 286,619,460 | - | 259,700 | 1,528,769 | 12,063,624 | 300,471,553 |
| Public works | 46,335,994 | - | 3,553,456 | 35,170,428 | 11,124,578 | 96,184,456 |
| Sanitation | 18,405,060 | - | - | 237,915 | - | 18,642,975 |
| Community, recreational, and cultural | 6,660,022 | - | 805,527 | - | 1,910,281 | 9,375,830 |
| Economic and physical development | - | - | 6,374,384 | 2,421,214 | - | 8,795,598 |
| Claims and judgments | 2,612,157 | - | - | - | - | 2,612,157 |
| Debt service: | | | | | | |
| Principal retirement of bonds | - | 66,173,375 | - | - | - | 66,173,375 |
| Interest on bonds | - | 20,795,184 | - | 867,173 | - | 21,662,357 |
| Bond issuance costs | - | - | - | 371,504 | - | 371,504 |
| Public Auditorium Authority subsidy | 126,983 | - | - | - | - | 126,983 |
| Urban Redevelopment Authority subsidy | 5,715,274 | - | - | - | - | 5,715,274 |
| Total expenditures | 431,084,263 | 86,968,559 | 17,465,658 | 43,754,701 | 38,686,361 | 617,959,542 |
| Excess (Deficiency) of Revenues Over Expenditures | 114,199,780 | (86,472,006) | - | (36,940,343) | (274,448) | (9,487,017) |
| Other Financing Sources (Uses): | | | | | | |
| Issuance of debt | - | - | - | 54,635,000 | - | 54,635,000 |
| Bond premium | - | - | - | 6,603,677 | - | 6,603,677 |
| Transfers from other funds | 3,472,500 | 86,616,450 | - | 12,165,795 | 8,890,281 | 111,145,026 |
| Transfers to other funds | (100,376,450) | - | - | (6,506,535) | (4,262,041) | (111,145,026) |
| Total other financing sources (uses) | (96,903,950) | 86,616,450 | - | 66,897,937 | 4,628,240 | 61,238,677 |
| Net Change in Fund Balances | 17,295,830 | 144,444 | - | 29,957,594 | 4,353,792 | 51,751,660 |
| Fund Balances: | | | | | | |
| Beginning of year | 114,479,534 | 1,322,024 | 84,617 | 49,407,402 | 25,573,684 | 190,867,261 |
| End of year | <u>\$ 131,775,364</u> | <u>\$ 1,466,468</u> | <u>\$ 84,617</u> | <u>\$ 79,364,996</u> | <u>\$ 29,927,476</u> | <u>\$ 242,618,921</u> |

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balance - Governmental Funds \$ 51,751,660

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays less net deletions in the current period:

| | | | |
|--|----------------------------|---------------------|------------|
| | Capital outlays | \$ 40,642,475 | |
| | Less: net deletions | (124,887) | |
| | Less: depreciation expense | <u>(14,875,443)</u> | 25,642,145 |

Some taxes and other revenues will not be collected for several months after the City's year-end, they are not considered as "available" revenues in the governmental funds. Deferred inflows changed by this amount during the year.

4,338,495

Changes in the net pension liability and related deferred inflows and outflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.

(16,578,571)

The issuance of long-term obligations (e.g., notes and bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the statement of activities. Also, governmental funds report the effect of premiums, discounts, interest, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

9,110,429

In the statement of activities, certain expenses - workers' compensation, compensated absences, other post-employment benefits, and claims and judgments are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.

1,176,632

Change in Net Position of Governmental Activities

\$ 75,440,790

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands)

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|----------------|----------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| <u>Taxes, net of refunds and banking fees:</u> | | | | |
| Real estate | \$ 139,572 | \$ 139,572 | \$ 139,477 | \$ (95) |
| Non-profit payment for services | 417 | 417 | 521 | 104 |
| Payroll preparation | 64,396 | 64,396 | 61,868 | (2,528) |
| Amusement | 18,467 | 18,467 | 17,383 | (1,084) |
| Earned income | 91,471 | 91,471 | 96,549 | 5,078 |
| Deed transfer | 25,369 | 25,369 | 29,865 | 4,496 |
| Parking | 56,513 | 56,513 | 56,106 | (407) |
| Occupation Privilege | - | - | (38) | (38) |
| Local Services Tax | 14,122 | 14,122 | 14,398 | 276 |
| Business privilege | - | - | 3 | 3 |
| Institution and service privilege | 576 | 576 | 587 | 11 |
| Facility usage fee | 6,296 | 6,296 | 5,317 | (979) |
| Public service | 1,118 | 1,118 | 1,052 | (66) |
| Penalties and interest | 1,199 | 1,199 | 1,288 | 89 |
| Act 77 - tax relief | 20,685 | 20,685 | 21,472 | 787 |
| | <u>440,201</u> | <u>440,201</u> | <u>445,848</u> | <u>5,647</u> |
| Total taxes, net of refunds and banking fees | | | | |
| Interest earnings | 324 | 324 | 1,195 | 871 |
| Fines and forfeits | 9,416 | 9,416 | 10,657 | 1,241 |
| <u>Licenses and fees:</u> | | | | |
| Liquor and malt beverage | 416 | 416 | 404 | (12) |
| General government | 12,354 | 12,354 | 12,592 | 238 |
| Rentals and charges | 35,353 | 35,353 | 31,162 | (4,191) |
| | <u>48,123</u> | <u>48,123</u> | <u>44,158</u> | <u>(3,965)</u> |
| Total licenses and fees | | | | |
| Federal and state grants | 4,922 | 4,922 | 4,697 | (225) |
| Reimbursement, CDBG | 222 | 222 | 141 | (81) |
| Public Parking Authority | 1,873 | 1,873 | 1,900 | 27 |
| PWSA reimbursement | 5,300 | 5,300 | 2,650 | (2,650) |
| Sports and Exhibition Authority | - | - | - | - |
| Urban Redevelopment Authority | - | - | - | - |
| State utility tax | 431 | 431 | 416 | (15) |
| Miscellaneous | 18 | 18 | 126 | 108 |
| Sale of public property | 23 | 23 | 219 | 196 |
| State aid - pension | 20,075 | 20,075 | 22,129 | 2,054 |
| Economic development slots revenue | 4,500 | 4,500 | - | (4,500) |
| 2% Local share of slots revenue | 10,000 | 10,000 | 10,281 | 281 |
| Operating transfer | - | - | - | - |
| | <u>47,364</u> | <u>47,364</u> | <u>42,559</u> | <u>(4,805)</u> |
| Total other revenues | | | | |
| Fund Balance - Prior Year | - | - | - | - |
| Total budgeted revenues | <u>545,428</u> | <u>545,428</u> | <u>544,417</u> | <u>(1,011)</u> |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND**

YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands)
(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|---|-------------------------------|--|-----------------|----------------|--------------|-----------------|--------------|
| Expenditures: | | | | | | | |
| Current Operating-General Government | | | | | | | |
| City Council and City Clerk's Office: | | | | | | | |
| City Council: | | | | | | | |
| Salaries/Employee Benefits | 2,173 | - | 2,173 | 2,025 | - | 2,025 | 148 |
| Non-salaries | 40 | - | 40 | 14 | - | 14 | 26 |
| Total City Council | 2,213 | - | 2,213 | 2,039 | - | 2,039 | 174 |
| City Clerk's Office: | | | | | | | |
| Salaries/Employee Benefits | 886 | - | 886 | 819 | - | 819 | 67 |
| Non-salaries | 311 | 12 | 323 | 230 | 37 | 267 | 56 |
| Total City Clerk's office | 1,197 | 12 | 1,209 | 1,049 | 37 | 1,086 | 123 |
| Total City Council and City Clerk's office | 3,410 | 12 | 3,422 | 3,088 | 37 | 3,125 | 297 |
| Mayor's Office: | | | | | | | |
| Office of the Mayor | | | | | | | |
| Salaries/Employee Benefits | 1,188 | 16 | 1,204 | 1,197 | - | 1,197 | 7 |
| Non-salaries | 74 | (16) | 58 | 45 | - | 45 | 13 |
| Total Office of the Mayor | 1,262 | - | 1,262 | 1,242 | - | 1,242 | 20 |
| Office of Neighborhood Empowerment: | | | | | | | |
| Salaries/Employee Benefits | 1,003 | - | 1,003 | 835 | - | 835 | 168 |
| Non-salaries | 129 | 50 | 179 | 59 | 18 | 77 | 102 |
| Total Office of Neighborhood Empowerment | 1,132 | 50 | 1,182 | 894 | 18 | 912 | 270 |
| Office of Management and Budget | | | | | | | |
| Salaries/Employee Benefits | 2,075 | 25 | 2,100 | 2,075 | - | 2,075 | 25 |
| Non-salaries | 14,022 | 550 | 14,572 | 13,486 | 637 | 14,123 | 449 |
| Total Office of Management and Budget | 16,097 | 575 | 16,672 | 15,561 | 637 | 16,198 | 474 |
| Total Mayor's Office | 18,491 | 625 | 19,116 | 17,697 | 655 | 18,352 | 764 |
| Innovation & Performance: | | | | | | | |
| Salaries/Employee Benefits | 4,689 | - | 4,689 | 4,322 | - | 4,322 | 367 |
| Non-salaries | 5,693 | 236 | 5,929 | 4,788 | 476 | 5,264 | 665 |
| Total City Information Systems | 10,382 | 236 | 10,618 | 9,110 | 476 | 9,586 | 1,032 |
| Commission on Human Relations: | | | | | | | |
| Salaries/Employee Benefits | 418 | - | 418 | 374 | - | 374 | 44 |
| Non-salaries | 52 | 3 | 55 | 43 | 3 | 46 | 9 |
| Total Human Relations | 470 | 3 | 473 | 417 | 3 | 420 | 53 |
| Office of City Controller: | | | | | | | |
| Salaries/Employee Benefits | 4,062 | - | 4,062 | 3,583 | - | 3,583 | 479 |
| Non-salaries | 208 | 70 | 278 | 83 | 68 | 151 | 127 |
| Total Office of City Controller | 4,270 | 70 | 4,340 | 3,666 | 68 | 3,734 | 606 |
| Department of Finance: | | | | | | | |
| Salaries/Employee Benefits | 5,623 | - | 5,623 | 5,367 | - | 5,367 | 256 |
| Non-salaries | 4,236 | 474 | 4,710 | 3,769 | 977 | 4,746 | (36) |
| Pension | 72,857 | - | 72,857 | 72,454 | - | 72,454 | 403 |
| Debt service | 87,272 | - | 87,272 | 86,616 | - | 86,616 | 656 |
| Debt service subsidy | 127 | - | 127 | 127 | - | 127 | - |
| Total Department of Finance | 170,115 | 474 | 170,589 | 168,333 | 977 | 169,310 | 1,279 |
| Department of Law | | | | | | | |
| Salaries/Employee Benefits | 2,483 | - | 2,483 | 2,380 | - | 2,380 | 103 |
| Non-salaries | 2,401 | 123 | 2,524 | 1,743 | 106 | 1,849 | 675 |
| Total Law | 4,884 | 123 | 5,007 | 4,123 | 106 | 4,229 | 778 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands)
(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|---|-------------------------------|--|-----------------|----------------|--------------|-----------------|---------------|
| Current Operating-General Government, cont: | | | | | | | |
| Department of Law - Ethics Board: | | | | | | | |
| Salaries/Employee Benefits | 81 | - | 81 | 75 | - | 75 | 6 |
| Non-salaries | 80 | 2 | 82 | 7 | 2 | 9 | 73 |
| Total Department of Law - Ethics Board | 161 | 2 | 163 | 82 | 2 | 84 | 79 |
| Department of Law - OMI: | | | | | | | |
| Salaries/Employee Benefits | 627 | - | 627 | 592 | - | 592 | 35 |
| Non-salaries | 114 | 15 | 129 | 67 | 15 | 82 | 47 |
| Total Department of Law - OMI | 741 | 15 | 756 | 659 | 15 | 674 | 82 |
| Total Department of Law | 5,786 | 140 | 5,926 | 4,864 | 123 | 4,987 | 939 |
| Department of Personnel and Civil Service Commission: | | | | | | | |
| Salaries/Employee Benefits | 47,511 | (1,780) | 45,731 | 41,359 | 323 | 41,682 | 4,049 |
| Non-salaries | 2,137 | 731 | 2,868 | 1,832 | 769 | 2,601 | 267 |
| Total Department of Personnel and Civil Service Commission | 49,648 | (1,049) | 48,599 | 43,191 | 1,092 | 44,283 | 4,316 |
| Department of City Planning: | | | | | | | |
| Salaries/Employee Benefits | 3,145 | - | 3,145 | 2,965 | - | 2,965 | 180 |
| Non-salaries | 596 | 200 | 796 | 248 | 60 | 308 | 488 |
| Total Department of City Planning | 3,741 | 200 | 3,941 | 3,213 | 60 | 3,273 | 668 |
| Department of Permits, Licenses, & Inspection | | | | | | | |
| Salaries/Employee Benefits | 5,215 | - | 5,215 | 4,558 | - | 4,558 | 657 |
| Non-salaries | 403 | 90 | 493 | 282 | 48 | 330 | 163 |
| Total Department of Permits, Licenses, & Inspection | 5,618 | 90 | 5,708 | 4,840 | 48 | 4,888 | 820 |
| Total General Government | 271,931 | 801 | 272,732 | 258,419 | 3,539 | 261,958 | 10,774 |
| Public Safety - Department of Public Safety: | | | | | | | |
| Bureau of Administration: | | | | | | | |
| Salaries/Employee Benefits | 3,411 | 3 | 3,414 | 3,073 | - | 3,073 | 341 |
| Non-salaries | 3,249 | 118 | 3,367 | 3,123 | 212 | 3,335 | 32 |
| Total Bureau of Administration | 6,660 | 121 | 6,781 | 6,196 | 212 | 6,408 | 373 |
| Bureau of Emergency Medical Services: | | | | | | | |
| Salaries/Employee Benefits | 19,436 | - | 19,436 | 19,111 | - | 19,111 | 325 |
| Non-salaries | 885 | 2 | 887 | 736 | 50 | 786 | 101 |
| Total Bureau of Emergency Medical Services | 20,321 | 2 | 20,323 | 19,847 | 50 | 19,897 | 426 |
| Bureau of Police: | | | | | | | |
| Salaries/Employee Benefits | 92,254 | 1,500 | 93,754 | 92,844 | - | 92,844 | 910 |
| Non-salaries | 6,200 | 92 | 6,292 | 4,966 | 102 | 5,068 | 1,224 |
| Total Bureau of Police | 98,454 | 1,592 | 100,046 | 97,810 | 102 | 97,912 | 2,134 |
| Bureau of Fire: | | | | | | | |
| Salaries/Employee Benefits | 72,979 | (2,297) | 70,682 | 68,287 | - | 68,287 | 2,395 |
| Non-salaries | 2,730 | 2,366 | 5,096 | 1,964 | 69 | 2,033 | 3,063 |
| Total Bureau of Fire | 75,709 | 69 | 75,778 | 70,251 | 69 | 70,320 | 5,458 |
| Public Safety: | | | | | | | |
| Public Safety Animal Control | | | | | | | |
| Salaries/Employee Benefits | 982 | - | 982 | 950 | - | 950 | 32 |
| Non-salaries | 615 | 53 | 668 | 439 | 263 | 702 | (34) |
| Total Public Safety Animal Control | 1,597 | 53 | 1,650 | 1,389 | 263 | 1,652 | (2) |
| Total Public Safety - Department of Public Safety | 202,741 | 1,837 | 204,578 | 195,493 | 696 | 196,189 | 8,389 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands)
(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|---|-------------------------------|--|-----------------|----------------|--------------|------------------|------------------|
| Department of Public Works: | | | | | | | |
| Administration: | | | | | | | |
| Salaries/Employee Benefits | 965 | - | 965 | 925 | - | 925 | 40 |
| Non-salaries | 175 | - | 175 | 117 | - | 117 | 58 |
| Total Administration | 1,140 | - | 1,140 | 1,042 | - | 1,042 | 98 |
| Operations: | | | | | | | |
| Salaries/Employee Benefits | 23,400 | 50 | 23,450 | 23,334 | - | 23,334 | 116 |
| Non-salaries | 13,353 | - | 13,353 | 11,423 | 305 | 11,728 | 1,625 |
| Total Operations | 36,753 | 50 | 36,803 | 34,757 | 305 | 35,062 | 1,741 |
| Environmental Services: | | | | | | | |
| Salaries/Employee Benefits | 11,858 | - | 11,858 | 11,222 | - | 11,222 | 636 |
| Non-salaries | 4,120 | - | 4,120 | 3,395 | - | 3,395 | 725 |
| Total Environmental Services | 15,978 | - | 15,978 | 14,617 | - | 14,617 | 1,361 |
| Engineering: | | | | | | | |
| Salaries/Employee Benefits | 4,238 | - | 4,238 | 3,984 | - | 3,984 | 254 |
| Non-salaries | - | - | - | - | - | - | - |
| Total Engineering | 4,238 | - | 4,238 | 3,984 | - | 3,984 | 254 |
| Mobility & Infrastructure: | | | | | | | |
| Salaries/Employee Benefits | 390 | 65 | 455 | 453 | - | 453 | 2 |
| Non-salaries | 50 | - | 50 | 25 | - | 25 | 25 |
| Total Mobility & Infrastructure | 440 | 65 | 505 | 478 | - | 478 | 27 |
| Total Department of Public Works | 58,549 | 115 | 58,664 | 54,878 | 305 | 55,183 | 3,481 |
| Community, Recreational, and Cultural - | | | | | | | |
| Department of Parks and Recreation: | | | | | | | |
| Administration: | | | | | | | |
| Salaries/Employee Benefits | 4,512 | - | 4,512 | 3,991 | - | 3,991 | 521 |
| Non-salaries | 836 | 49 | 885 | 678 | 48 | 726 | 159 |
| Total Community, Recreational, and Cultural - Department of Parks and Recreation | 5,348 | 49 | 5,397 | 4,669 | 48 | 4,717 | 680 |
| Citizens Review Board: | | | | | | | |
| Salaries/Employee Benefits | 445 | - | 445 | 389 | - | 389 | 56 |
| Non-salaries | 179 | 5 | 184 | 149 | 63 | 212 | (28) |
| Total Citizens Review Board | 624 | 5 | 629 | 538 | 63 | 601 | 28 |
| Non-departmental | | | | | | | |
| Operating transfer | - | - | - | 12,000 | - | 12,000 | (12,000) |
| Total Expenditures | 539,193 | 2,807 | 542,000 | 525,997 | 4,651 | 530,648 | 11,352 |
| Excess (Deficiency) of Revenues over Expenditures | \$ 6,235 | | \$ 3,428 | | | \$ 13,769 | \$ 10,341 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND

YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands)
(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

| | |
|---|-------------------|
| Actual amounts (budgetary basis) revenues from the statement of revenues, expenditures, and changes in fund balance - actual and budget. | \$ 544,417 |
| Actual amounts not included on budgetary basis. | 1,775 |
| Transfer in | 3,472 |
| The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget. | <u>(907)</u> |
| Total General Fund revenue and other financing sources on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 548,757</u> |

Users/Outflows of Resources:

| | |
|--|-------------------|
| Actual amounts (budgetary basis) "total expenditures" from the statement of revenues, expenditures, and changes in fund balance - actual and budget. | \$ 525,997 |
| Actual amounts not included on budgetary basis. | 444 |
| Transfer out not included on budgetary basis. | 7,475 |
| The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget. | <u>(2,455)</u> |
| Total General Fund expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 531,461</u> |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------------|------------------------|--------------------------------|--------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| <u>Intergovernmental</u> | <u>\$ 36,536,613</u> | <u>\$ 36,536,613</u> | <u>\$ 13,023,275</u> | <u>\$ (23,513,338)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Council and City Clerk's Office | 3,345,200 | 3,345,200 | 1,312,833 | 2,032,367 |
| Finance | 55,755 | 55,755 | - | 55,755 |
| Department of Personnel and Human Relations | 2,178,880 | 2,178,880 | 449,608 | 1,729,272 |
| Department of City Planning | 4,564,053 | 4,564,053 | 2,038,428 | 2,525,625 |
| General services | 13,474 | 13,474 | - | 13,474 |
| Public safety | 146,300 | 146,300 | 129,850 | 16,450 |
| Public works: | | | | |
| Public works | 8,887,264 | 8,887,264 | 3,253,814 | 5,633,450 |
| Engineering and construction | 468,660 | 468,660 | 321,205 | 147,455 |
| Community, recreational, and cultural programs | 2,457,212 | 2,457,212 | 606,978 | 1,850,234 |
| Intergovernmental programs | 14,419,815 | 14,419,815 | 5,282,713 | 9,137,102 |
| Total expenditures | <u>36,536,613</u> | <u>36,536,613</u> | <u>13,395,429</u> | <u>23,141,184</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (372,154)</u></u> | <u><u>\$ (372,154)</u></u> |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands)
(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

| | | |
|---|----|----------------------|
| Actual amounts (budgetary basis) revenues from the statement of revenues, expenditures, and changes in fund balance - actual and budget. | \$ | 13,023 |
| Actual amounts not included on budgetary basis. | | 1,525 |
| The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget. | | <u>2,918</u> |
| Total Community Development Fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. | \$ | <u><u>17,466</u></u> |

Users/Outflows of Resources:

| | | |
|---|----|----------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the statement of revenues, expenditures, and changes in fund balance - actual and budget. | \$ | 13,395 |
| Actual amounts not included on budgetary basis. | | 1,549 |
| The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget. | | <u>2,522</u> |
| Total Community Development Fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balance. | \$ | <u><u>17,466</u></u> |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH,
PENNSYLVANIA

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

DECEMBER 31, 2017

| <u>Assets</u> | <u>Pension Trust Fund</u> | <u>OPEB Trust Fund</u> | <u>Agency Fund</u> |
|--|-----------------------------------|--------------------------------|------------------------|
| Cash and cash equivalents | \$ 16,966,769 | \$ 831,247 | \$ 37,727,297 |
| Investments: | | | |
| Common stock | 63,657,204 | - | - |
| U.S. government and agency obligations | 17,935,774 | - | - |
| Corporate and other obligations | 30,248,826 | - | - |
| Mutual funds: | | | |
| U.S. equities | 108,301,851 | 10,393,776 | - |
| Non-U.S. equities | 76,260,276 | - | - |
| Fixed income | 25,977,428 | 7,224,318 | - |
| Hedge funds | 57,768,339 | - | - |
| Real estate funds | 40,680,244 | 912,780 | - |
| Private equity | 12,606,162 | - | - |
| Other assets | - | - | 77,463 |
| Accrued interest and dividend receivables | 452,093 | - | - |
| Total Assets | 450,854,966 | 19,362,121 | 37,804,760 |
| Liabilities | | | |
| Benefits and related withholdings payable | 2,174,458 | - | - |
| Accounts payable | 196,725 | - | 106,975 |
| Deposits held for others | - | - | 1,451,584 |
| Accrued liabilities and other payables | 11,060 | - | 36,246,201 |
| Total Liabilities | 2,382,243 | - | 37,804,760 |
| Net Position | | | |
| Restricted for Pension Benefits and other purposes | \$ 448,472,723 | \$ 19,362,121 | \$ - |

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2017

| | Pension Trust Fund | OPEB Trust Fund |
|--|--------------------------|-----------------------|
| Additions: | | |
| <hr/> | | |
| Contributions: | | |
| Employer - pension benefits | \$ 48,358,235 | \$ - |
| Employer - other benefits | 3,015,011 | 25,566,786 |
| State Aid | 22,129,146 | - |
| Plan members | 11,372,391 | - |
| Total contributions | 84,874,783 | 25,566,786 |
| Investment income: | | |
| Net increase (decrease) in fair value of investments | 54,900,264 | 1,669,561 |
| Interest and dividends | 4,937,665 | 579,974 |
| Total investment income (loss) | 59,837,929 | 2,249,535 |
| Investment expense | (793,889) | (8,767) |
| Net investment income (loss) | 59,044,040 | 2,240,768 |
| Miscellaneous: | | |
| Other | 585,480 | - |
| Total additions | 144,504,303 | 27,807,554 |
| Deductions: | | |
| <hr/> | | |
| Benefit payments | 92,145,619 | - |
| Benefit payments - other benefits | 3,015,011 | 23,066,786 |
| Refund of employee contributions | 1,394,145 | - |
| Administrative expense | 1,299,205 | 49,551 |
| Total deductions | 97,853,980 | 23,116,337 |
| Change in Net Position | 46,650,323 | 4,691,217 |
| Net Position: | | |
| <hr/> | | |
| Beginning of year | 401,822,400 | 14,670,904 |
| End of year | \$ 448,472,723 | \$ 19,362,121 |

See accompanying notes to financial statements.

**COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS**

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

DECEMBER 31, 2017

| | URA | Pittsburgh Water and Sewer Authority | Stadium Authority | Public Parking Authority | Total |
|--|--------------------|---|----------------------|--------------------------------|----------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 82,465,605 | \$ 11,076,000 | \$ 1,957,356 | \$ 214,686 | \$ 95,713,647 |
| Cash and cash equivalents - restricted | - | - | 7,724,039 | 10,853,359 | 18,577,398 |
| Investments - unrestricted | 43,228,216 | - | - | 12,248,916 | 55,477,132 |
| Investments - restricted | - | - | - | 27,290,550 | 27,290,550 |
| Accounts receivable, net | - | 30,890,000 | - | 1,021,048 | 31,911,048 |
| Due from other governments | 2,934,183 | - | - | - | 2,934,183 |
| Notes receivable | - | - | - | 13,966 | 13,966 |
| Inventory | - | 3,777,000 | - | - | 3,777,000 |
| Accrued interest receivable and other assets | - | - | 4,235 | 343,324 | 347,559 |
| Other receivables | 711,503 | - | 1,817,086 | - | 2,528,589 |
| Prepays | - | 674,000 | 10,113 | - | 684,113 |
| Total current assets | 129,339,507 | 46,417,000 | 11,512,829 | 51,985,849 | 239,255,185 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | 18,264,000 | - | - | 18,264,000 |
| Investments | - | 11,684,000 | - | 8,941,672 | 20,625,672 |
| Non-routine maintenance | - | - | - | - | - |
| Deposits held for development fund | - | - | 1,329,509 | - | 1,329,509 |
| Reserve/loans escrow | - | - | 5,217,468 | - | 5,217,468 |
| Total restricted assets | - | 29,948,000 | 6,546,977 | 8,941,672 | 45,436,649 |
| Investments - unrestricted | - | - | - | 11,778,590 | 11,778,590 |
| Capital assets: | | | | | |
| Buildings and building improvements | 56,975,870 | - | 29,580,414 | - | 86,556,284 |
| Land and land improvements | 13,204,423 | - | - | 25,524,831 | 38,729,254 |
| Parking facilities | - | - | - | 179,689,722 | 179,689,722 |
| Machinery and equipment | - | - | 43,588 | 14,381,187 | 14,424,775 |
| Utility assets | - | 875,597,000 | - | - | 875,597,000 |
| Non-utility assets | - | 22,717,000 | - | - | 22,717,000 |
| Infrastructure | - | - | 2,241,369 | - | 2,241,369 |
| Construction-in-progress | 252,954 | 100,240,000 | 19,616,659 | 893,027 | 121,002,640 |
| Less: accumulated depreciation | (27,743,253) | (308,747,000) | (8,347,066) | (98,152,329) | (442,989,648) |
| Total net capital assets | 42,689,994 | 689,807,000 | 43,134,964 | 122,336,438 | 897,968,396 |
| Leasehold improvements, net | - | - | - | 5,292,863 | 5,292,863 |
| Other assets | 1,000,200 | - | - | - | 1,000,200 |
| Property held for redevelopment | 23,499,065 | - | - | - | 23,499,065 |
| Loans/notes receivable, net | 59,689,732 | - | - | 3,162,267 | 62,851,999 |
| Net pension asset | - | - | - | 3,222,004 | 3,222,004 |
| Prepaid bond insurance | - | - | - | 216,636 | 216,636 |
| Total noncurrent assets | 126,878,991 | 719,755,000 | 49,681,941 | 154,950,470 | 1,051,266,402 |
| Total Assets | 256,218,498 | 766,172,000 | 61,194,770 | 206,936,319 | 1,290,521,587 |
| Deferred Outflows of Resources | | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | 3,279,000 | - | - | 3,279,000 |
| Net differences between projected and actual earnings on pension investments | - | - | - | - | - |
| Deferred charge on refunding | - | 110,326,000 | - | 4,509,665 | 114,835,665 |
| Total Deferred Outflows of Resources | - | 113,605,000 | - | 4,509,665 | 118,114,665 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

DECEMBER 31, 2017

(Continued)

| | URA | Pittsburgh Water and Sewer Authority | Stadium Authority | Public Parking Authority | Total |
|---|-----------------------|---|----------------------|--------------------------------|-----------------------|
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Bonds and loans payable, current portion | 1,730,614 | 24,603,000 | 27,184,792 | 4,910,000 | 58,428,406 |
| Accrued payroll and related obligations | - | 1,217,000 | - | - | 1,217,000 |
| Accounts payable - City of Pittsburgh | - | - | - | 13,601,989 | 13,601,989 |
| Accounts payable - wastewater treatment | - | 17,863,000 | - | - | 17,863,000 |
| Unearned revenue | 2,267,685 | - | - | 903,767 | 3,171,452 |
| Other liabilities | - | - | - | 19,367 | 19,367 |
| Accounts payable and other accrued expenses | 4,789,384 | 15,506,000 | 4,041,071 | 5,054,227 | 29,390,682 |
| Accrued interest payable | - | 3,773,000 | 72,527 | 212,054 | 4,057,581 |
| Total current liabilities | 8,787,683 | 62,962,000 | 31,298,390 | 24,701,404 | 127,749,477 |
| Noncurrent liabilities: | | | | | |
| Unearned revenue | - | 164,000 | - | - | 164,000 |
| Other liabilities | - | - | - | 4,604,094 | 4,604,094 |
| Accrued payroll and related obligations | - | 594,000 | - | - | 594,000 |
| Swap liability | - | 18,319,000 | - | - | 18,319,000 |
| Bonds and loans payable, net of current portion | 29,461,732 | 841,574,000 | 816,004 | 52,477,091 | 924,328,827 |
| Advances from the City of Pittsburgh | - | - | 22,775,168 | - | 22,775,168 |
| Total noncurrent liabilities | 29,461,732 | 860,651,000 | 23,591,172 | 57,081,185 | 970,785,089 |
| Total Liabilities | 38,249,415 | 923,613,000 | 54,889,562 | 81,782,589 | 1,098,534,566 |
| Deferred Inflows of Resources | | | | | |
| Deferred gain on refunding | - | - | - | 2,507,862 | 2,507,862 |
| Differences between expected and actual experience for pension plan | - | - | - | 521,418 | 521,418 |
| Net difference between projected and actual earnings on pension investments | - | - | - | 671,019 | 671,019 |
| Total Deferred Inflows of Resources | - | - | - | 3,700,299 | 3,700,299 |
| Net Position | | | | | |
| Net investment in capital assets | 39,271,095 | (29,609,000) | 15,134,168 | 68,136,131 | 92,932,394 |
| Restricted for: | | | | | |
| Capital projects | - | 13,240,000 | 6,761,271 | 8,329,375 | 28,330,646 |
| Debt service | - | - | 5,217,468 | 536,931 | 5,754,399 |
| Indenture funds | - | - | - | 25,019,491 | 25,019,491 |
| Pension | - | - | - | 2,022,086 | 2,022,086 |
| Urban Development | 44,489,808 | - | - | - | 44,489,808 |
| Lending programs | 88,281,890 | - | - | - | 88,281,890 |
| Housing program | 2,690,121 | - | - | - | 2,690,121 |
| Unrestricted | 43,236,169 | (27,467,000) | (20,807,699) | 21,919,082 | 16,880,552 |
| Total Net Position | \$ 217,969,083 | \$ (43,836,000) | \$ 6,305,208 | \$ 125,963,096 | \$ 306,401,387 |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2017

| | Program Revenues | | | | Urban Redevelopment Authority | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|-------------------------------|--------------------------|--------------------|---------------------------|---|--------------------------|----------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | URA Component Unit | Water and Sewer Authority | Stadium Authority | Public Parking Authority | Total | |
| Urban Redevelopment Authority: | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | |
| Urban development | \$ 41,658,362 | \$ 6,106,944 | \$ 33,387,787 | \$ - | \$ (2,163,631) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (2,163,631) | |
| General government | 10,081,112 | 3,983,172 | 2,103,732 | - | (3,994,208) | - | - | - | - | - | (3,994,208) | |
| Interest on long-term debt | 677,727 | - | - | - | (677,727) | - | - | - | - | - | (677,727) | |
| Total governmental activities | 52,417,201 | 10,090,116 | 35,491,519 | - | (6,835,566) | - | - | - | - | - | (6,835,566) | |
| Business-type activities: | | | | | | | | | | | | |
| Lending programs | 2,275,800 | 1,412,739 | - | - | (863,061) | - | - | - | - | - | (863,061) | |
| Property management | 5,729,804 | 5,835,034 | - | - | 104,230 | - | - | - | - | - | 103,230 | |
| Total business-type activities | 8,005,604 | 7,245,773 | - | - | (759,831) | - | - | - | - | - | (759,831) | |
| URA Component Unit | 421,930 | 18,471 | 81,988 | - | - | (321,471) | - | - | - | - | (321,471) | |
| Total URA | 60,844,735 | 17,354,360 | 35,573,507 | - | (6,835,566) | (759,831) | (321,471) | - | - | - | (7,916,868) | |
| Pittsburgh Water and Sewer Authority | 212,199,000 | 202,996,000 | - | 1,595,000 | - | - | - | (7,608,000) | - | - | (7,608,000) | |
| Stadium Authority | 4,309,870 | 7,552,790 | - | - | - | - | - | 3,242,860 | - | - | 3,242,860 | |
| Public Parking Authority | 58,752,434 | 67,492,362 | - | - | - | - | - | - | 8,739,928 | - | 8,739,928 | |
| Total Component Units | \$ 336,106,039 | \$ 295,395,452 | \$ 35,573,507 | \$ 1,595,000 | (6,835,566) | (759,831) | (321,471) | (7,608,000) | 3,242,860 | 8,739,928 | (3,542,080) | |
| General revenues: | | | | | | | | | | | | |
| Investment income, net | | | | 272,879 | | 123,799 | - | 1,295,000 | 38,508 | 552,655 | 2,282,841 | |
| Gain (loss) on sale of assets | | | | - | | - | 265,000 | - | - | - | 265,000 | |
| Miscellaneous revenue (expense) | | | | - | | - | - | - | 15,605 | 281,930 | 297,535 | |
| Transfer in (out) | | | | 364,988 | | (364,988) | - | - | - | - | - | |
| Total general revenues | | | | 637,867 | | (241,189) | 265,000 | 1,295,000 | 54,113 | 834,585 | 2,845,376 | |
| Change in Net Position | | | | (6,197,699) | | (1,001,020) | (56,471) | (6,313,000) | 3,296,973 | 9,574,513 | (696,704) | |
| Net position - beginning | | | | 114,878,406 | | 107,599,275 | 2,746,592 | (37,523,000) | 3,008,235 | 116,388,583 | 307,098,091 | |
| Net position - ending | | | | \$ 108,680,707 | | \$ 106,598,255 | \$ 2,690,121 | \$ (43,836,000) | \$ 6,305,208 | \$ 125,963,096 | \$ 306,401,387 | |

See accompanying notes to financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

Primary Government Disclosures:

Description of City

The City of Pittsburgh, Pennsylvania (City or primary government) was incorporated on July 20, 1816 and chartered as a home rule municipality on January 5, 1976. The City operates under a strong mayor form of government and provides the following services as authorized by its charter: public safety (police, fire, and emergency medical services), highways and streets, sanitation, economic development, cultural and recreational, public improvements, planning and zoning, and general administrative services.

The major accounting principles and practices followed by the City are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

(A) The Financial Reporting Entity

The criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) outside of the legal City entity within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

1. Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

2. Legally separate organizations that are fiscally dependent on the City and a financial benefit or burden relationship are present. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the legally separate-government entities for which the City is financially accountable or for which there is a significant relationship (component units). Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such organizations in the City's financial statements are provided in the following paragraphs. Audited financial statements for all of the component units are available for public inspection in the City Controller's office.

(B) Net Position Deficit and Liquidity

As of December 31, 2017, the City, in its statement of net position, shows a total net deficit of \$1.14 billion with an unrestricted net position deficit of \$1.37 billion offset by \$233.6 million in net investment in capital and restricted assets. A structural imbalance exists as a result of demographic shifts of residents and businesses, non-profit legislation and a stagnant taxation authority for the City which has led to this deficit. The largest components of the unrestricted deficit are principally the long-term obligations of the City including net pension obligations of \$874.9 million now recognized, general obligation debt to meet funding requirements to the Pension Trust Fund, borrowings to finance economic development efforts (including projects of the City's Authorities, related principally to the URA), maintenance, and equipment expenditures on City infrastructure. The City's debt service expenditures and debt subsidies in its governmental funds were \$87.8 million and \$5.8 million, respectively. The City's ratio of debt to general government expenses was 14.07% in 2017 down by 1.44 % from 14.51% in 2016.

In November 2003, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47) of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania legislature also established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. The Act 47 coordinators appointed by the Commonwealth issued their five-year Recovery Plan, which was originally adopted by the City Council on June 29, 2004. On June 30, 2009, City Council adopted the amended Recovery Plan, making it a City ordinance, which further provided areas for Revenue enhancements and Expenditure reductions. On June 24, 2014, City Council adopted the second amended Recovery Plan,

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

making it a City ordinance. During 2017, the City continued efforts to control costs, improve collections, and maintain solvency. The cash balance available for general operations of the City as of December 31, 2017 was \$101.1 million; this was enough to maintain normal function throughout the City in January 2018.

As mandated by changes in state law, the City must exit Act 47 status, develop a 3-year exit plan or invoke the fiscal emergency provision. Early in 2018, a resolution by the Commonwealth of Pennsylvania was adopted to allow the City to formally exit Act 47 oversight, thereby ending its designation as a “financially distressed municipality.

(C) Individual Component Unit Disclosures

Blended Component Units

Some component units, despite being legally separate from the City government, are so intertwined with the City government, whether through sharing common governing boards with the City or through providing services solely to the City that they are, in substance, the same as the City government and are reported as part of the City government. The blended component units reported in this way are the following:

City of Pittsburgh Equipment Leasing Authority
City Pension Trust

City of Pittsburgh Equipment Leasing Authority (ELA)

The ELA was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of the Director of the Office of Management and Budget, the Chief Operations Officer, the President of Pittsburgh City Council, the Budget Director for City Council and the Director of the Department of Public Safety.

Although it is legally separate from the City, the ELA is reported as if it were part of the City government, because its sole purpose is to finance the City equipment needs. Its operations are included within other government funds. It operates on a December 31 fiscal year.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

City Pension Trust

As described in Note 7, the City has a comprehensive pension trust for financial reporting purposes that is comprised of three defined benefit pension plans: the Municipal Pension Plan (Municipal); the Policemen's Relief and Pension Plan (Police); and the Firemen's Relief and Pension Plan (Fire), which together cover substantially all City employees. As required by Pennsylvania Law, a comprehensive Board oversees funding and investing activities. This Board consists of seven members, four of whom are appointed by the Mayor.

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

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

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but the omission of which would cause the primary government's financial statements to be misleading or incomplete. As these component units do not meet the criteria for blended presentation, they are reported separately from the primary government. The component units presented in this manner are the following:

Pittsburgh Water and Sewer Authority
Stadium Authority of the City of Pittsburgh
Public Parking Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh

Pittsburgh Water and Sewer Authority (PWSA)

PWSA was incorporated in February 1984 under the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the City's water distribution and wastewater collection systems. In 1984, pursuant to a Lease and Management Agreement, PWSA leased the entire City water supply, distribution, and wastewater collection system (System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for PWSA subject to the general supervision of PWSA.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

The City and PWSA agreed to terminate the Lease and Management Agreement in July 1995 and concurrently entered into a Cooperation Agreement and a Capital Lease Agreement (collectively referred to as the Agreements). The effect of these Agreements, as more fully described in Note 4, was to substantially transfer financial and management responsibility for the System to PWSA.

PWSA is legally separate from the City and is reported as a component unit. The PWSA Board consists of one City Council member, the City Treasurer, the City Finance Director, and four members chosen by the Mayor, and the City can impose its will on PWSA. PWSA operates on a fiscal year ending December 31.

During 2017, it was announced that the Public Utility Commission (PUC) will begin oversight of PWSA on April 1, 2018.

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

The Stadium Authority was organized on July 1, 1965 to provide increased commerce and prosperity and to promote educational, cultural, physical, civic, social, and moral welfare to the general public.

The Stadium Authority was responsible for the management of the former Three Rivers Stadium (Stadium) located in the City. The Stadium was home to the Pittsburgh Pirates (Pirates) and Pittsburgh Steelers (Steelers) professional sports teams and was also utilized for various concerts and other events until it was razed in February 2001. Subsequent to the razing of the Stadium, the Stadium Authority is responsible for development of the land between Heinz Field and PNC Park.

The Board of Directors (Board) of the Stadium Authority, a five-member group, is appointed by the Mayor of the City. The Board is responsible for all the activities and operations of the Stadium Authority. The City is the guarantor of the Authority's debt. The Stadium Authority operates on a fiscal year ending March 31.

Public Parking Authority of Pittsburgh (Parking Authority)

The Parking Authority was created for the purpose of conducting the necessary activity to plan, acquire, construct, improve, maintain and operate, and own and lease land and facilities devoted to the parking of vehicles. In addition, the Parking Authority is responsible for the enforcement of city and state parking codes throughout the City, including the responsibility for the operations of parking court. The Parking Authority is administered by

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

a five-member Board, all of whom are appointed by the Mayor. The Parking Authority obtains its revenue from user charges and from street parking meter revenues. As discussed further in Note 14, the City and the Parking Authority are governed by the 2015 Governmental Cooperation Agreement. Payments made to the City under this agreement during 2017 totaled approximately \$19.3 million. This agreement expires January 31, 2050. Accordingly, the City derives a financial benefit from the Parking Authority. Note 14 describes related transactions between the Parking Authority and the City.

Urban Redevelopment Authority of Pittsburgh (URA)

The URA was established in 1946 under the Pennsylvania Urban Redevelopment Law. The URA acquires and clears blighted property; initiates rebuilding with the private sector; negotiates with the federal, state, county, and local governments for public funds and facilities; and works to maintain and improve the City's neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through revenue bonds and intergovernmental grants.

The URA is considered to be a component unit of the City as the Mayor of Pittsburgh appoints the Board of Directors of the URA, and a financial benefit/burden relationship exists between the City and the URA.

The reporting entity of the URA includes the accounts of all URA operations as well as two entities that qualify as component units of the URA. The component units of the URA are the Pittsburgh Housing Development Corporation (PHDC) and Pittsburgh Urban Initiatives (PUI).

The URA and its component units operate on a fiscal year ending December 31. Separate financial statements for the component units can be obtained through the Finance Department of the URA.

Administrative Offices

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

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

| | |
|---|---|
| City of Pittsburgh Finance Department Combined Pension Trust Funds City-County Building 414 Grant Street Pittsburgh, PA 15219 | Public Parking Authority of Pittsburgh 232 Boulevard of the Allies Pittsburgh, PA 15219 |
|---|---|

| | |
|--|---|
| Stadium Authority of the City of Pittsburgh 171 10 th Street, 2 nd Floor Pittsburgh, PA 15222 | Urban Redevelopment Authority of Pittsburgh 200 Ross Street Pittsburgh, PA 15219 |
|--|---|

Joint Venture

The Sports and Exhibition Authority of Pittsburgh and Allegheny County (formerly the Public Auditorium Authority)

The Public Auditorium Authority of Pittsburgh and Allegheny County (Authority) was incorporated on February 3, 1954 pursuant to the Public Auditorium Law Act of July 29, 1953 as a joint authority organized by the City and Allegheny County to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA). SEA is currently responsible for the management of the David L. Lawrence Convention Center (Convention Center) and leases the PPG Paints Arena, the Benedum Center and the John Heinz History Center to other entities located in the City. SEA was also responsible for the construction of the Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium (Heinz Field), the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project, PPG Paints Arena, and various associated infrastructure improvements referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2017, SEA's operating loss was \$34.5 million, and the change in net position was a decrease of \$5.7 million. SEA had total net position of \$370 million.

The Board of Directors (Board) of SEA, a seven-member group, is appointed by the City and Allegheny County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of SEA. The Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

In 2004, SEA borrowed \$20 million from local banks to be used for both operating and capital needs. These borrowings were refinanced with the 2010 Bank Loans. The following revenues are pledged for repayment of this loan: parking revenues generated at the Convention Center and North Shore parking garages and two North Shore lots, gaming revenues, and residual/discretionary hotel tax receipts. Additionally, as part of the transaction, the City and Allegheny County reaffirmed their responsibilities under a 1978 Cooperation Agreement to finance the Convention Center's operating deficits. The 2010 Bank Loans were refinanced on May 1, 2017, then again on November 30, 2017 with the SEA and Allegheny County Parking System Revenue Bonds, Series of 2017.

SEA has suffered operating deficits and has indicated that it may require funding from the City and Allegheny County in the future. No liability has yet been recorded for any such payments as the City does not anticipate payment during 2018 and no future payments are currently deemed more likely than not.

SEA operates on a fiscal year ending December 31. Complete financial statements for SEA can be obtained from its administrative office at 171 10th Street, 2nd Floor, Pittsburgh, PA 15222.

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

The Housing Authority was established to acquire and maintain properties for the purpose of providing low-income housing for residents of the City. Rental charges and subsidies from Federal Housing and Urban Development grants are the principal revenue sources.

The Housing Authority is administered by a seven-member Board, all of whom are appointed by the Mayor. City Council approves five of the seven appointments. The City does not subsidize the operations of the Housing Authority and does not guarantee its debt service.

The Housing Authority operates on a fiscal year ended December 31.

Pittsburgh Land Bank (Land Bank)

The Land Bank is a separate legal entity created for the purpose of acting as a land bank under the Land Bank Act (Pennsylvania Act 153-2012). The Land Bank is administered by a nine-member Board, three appointed by the Mayor, three appointed by the City

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Councilperson representing the districts with the most distressed and vacant parcels, and three community members elected by the first six. There was minimal operational activity during fiscal year 2017. There were no land transactions made during the fiscal year ended December 31, 2017. The City will not have ownership interest in real property owned by the Land Bank.

Jointly Governed Organizations

The Allegheny County Sanitary Authority (ALCOSAN) was organized under the Municipal Authorities Act of 1945 to collect, transport, and treat wastewater for the City and seventy-seven (77) other Allegheny County municipalities. ALCOSAN'S Board has seven members: three are appointed by the City, three are appointed by Allegheny County, and one is appointed jointly by Allegheny County and the City. The City has no direct ongoing financial interest or responsibility for ALCOSAN.

East Liberty Transit Revitalization Investment District Revitalization Authority (ELTRIDRA) is a governmental authority which was formed to manage the East Liberty Revitalization Investment District. ELTRIDRA's five-member Board of Directors includes one representative each from the URA, the City, Pittsburgh Public Schools, Port Authority of Allegheny County, and Allegheny County. The URA provides administrative support to ELTRIDRA. ELTRIDRA is considered a related entity of the representative entities. Financial information is available for ELTRIDRA at the URA's offices.

(D) Financial Statement Presentation

Government-Wide Financial Statements – Financial statements prepared using the economic resources measurement focus and full accrual basis of accounting for all the government's activities are required. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses of the primary government and its component units, excluding fiduciary activities.

The effect of City inter-fund activity has been eliminated from these statements. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, if any, which rely on user fees and charges for support. Component units, which are legally separate and discretely presented, are also segregated.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Statement of Net Position – presents both governmental and business-type activities, if any, on the full accrual, economic resource basis, which incorporates long-term assets and receivables; deferred outflows of resources; long-term debt and obligations; and deferred inflows of resources.

Statement of Activities – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

Fund Financial Statements – The City's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements in this report into two broad fund categories as follows:

Governmental Funds account for expendable financial resources. Governmental fund types use the flow of current financial resources measurement focus. The major governmental funds are:

General Fund – The General Fund is the general operating fund of the City. It finances the regular day-to-day operations of the City. It is used to account for all financial revenues and expenditures, except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Special Revenue Community Development Block Grant Fund – Community Development Block Grant Fund is used to account for the cost of neighborhood development and improvement projects. These programs are financed primarily by the U.S. Department of Housing and Urban Development (HUD) under the Community Development Block Grant (CDBG) program. A substantive portion of the funds received under the program have been allocated to the Urban Redevelopment Authority of Pittsburgh.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Capital Projects Fund – A Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Nonmajor Governmental Funds – These funds include all other non-major governmental funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The fiduciary funds are:

Pension Trust Fund – The Comprehensive Fund accounts for the operations of the City's pension plans as described in Note 7. This is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position and financial position.

OPEB Trust Fund is used to report resources held in trust for post-employment benefits other than pension benefit.

Agency Funds – Accounts for assets held for, and due to, employee benefits, payroll withholding, deposits, and other. These funds are custodial in nature and do not involve measurement of results of operations.

The basic financial statements also include the statement of net position and statement of activities of the following component units:

Urban Redevelopment Authority of Pittsburgh
Pittsburgh Water and Sewer Authority
Stadium Authority of the City of Pittsburgh
Public Parking Authority of Pittsburgh

Budgetary Comparison Statements – The statements are presented to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget for the General Fund and the Community Development Fund. The City revises the original budget over the course of the year for various reasons. Under the current reporting model, budgetary information continues to be provided and includes a comparison of the government's original adopted budget to the current comparison of final budget and actual results. The City's budget is prepared on a non-GAAP basis as described in Note 2.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(E) Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statement are presented using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the current resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General Fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, the real estate taxes must be collected within the City's period of availability of sixty (60) days. The portion of uncollected real estate taxes that are deemed to be collectible at the end of this period are reported as deferred inflows of resources. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. The City considers all non-real estate taxes and other revenues reported in the governmental fund to be available if the revenues are collected within sixty (60) days. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures and other long-term liabilities, such as workers' compensation, accrued claims and judgments, and both short- and long-term compensated absences are recorded only when payment is due and payable.

The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific situation.

Non-exchange transactions, in which the City receives value without directly giving value in return, include real estate and other taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

(F) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, including trust and restricted assets, with an original maturity of three months or less. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash, cash equivalents, and investments held by the City.

(G) Investments

Investments in all funds are carried at fair value or amortized cost, as applicable. Investments consist of a variety of investments including direct obligations of the U.S. government, money market funds, corporate and other obligations, guaranteed investments, money market trust funds, and repurchase agreements. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash, cash equivalents, and investments.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

(H) Due To/From Other Governments

Outstanding balances between the City and other governments are reported as due to/from other governments.

(I) Taxpayer Assessed Taxes Receivable

Local wage taxes, payroll preparation tax, parking tax and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. In the governmental fund statements, taxes for

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

which there is an enforceable legal claim as of December 31, 2017 which were levied to finance fiscal year 2017 operations have been recorded as deferred inflows of resources until such time as the taxes become available on a modified accrual basis. Local wage taxes are collected by a third party in accordance with PA Act 32.

(J) Other Receivables

Other City accounts receivable are recorded in the City's accounts as other receivables when earned, less an allowance for uncollectible accounts.

(K) Capital Assets

Capital assets acquired or constructed by the City are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Capital assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. Gifts or contributions are recorded at acquisition value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land and construction-in-progress. The value of the City's art collection is indeterminable and would not be material to capital assets as a whole. The estimated useful lives for capital assets are as follows:

| | |
|-------------------------|-------------|
| Furniture and fixtures | 3-5 years |
| Building and structures | 25-50 years |
| Equipment | 2-10 years |
| Infrastructure | 20-50 years |
| Vehicles | 2-10 years |

(L) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City and component units have three items that qualify for reporting in this category:

- The accumulated decrease in fair value of hedging derivatives.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- In conjunction with pension accounting requirements, the changes of assumptions are recorded as a deferred outflow of resources related to pensions. These amounts are determined based on the actuarial valuation performed for the plan as described further in Note 7. In addition, the difference between expected and actual experience related to the Firemen's pension fund and Municipal pension fund is recorded as a deferred outflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan as described further in Note 7.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, payroll preparation taxes and other taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the full accrual basis, the City and component units have four items that qualify for reporting in this category:

- A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes received prior to the period for which the taxes are levied.
- In conjunction with pension accounting requirements, the difference between expected and actual experience for the pension plan and the net differences between projected and actual earnings on pension investments related to the Municipal, Police, and Fire Pension funds are recorded as a deferred inflow of resources related to pensions. These amounts are determined based on the actuarial valuation performed for the plan as described further in Note 7.

CITY OF PITTSBURGH, PENNSYLVANIA

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(M) Workers' Compensation and Other Risk Management

The City is self-insured for purposes of workers' compensation benefits. Both short-and-long-term amounts payable are reported within the government-wide financial statements only.

In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth requirements. The requirements for 2017 are as follows:

- Maintain an irrevocable trust fund. The City's contribution to the fund is determined annually in negotiations with the Commonwealth Department of Labor.
- Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.
- Establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of any fiscal year.

Presently, the irrevocable trust may be used by the State of Pennsylvania only in the event of default by the City under the self-insurance regulations. No risk financing activity is currently being recorded in this trust fund.

The City is self-insured for purposes of health insurance coverage. An estimate of incurred but not reported liability is reported within the general fund.

Component Unit:

PWSA is also self-insured for general liability coverage and has established a Self-Insured Escrow Fund (general liability) to cover potential liability claims.

(N) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered, and employees have earned the right to receive compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for

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compensated absences until they are due and payable. Current and non-current portions of compensated absences totaling \$30,805,315 are recorded in the government-wide financial statements and represent a reconciling item between the government-wide and fund presentations.

(O) Pensions

In the government-wide financial statements, the City recognizes pension expenses in accordance with applicable standards. Pension expenditures are recognized under the modified accrual basis within governmental funds to the extent of the City contributions. Contributions made to the Plan represent 100% of the PA Act 205 minimum municipal obligation plus, starting in 2010, additional contributions to increase the funding level of the Plan. See Note 7 for further pension disclosures.

(P) Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in governmental activities in the statement of net position in the government-wide financial statements. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method that approximates the effective interest method or the effective interest method itself. Bond premiums and discounts are recorded as current period costs in the governmental funds.

(Q) Interfund Transactions

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "Interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net position. Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

(R) Encumbrances

The City uses encumbrance accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and re-appropriation is required by the City Council with the exception of capital fund project encumbrances.

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(S) Net Position

Net position represents the difference between assets, deferred outflows and inflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and related debt used in the acquisition or construction of capital assets. Net position is reported as restricted when there are limitations imposed on its use through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Unrestricted net position is available for use in the current period.

(T) Use of Estimates

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, deferred inflows and outflows, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare their financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(U) Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for endowment earnings, employee benefits, state and federal specific grants purposes, and for capital projects.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by City Council. Such commitment is made via a Council resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires an equal action by Council. Committed funds include funds for specified program services as defined by the creation of the fund and interfund advance.

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- Assigned – This category represents intentions of the City to use the funds for specific purposes. This category includes encumbrances and funds remaining for debt service. The City's Charter requires City Council to approve a Resolution to set up encumbrances. The encumbrances are then submitted to individual department Directors for execution.
- Unassigned – This category represents all other funds not otherwise defined for the General Fund.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(V) Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the City's financial statements:

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* effective for fiscal years beginning after June 15, 2017. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement replaces the requirements of Statement No. 45.

GASB Statement No. 83 *"Certain Asset Retirement Obligations,"* effective for fiscal years beginning after June 15, 2018. This statement addresses accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 84, *"Fiduciary Activities,"* effective for fiscal years beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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GASB Statement No, 85, "*Omnibus 2017*," effective for fiscal years beginning after June 15, 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No, 86, "*Certain Debt Extinguishment Issues*," effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No, 87, "*Leases*," effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No, 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*," effective for fiscal years beginning after June 15, 2018. This Statement defines debt for the purpose of note disclosure and requires additional note disclosure on unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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(W) Adoption of Pronouncement

GASB Statement No. 74, *“Financial Reporting for Postemployment Benefits Other Than Pension,”* improves the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general-purpose external financial reports of OPEB plans. The disclosure requirements of this statement have been incorporated into these financial statements.

GASB Statement No. 80, *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,”* clarifies the financial statement presentation requirements for the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of this statement had no impact these financial statements.

GASB Statement No. 81, *“Irrevocable Split-Interest Agreements,”* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this statement had no impact these financial statements.

GASB Statement No. 82, *“Pension Issues – An Amendment of GASB Statements No 67, No. 68, and No. 73,”* addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The provisions of this statement have been adopted and incorporated into these financial statements.

Component Unit Disclosures:

Property Held for Redevelopment

Property held for redevelopment relates mainly to land and buildings held by the URA that is available for redevelopment. Depending on the nature of the redevelopment activity, the transfer of this property may consist of many forms: grant, subsidized or below-market sale, or an independent, market-based sale. This property is held at cost or estimated net realizable value, if less than cost. Estimated net realizable value is calculated once plans or disposition agreements are in place to dispose of property at less than cost. When assets

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are sold, the proceeds are either returned to the program to further its purposes or returned to the grantor agency that funded the original purchase.

Loans Receivable

URA loans receivable are recognized when the loan is established for loans with terms of thirty years or less. Loans with amortization terms greater than thirty years or which are repayable on a contingent basis, such as the sale of the property or completion of development, are treated as grants for accounting purposes and are recorded as expenditures when disbursed or are fully reserved.

It is the URA's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the URA's judgment, may impact collectability. As of December 31, 2017, the total allowance for uncollectible loans, including those only repayable on a contingent basis and fully reserved at the time of issuance, was \$168 million.

Other Long-term Liabilities

An Agreement of Sale in Lieu of Condemnation (Agreement) was executed on April 14, 2004 between the Public Parking Authority and Greyhound Lines, Inc. (Greyhound). As stipulated in the Agreement, the Public Parking Authority purchased from Greyhound the property located at the corner of Liberty Avenue and 11th street for the purchase price of \$6,242,000, which was immediately remitted to the Public Parking Authority for the construction of the bus terminal. Greyhound leases the bus terminal from the Public Parking Authority for an annual base rent of \$1 for an initial term of 30 years. There are three consecutive 10-year extension terms, each with an annual base rent of \$100,000. The \$6,242,000 is being recognized as revenue over the term of the lease, which commenced on October 1, 2008. The balance of unearned rent/revenue at December 31, 2017 is \$4,317,383.

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2. Budgets and Budgetary Accounting

1. **General Budget Policies** – As required by the Home Rule Charter, the City follows these procedures in establishing the budgetary data reflected in the financial statement:
 - a. On the second Monday of November preceding the fiscal year, the Mayor presents to City Council a General Fund and Community Development Fund operating budget and a capital budget for the succeeding fiscal year.
 - b. Public hearings are conducted to obtain the advice of other officials and citizens as part of the preparation of these budgets.
 - c. Before the beginning of the fiscal year, City Council adopts, by resolution, these budgets.
 - d. The adoption of the operating and capital budgets constitutes an appropriation or setting apart of funds from general resources of the City for purposes set forth in the budgets.
 - e. City Council may amend, by resolution, the operating budget within five weeks after the beginning of the fiscal year, but not thereafter except with the approval of the Mayor. The capital budget may, by resolution, be amended by City Council at any time.
 - f. City Council at all times may, by resolution, transfer funds from one account to another if the total operating budget amount is not exceeded. No revision to the budget may be made without City Council approval. The operating budget shall in any event, remain balanced at all times.
 - g. The capital budget is generally based on a proposed six-year capital program, which must be updated each year and submitted to City Council by the Mayor at least 30 days prior to the day the operating budget is submitted. The capital budget also includes appropriations for the Community Development Fund. Budget and actual data for the Community Development Fund is reflected in the Community Development Fund. The remainder of the capital budget is reflected in the Capital Projects Fund.
 - h. Formal budgetary integration is employed as management control device for the General, the Community Development, and the Capital Projects Funds. Formal budgetary integration is not employed for the debt service fund since effective budgetary control is alternatively achieved through general obligation bond indenture

CITY OF PITTSBURGH, PENNSYLVANIA

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provisions, nor for the other governmental funds since control is prepared on a project basis. The General, Community Development, and Capital Projects Funds have legally adopted annual budgets.

- i. All budgets are prepared and controlled at the department level by subclass. The Budget Office reviewed all budget deficits and monitored budget to actual by subclass during the year. Further refinement of the budget control matters are expected to be addressed in a future year. Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office.
 - j. Operating appropriations lapse at year-end. City Council can, however, authorize, by resolution, the carryover of appropriations to the following year. The Community Development and Capital Projects Funds appropriations carry over to subsequent years without formal re-appropriation.
 - k. Operation budget figures are amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditures accounts and carryover of appropriations from the previous year. The approved original General Fund budget includes revenues of \$545.4 million and expenditures of approximately \$539.2 million in 2017. The budgetary expenditures, as amended, include carryover appropriation and other changes approved by City Council during 2017 of \$2.8 million; budgeted revenues were not amended during 2017 and remained as adopted.
- 2. Budgetary Basis of Accounting** - The General Fund budget is adopted on a cash basis. Budgeted encumbrances for purchase commitments are treated as restrictions of available cash and as expenditures. Budgets in Capital Projects Funds are also adopted on a cash basis, except that budgets for each project are adopted on a project basis, which may encompass a period longer than one year. Accordingly, budget figures, as amended, for Community Development and Capital Projects Funds reflect current year appropriations and unexpended prior year's appropriations.
- 3. Excess Expenditures over Appropriations** - The City had negative variances for Department of Finance, Public Safety and Citizens Review Board non-salaries and transfers in the General Fund where the amount spent exceeded the budget.

The excess expenditures were covered primarily by expenditures under appropriations in other line items. In this case, the City decided to show the variance rather than amend the budget.

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3. Deposits and Investments

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

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

(A) Primary Government Funds and Agency Funds

Cash balances available for investment by most City funds are maintained in pooled bank and investment accounts to improve investment opportunities. Income from investment of pooled cash is recorded in the General Fund. Certain unrestricted and restricted cash and short-term investment balances in the accompanying balance sheet represent the undivided interest of each respective fund in the pooled accounts.

Investment policies permit the City to invest in the following:

1. U.S. Treasury Securities (bills, notes, bonds).
2. Obligations of specific agencies of the federal government where principal and interest is guaranteed by the U.S. government.
3. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations accepted as depository institutions under the Pittsburgh City Code.
4. Money market mutual funds authorized by City Council whose portfolio consists of government securities issued by the U.S. government and that are fully guaranteed as to principal and interest.

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5. Local government investment pools and or trusts as approved by the state legislature or City Council from time to time.
6. Repurchase agreements collateralized by the U.S. Treasury securities and marked to market. In order to participate in the repurchase agreement market, a depository must execute a master repurchase agreement contract with the City.

To ensure adequate liquidity, at least 10% but no more than 40% of the portfolio shall be in overnight repurchase agreements, money market funds, or other secure and liquid forms of acceptable investments. Unless specifically matched to a cash flow, at least 20% of the portfolio shall mature within 91 days with the maximum maturity of any investment to be no longer than one year from the date of purchase unless specifically approved in writing by the Director of Finance.

The City maintains compensating balances with some of its depository banks to offset specific charges for check clearing and other services.

As of December 31, 2017, cash and cash equivalents include PLGIT, PA INVEST, and money market funds for presentation on the statement of net position and governmental funds balance sheet. PLGIT and PA INVEST are reported at amortized cost, which approximates market. The City can withdraw PLGIT and PA INVEST funds without limitations or fees.

Governmental Funds

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank or counterparty failure, the City's funds may not be returned to it. The City policy does not specifically address custodial credit risk. As of December 31, 2017, \$213,443,564 of the City's combined bank balances of \$216,443,564 subject to custodial credit risk were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Interest Rate Risk – The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2017, the City's exposure to interest rate risk was limited to \$36,107,044, 21% of deposit and investment funds available, with a weighted average maturity period of 160 days.

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Credit Risk – The City’s investment policy limits its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$12,000,000 of the City’s cash and cash equivalents are held in U.S. Treasuries and are therefore not exposed to this type of risk.

Agency Funds

Custodial Credit Risk – As of December 31, 2017, \$45,863,757 of the City Agency Funds’ combined bank balances of \$46,863,757 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name.

Interest Rate Risk – The City’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City’s investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2017, the City’s Agency Funds had no exposure to interest rate risk.

Credit Risk – The City’s investment policy limits its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$4,800,000 of the City’s Agency Fund cash and cash equivalents are held in U.S. Treasuries and are therefore not exposed to this type of risk.

(B) Pension Trust

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

The CMPTF is governed by a formal investment policy established by its Board of Directors (Board). The policy dictates that investments must be managed in a manner consistent with the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205) and the Pennsylvania Fiduciaries Code. The policy covers the two components of the CMPTF: 1) the Operating Fund and 2) the Long-Term Assets. The Operating Fund is a liquidity pool to accept employee, employer and supplemental

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state contributions and to make benefit dispersals. As such, the Operating Fund investments are restricted to high quality, very short duration fixed income instruments whose average maturity must not exceed six months and whose quality is restricted to investment grade and above securities. The Long-Term Asset component includes restrictions on both fixed income and equity investments as discussed below.

Deposits

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

As of December 31, 2017, \$1,125,722 of the City's pension cash account deposits of the \$3,708,033 combined bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. \$3,510,084 of cash and cash equivalents were held at December 31, 2017 in the separate pension funds.

Investments

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

The Investment Policy of the CMPTF dictates an allocation of 60% equity, 40% fixed income with a variation of 10% above or below these targets for each classification. At December 31, 2017, the CMPTF had been in compliance with this policy. Within each investment category there are specific policies to further address various types of risk compared to return. The investment advisors monitor compliance with the City's investment policy on a granular level that is different from the table below.

The CMPTF's pension trust fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The pension trust funds have the following recurring fair value measurements at December 31, 2017:

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| Investments by Fair Value Level | Total | Fair Value Measurements | | |
|--|-----------------------|-------------------------|----------------------|----------------------|
| | | Level 1 | Level 2 | Level 3 |
| Money market funds | \$ 13,456,685 | \$ 13,456,685 | \$ - | \$ - |
| Debt securities: | | | | |
| Corporate and other obligations: | | | | |
| Corporate | 26,044,277 | - | 26,044,277 | - |
| Other | 4,204,549 | - | 4,204,549 | - |
| Total corporate and other obligations | <u>30,248,826</u> | <u>-</u> | <u>30,248,826</u> | <u>-</u> |
| U.S. government and agency obligations: | | | | |
| U.S. Treasury Notes | 10,509,186 | 10,509,186 | - | - |
| Agency (GNMA, FNMA, FHLM) | 7,426,588 | - | 7,426,588 | - |
| Total U.S. government and agency obligations | <u>17,935,774</u> | <u>10,509,186</u> | <u>7,426,588</u> | <u>-</u> |
| Total debt securities | <u>48,184,600</u> | <u>10,509,186</u> | <u>37,675,414</u> | <u>-</u> |
| Mutual funds: | | | | |
| U.S. equities - large-cap core | 108,301,851 | 108,301,851 | - | - |
| Non-U.S. equities: | | | | |
| Large-cap core | 66,848,566 | 66,848,566 | - | - |
| Emerging markets | 9,411,710 | 9,411,710 | - | - |
| Total Non-U.S. equities | <u>76,260,276</u> | <u>76,260,276</u> | <u>-</u> | <u>-</u> |
| Core fixed income | 25,977,428 | 25,977,428 | - | - |
| Total mutual funds | <u>210,539,555</u> | <u>210,539,555</u> | <u>-</u> | <u>-</u> |
| Common stocks: | | | | |
| Industrials | 14,052,163 | 14,052,163 | - | - |
| Consumer Discretionary | 6,216,797 | 6,216,797 | - | - |
| Consumer Staples | 2,276,205 | 2,276,205 | - | - |
| Energy | 930,009 | 930,009 | - | - |
| Financials | 4,290,768 | 4,290,768 | - | - |
| Materials | 13,141,193 | 13,141,193 | - | - |
| Information Technology | 12,287,031 | 12,287,031 | - | - |
| Real Estate | 2,846,428 | 2,846,428 | - | - |
| Utilities | 143,334 | 143,334 | - | - |
| Health Care | 5,918,696 | 5,918,696 | - | - |
| Telecommunications | 346,387 | 346,387 | - | - |
| Unclassified | 1,208,193 | 1,208,193 | - | - |
| Total common stocks | <u>63,657,204</u> | <u>63,657,204</u> | <u>-</u> | <u>-</u> |
| Private equity - partnerships | 12,606,162 | - | - | 12,606,162 |
| Total investments by fair value level | 348,444,206 | <u>\$ 298,162,630</u> | <u>\$ 37,675,414</u> | <u>\$ 12,606,162</u> |
| Investments measured at NAV: | | | | |
| Hedge funds | 57,768,339 | | | |
| Real estate funds | 40,680,244 | | | |
| | <u>98,448,583</u> | | | |
| Total investments measured at fair value | <u>\$ 446,892,789</u> | | | |

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Money market funds, mutual funds, U.S. treasury notes, and common stocks are valued using prices quoted in active markets for those securities and are included in the Level 1 fair value hierarchy. Corporate debt is valued using a matrix pricing model and are included in the Level 2 fair value hierarchy. The fair values of FNMA, GNMA, and FHLM securities are priced by third party pricing services using observable market data and are included in the Level 2 fair value hierarchy. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values are included in the Level 2 fair value hierarchy.

For Level 3 items, the CMPTF's valuation is determined in good faith from information provided by the General Partner of the limited partnerships. For the limited partnerships, fair value for the limited partnerships is based on the best information available and is determined by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public or private transactions, valuations for publicly-traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. Quantitative unobservable inputs of Level 3 items are not developed by the CMPTF for measuring fair value.

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient:

| <u>Instrument</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|--|----------------------|-----------------------------|-----------------------------|---------------------------------|
| ABS Emerging Markets | \$ 9,966,373 | None | Quarterly | 45 days |
| ABS Offshore SPC Global | 13,869,687 | None | Quarterly | 45 days |
| EnTrust Diversified Select Equity | 12,390,752 | None | Quarterly | 90 days |
| EnTrust Special Opportunities Fund III | 11,179,888 | \$ 95,550 | n/a | n/a |
| Parametric Defensive Equity Fund | 10,361,639 | None | Monthly | 5 days |
| RREEF America REIT II | 21,410,884 | None | Quarterly | 45 days |
| Barings Core Property Fund | 19,269,360 | None | Quarterly | 30 days |
| Total | <u>\$ 98,448,583</u> | | | |

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These investments have the following strategies:

The ABS Emerging Markets Fund is an exclusive emerging markets fund of hedge funds.

The ABS Offshore SPC Global Fund is a portfolio of several direct hedge fund investments, all in long/short equity strategies.

Entrust Diversified Select Equity Fund is an equity-oriented multi-manager fund, which is an alternative to traditional long-only equity investments and invests with a diversified group of global managers, employing multiple equity strategies including long/short hedged, special situation, event-driven and shareholder activism.

The Entrust Special Opportunities Fund is a multi-strategy closed end hedge fund of funds.

The Parametric Defensive Equity Fund seeks to outperform S&P 500 index, reduce volatility versus the S&P 500 Index, and reduce magnitude of drawdowns and recover faster from stress events.

RREEF America REIT II is a real estate investment trust launched and managed RREEF America L.L.C. The fund invests in the real estate markets of the United States.

Barings Core Property Fund is a real estate fund that specializes in property investments in United States.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the CMPTF fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Concentration of Credit Risk – The CMPTF investment guidelines address this risk by requiring diversity and investment percentage limits. With the exception of Federal Government and Agency obligations, no one issue will comprise more than 10% of the aggregate fixed-income portfolio without the Board's prior approval. In addition, equity investment concentration in any single industry and in any company shall not exceed 25% and 5%, respectively, of the fair value of the plan assets. To further reduce risk,

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diversification will also be achieved by using multiple managers whose styles and strategies are sufficiently distinctive. International managers may be allocated up to 30% of the plan's equity assets, and up to 50% of this allocation may be allocated to emerging markets investments. As of December 31, 2017, the CMPTF is in compliance with these limits.

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

| Cash or Investment Type | Fair Value | Investment Maturities from December 31, 2017 | | | |
|--|----------------------|--|----------------------|---------------------|----------------------|
| | | Less than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years |
| U.S. government and agency obligations | \$ 17,935,774 | \$ 1,121 | \$ 9,420,595 | \$ 749,060 | \$ 7,764,998 |
| Corporate debt | 26,044,277 | 3,131,595 | 7,158,100 | 8,613,645 | 7,140,937 |
| Other | 4,204,549 | 960,480 | - | 87,104 | 3,156,965 |
| Total debt securities | <u>\$ 48,184,600</u> | <u>\$ 4,093,196</u> | <u>\$ 16,578,695</u> | <u>\$ 9,449,809</u> | <u>\$ 18,062,900</u> |

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The policy guidelines of the CMPTF limit investments to Federal Government and Agency issues and corporate issues having a Moody's rating of Aaa to Baa, with the exception that up to 20% of the fixed income assets may be allocated to high yield fixed-income securities. The Pension trust fund's December 31, 2017 investments in fixed income securities have received the following ratings from Moody's:

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| <u>Fair Value</u> | <u>Moody's Credit Rating</u> | <u>% of Fixed Income Investments</u> |
|----------------------|----------------------------------|--|
| \$ 9,341,185 | Aaa | 19.39% |
| 767,286 | Aa1 | 1.59% |
| 595,100 | Aa2 | 1.24% |
| 599,359 | Aa3 | 1.24% |
| 2,199,078 | A1 | 4.56% |
| 2,482,570 | A2 | 5.15% |
| 4,118,732 | A3 | 8.55% |
| 15,400,022 | Baa1 - Baa3 | 31.96% |
| 774,403 | Ba1 - Ba3 | 1.61% |
| 11,906,865 | Unrated | 24.71% |
| <u>\$ 48,184,600</u> | | <u>100.0%</u> |

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

Private Equity Capital Commitments

The CMPTF has entered into agreements to commit capital into various private equity funds. The callable capital can be requested at any time by the fund. The remaining capital commitments as of December 31, 2017 are estimated as follows:

| | <u>Amount Committed</u> | <u>Amount Drawn</u> | <u>Amount Distributed</u> | <u>Remaining Capital Commitment</u> |
|------------------------------|-----------------------------|-------------------------|-------------------------------|---|
| Birchmere Ventures III | \$ 1,000,000 | \$ 1,000,000 | \$ 893,272 | \$ - |
| Draper Triangle Ventures II | 1,000,000 | 1,000,000 | 1,139,804 | - |
| Draper Triangle Ventures III | 2,000,000 | 1,314,913 | 28,929 | - * |
| Novitas Capital Partners III | 1,000,000 | 989,904 | 423,678 | - * |
| Hirtle Callaghan PEP III | 8,000,000 | 7,600,835 | 11,935,939 | 399,165 ** |
| Hirtle Callaghan PEP IV | 8,000,000 | 7,418,650 | 10,394,005 | 581,350 ** |
| Hirtle Callaghan PEP V | 3,000,000 | 2,481,360 | 2,029,374 | 518,640 ** |
| Crescent Mezz Partners VI | 10,000,000 | 8,780,541 | 5,615,184 | 1,219,459 ** |
| Crescent Mezz Partners VII | 10,000,000 | 2,734,233 | 305,149 | 7,227,381 ** |
| | <u>\$ 44,000,000</u> | <u>\$ 33,320,436</u> | <u>\$ 32,765,334</u> | <u>\$ 9,945,995</u> |

* The investment period of this fund has ended. As such, no further capital can be called.

** A portion of this fund's distributions can be recalled.

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(C) OPEB Trust

The City's OPEB trust fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of December 31, 2017, the OPEB trust fund had the following recurring fair value measurements:

| Investments by Fair Value Level | Total | Fair Value Measurements | | |
|---------------------------------|---------------|-------------------------|------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Bond mutual funds | \$ 5,120,177 | \$ 5,120,177 | \$ - | \$ - |
| Equity mutual funds | 10,503,411 | 10,503,411 | - | - |
| U.S. Treasury Notes | 1,293,203 | 1,293,203 | - | - |
| U.S. Government Agency | 701,303 | - | 701,303 | - |
| Real Estate ETF | 912,780 | 912,780 | - | - |
| Money market fund | 790,495 | 790,495 | - | - |
| Total investments | 19,321,369 | \$ 18,620,066 | \$ 701,303 | \$ - |
| Cash and cash equivalents | 40,752 | | | |
| Total OPEB Trust | \$ 19,362,121 | | | |

Mutual funds, U.S. Treasury Notes, real estate exchange traded funds and money market funds are classified in Level 1 and are valued using prices quoted in active markets for those securities. The fair values of U.S. government agency securities are priced by third party pricing services using observable market data and are included in the Level 2 fair value hierarchy.

The following is a description of the OPEB Trust Fund deposit and investment risks:

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The OPEB Trust Fund's investment policy dictates that investments shall include Federal Government and Agency issues and corporate issues having a Standard and Poor's rating of BBB to AAA or a Moody's rating of Baa to Aaa with the exception that up to 20% of fixed income assets may be allocated to high yield fixed-income securities. The target S&P credit rating of the aggregate portfolio shall be A or better. At December 31, 2017, the OPEB Trust Fund's U.S. Government Agency funds were unrated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the value of investments. Through its investment policy, the OPEB

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Trust Fund manages its exposure to interest rate risk by utilizing certain criteria in selecting particular investment funds. U.S. government and agency funds mature in 1-5 years.

The asset allocation policies shall seek to produce a net, inflation adjusted, positive total return. The asset allocation policy shall be consistent with the investment objectives of the plan and based on the capital market assumptions.

The Investment Policy of the OPEB Trust Fund dictates an allocation for the Long-Term Assets of 60% equity, 40% fixed income with a variation of 10% above or below these targets for each classification. At December 31, 2017, the OPEB Trust Fund had been in compliance with this policy. Within each investment category there are specific policies to further address various types of risk compared to return.

The OPEB Trust's investment in mutual funds was unrated.

(D) Pittsburgh Water and Sewer Authority (PWSA)

PWSA is authorized to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities and highly rated bank promissory notes or investment funds or trusts; and, as to trustee assets, as otherwise permitted by the trust indenture as supplemented and amended in 1998. Throughout the year ended December 31, 2017, PWSA invested its funds in such authorized investments. PWSA does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, PWSA's deposits may not be returned to it. As of December 31, 2017, \$17,874,000 of PWSA's bank balance of \$18,124,000 was exposed to custodial credit risk. \$17,874,000 of these amounts are collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have a carrying amount of \$11,076,000 as of December 31, 2017, all of which is reported as current assets in the statement of net position.

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In addition to the deposits noted above, included in cash and cash equivalents as noncurrent restricted assets on the statement of net position are the following short-term investments: money market funds of \$18,264,000.

At December 31, 2017, PWSA held the following investment balances (in 000s):

| | Carrying value | <u>Maturity in years</u> Less than 1 year |
|---------------------|------------------|---|
| PA INVEST | \$ 8,649 | \$ 8,649 |
| Money market | 18,264 | 18,264 |
| U.S. Treasury bills | 3,035 | 3,035 |
| Total Investments | <u>\$ 29,948</u> | <u>\$ 29,948</u> |

The carrying value of PWSA's investments is the same as their fair value amount. U.S. Treasury bills are valued using quoted market prices (Level 1 inputs).

PWSA's investments in money markets and PA INVEST (external investment pool) are the same as the value of the pool shares and are reported at amortized cost, which approximates market. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth. The Authority can withdraw funds from INVEST without limitations or fees.

Investments of \$11,684,000 are included as noncurrent restricted investments on the statement of net position at December 31, 2017. Investments of \$18,264,000, consisting of money market funds, are included as noncurrent restricted cash and cash equivalents on the statement of net position at December 31, 2017.

Interest Rate Risk – Interest rate risk, the risk that changes in the interest rates will adversely affect the fair value of the PWSA's investments. PWSA is not subject to interest rate risk, as all of its investments at December 31, 2017 had maturities of less than one year.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2017, PWSA's investments in PA INVEST were rated AAAM by Standard & Poor's. The PWSA's investments in U.S. Treasury bills at December 31, 2017 were rated A-1+ by Standard & Poor's.

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Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PWSA places no limit on the amount it may invest in any one issuer. PWSA has no investments of greater than 5% with one issuer.

As further described in Note 9, PWSA has a derivative instrument that is accounted for as an investment. Credit and interest rate risks related to this investment are described in Note 9.

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

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2017.

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

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

Concentration of Credit Risk – The Stadium Authority places no limit on the amount that may be invested in any one institution. The Stadium Authority maintains its cash and cash equivalent balances at three financial institutions. At March 31, 2017, all of the Stadium Authority's cash and cash equivalent deposits were either insured under federal insurance programs or collateralized.

(F) Public Parking Authority of Pittsburgh (Parking Authority)

Cash and Deposits

The Parking Authority's cash deposits are insured by the Federal Deposit Insurance Corporation or were not insured or collateralized in the Parking Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have

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the collateral held by an approved custodian in the institution's name. At December 31, 2017, the Parking Authority had a bank and book balance of \$10,677,331 and \$11,068,045 (including \$10,589,591 of restricted cash), respectively.

Investments

As of December 31, 2017, the Parking Authority had the following investments, of which \$36,232,222 is restricted as to their use.

| Investment | Amount | Percentage of Total Investment | Maturity | December 31, 2017 Rating | |
|-------------------------------|----------------------|--------------------------------------|----------|-----------------------------|---------------------------------|
| | | | | Standard & Poor's | Moody's Investors Service |
| Blackrock Treasury Trust Fund | \$ 36,232,222 | 60.1% | n/a | AAAm | Aaa-mf |
| Blackrock FedFund | 24,027,506 | 39.9% | n/a | AAAm | AAA-mf |
| Total | <u>\$ 60,259,728</u> | <u>100%</u> | | | |

Blackrock investments are mutual funds and are valued using quoted market prices (Level 1 inputs).

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

Credit Risk – The Parking Authority has no investment policy that limits its investment choices. The deposit and investment strategy of the Parking Authority adheres to State statutes, related trust indentures, and prudent business practice.

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

(G) Urban Redevelopment Authority (URA)

The URA is authorized to make investments of the following types pursuant to the Redevelopment Act which requires investments meet a “reasonable man” standard. Under the URA's policy, authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of

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institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria of (1) through (4) above.

The deposit and investment practices of the URA and its component unit adhere to statutory and contractual requirements and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, and certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the trust indentures.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the URA's deposits may not be returned to it. The URA does not have a formal policy for custodial credit risk. As of December 31, 2017, \$71,197,157 of the URA's bank balance of \$82,753,328 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2017, the carrying amounts of the URA's deposits were \$82,342,583.

As of December 31, 2017, none of the component unit's bank balance was exposed to custodial credit risk. As of December 31, 2017, the carrying amounts of the component unit's deposits were \$123,022.

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

| | Fair market value | Maturity in years | | | | |
|---------------|----------------------|----------------------|---------------------|------------------|----------------|---------------------|
| | | Less than 1 year | 1-5 years | 6-10 years | 11-15 years | 16-20 years |
| Money | | | | | | |
| Market Funds | \$ 38,310,509 | \$ 38,310,509 | \$ - | \$ - | \$ - | \$ - |
| U.S. Treasury | | | | | | |
| Bonds | 2,714,876 | - | 2,714,876 | - | - | - |
| Freddie Mac | 382,843 | - | - | - | - | 382,843 |
| GNMA | 1,624,445 | - | 17,850 | - | - | 1,606,595 |
| FNMA | 195,543 | - | - | 88,307 | - | 107,236 |
| Total | <u>\$ 43,228,216</u> | <u>\$ 38,310,509</u> | <u>\$ 2,732,726</u> | <u>\$ 88,307</u> | <u>\$ -</u> | <u>\$ 2,096,674</u> |

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

Freddie Mac, FNMA, and GNMA investments are comprised of assets securitized in the secondary market from loans issued from the loan programs. The maturities noted in the table above reflect the final maturity of the respective security and does not take into consideration non-routine repayments on principal as it is not possible to forecast these repayments. It is management’s intention to hold these securities until maturity. Interest rates on these investments are fixed and principal and interest repayments from these investments will be used to repay the related debt service.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The URA has an investment policy that limits its investment choices based on credit qualifications by investment type. As of December 31, 2017, the URA’s investments in U.S. Government Money Market Funds and U.S. Treasury Bond Funds were rated Aaa by Moody’s. The URA’s remaining investments were not rated as of December 31, 2017.

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Concentration of Credit Risk – There is no limit on the amount that may be invested in any one issuer. None of the URA's investments are more than 5% with the same issuer.

Money Market Funds and U.S. Treasury Bond Funds are valued using quoted market prices (Level 1 inputs). The fair values of Freddie Mac, GNMA, and FNMA securities are priced by third party pricing services using observable market data and are included in the Level 2 fair value hierarchy. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values are included in the Level 2 fair value hierarchy.

4. Transactions with the Pittsburgh Water and Sewer Authority (PWSA)

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

(A) Cooperation Agreement

On January 1, 1995, the City water department employees became employees of PWSA. PWSA assumed workers' compensation and compensated absence liabilities, which had accrued during the era of the City's Water Department.

Direct costs of the System's water operations are now generally paid directly by PWSA under the Cooperation Agreement. The City continues to provide PWSA with various services in accordance with the Cooperation Agreement, and PWSA reimburses the City for direct and indirect costs attributed by the City to the operation and maintenance of the System.

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

PWSA is currently in the process of renegotiating the Cooperation Agreement and, as such, has only made and recognized as expense three of the four quarterly payments to the City for 2017 and the City has accepted that plan while the negotiations are ongoing.

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(B) System Lease

The City and PWSA entered into a Capital Lease Agreement (Capital Lease), effective July 27, 1995, with a term of thirty years, commencing as of July 15, 1995 and ending on September 1, 2025. The Capital Lease stipulates minimum lease payments of approximately \$101,000,000, including interest, all of which were satisfied during the initial three years of the capital lease. PWSA has the option to purchase the System in 2025 for \$1.

(C) Pension

As of December 31, 2003, the City has retained the pension obligation for PWSA's employees who participate in the City's Municipal Pension Plan. The extent of PWSA's participation in such obligation with respect to these employees whose membership continued upon becoming employees of PWSA is determined by the shared interpretation of the City and the PWSA of the intent of the Cooperation Agreement.

The 2017 Minimum Municipal Obligation calculated for the City's Plan indicated a 2017 normal cost of \$975 associated with PWSA's employees that participate in the City's Plan. PWSA estimates that the normal cost for 2017, together with other elements of expense for employee service during 2017, would not exceed the sum of the 2017 contributions made by PWSA and employees.

Uncertainty exists about the future obligation of PWSA and its employees to make contributions to the Plan. Such contributions are contingent upon the continuing eligibility of PWSA's employees to participate in the City's Plan. Eligibility for ongoing employee participation in the City's Plan could end if PWSA was to introduce another pension plan. At this time, PWSA and the City have no definite plans to establish another pension plan for PWSA, other than an agreement in principle that PWSA should have its own plan in the future. Future obligations of PWSA to make contributions to the Plan may also be subject to other amendments of the existing arrangement agreed upon by PWSA and the City.

See additional related party transaction disclosures for the URA, Stadium Authority, and Parking Authority in Note 14.

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5. Real Estate Taxes

Real Estate Taxes

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by Allegheny County Office of Property Assessment pursuant to the terms of the General County Assessment Law and the Second Class County Assessment Law, which require property to be assessed at actual market value. Property is assessed by the Board at 100% of fair market value. The taxable assessed value for 2017 was \$19,575,934,419.

A unified tax levy for land and buildings is made annually on January 1 and collected by the City. Taxes are payable annually or in three installments, at the taxpayers' option, normally due the last day of February, April 30, and July 31. A 2% discount is allowed on either the first installment or the full year tax payment, normally if paid by February 10. If no payment is received by the last day of February, the installment payment privilege is forfeited, and the entire tax for the year is considered delinquent. Penalty and interest is imposed on delinquent payments.

Property Tax Reassessments

The City taxes land and building at the same unified rate and plans to maintain a unified rate unless land values are reassessed in the future. A court-ordered reassessment for Allegheny County, including the City of Pittsburgh, occurred during 2012. These reassessed values will continue to be used until the next reassessment. No "windfall" to the municipality can occur due to state law.

City and School Real Estate Taxes (property taxes) are based on the assessed value of the property as determined by the Allegheny County Board of Assessors. The assessed value of a property is broken down by land value and building value. For 2017, the City's tax rate was 8.06 mills on the assessed value of the property. The School District of Pittsburgh's tax rate was 9.84 mills on the assessed value. A mill is 1/10 of a cent. For example, on a property assessed at \$1,000, the City Real Estate tax would be \$8.06. The School District of Pittsburgh Real Estate Tax would be \$9.84.

Taxes are billed on a calendar year.

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The City has accrued for tax refunds and tax credits within accounts payable on the statement of net position and governmental funds balance sheet (General Fund) for payments received that are subject to refund.

Tax Abatements

The City's tax abatements are authorized by City Council ordinance. Recipients are eligible for tax abatement for various reasons such as development costs, property location, or renovations that would otherwise result in increased property assessment. All tax abatements are a set dollar amount and are received as tax credits with the exception of Act 42 abatements which reduce the assessed value. The following are City's tax abatement programs:

- 3-year Act 42 - available Citywide for residential properties for sale or rental;
- 10-year Act 42 Enhanced - available in 28 defined Targeted Growth zones for residential properties for sale or rental;
- 5-year Commercial LERTA - available Citywide for commercial properties or industrial properties for sale or rental;
- 10-year Residential LERTA - available in 4 defined areas for residential properties rental or hotels;
- 10-year Residential Enhanced LERTA - available in 4 defined areas for residential properties separately assessed units;
- 5-year Visitability Credit (Disability Access) - available Citywide for residential properties single family, duplex, triplex, adaptive reuse;
- 10-year Local Economic Stimulus - available citywide for large developments - residential properties, commercial properties or industrial properties.

The City's tax abatement agreements do not contain recapture provisions for non-compliance. There were no amounts received or receivable from other governments in association with the forgone taxes. The City did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

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During 2017, real estate tax abatements were as follows:

| | | |
|----------------------------|----|------------------|
| Act 42 | \$ | 63,208 |
| Act 42 Enhanced | | 553,927 |
| Commercial LERTA | | 63,646 |
| Residential LERTA | | 950,555 |
| Residential Enhanced LERTA | | 348,284 |
| Visitability Exemption | | 20,529 |
| Local Economic Stimulus | | <u>860,986</u> |
| Total tax abatements | \$ | <u>2,861,135</u> |

Other Tax Arrangements

Other tax arrangements include the following:

- Homestead – Exemption for first \$15,000 of assessed value for residential property that is owner occupied. The Homestead application must be filed at the Allegheny County office of Property Assessment.
- Tax Increment Financing – Real estate tax revenue is diverted to another entity to cover bond payments for debt used for redevelopment and other community improvement projects.
- Act 77 – Senior Tax Relief - The City offers a senior tax relief program for eligible owner occupants. Current qualifications are: (A) at least 60 years of age; (B) must have owned and occupied a home in Allegheny County for ten consecutive years preceding application; (C) total household income cannot exceed \$30,000(using 50% of your SS benefits); (D) owner must be a natural person.

During 2017, other real estate tax arrangements as defined above resulted in the following forgone tax amounts:

| | | |
|------------------------------|----|-------------------|
| Homestead Exemption | \$ | 6,390,030 |
| Tax Increment Financing | | 3,010,497 |
| Act 77 Exemption | | <u>1,955,803</u> |
| Total tax other arrangements | \$ | <u>11,356,330</u> |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

6. Capital Assets

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|---|----------------------------|---------------|----------------|------------------------------|
| Governmental activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 45,602,091 | \$ - | \$ - | \$ 45,602,091 |
| Construction-in-progress | 18,411,105 | 1,077,707 | (6,583,735) | 12,905,077 |
| Total | 64,013,196 | 1,077,707 | (6,583,735) | 58,507,168 |
| Depreciable assets: | | | | |
| Buildings and systems | 88,778,564 | - | - | 88,778,564 |
| Accumulated depreciation | (85,167,571) | (1,046,801) | - | (86,214,372) |
| Net | 3,610,993 | (1,046,801) | - | 2,564,192 |
| Furniture and fixtures | 4,816,564 | 29,420 | - | 4,845,984 |
| Accumulated depreciation | (4,217,812) | (63,922) | - | (4,281,734) |
| Net | 598,752 | (34,502) | - | 564,250 |
| Machinery and equipment | 3,663,939 | 4,999,448 | - | 8,663,387 |
| Accumulated depreciation | (3,463,508) | (512,514) | - | (3,976,022) |
| Net | 200,431 | 4,486,934 | - | 4,687,365 |
| Vehicles | 75,967,518 | 6,310,752 | (2,369,651) | 79,908,619 |
| Accumulated depreciation | (51,604,700) | (7,454,234) | 2,244,764 | (56,814,170) |
| Net | 24,362,818 | (1,143,482) | (124,887) | 23,094,449 |
| Infrastructure | 189,469,811 | 34,801,883 | - | 224,271,694 |
| Accumulated depreciation | (131,292,720) | (5,026,239) | - | (136,318,959) |
| Net | 58,177,091 | 29,775,644 | - | 87,952,735 |
| Capitalized leases | 15,434,653 | - | - | 15,434,653 |
| Accumulated depreciation | (9,903,561) | (771,733) | - | (10,675,294) |
| Net | 5,531,092 | (771,733) | - | 4,759,359 |
| Total depreciable assets | 378,131,049 | 46,141,503 | (2,369,651) | 421,902,901 |
| Total accumulated depreciation | (285,649,872) | (14,875,443) | 2,244,764 | (298,280,551) |
| Net | 92,481,177 | 31,266,060 | (124,887) | 123,622,350 |
| Governmental activities, capital assets, net | \$ 156,494,373 | \$ 32,343,767 | \$ (6,708,622) | \$ 182,129,518 |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

| | | |
|---|----|---------------|
| General government | \$ | 1,135,383 |
| Public safety | | 6,023,146 |
| Highways, streets, and other capital improvements | | 6,187,455 |
| Sanitation | | 949,054 |
| Public works | | 489,022 |
| Culture and recreation | | 88,435 |
| Mobility and infrastructure | | 2,948 |
| | | \$ 14,875,443 |

Component unit's capital asset activity as presented for the year ended December 31, 2017 was as follows:

| | Balance January 1, 2017 | Additions | Transfers/ Deletions | Balance December 31, 2017 |
|------------------------------------|----------------------------|---------------|-------------------------|------------------------------|
| Component Units: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 38,729,254 | \$ - | \$ - | \$ 38,729,254 |
| Construction-in-progress | 89,862,284 | 57,904,098 | 26,763,742 | 121,002,640 |
| Total | 128,591,538 | 57,904,098 | 26,763,742 | 159,731,894 |
| Depreciable assets: | | | | |
| Building and building improvements | 86,158,302 | 397,982 | - | 86,556,284 |
| Parking facilities | 173,486,419 | - | (6,203,303) | 179,689,722 |
| Machinery and equipment | 13,746,525 | - | (678,250) | 14,424,775 |
| Utility assets | 858,169,000 | 17,428,000 | - | 875,597,000 |
| Non-utility assets | 22,343,000 | 374,000 | - | 22,717,000 |
| Infrastructure | 2,241,369 | - | - | 2,241,369 |
| Total | 1,156,144,615 | 18,199,982 | (6,881,553) | 1,181,226,150 |
| Less: accumulated depreciation | (419,612,775) | (24,688,922) | (1,312,049) | (442,989,648) |
| Net | \$ 865,123,378 | \$ 51,415,158 | \$ 18,570,140 | \$ 897,968,396 |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

7. Pension Plans

(A) Organization and Description of Plans

The City is responsible for the funding of retirement benefits for the three pension plans described below. Investments of the plans are held by the Comprehensive Municipal Pension Trust Fund (Comprehensive Trust), in accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), and are administered under the direction of that fund's Board.

In accordance with Act 205 and the Acts under which the Municipal Pension Plan of the City of Pittsburgh, the Policemen's Relief and Pension Plan of the City of Pittsburgh, and the Firemen's Relief and Pension Plan of the City of Pittsburgh were established; a separate accounting for the activities of these three plans is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Plan's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each plan. However, the individual plans do not record the undivided interest in the investments in their individual plans since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension plans without limitations. Therefore, in accordance with Governmental Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension plans plus the Comprehensive Trust constitute the City's Pension Plan.

The retirement plans issue a publicly available combined financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the following:

City of Pittsburgh
Combined Pension Fund
C/O Department of Finance
City/County Building
Pittsburgh, PA 15219

Key provisions of the Municipal Pension Fund, the Policemen's Fund, and the Firemen's Fund are summarized below. The actual plan provisions should be reviewed to capture all the details.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

The Municipal Pension Plan

The Municipal Pension Plan of the City of Pittsburgh (Municipal Plan) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City and the PWSA who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period. The Municipal Plan is a single employer defined benefit plan, and its purpose is to provide retirement, disability, and other benefits to its members. The City and members of the Municipal Plan are required to make contributions to the Municipal Plan for the purpose of paying benefits and administrative expenses. At January 1, 2017, the date of the most recent actuarial valuation, the Municipal Fund has 3,453 total members, of which 1,718 are active members; 1,679 are inactive plan members or beneficiaries currently receiving benefits; and 56 are inactive plan members entitled to but not yet receiving benefits.

Effective January 1, 1995, the City terminated employment of the 255 employees of its Water Department. As part of a Cooperation Agreement with PWSA, the 255 terminated employees became employees of PWSA. The PWSA employees' membership in the Municipal Plan continued with no break in service, as provided for by the Municipal Pension Act, because PWSA has no retirement plan. The City considers PWSA a part of the reporting entity and thus the plan continues to be a single employer plan. As of the date of these financial statements, no separate allocations of contributions to the Plan, Plan assets, or Plan liabilities have been allocated to the employees of PWSA, nor have any actuarial determinations been made.

Retirement benefits are available, for all employees other than Emergency Medical Services, at the employee's option upon the later of attainment of age 60 or completion of 8 years of service, normal retirement. For Emergency Medical Service employees, normal retirement is available at the later of attainment of age 55 or 8 years of service. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age, or paid immediately at reduced amounts, as defined by the Plan. Upon completion of eight years of service and attainment of age 40, an employee may terminate and remain eligible to receive benefits by continuing to make contributions to age 50. An employee who was a member prior to January 1, 1975 may terminate at any age after 15 years of service and be vested by continuing contributions to age 50.

Employees who become permanently disabled during the performance of their duties and who are unable to continue to perform those duties are eligible to receive a

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

disability pension. Employees who become otherwise disabled are eligible for a disability pension if eight years of service have been completed.

Normal monthly retirement benefit is equal to 50% of average compensation (as defined) and service increment, if any. The service increment is an additional monthly benefit of 1 percent of average compensation for each completed year of service in excess of 20 years to a maximum of \$100 per month. The monthly benefit is prorated for service less than 20 years. On a limited basis, reductions could apply for certain plan members related to social security benefits received after reaching 65 years of age and certain other benefit provisions could apply for members hired prior to January 1, 1975.

A survivor benefit is available to the surviving spouse upon the death of an active member eligible for early retirement. The benefit amount is equal to 50% of the member's pension had the member retired at the date of death. A survivor benefit equal to the excess of the member's contributions over the retirement benefits paid is provided to the beneficiary of a member whose death occurs after the retirement date. The member's contributions are returned to the beneficiary of a member whose death occurs prior to eligibility for early retirement.

Prior to January 1, 2002, upon termination and prior to vesting, a member's contributions were refundable without interest to the member. Beginning January 1, 2002, contributions were refundable with 5% interest for certain classes of employees. Employee contributions to the Plan are 5% of pre-tax pay for employees hired prior to January 1, 1988 and 4% of pre-tax pay for those hired thereafter.

The Policemen's Relief and Pension Plan

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

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Plan. At January 1, 2017, the Policemen's Fund has 2,439 total members, of which 929 are active members; 1,470 are inactive plan members or beneficiaries currently receiving benefits; and 40 are inactive plan members entitled to but not yet receiving benefits.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Retirement benefits are available at the employee's option upon completion of the later of 20 years of service or attainment of age 50. Employees who become permanently disabled in the line of duty, and who are unable to perform the duties of their position, are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

The normal monthly retirement benefit is equal to 50% of average compensation (as defined) plus service increment, if any.

Service increments of \$20 per month for each year of service between 20 and 25 years and \$25 per month for each year in excess of 25 years are included in the retirement benefit. If so elected, a death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit, which is applicable to deaths not in the line of duty, may also be elected by plan participants.

An employee, who terminates employment after 20 years of service, and before age 50, may collect the normal retirement benefit based on average compensation at termination, providing the terminated member continues contributions at the rate in effect at termination. The benefit is deferred until age 50. If contributions continue at the same rate in effect at termination and continue to age 50, member may receive monthly benefit based on rate of pay in effect had the officer worked until the age of 50. If a member terminates employment before completing 20 years of service, accumulated employee contributions are refundable.

Employee contributions to the Policemen Fund are 6% of pay plus \$1 per month, until age 65. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

The Firemen's Relief and Pension Plan

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Any uniformed employee of City of Pittsburgh Bureau of Fire is eligible for membership in the Firemen Plan. At January 1, 2017, the Fund has 1,769 total members, of which 670 are active members; 1,099 are inactive plan members or beneficiaries currently receiving benefits; and there are no inactive plan members entitled to but not yet receiving benefits.

Normal retirement benefits are available at the employee's option upon completion of 20 years of service for any participant employed before January 1, 1976, or for those years employed thereafter, the later of completion of 20 years of service or attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

The regular pension benefit is equal to 50% of the average compensation (as defined). A service increment of \$20 per month for each year of service in excess of 20, excluding years of service after age 65, is also payable for those members hired before January 1, 2005. For those hired on or after January 1, 2005, the service increment is \$10 per month for each completed year of service in excess of 20 years, excluding years of service after age 65. The service increment is only payable after age 50. A surviving spouse benefit may also be elected by plan participants. A lump-sum death benefit of \$1,200 is paid to the beneficiary of any deceased member.

Normal vesting occurs upon attainment of 20 years of service. If a retiree is under the age of 50, they must make contributions to the plan until the age of 50 to qualify for a monthly pension at age 50. Upon termination of employment, a member's contributions, without accumulation of interest, are refundable.

Employee contributions to the Firemen Plan are 6.5% of pay plus \$1 per month until age 65. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

(B) Funding Status and Progress

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (Recovery Act), which has improved the administration and funding of all municipal pension plans. The Recovery Act made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

In accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), the City established the Comprehensive Municipal Pension Trust Fund Board (Comprehensive Trust) in August 1987. The Board's purpose is to oversee the activities of the City's pension plans and to receive and invest the City's pension assets.

The City has three defined benefit pension plans (Municipal, Policemen, and Firemen), which are administered by respective pension boards, the majority of whose members are elected by the employees. The Policemen and Firemen Plans cover all employees of the Bureau of Police and the Bureau of Fire, respectively. Each full-time employee not covered under either the Policemen's or Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period.

The Commonwealth pension contributions are determined under Act 205. The City is eligible for the maximum remedies available under Act 205. To qualify, the City is required to fund an amount equal to normal cost and the amortization payment required to eliminate the unfunded liability over a 40-year period less any member contributions.

Act 205 contains both mandatory and optional remedies for municipalities to design a program for dealing with unfunded pension liabilities. The mandatory remedies implemented by the City were the development and adoption of an administrative improvement plan for its pension fund, the establishment of lower cost pension plans for new hires, and the aggregation of all the City's pension assets for investment purposes under the guidance of a new oversight board (the Comprehensive Municipal Pension Trust Fund Board). The Comprehensive Trust, which is comprised of seven members, four appointed by the Mayor and approved by Council and one elected from each plan, manages the investments of all pension assets and provides funds for each plan's monthly payment of benefits and administrative expenses from plan net position. The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMOs developed and adopted for budgeting purposes subsequent to 1991. Additionally, the provisions for payment of the

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YEAR ENDED DECEMBER 31, 2017

MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year. The Commonwealth of Pennsylvania provides pension aid grants to local municipalities. The MMOs for each of the three plans for December 31, 2017 were \$14,255,964 Municipal, \$15,887,308 Policemen, and \$19,059,379 Firemen.

Commonwealth of Pennsylvania Act 44 of 2009 required the City's aggregate pension funding level to be at least 50 percent by December 31, 2010 to avoid having the City's pension funds seized and administered by the Pennsylvania Municipal Retirement System. The City's plan to meet this level of funding included transferring approximately \$45 million to the Comprehensive Trust Fund which was in the Debt Service Reserve Fund in 2010 and dedicating parking tax revenues for the next 31 years. Per Council legislation, the City contributed parking tax revenues of \$13.4 million per year from 2011 through 2017 and intends to contribute \$26.8 million per year from 2018 through 2041. While the present value of the dedicated future parking tax revenues for future pension contributions did not meet the criteria for recognition as an asset in the City's financial statements or those of the Comprehensive Trust Fund, it was treated as an actuarial asset for purposes of funding levels under Commonwealth of Pennsylvania Act 44 of 2009 and the City was determined to have met the required funding level to avoid takeover of the City pensions by the Pennsylvania Municipal Retirement System and the parking revenue stream continues to be treated as an actuarial asset for funding purposes.

For the year ended December 31, 2017, on an accrual basis, the City did contribute \$73.5 million to the Pension Trust Fund; contributions made to the Plan represent 100% of the Act 205 MMO plus additional contributions of \$24.3 million including \$13.4 million of dedicated parking tax revenue, \$7.9 million in gaming funds, and \$3.0 million related to other benefits.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Net Pension Liability (NPL)

The components of the net pension liability of the City at December 31, 2017, were as follows:

| | Municipal | Policemen | Firemen | Total |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | \$ 379,121,097 | \$ 491,780,520 | \$ 452,460,104 | \$ 1,323,361,721 |
| Plan fiduciary net position (allocated) | (160,554,022) | (137,317,137) | (150,601,564) | (448,472,723) |
| Net pension liability | <u>\$ 218,567,075</u> | <u>\$ 354,463,383</u> | <u>\$ 301,858,540</u> | <u>\$ 874,888,998</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>42.35%</u> | <u>27.92%</u> | <u>33.29%</u> | <u>33.89%</u> |

The plan fiduciary net position allocations are based on the method provided in Act 205.

Changes in the NPL

As indicated earlier in this footnote, in accordance with Governmental Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes.

Changes in the net pension liability of the City for the year ended December 31, 2017, were as follows:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|----------------------------|--------------------------------|--------------------------|
| Balances at 12/31/16 | \$ 1,252,774,972 | \$ 401,822,400 | \$ 850,952,572 |
| Changes for the year: | | | |
| Service cost | 24,416,693 | - | 24,416,693 |
| Differences between expected and actual experience | (11,650,203) | - | (11,650,203) |
| Changes in assumptions | 58,685,088 | - | 58,685,088 |
| Interest | 92,674,935 | - | 92,674,935 |
| Contributions - employer | - | 70,487,381 | (70,487,381) |
| Contributions - member | - | 11,372,391 | (11,372,391) |
| Net investment income (loss) | - | 59,629,520 | (59,629,520) |
| Benefit payments, including refunds of member contributions | (93,539,764) | (93,539,764) | - |
| Administrative expense | - | (1,299,205) | 1,299,205 |
| Balances at 12/31/17 | <u>\$ 1,323,361,721</u> | <u>\$ 448,472,723</u> | <u>\$ 874,888,998</u> |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Actuarial assumptions - The total pension liability was determined by an actuarial valuation on January 1, 2017 and rolled forward to December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement:

| | <u>Municipal</u> | <u>Policemen</u> | <u>Firemen</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| Actuarial valuation date | 01/01/2017 | 01/01/2017 | 01/01/2017 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Actuarial assumptions: | | | |
| Investment rate of return | 7.25% | 7.25% | 7.25% |
| Projected salary increases | 4.00% | 4.50% | 5.50% |
| Underlying inflation rate | 2.75% | 2.75% | 2.75% |
| Underlying merit and longevity rate | 1.25% | 1.75% | 2.75% |

Actuarial assumptions based on the January 1, 2017 actuarial experience study

RP-2000 Healthy Annuitant Mortality Table, with adjustments for mortality improvements based on Scale AA

There were no changes to benefits made in connection with the 1/1/2017 actuarial valuations.

Changes in Actuarial Assumptions - Based upon actuarial valuations performed as of January 1, 2017, the investment rate of return was lowered from 7.50% to 7.25% for all funds to provide a more conservative assumption. The rates of employee turnover (increased by 20% for the first five years of employment), disability (reduced by 20% at all ages), and retirement and mortality improvement assumptions for the Municipal fund were changed. The mortality, rates of employee turnover (increased by 25%), rates of disability (decreased at most ages) and retirement (increased at ages 60, 62, and 64) assumptions have been changed for the Policemen's fund. The salary increase (lowered from 5.75% to 5.50% per year), retirement and mortality assumptions have been changed for the Firemen's fund.

Long-Term Expected Rate of Return - The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2017:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 40.00% | 7.6% |
| International equity | 20.00% | 8.0% |
| Private equity | 5.00% | 8.1% |
| Fixed income | 30.00% | 3.4% |
| Cash | 5.00% | 0.0% |
| | <u>100.00%</u> | |

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 14.96%.

Discount rate - The discount rate used to measure the total pension liability for the Municipal, Policemen, and Firemen funds was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, parking tax revenue will be deposited in accordance with Ordinances 42 and 44 of 2010, and that the City's contributions will be made in accordance with the City's June 24, 2014 Amended Recovery Plan and equal to the yearly MMO calculation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City calculated using the discount rates described above, as well as what the City's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

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| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-----------|------------------------|----------------------------------|------------------------|
| Municipal | \$ 254,706,531 | \$ 218,567,075 | \$ 187,417,560 |
| Policemen | 405,246,069 | 354,463,383 | 311,334,597 |
| Firemen | 347,043,223 | 301,858,540 | 263,140,683 |
| Total | \$ 1,006,995,823 | \$ 874,888,998 | \$ 761,892,840 |

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense of \$87,065,951. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Municipal | Policemen | Firemen | Total |
|--|----------------|-----------------|----------------|-----------------|
| Deferred outflows of resources: | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ - | \$ - | \$ - |
| Changes of assumptions | 9,886,690 | 17,016,121 | 20,950,751 | 47,853,562 |
| Difference between expected and actual experience | 2,851,530 | - | 273,731 | 3,125,261 |
| Total deferred outflows of resources | \$ 12,738,220 | \$ 17,016,121 | \$ 21,224,482 | \$ 50,978,823 |
| Deferred inflows of resources: | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ (6,120,296) | \$ (5,455,304) | \$ (5,764,761) | \$ (17,340,361) |
| Difference between expected and actual experience | (2,588,959) | (5,395,279) | (3,572,447) | (11,556,685) |
| Total deferred inflows of resources | \$ (8,709,255) | \$ (10,850,583) | \$ (9,337,208) | \$ (28,897,046) |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | Municipal | Policemen | Firemen | Total |
|------------|--------------|--------------|---------------|---------------|
| 2018 | \$ 3,043,527 | \$ 1,353,571 | \$ 2,940,564 | \$ 7,337,662 |
| 2019 | 2,540,317 | 1,891,812 | 2,940,563 | 7,372,692 |
| 2020 | (627,144) | 994,540 | 1,017,248 | 1,384,644 |
| 2021 | (927,735) | 1,272,579 | 1,240,635 | 1,585,479 |
| 2022 | - | 653,036 | 3,407,510 | 4,060,546 |
| Thereafter | - | - | 340,754 | 340,754 |
| | \$ 4,028,965 | \$ 6,165,538 | \$ 11,887,274 | \$ 22,081,777 |

Component Unit:

Parking Authority

Single-Employer Defined Benefit Plan

General Information. The Parking Authority established the Public Parking Authority of Pittsburgh Pension Plan (PPA Plan) effective January 1, 1980. The PPA Plan is a defined benefit plan covering substantially all employees not covered by another plan and is funded by employer and employee contributions.

Changes in Net Pension Asset. Changes in the Parking Authority's net pension asset are as follows:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|------------------------|----------------------------|--------------------------------|----------------------------------|
| Balances at 12/31/16 | \$ 12,000,754 | \$ 13,871,152 | \$ (1,870,398) |
| Changes for the year: | | | |
| Service cost | 462,654 | - | 462,654 |
| Interest | 839,867 | - | 839,867 |
| Experience (gain) loss | - | - | - |
| Employer contributions | - | 196,664 | (196,664) |
| Member contributions | - | 165,043 | (165,043) |
| Net investment income | - | 2,294,081 | (2,294,081) |
| Benefit payments | (467,956) | (467,956) | - |
| Other | - | (1,661) | 1,661 |
| Balances at 12/31/17 | \$ 12,835,319 | \$ 16,057,323 | \$ (3,222,004) |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Multiple-Employer Defined Benefit Plan

The Parking Authority had 52 facility employees in the year ended December 31, 2016, who are participants in a cost-sharing multiple-employer defined benefit plan administered through the Western Pennsylvania Teamsters and Employers Pension Fund that is not a state or local governmental pension plan; provides defined benefit pensions both to employees of local governments and to employees of employers that are not governmental employers; and the plan has no predominant local governmental employer. The Parking Authority contributed \$251,903 to this plan for the year ended December 31, 2017.

Additional pension information can be found in the Parking Authority's separate financial statements.

Urban Redevelopment Authority

Defined Contribution Plan - The URA provides a defined contribution retirement plan covering all employees who have completed one year of service. This plan was amended effective March 14, 2013. The total contribution for any plan participant is 10% of their base salary. Participants who were employed on or after January 1, 1985, and were not participants in the URA Employee's Pension Trust on December 31, 1997, contribute 5% of their base salary and receive a matching contribution by the URA. Participants hired before January 1, 1985, or were participants in the URA Employees' Pension Trust on December 31, 1997 and became participants in this plan on January 1, 1998, make no contribution to the plan as the URA funds the entire 10% contribution. Employer contributions, net of forfeitures, for the year ended December 31, 2017 were \$304,163 and employee contributions were \$207,940.

Under the defined contribution plan, the participants become vested at 25% per year in the second year of service. Upon termination of employment, the non-vested portion of a participant's account is returned to the URA and credited against current expenses. Upon attainment of age 65, the participants become 100% vested regardless of the number of years of service.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

8. Other Postemployment Benefits

Plan Description

The City administers a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for certain retired employees, in accordance with the terms of their applicable employment contracts. Management of the OPEB plan is vested with City Council.

Plan Benefits

In addition to the pension benefits disclosed in Note 7, resolutions of City Council, State statutes, and labor agreements have provided for certain postemployment benefits, other than pension benefits, known as ("OPEB") to be provided to retirees or their beneficiaries. Such benefits are primarily funded through annual appropriations from the City's General Fund and trusts designated for those purposes. Post-retirement benefits consisting of health care benefits, Medicare reimbursements and life insurance for firefighters and police officers and life insurance for certain municipal employees. Benefit provisions for the plan is established and amended through negotiations between the City and the respective unions. Separate financial statements are not available.

Plan Membership

At January 1, 2016, that date of the most recent actuarial valuation, the OPEB plan membership consisted of the following:

| | Health Insurance | Life Insurance |
|----------------------------|---------------------|-------------------|
| Active participants | 1,512 | 1,512 |
| Vested former participants | - | - |
| Retired participants | 1,757 | 1,793 |
| Total | <u>3,269</u> | <u>3,305</u> |

Contributions

OPEB plan contribution rates are based on an actuarially determined rate. For the year ended December 31, 2017, the City's average contribution rate was \$1,250 per active participant. Employees are not required to make contributions for basic life insurance. Employees contribute to health care costs at a flat rate based on wages and family size.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Investments

Through its investment policy, the OPEB Trust Fund manages its exposure to risk by utilizing certain criteria in selecting particular investment funds. The asset allocation policies seek to produce a net, inflation adjusted, positive total return. The asset allocation policy is consistent with the investment objectives of the plan and based on the capital market assumptions.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.35% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability – GASB Statement No. 74 Disclosure

The components of the net OPEB liability at December 31, 2017 was as follows:

| | |
|-----------------------------|-----------------------|
| Total OPEB liability | \$ 532,883,950 |
| Plan Fiduciary Net Position | <u>19,362,121</u> |
| Net OPEB Liability (Asset) | <u>\$ 513,521,829</u> |

The net OPEB liability (asset) will be reflected in the City's financial statements for the year ended December 31, 2018, when GASB Statement No. 75 is adopted.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Actuarial valuation date | 01/01/2016 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar |
| Amortization period | 30 year open period |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% |
| Inflation rate | 2.75% |
| Mortality table | RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience |

Healthcare cost trend rates:

Medical/Rx Costs:

| <u>Year</u> | <u>Annual Trend Rate</u> |
|----------------|--------------------------|
| 2016 | 6.00% |
| 2017 | 6.00% |
| 2018 | 5.75% |
| 2019 | 5.50% |
| 2020 | 5.50% |
| 2021 | 5.25% |
| 2022 and later | 5.00% |

Medicare Part B Premiums:

| <u>Year</u> | <u>Annual Trend Rate</u> |
|----------------|--------------------------|
| 2016 | 3.90% |
| 2017 and later | 5.00% |

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

return for each major class included in the target asset allocation as of December 31, 2017 are summarized as follows:

| Asset Class | Long-term Expected Real Rate of Return |
|--------------|---|
| Equity | 6.3% |
| Fixed income | 2.0% |

Discount Rate

The discount rate used to measure the total OPEB liability was 4.25% percent. This is the equivalent single rate determined by applying the long-term expected rate of return on investments to future benefit payments for current plan members expected to be funded by plan assets, and applying a tax-exempt, high quality municipal bond rate to benefit payments thereafter. Assets were projected to be available to make one year of projected benefit payments, if all payments are made directly from the Trust.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the City, as well as what City's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (3.25%) | Current Discount Rate (4.25%) | 1% Increase (5.25%) |
|----------------------------|------------------------|----------------------------------|------------------------|
| Net OPEB Liability (Asset) | \$ 590,289,328 | \$ 513,521,828 | \$ 450,718,799 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability (asset) of the City, as well as what City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease | Current Rates | 1% Increase |
|----------------------------|----------------|----------------|----------------|
| Net OPEB Liability (Asset) | \$ 443,923,414 | \$ 513,521,828 | \$ 599,924,579 |

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Additional Employer Disclosures Required by GASB Statement No. 45

Funding Policy. The City's contribution is based on projected pay-as-you-go financing requirements and is funded through the General Fund. For fiscal year 2017, the City contributed \$24,210,064 to the plan. During the year ended December 31, 2017, the City contributed an additional \$2.5 million into the OPEB irrevocable trust.

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

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The only significant change in benefits since the last valuation report was the change in applicable medical plan and the City subsidy for police officers who retired in 2004, pursuant to an arbitration award. The 1/1/2016 valuation included a change in assumptions for the entry age cost method so that liabilities are determined as a level percentage of salary, rather than a level dollar amount.

CITY OF PITTSBURGH, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2017

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

| | |
|--|-----------------------|
| Annual required contribution | \$ 42,439,328 |
| Interest on net OPEB obligation | 3,849,844 |
| Adjustment to annual required contribution | <u>(5,252,175)</u> |
| Annual OPEB cost | 41,036,997 |
| Contribution made | 24,210,064 |
| Contributions to OPEB Trust | <u>2,500,000</u> |
| Increase (decrease) in net OPEB obligation | 14,326,933 |
| Net OPEB obligation (asset), beginning of year | <u>128,307,323</u> |
| Net OPEB obligation (asset), end of year | <u>\$ 142,634,256</u> |

| | |
|-------------------------------|---|
| Actuarial valuation date | 01/01/2016 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level % of salary |
| Asset valuation method | Market value of assets plus accrual adjustments, if any |
| Remaining amortization period | 30 years - Open |
| Actuarial assumptions: | |
| Investment rate of return | 4.25% |
| Health care inflation rate | 6.00% for 2016 5.00% from 2022 and thereafter |

For the Actuarial Valuation report dated January 1, 2016, the actuarial value of assets is \$11,374,917; the actuarial accrued liability is \$518 million, for a funded ratio of 2%. Covered payroll is \$215 million, for an unfunded ratio of 236% as a percentage of covered payroll. The contributions made as a percentage of required contributions were 70%. The contributions were made primarily on a pay-as-you-go basis.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Three-Year Trend Information

| <u>Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------|-----------------------------------|--|--------------------------------|
| December 31, 2017 | \$ 41,036,997 | 62% | \$ 142,634,256 |
| December 31, 2016 | \$ 36,105,369 | 70% | \$ 128,307,323 |
| December 31, 2015 | \$ 41,036,997 | 62% | \$ 117,546,709 |

Component Unit:

Parking Authority

The Parking Authority Post Employment Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Parking Authority. There is no separate audit requirement. The plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. The Parking Authority has not established an OPEB trust fund. The following table shows the components of the Parking Authority's annual OPEB cost, the amount actuarially contributed to the plan, and the changes in the net OPEB obligation for the year ended December 31, 2017:

| | |
|--|-------------------|
| Annual required contribution | \$ 73,592 |
| Interest on net OPEB obligation | 29,773 |
| Adjustment to annual required contribution | <u>(88,889)</u> |
| Annual OPEB cost | 14,476 |
| Contribution made | <u>(31,049)</u> |
| Change in net OPEB obligation | (16,573) |
| Net OPEB obligation - beginning of year | <u>496,216</u> |
| Net OPEB obligation - end of year | <u>\$ 479,643</u> |

The Parking Authority's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan was \$14,476 and 100.00%, respectively. As of December 31, 2016, the date of the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$403,477, all of which was unfunded. The covered payroll was \$3,020,695, and the ratio of unfunded actuarial accrued liability to covered payroll was 13.4%. The contributions made as a percentage of required contributions were 100.00%. The contributions were made on a pay-as-you-go basis.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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In the December 31, 2016 actuarial valuation, the following actuarial assumptions were used: Actuarial cost method – Entry age normal; Interest rate – 6%; Amortization method – Level dollar; Amortization period – Seven years.

9. Long-Term Liabilities

The maximum amount payable for future maturities of bond and interest on general long-term debt at December 31, 2017 and changes in bond principal for the year then ended are summarized below:

| | Principal | | | | |
|--|-------------------------------------|---|-----------------------------|-------------------------------------|----------------|
| | Outstanding at December 31, 2016 | Bonds paid or defeased and discount amortized during 2017 | Bonds issued during 2017 | Outstanding at December 31, 2017 | Interest |
| Council and Public Election General Obligation Bonds: | | | | | |
| Six general obligation bond issues and one note with rates ranging from 2.13% to 6.60%. The bonds are payable from general revenues. | | | | | |
| 2017 | \$ 66,173,375 | \$ 66,173,375 | \$ - | \$ - | - |
| 2018 | 52,995,000 | - | 5,000 | 53,000,000 | 21,312,034 |
| 2019 | 27,120,000 | - | 2,015,000 | 29,135,000 | 18,233,350 |
| 2020 | 28,590,000 | - | 2,095,000 | 30,685,000 | 16,488,360 |
| 2021 | 30,390,000 | - | 2,175,000 | 32,565,000 | 14,609,430 |
| 2022 | 178,740,000 | - | 2,285,000 | 181,025,000 | 12,667,645 |
| 2023-2027 | 19,000,000 | - | 13,260,000 | 32,260,000 | 32,894,410 |
| 2028-2032 | 4,375,000 | - | 16,695,000 | 21,070,000 | 9,041,700 |
| 2033-2036 | - | - | 16,105,000 | 16,105,000 | 2,021,600 |
| Subtotal | 407,383,375 | 66,173,375 | 54,635,000 | 395,845,000 | 127,268,529 |
| Less: | | | | | |
| Unamortized bond discounts/premiums | 18,253,662 | 4,075,096 | 6,603,677 | 20,782,243 | - |
| | \$ 425,637,037 | \$ 70,248,471 | \$ 61,238,677 | \$ 416,627,243 | \$ 127,268,529 |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Discretely Presented Component Units

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2017:

| | Balance at December 31, 2016 | Additions | Retirements | Balance at December 31, 2017 |
|---|---------------------------------|-------------------|---------------------|---------------------------------|
| URA: | | | | |
| Mortgage Revenue Bond Program | \$ 8,565,000 | \$ - | \$ 1,230,000 | \$ 7,335,000 |
| Bank loan | 9,970,116 | - | 351,217 | 9,618,899 |
| Total proprietary fund debt | <u>18,535,116</u> | <u>-</u> | <u>1,581,217</u> | <u>16,953,899</u> |
| HUD Section 108 loans | 13,702,000 | - | 270,000 | 13,432,000 |
| Compensated absences | 611,538 | - | 8,090 | 603,448 |
| Total debt and other long-term obligations | <u>32,848,654</u> | <u>-</u> | <u>1,859,307</u> | <u>30,989,347</u> |
| URA Component Units: | | | | |
| Pittsburgh Housing Development Corporation: | | | | |
| Loans payable to | | | | |
| Schenley Heights Collaborative | - | 30,754 | - | 30,754 |
| Bank construction loans | 64,159 | 240,207 | 132,121 | 172,245 |
| Total Component Unit Debt | <u>64,159</u> | <u>270,961</u> | <u>132,121</u> | <u>202,999</u> |
| Total debt and other long-term obligations - reporting entity | <u>\$ 32,912,813</u> | <u>\$ 270,961</u> | <u>\$ 1,991,428</u> | <u>\$ 31,192,346</u> |

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Parking Authority Debt

Future maturities of bond and note principal on Parking Authority indebtedness at December 31, 2017 are as follows:

| | Principal | | | | Interest |
|---|-------------------------------------|---|--|-------------------------------------|---------------|
| | Outstanding at December 31, 2016 | Bonds paid or defeased and discount amortized during 2017 | Bonds and notes issued during 2017 | Outstanding at December 31, 2017 | |
| Parking Authority Revenue Bonds and Notes: | | | | | |
| One revenue bond issue with interest rates ranging from 3.0% to 5.0%. These bonds are payable from revenue from Parking Authority operations. | | | | | |
| 2017 | \$ 5,215,000 | \$ 5,215,000 | \$ - | \$ - | \$ - |
| 2018 | 4,910,000 | - | - | 4,910,000 | 2,544,650 |
| 2019 | 5,105,000 | - | - | 5,105,000 | 2,348,250 |
| 2020 | 5,360,000 | - | - | 5,360,000 | 2,093,000 |
| 2021 | 5,520,000 | - | - | 5,520,000 | 1,825,000 |
| 2022 | 5,730,000 | - | - | 5,730,000 | 1,549,000 |
| 2023 - 2026 | 25,250,000 | - | - | 25,250,000 | 3,217,500 |
| | 57,090,000 | 5,215,000 | - | 51,875,000 | 13,577,400 |
| Plus: Bond premium | 6,849,124 | (1,337,033) | - | 5,512,091 | - |
| Total | \$ 63,939,124 | \$ (6,552,033) | \$ - | \$ 57,387,091 | \$ 13,577,400 |

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NOTES TO FINANCIAL STATEMENTS

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Pittsburgh Water and Sewer Authority Debt

Future maturities of bond and note principal on PWSA indebtedness at December 31, 2017 are as follows:

| | Principal | | | | |
|--|-------------------------------------|---|--|-------------------------------------|----------------|
| | Outstanding at December 31, 2016 | Bonds paid or defeased and discount amortized during 2017 | Bonds and notes issued during 2017 | Outstanding at December 31, 2017 | Interest |
| Pittsburgh Water and Sewer Authority | | | | | |
| Revenue Bonds: | | | | | |
| Four revenue refunding bonds with interest rates ranging from 1.891% to 5.310%, Sixteen state loans, revolving line of credit, and two swap borrowings with variable interest rates. The bonds are payable from revenue from Water and Sewer operations. | | | | | |
| 2017 | \$ 22,099,000 | \$ 22,574,000 | \$ 475,000 | \$ - | \$ - |
| 2018 | 22,061,000 | 10,088,000 | 16,264,000 | 28,237,000 | 27,655,000 |
| 2019 | 23,009,000 | 7,961,000 | 12,077,000 | 27,125,000 | 28,991,000 |
| 2020 | 23,988,000 | - | 48,147,000 | 72,135,000 | 27,865,000 |
| 2021 | 13,336,000 | 602,000 | 16,603,000 | 29,337,000 | 26,648,000 |
| 2022 | 25,943,000 | 13,801,000 | 18,375,000 | 30,517,000 | 25,380,000 |
| 2023-2027 | 122,216,000 | 76,277,000 | 98,838,000 | 144,777,000 | 127,696,000 |
| 2028-2032 | 85,809,000 | - | 40,063,000 | 125,872,000 | 139,174,000 |
| 2033-2037 | 178,368,000 | 92,764,000 | 119,524,000 | 205,128,000 | 50,615,000 |
| 2038-2040 | 173,922,000 | 157,503,000 | 119,788,000 | 136,207,000 | 10,853,000 |
| | 690,751,000 | 381,570,000 | 490,154,000 | 799,335,000 | 464,877,000 |
| Net bond discount (premium) | 11,912,000 | 3,210,000 | 23,374,000 | 32,076,000 | - |
| Accretion on 1998 bonds | 53,112,000 | 22,496,000 | 4,150,000 | 34,766,000 | - |
| Total | \$ 755,775,000 | \$407,276,000 | \$517,678,000 | \$ 866,177,000 | \$ 464,877,000 |

Guaranteed Debt of Non-Component Unit

The Public Auditorium Authority is now a part of the Sports and Exhibition Authority, which is not a component unit of the City. The following debt was guaranteed by the City when

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

the Public Auditorium Authority was a component unit of the City. As of December 31, 2017, the City continues to guarantee the debt.

| | | Principal | | | | |
|---|----|-------------------------------------|---|--|-------------------------------------|----------|
| | | Outstanding at December 31, 2016 | Bonds paid or defeased and discount amortized during 2017 | Bonds and notes issued during 2017 | Outstanding at December 31, 2017 | Interest |
| Public Auditorium Authority Revenue Bonds: | | | | | | |
| One bond issue with interest rates ranging from 3.5% to 4.0%. The City's share of debt service on these bonds is payable from general revenues. | | | | | | |
| 2017 | \$ | 117,500 | \$ 117,500 | \$ - | \$ - | \$ - |
| 2018 | | 122,500 | - | - | 122,500 | 4,900 |
| Total | \$ | 240,000 | \$ 117,500 | \$ - | \$ 122,500 | \$ 4,900 |

(A) Council and Public Election General Obligation Bonds and Notes

General Obligation Bonds – Series of 2017

On April 27, 2017, the City issued \$54,635,000 of General Obligation Bonds, Series 2017 with an average interest rate of 4.5%. These consisted of serial bonds all bearing a fixed rate from 3.0% to 5.0% with maturities commencing on September 1, 2018 and continuing annually through September 2036. Net proceeds of \$60,000,000 (including a premium of \$6,603,677, bond issuance costs of \$371,504, and capitalized interest of \$867,173) will be used to fund future capital projects.

General Obligation Notes – Series of 2016

On June 16, 2016, the City issued \$23,723,375 of General Obligation Notes, Series 2016 with an interest rate of 0.80% maturing on July 14, 2017. Net proceeds of the Series 2016 Notes of \$23,723,375 were used to advance refund the General Obligation Bonds, Series 2006B with a remaining amount due of \$23,020,000.

General Obligation Bonds – Series of 2014

On August 28, 2014, the City issued \$44,470,000 of General Obligation Bonds, Series 2014 with an average interest rate of 2.454%. These consisted of serial bonds all bearing a fixed rate from 2.0% to 5.0% with maturities commencing on September 1, 2017 and

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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continuing annually through September 2032. Net proceeds of \$50,000,000 (including a premium of \$5,915,402 and bond issuance costs of \$385,402) will be used to fund future capital projects.

General Obligation Refunding Bonds – Series of 2014 A & B

On November 25, 2014, the City issued \$16,395,000 of General Obligation Refunding Bonds, Series 2014A with an average interest rate of 1.0% and \$46,525,000 of General Obligation Refunding Bonds, Series 2014B with an average interest rate of 1.0%. These consisted of serial bonds all bearing a fixed rate from .443% to 5.0% with maturities commencing on September 1, 2015 and continuing annually through September 2018. Net proceeds of the Series A Bonds of \$16,297,960 were used to advance refund the General Obligation Bonds, Series 2005A with a remaining amount due of \$19,995,000. Net proceeds of the Series B Bonds of \$52,559,680 were used to advance refund the General Obligation Bonds, Series 2006C with a remaining amount due of \$47,800,000.

General Obligation Bonds – Series of 2012 A & B

On February 28, 2012, the City issued \$43,220,000 of General Obligation Bonds, Series 2012A with an average interest rate of 4.266% and \$71,275,000 of General Obligation Bonds, Series 2012B with an average interest rate of 5.0%. These consisted of serial bonds all bearing a fixed rate from 2.0% to 5.0% with maturities commencing on September 1, 2012 and continuing annually through September 2026. Net proceeds of the Series A Bonds of \$47,724,946 (including a premium of \$4,638,645 and bond issuance cost of \$133,699) were used to advance refund the General Obligation Bonds, Series 2002A with a remaining amount due of \$46,455,000, with an average interest rate of 5.3%.

The net proceeds of the Series B Bonds of \$80,025,056 (including a bond premium of \$8,974,227 and bond issuance costs of \$224,171) were used to fund capital projects from 2012 to 2014.

General Obligation Bonds - Series of 2008 A

On September 11, 2008, the City issued \$66,775,000 of General Obligation Refunding Bonds, Series A with an average interest rate of 5.08%. These consisted of serial bonds all bearing a fixed rate ranging from 5.0% to 5.25% with maturities commencing on September 1, 2009 and continuing annually through September 2017. Net proceeds of \$69,573,696 (including a bond premium of \$3,292,711 and bond issuance costs of

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\$494,016) were used to advance refund the General Obligation Bonds, Series 1998D for \$69,400,000.

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

On May 10, 2006, the City issued \$53,615,000 of General Obligation Bonds, Series 2006A with an average interest rate of 5.44%, \$140,560,000 of General Obligation Bonds, Series 2006B with an average interest rate of 5.16% and \$47,800,000 of General Obligation Bonds, Series 2006C, with an average interest rate of 5.25%. These consisted of serial bonds all bearing a fixed rate from 4.00% to 5.54% with maturities commencing on September 1, 2006 and continuing annually through September 2018. Net proceeds of \$201,483,507 (including a bond premium of \$9,650,477 and bond issuance costs of \$2,341,970) were used to advance refund various series of bonds.

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

The 1998 Series ABC bonds were issued to fund the City's Pension Fund.

Below is a schedule of the City's General Obligation Bonds and Notes as of December 31, 2017:

| Serial Bonds | Coupon or Ceiling Rate of Interest | Amount Outstanding | Amount due within one year |
|--|--|-----------------------|-------------------------------|
| 1998A, B, C | 6.50% - 6.60% | \$ 155,920,000 | \$ 13,235,000 |
| 2012 A | 2.13%-5.00% | 29,815,000 | 5,000 |
| 2012 B | 5.00% | 71,275,000 | - |
| 2014 | 5.00% | 44,460,000 | 15,000 |
| 2014 B | 5.00% | 39,740,000 | 39,740,000 |
| 2017 | 3.00%-5.00% | 54,635,000 | 5,000 |
| Subtotal | | <u>395,845,000</u> | <u>53,000,000</u> |
| Add: Unamortized bond discounts/premiums | | <u>20,782,243</u> | |
| Total general obligation bonds and notes payable | | <u>\$ 416,627,243</u> | |

The City's Bond Debt ratings are Moody's A1, Fitch AA- and Standard & Poor's A+ as of December 31, 2017.

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From 1998 through 2014, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. The outstanding balance of defeased bonds at December 31, 2017 is \$147,125,000.

(B) Stadium Authority

During the Stadium Authority's fiscal year March 31, 2006, the Stadium Authority obtained three long-term loans to finance the West General Robinson Street Garage. On February 14, 2012, the Stadium Authority refinanced the loan with notes from PNC Bank and Dollar Bank. A \$10,400,000 fixed rate loan issued by PNC Bank has a 20-year amortization and a 63-month term. Principal was due on the loan beginning in March 2012 and interest is payable at 3.8%. A \$5,000,000 fixed rate loan issued from Dollar Bank has a 20-year amortization and a 63-month term. Principal was due on the loan beginning in March 2012 and interest is payable at 3.8%. A \$3,000,000 variable rate loan issued by PNC had a 20-year amortization and 63-month term. Principal was due on the loan beginning in March 2012 and interest is based on the sum of 70% of LIBOR plus 195 basis points (1.95%) for the applicable LIBOR Interest period. The Infrastructure Development Program (IDP) loan for \$1.25 million has a term of 20 years with a 2% interest rate. The outstanding balances at March 31, 2017 are \$12,492,525 (combined PNC/Dollar Bank fixed rate loans), \$0 (for the \$3 million variable rate loan paid off in September 2015), and \$881,747 for the IDP loan, respectively, for the four loans. A balloon principal payment on the fixed rate 63-month term (May 1, 2017) notes was be \$12,388,042.

On April 21, 2016, the Stadium Authority entered into a \$15 million variable rate Credit Agreement with PNC (\$8 million) and Dollar Bank (\$7 million) to provide funding for the construction of the Gold 1 garage. The variable rate is 70% of one month LIBOR plus 2.0% Daily LIBOR. As of March 31, 2017, the Stadium Authority had drawn \$14,626,524 of the \$15 million for construction.

On May 1, 2017, the Stadium Authority approved the refinancing of the \$12 million balloon payment and the \$15 million credit agreement with PNC (\$17,299,100) and Dollar Bank (\$9,314,900).

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(C) Pittsburgh Water and Sewer Authority

Series 1998

In March 1998, the PWSA issued \$36,440,000 Series B First Lien Revenue Bonds ("1998 Series B Bonds"), the proceeds of which are dedicated to a capital improvements program.

The 1998 Series B Bonds are capital appreciation bonds with an original issuance amount of \$36,440,000. During 2017, \$12,406,000 (par) of the 1998 Series B Bonds with an accreted value of \$34,625,000 were refunded with the Series 2017 A bonds. The remaining 1998 Series B Bonds have maturity values ranging from \$14.6 million to \$26.9 million from 2027 to 2030. The bonds were issued to yield rates from 5.18% to 5.3%. The 1998 Series B Bonds accrue and compound interest on a semi-annual basis and are carried at cost plus accrued interest. Total maturity value of the 1998 Series B Bonds is \$95.45 million.

The 1998B Bonds at December 31, 2017 have carrying amounts of approximately \$53.9 million.

Series 2007

During March 2007, the PWSA issued \$158,895,000 Series 2007 First Lien Water and Sewer Revenue Bonds ("2007 Bonds"): \$43,720,000 Series A of 2007 (fixed rate), \$57,585,000 Series B-1 of 2007 (variable rate demand), and \$57,590,000 Series B-2 of 2007 (variable rate demand). The purpose of this bond issue was to refund the Series 2002 and Series 2005 Bonds. The Series 2007 B-1 and B-2 were currently refunded during 2013.

The 2007 Series A Bonds were paid off during 2017.

Series 2008

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

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Bond Insurance Policy securing payments on 2008 Fixed Rate Bonds, and to fund termination payments on certain interest rate swaps.

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

In connection with these advance refundings, portions of the proceeds of the 2008 Bonds were deposited into irrevocable trusts with an escrow agent to provide for certain debt service payments on the refunded bonds.

The maturity value of defeased 1998B compound interest bonds outstanding at December 31, 2017 was \$19,800,000.

The 2008 Series C Bonds (2008 Variable Rate Bonds) as originally offered bear interest at a variable rate with interest payments due on the first business day of each month. Interest rates are reset weekly; the fluctuating rate per annum to be determined by the respective remarketing agents. The weekly rate is subject to a cap of 12% per annum.

As of September 1, 2015, the C-1-D bonds were converted to the LIBOR-based interest rate mode. At December 31, 2017, the interest rate was 1.56%. Liquidity facilities provided by Bank of America Merrill Lynch on the 2008 C1-D Series bond were renewed as of November 3, 2014 and expire on September 1, 2018.

During September 2013, the 2008 Series C-1A, B and C bonds were converted and reoffered. The bonds were converted to index interest rate mode. The reoffered bonds are as follows: Series C1-A \$10,000,000; Series C1-B \$10,000,000; and Series C1-C \$5,000,000.

During November 2014, the 2008 Series C-1A, B, C, and C-2 were reissued and restructured to bear interest based upon 70% of one-month LIBOR. The fixed rate paid on the swaps by the PWSA was amended from 3.998% to 3.50%. Liquidity facilities

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provided by Bank of America Merrill Lynch (C-1A, 1B, 1C) and JP Morgan Chase (C-2) were also renewed as of November 3, 2014 and expire on September 1, 2020 and November 3, 2018, respectively.

Variable Rate Bonds are subject to optional redemption, in whole or in part, on any date, at the option of the PWSA. The 2008 Series C Bonds that mature on September 1 of 2035 are subject to mandatory sinking fund redemption.

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

During 2017, the 2008 Series A, B, and D-2 Bonds were currently refunded, and the 2008 Series D-1 Bonds were advance refunded, with Series 2017 A, B, and C Bonds.

The 2008 Bonds at December 31, 2017 have carrying amounts of approximately \$104 million.

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

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

Series 2013

During December 2013, the PWSA issued \$130,215,000 Series A First Lien Revenue Refunding Bonds ("2013 Series A Bonds"), the proceeds of which were used to defease through current refunding the entire balance of the Series 2003, Series 2007 B-1, and Series 2007 B-2 and pay certain amounts in respect of termination of certain interest rate swap agreement related to the Series 2007 B-1 and B-2 bonds; \$86,695,000 Series B First Lien Revenue Bonds ("2013 Series B Bonds"), the proceeds of which are to fund certain

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water and sewer system capital improvement projects and reimburse the PWSA for certain capital expenditures paid for by the PWSA.

The 2013 Bonds were issued at a bond premium of \$14,828,000, which is being amortized as an adjustment to interest expense over the life of the bonds.

During 2017, \$42,340,000 of Series 2013 B bonds outstanding were currently refunded with Series 2017 A bonds.

The 2013 Bonds at December 31, 2017 have carrying amounts of approximately \$133 million.

Series 2017

During December 2017, the PWSA issued \$165,390,000 First Lien Revenue Refunding Bonds composed of Series A (159,795,000) and Series B (taxable) (\$5,595,000). The proceeds of the bonds were used to fund the costs of the refunding of all or a portion of the PWSA's outstanding Series of 1998B, 2008A, 2008D-1, and 2013B water and sewer system revenue bonds. The refunding was completed to reduce the PWSA's debt service payments over the next 15 years by approximately \$6,275,000 and to obtain an economic gain (difference between present values of old and new debt service payments) of \$5,311,000.

The 2017 A and B Bonds were issued at a bond premium of \$23,374,000, which is being amortized as an adjustment to interest expense over the life of the bonds.

The 2017 A and B Bonds at December 31, 2017 have carrying amounts of approximately \$160 million and \$5 million, respectively. The maturity value of defeased 2008-D1 bonds outstanding at December 31, 2017 was \$24,665,000.

During December 2017, the PWSA issued \$218,805,000 Series C First Lien Revenue Refunding Bonds, the proceeds of which were used to fund the costs of refunding the PWSA's outstanding Series 2008 B-1, B-2, and D-2 Water and Sewer System Revenue Bonds. The refunding was completed to reduce the PWSA's debt service payments over the next 23 years by approximately \$9,782,000 and to obtain an economic gain (difference between present values of old and new debt service payments) of \$7,852,000.

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The 2017 C Bonds at December 31, 2017 have a carrying amount of approximately \$219 million.

Revolving Line of Credit

In July 2016, the PWSA obtained an \$80 million revolving line of credit to finance certain capital projects. The revolving line of credit is secured by the revenues of the PWSA. The PWSA has until July 1, 2020 to request revolving advances on the line of credit, at which time the PWSA has the option to convert the unpaid principal amount of the outstanding revolving advances to a term loan advance. Each revolving advance bears interest at the LIBOR Index Rate, which ranged from 1.4958% to 2.04% for the year ended December 31, 2017. At December 31, 2017, the PWSA had drawn \$43.8 million in revolving advances.

State Loans

The PWSA has several loans outstanding from PENNVEST for various capital projects and water and sewer improvement projects, with carrying amounts of approximately \$31 million at December 31, 2017. Interest rates vary from 1.00% to 3.25%.

Capital Lease

During 2015, the PWSA entered into a lease agreement as lessee for financing the acquisition of a utility assets valued at \$7,445,000. The utility assets have a ten-year estimated useful life. Depreciation on the utility assets began in 2016, with accumulated depreciation totaling \$1,489,000 for the year ended December 31, 2017. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the value of future minimum lease payments as of the inception date. At December 31, 2017, the outstanding balance of the capital lease was \$6,331,000.

Swap Borrowing

During November 2014, the PWSA terminated the original 2008 Series 2008 C-1A, C-1B, C-1C, and C-2 swaps and reissued and restructured the swaps to bear interest based upon 70% of one-month LIBOR. At termination, those derivative instruments had an aggregate fair value of (\$9,471,000), which is considered a swap borrowing from the counterparty. The swap borrowing is being amortized over the remaining life of the bond. At December 31, 2017, the unamortized balance is \$8,038,000.

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During December 2017, the PWSA terminated the original 2008 Series B-1, B-2, and D swaps and reissued and restructured the swaps to bear interest based upon 70% of one-month LIBOR. At termination, those derivative instruments had an aggregate fair value of (\$70,869,000), which is considered a swap borrowing from the counterparty. The swap borrowing is being amortized over the remaining life of the bond. At December 31, 2017, the unamortized balance is \$70,393,000.

Swap Transactions

| Current Notional Amount | Effective Date | Maturity Date | Interest Rate Paid | Interest Rate Received | Counterparty Credit Rating | Underlying Bonds | 12/31/2017 Fair Value * |
|--|-------------------|------------------|--------------------------|------------------------------|----------------------------------|---------------------|-------------------------------|
| Hedging derivatives, Cash flow hedges, Receive variable - pay fixed, Interest rate swaps: | | | | | | | |
| \$ 72,747,500 | 12/28/2017 | 9/1/2039 | 1.732% | 70% 1mo LIBOR | A- | Series 2017 C * | \$ (484,501) |
| 41,464,000 | 11/3/2014 | 9/1/2035 | 2.000% | 70% 1mo LIBOR | A- | Series 2008 C * | (1,834,140) |
| 72,747,500 | 12/28/2017 | 9/1/2039 | 1.732% | 70% 1mo LIBOR | A+ | Series 2017 C * | (484,501) |
| 71,225,000 | 12/28/2017 | 9/1/2040 | 1.735% | 70% 1mo LIBOR | A+ | Series 2017 C * | (475,904) |
| | | | | | | | (3,279,046) |
| Investment derivatives, Receive variable - pay fixed, Interest rate swap: | | | | | | | |
| 62,196,000 | 11/3/2014 | 9/1/2035 | 3.500% | 70% 1mo LIBOR | A+ | Series 2008 C | (15,039,536) |
| Total | | | | | | | \$ (18,318,582) |

** - The fair value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

* - Represents a hybrid instrument comprised of an on-market swap and a borrowing. The information above reflects the on-market rate as of the date on which the swap was associated with the underlying bonds.

PWSA has the recurring fair value measurement as of December 31, 2017 for the swap values noted above. The swaps are valued using significant other observable inputs (Level 2 inputs).

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

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The intention of the 2008 swaps was to effectively change the PWSA's variable interest rate on the \$145,495,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds Series B of 2008, on the \$71,225,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Bonds Series D-2 of 2008, and on the \$103,795,000 Water and Sewer System (Variable Rate Demand) Subordinate Revenue Refunding Bonds Series C of 2008 (the bonds) to synthetic fixed rates of 4.038%, 4.103%, and 3.998%, respectively.

During November 2014, the 2008 Series C Bonds were reissued and restructured to bear interest based upon 70% of one-month LIBOR. In conjunction with this reissuance/restructuring, the floating rate on the Series 2008 C swaps was converted from SIFMA to 70% of one-month LIBOR and the fixed rate was amended from 3.998% to 3.50%. With respect to the Series 2008 C swap treated as an effective hedge, this "off-market" swap is considered to be a hybrid instrument consisting of an on-market swap and a borrowing. The on-market swap rate is calculated as of the date of reissuance. The borrowing will be amortized over the remaining life of the swap and is included in bonds and loans payable on the statement of net position.

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

The interest payments on the 2008 interest rate swaps are calculated based on notional amounts, all of which reduce, beginning on September 1, 2012 for the 2008 C Bonds, September 1, 2032 for the 2008 D2 Bonds and September 1, 2035 for the 2008 B Bonds, so that the notional amounts approximate the principal outstanding on the respective bonds. The interest rate swaps expire consistent with the final maturity of the respective bonds.

During December 2017, the swaps that were previously associated with the 2008 B-1, 2008 B-2 and 2008D bonds were newly associated with the 2017C refunding Bonds.

Description of 2017 C Swaps

During fiscal year 2017, the PWSA restructured three pay-fixed, receive-variable interest rate swap contracts. The original interest rate swaps were effective June 12, 2008. Beginning December 28, 2017, the PWSA will make semi-annual interest payments on the 1st of each March and September through September 1, 2039 (two swaps); and, September 1, 2040 (for one swap), respectively. The Counterparties make monthly interest payments

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on the 1st of each calendar month, which begin February 2018 through September 1, 2039 for two of the swaps; and, September 1, 2040 for one swap.

The intention of the 2017 swaps restructuring is to effectively change the PWSA's variable interest rate on the \$216,720,000, Water and Sewer System First Lien Revenue Refunding Bonds Series C of 2017 with notional amounts of \$71,225,000, \$72,747,500, and \$72,747,500 to fixed rates of 3.8255%, 3.770%, and 3.7835%, respectively.

The bonds will accrue interest at a weekly rate that is determined by a remarketing agent on each effective rate date. The interest rate on the bonds may not exceed 12%. Per the interest rate swap agreements, the PWSA will receive 70% of one-month LIBOR.

The interest payments on the interest rate swaps are calculated based on notional amounts, all of which reduce beginning on September 2032, so that the notional amounts approximate the principal outstanding on the respective bonds. The interest rate swaps expire consistent with the final maturity of the respective bonds.

Accounting and Risk Disclosures

During the year ended December 31, 2017, the PWSA paid \$12,512,000 fixed and received \$2,467,000 variable related to their outstanding swap agreements.

Current period changes in fair value for the interest rate swaps that are accounted for as hedges are recorded on the statements of net position as an adjustment to deferred outflows. Additionally, current period changes in fair value for the interest rate swap accounted for as an investment is recorded on the statements of revenues, expenses, and changes in net position as a component of investment income.

The fair value of the outstanding interest rate swaps as of December 31, 2017 is reported on the statement of net position as a swap liability.

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

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

- Credit risk is the risk that a counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc., a nationally recognized statistical rating organization for the respective counterparties are listed in the table above. If a counterparty failed to perform according to the terms of the interest rate swap agreement, there is some risk of loss to the PWSA, up to the fair value of the swaps.

The PWSA currently does not enter into master netting arrangements with its counterparties. As such, each derivative instrument should be evaluated on an individual basis for credit risk. As the PWSA's derivative instruments currently have a negative fair value position to the PWSA at year-end, the PWSA is not exposed to credit risk at December 31, 2017.

Concentration of credit risk: The PWSA currently has two counterparties, with three and two outstanding interest rate swaps, respectively. The PWSA's outstanding market value as of December 31, 2017 is \$(15,999,941) with one counterparty and \$(2,318,641) with the second counterparty. Both counterparties operate in the same markets and could be similarly impacted by changes in economic or other conditions.

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

- Termination risk is the risk that a derivative's unscheduled end will affect the PWSA's asset/liability strategy or will present the PWSA with potentially significant unscheduled termination payments to the counterparty. The counterparties to the interest rate swaps do not have the ability to voluntarily terminate the interest rate swap; however, the PWSA is exposed to termination risk in the event that one or more of the counterparties default. During 2014, 2008 C swaps were terminated and reissued. During 2017, the 2008 B-1, B-2, and D swaps were terminated and reissued.

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- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or cash flows. The interest rate swap that is accounted for as an investment exposes the PWSA to interest rate risk. The interest rate swap is highly sensitive to changes in interest rates; changes in the variable rate will have a material effect on the swap's fair value. The interest rate swap will terminate on September 4, 2035.
- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. The PWSA is subject to basis risk on the 2008 C swaps as the interest index on the variable rate arm of the swaps is based on the 70% of one-month LIBOR and the variable interest rate on the bonds is based on a different index, a weekly rate that is determined by a remarketing agent. Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect the PWSA's calculated payments, and as a result cost savings or synthetic interest rates may not be realized.

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

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

Contingencies

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

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

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

Tax Increment financing bonds are used to finance economic development within the City. The Bond proceeds are used to fund various construction projects within the City. Real estate value is thus increased and will provide increased future tax revenue to the City. Under a Tax Increment Financing Cooperative Agreement (the TIF Agreement) with the City, County, and the School District of Pittsburgh, each entity agrees to assign its respective rights to the incremental taxes derived from the TIF project to the URA for the term of the Bonds. The difference in the amount of real estate taxes attributable to the TIF property prior to and subsequent to the development of the property constitutes the "increment" that is available to pay debt service on the Bonds.

The Bonds are not guaranteed by the full faith and credit of the City, and as a result of being jointly funded are not recorded in the City's financial statements.

In the event that real estate tax revenues generated under the TIF Agreements are insufficient at any time to pay debt service on the Bonds, the respective parties under the Minimum Payment Agreements have agreed to make payments sufficient to remedy such shortfalls. Amounts payable under the Minimum Payment Agreements correspond to debt service requirements on the respective Bonds. Pursuant to the Tenant Agreement, each tenant has agreed to guarantee the full and punctual payment when due of all obligations. During 2017, the City's share of the TIF revenue was \$3,010,497, whereas the City's share of the principal and interest paid on the TIF Bonds and Note were \$1,363,487. As of December 31, 2017, the balance of TIF Bonds and Notes outstanding was \$42.6 million of which the City portion approximated \$12.7 million.

(E) Urban Redevelopment Authority of Pittsburgh (URA) Debt Recorded by URA and not Supported by the City

The URA has various Bonds and Loans, which are the obligation of the URA and are not guaranteed or financed by the City. The proceeds of these Bonds and Loans are used to provide mortgages, loans, or grants to individuals or companies within the City to be used for urban redevelopment. The Bonds and Loans are payable from repayment of

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mortgages and loans and from other revenue and grants received by the URA. Debt issued for the URA as of December 31, 2017 is as follows:

Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City. The 2006 A, B, & C Series bonds, including various serial and term bonds, bear interest at rates from 4.240% to 4.80% and mature through 2028. At December 31, 2017, \$7,335,000 is outstanding. \$865,000 is due on these bonds in 2018.

Bank Loan

The URA received a loan to finance renovations to the Lexington Technology Park buildings. The loan is fixed at an interest rate of 4.57%. At December 31, 2017, \$2,188,660 is outstanding. Final maturity is February 28, 2019. Monthly payments are based on a twenty-year amortization with a balloon payment due at maturity. \$151,596 is due on this loan in 2018.

During 2014, the URA received a bank loan totaling \$8,005,000. The proceeds of the loan were used to partially consolidate and refinance the debt on the South Side Works garages' loans and to provide financing for the Open Hearth Garage in the South Side Works. The loan is fixed at an interest rate of 3.83%. At December 31, 2017, \$7,430,239 is outstanding. Final maturity is January 1, 2025. Monthly payments are based on a 10-year amortization with a balloon payment due at maturity. \$222,019 is due on this loan in 2018.

HUD Section 108 Loans

During 2008, the URA received two HUD Section 108 loans to provide funding for the Pittsburgh Technology Center. The first loan, in the original principal amount of \$3 million is for site improvements and streets and utilities relocation. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2017, \$2.059 million is outstanding. \$173,000 is due in 2018.

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

August 1, 2026. At December 31, 2016, \$1.373 million is outstanding. \$116,000 is due in 2018.

The 2008 loans are secured by future Community Development Block Grant grants, the pledged increment for the Pittsburgh Technology Center Tax Increment Financing District, and payments under the minimum payment agreement.

In 2010, the URA received a \$10,000,000 HUD Section 108 loan to provide funding for the East Liberty Portal Project (the Project). The loan bears interest at 3.30% and is interest only until maturity on August 1, 2019. The proceeds of the loan were used to provide a portion of the financing for the Project through certain qualified community development entities (CDEs). The loan is secured by a note receivable and a Pledge and assignment of CDE membership interest to URA which is expected to generate proceeds to repay the note receivable and HUD 108 loan once the property is sold. Additional collateral includes a partial personal guarantee from the developer and two pledged reserve accounts. The loan is also secured by the URA's future Community Development Block Grant grants. The note receivable bears interest at 5% and principal is due on August 1, 2018. Any excess of interest received on the note receivable over interest paid on the HUD 108 loan must be held in trust until the HUD 108 loan is repaid in full.

Annual debt service requirements on outstanding bonds and loans of the URA are as follows:

| <u>Years</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|----------------------|---------------------|----------------------|
| 2018 | \$ 1,527,615 | \$ 1,214,126 | \$ 2,741,741 |
| 2019 | 13,350,737 | 1,082,010 | 14,432,747 |
| 2020 | 1,309,665 | 670,792 | 1,980,457 |
| 2021 | 1,356,007 | 611,202 | 1,967,209 |
| 2022 | 1,478,713 | 547,537 | 2,026,250 |
| 2023-2027 | 11,118,162 | 1,102,596 | 12,220,758 |
| 2028 | 245,000 | 5,276 | 250,276 |
| | <u>\$ 30,385,899</u> | <u>\$ 5,233,539</u> | <u>\$ 35,619,438</u> |

URA Component Unit Debt consists of the following:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

PHDC-Bank Loans

The PHDC had outstanding construction loans payable to banks of \$172,245. Interest accrues on the loans at 4.25% to 5.00%. Loans are due on demand.

PHDC-Schenley Heights Collaborative Construction Loans

The PHDC had outstanding construction loan payable to Schenley Heights Collaborative of \$30,754. Interest accrues on the loans at 0.00%. Loans are due when units are sold or August 2019, whichever occurs first. The loan is secured by the mortgage on the property.

Future Maturities

Loans payable to the URA from PHDC are \$1,710,777. For reporting purposes, this activity is netted on the Combining Statement of Net Position – Component Units.

All interest expense on loans of the URA and its component units is reported as program expense as the borrowings are essential to the programs and the financial statements would be misleading to exclude these charges as direct expenses.

(F) Pittsburgh Parking Authority

On October 29, 2015, the Parking Authority issued \$67,395,000 in Parking System Revenue Refunding Bonds, Series A of 2015 and \$2,490,000 in Parking System Revenue Refunding Bonds, Taxable Series B of 2015.

Proceeds from the Series A of 2015 was used to (1) refund on a current refunding basis a portion of the Parking Authority's outstanding Parking System Revenue Bonds, Series A of 2005, (2) refund on a current refunding basis a portion of the Parking Authority's outstanding Parking System Revenue Bonds, Series B of 2005, (3) refund on an advance refunding basis a portion of the 2005B Bonds, (4) refund on a current refunding basis all of the Parking Authority's outstanding Parking System Revenue Bonds, Refunding Series A of 2005 and Parking System Revenue Bonds, Refunding Series B of 2005, (5) fund a Debt Service Reserve Fund Requirement relating to the 2015 Refunding Bonds by paying a premium on a Municipal Bond Debt Service Reserve Policy, and (6) pay a portion of costs of issuance of the 2015 Refunding bonds.

CITY OF PITTSBURGH, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2017

Net proceeds from the Taxable Series B of 2015 were used to (1) refund on an advance refunding basis a portion of the 2005A Bonds, and (2) pay a portion of the costs of issuance of the 2015 Refunding bonds.

The Parking Authority's refundings through the 2015 Series A and B issues decreased the total debt service over the next 11 years by approximately \$8.5 million. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of approximately \$7 million. The principal amount of defeased 2005A and 2005B bonds outstanding, without consideration of accreted interest, at December 31, 2017 is approximately \$1,900,000.

(G) Other Long-Term Obligations

The following is a summary of transactions affecting other long-term obligations of the City during 2017:

| | Accrued Workers' Compensation | Accrued Compensated Absences | Accrued Claims and Judgments | Capital Lease Obligation |
|---|-------------------------------------|------------------------------------|------------------------------------|--------------------------------|
| Balance, January 1, 2017 | \$ 129,368,752 | \$ 31,140,846 | \$ 20,481,000 | \$ 7,713,856 |
| Additions | 11,864,052 | 15,513,223 | 5,806,000 | - |
| Reductions/payments | (15,132,086) | (15,848,754) | (16,120,000) | (888,291) |
| Balance, December 31, 2017 | 126,100,718 | 30,805,315 | 10,167,000 | 6,825,565 |
| Less amounts accrued within short-term | (15,132,086) | (24,358,399) | (5,217,000) | (943,065) |
| Long-term portion, December 31, 2017 | <u>\$ 110,968,632</u> | <u>\$ 6,446,916</u> | <u>\$ 4,950,000</u> | <u>\$ 5,882,500</u> |

1. The General Fund is used to liquidate the workers' compensation, compensated absences, claims and judgments, and capital lease obligations.
2. Commencing on July 3, 2002, the City entered into a twenty year, noncancelable (unless there is a default of the terms by either party) lease for office space to be used by the Department of Public Safety, Police Bureau. The lease includes additional renewal options to extend the lease for four consecutive terms of five years each. The terms of the lease did not start until the Police Bureau took possession of the property in March 2004. The first lease payment was made for March 2004. \$15,434,653 is included in capital assets as capital leases.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

3. The minimum future rental payments required by the lease are as follows:

| | Year Ended December 31, |
|----------------|----------------------------|
| 2018 | 1,385,300 |
| 2019 | 1,524,600 |
| 2020 | 1,524,600 |
| 2021 | 1,524,600 |
| 2022 | 1,524,600 |
| 2023 | 1,524,600 |
| Total | 9,008,300 |
| Less interest: | (2,182,735) |
| Present value | <u>\$ 6,825,565</u> |

10. Due From/To Other Governments

(A) Due From Other Governments

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 2017:

| | |
|---|---------------------|
| Special Revenue CDBG: | |
| Housing and Urban Development | <u>\$ 3,595,711</u> |
| Capital Projects: | |
| Commonwealth of Pennsylvania - Highway Fund | 173,101 |
| Federal Government - Highway Fund | <u>1,722,479</u> |
| | <u>1,895,580</u> |
| Total due from other governments - governmental funds | <u>\$ 5,491,291</u> |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(B) Due To Other Governments

Funds are collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2017:

| | | |
|---|----|-----------|
| General Fund: | | |
| Carnegie Library | \$ | 16,236 |
| Pittsburgh Board of Education | | 685,045 |
| | | 701,281 |
| Other Governmental Funds: | | |
| Commonwealth of Pennsylvania | | 1,347,666 |
| Total due to other governments - governmental funds | \$ | 2,048,947 |

11. Interfund Receivable and Payable Balances

| | Due From | | | | Total |
|--------------------|-----------|---------------------|-----------------------|-------------------------|--------------|
| | General | Capital Projects | Other Governmental | Special Revenue CDBG | |
| Due To: | | | | | |
| General | \$ - | \$ - | \$ 772,241 | \$ 775,308 | \$ 1,547,549 |
| Other Governmental | 65,752 | 1,202,934 | - | 206,705 | 1,475,391 |
| Capital Projects | - | - | 2,250 | 1,364,873 | 1,367,123 |
| | \$ 65,752 | \$ 1,202,934 | \$ 774,491 | \$ 2,346,886 | \$ 4,390,063 |

Except as described below, interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made.

The Capital Projects Fund advanced funds to the CDBG Special Revenue Fund in the amount of \$1.3 million, which is included in the total above.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

12. Transfers

Transfers between primary government funds:

| | Transfer From | | | Total |
|--------------------|-----------------------|---------------------|---------------------|-----------------------|
| | General | Capital Projects | Other Governmental | |
| Transfer To: | | | | |
| General Fund | \$ - | \$ - | \$ 3,472,500 | \$ 3,472,500 |
| Debt Service | 86,616,450 | - | - | 86,616,450 |
| Capital Projects | 12,165,795 | - | - | 12,165,795 |
| Other Governmental | 1,594,205 | 6,506,535 | 789,541 | 8,890,281 |
| Total | <u>\$ 100,376,450</u> | <u>\$ 6,506,535</u> | <u>\$ 4,262,041</u> | <u>\$ 111,145,026</u> |

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations.

13. Net Position Deficit

PWSA Deficit

The net position deficit of PWSA of \$43,836,000 is expected to be subsidized through future rate increases. As disclosed earlier, as of April 1, 2018, the State Public Utility Commission will begin oversight of PWSA.

14. Related Party Transactions

(A) Under the terms of agreements dated July 1, 1965 and amended on various dates through June 17, 1992, the City of Pittsburgh made total grants of \$22,775,168 to the Stadium Authority to cover the excess of the aggregate cost of operation and maintenance of the stadium and debt service on the stadium bonds over the total funds available to the Stadium Authority for those purposes, to be repaid if funds are available. The Stadium Authority has this reflected as a long-term note due to the City. However, the City does not have a corresponding receivable recorded due to the unlikelihood of collection.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(B) On January 1, 2015, the City and the Parking Authority entered into the 2015 Governmental Cooperation Agreement. Under the terms of the agreement, the Parking Authority will receive the first \$4.6 million of on-street meter revenue, as well as the operating expenses associated with the on-street multi-space parking meters including credit card fees. The City will receive 100% of the net revenues of the Pittsburgh Parking Court (net of all expenses).

Under the terms of the Agreement, the Parking Authority makes an annual payment in lieu of real estate taxes to the City of \$1.9 million. The payment is due no later than March 15th of each year.

The City and the Parking Authority have also agreed, in the event that total amounts of all payments from the Parking Authority to the City (excluding parking tax payments), exceeds \$18.5 million with respect to any fiscal year of the Parking Authority, any such excess amounts will be split equally by the City and the Parking Authority. The City's share of the excess was \$899,031 for the year ended December 31, 2017.

15. Construction and Commitments

As of December 31, 2017, the City had the following commitments with respect to unfinished capital projects:

| <u>Capital Project</u> | <u>Commitment</u> |
|---------------------------------------|---------------------|
| Smithfield St. Bridge Pedestrian Ramp | \$ 1,538,509 |
| Newton St. Wall | 732,414 |
| Joncaire St. Steps | 503,915 |
| Forbes Ave Reconstruction | 359,174 |
| Schenley Skating Rink | 79,760 |
| Schenley Pool Filter Building | 79,727 |
| Fire Station #22 | 68,991 |
| Arlington Spray Park | 65,887 |
| Southside Market House Roof | 62,270 |
| Beechview Senior Center | 59,890 |
| Greenfield Bridge | 49,169 |
| Arlington Bath House | 13,099 |
| CBD Signalization Phase II | 11,753 |
| | <u>\$ 3,624,558</u> |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Encumbrances

As of December 31, 2017, the City had the following encumbered amounts:

| <u>Fund</u> | <u>Encumbrances</u> |
|-----------------------------------|----------------------|
| General | \$ 8,189,298 |
| Capital Projects | 17,343,636 |
| Public Safety | 220,308 |
| Community Recreation and Cultural | 257,957 |
| | <u>\$ 26,011,199</u> |

Component Units:

PWSA is proceeding with a capital improvement program which the PWSA's independent engineer has estimated will entail expenditure of the existing construction funds and potential future bond issues.

16. Regional Asset District Revenues

In December 1993, the Commonwealth legislature approved Act 77 of 1993 authorizing the creation of RAD by Allegheny County. RAD is a special purpose district whose primary purpose is to provide support and financing for regional community assets that were historically funded by the City, Allegheny County, or local municipalities. The City does not include RAD within its reporting entity since the City is not financially accountable for RAD's operations. These community assets include regional parks of the City and Allegheny County, municipal libraries, the Pittsburgh Zoo, the National Aviary, Phipps Conservatory, the old Three Rivers Stadium debt, PNC Park, Heinz Field, and community cultural facilities.

RAD revenue allocated to the City totaled approximately \$27.3 million in 2017. The City allocated approximately \$1.5 million to park operations.

17. Contingencies

The City has been named as a defendant in a number of lawsuits arising in the ordinary course of its operations against which the City is not insured. In the opinion of the City Solicitor, adequate accrual has been made in the financial statements for such lawsuits.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

There are currently a number of real estate appeals in process for which the outcome and possible further reduction in the real estate tax levy cannot be determined at this time. The City has accrued an estimate for tax refunds within accounts payable on the statement of net position and governmental funds (general) balance sheet.

The City receives federal and state grants under a number of programs. The expenditures of the City under such programs are subject to audit and possible disallowance. Historically, such audits have not resulted in significant disallowances of program costs, and City management believes that audits of existing programs will not result in significant liability to the City. Any contingent liability accrual deemed appropriate has been reflected in the financial statements as presented.

Component Units:

Consent Order

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

Generally, the Order requires the PWSA and the City to assess the City sewers in order to develop a plan with ALCOSAN to address wet weather sewer overflows within the City. The Order is part of a sewer assessment program for all municipalities served by ALCOSAN. To date, assessment activities have been completed for all accessible critical sewers and separate sanitary sewers with the exception of any additional sewers discovered through continued research and investigation. Ongoing pipe and manhole repairs are being completed in order to provide CCTV access to remaining inaccessible critical/sanitary sewer pipes. Assessment activities for non-critical sewers are to be completed on a longer schedule, including completing CCTV at an annual average rate that was utilized to complete the critical/sanitary televising. The majority of accessible non-critical manholes have been inspected with ongoing efforts to complete any remaining or newly identified. The required Wet Weather Feasibility Study (WWFS) was submitted to the DEP and ACHD on time in July of 2013. This long-term control plan outlined system-wide improvements, including Green Infrastructure (GI) that PWSA would implement over the next 20 years.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

As this Order with the DEP expired in March 2015, the U.S. Environmental Protection Agency (USEPA) became the main regulatory body to which the PWSA is responsible. On January 21, 2016, the USEPA issued a Clean Water Act Section 308 Information Request to the PWSA. The nature of the request is to provide a jurisdictional basis for USEPA to engage the PWSA/City in an enforcement action by consent, or a Consent Decree (CD). PWSA intends that through such an action, it can more fully participate in the implementation of interim regional wet weather activities, controls, and improvements. The PWSA further understand that such an action will also permit the PWSA/City to participate more fully in the identification and implementation of any final wet weather control measures for the region. The USEPA 308 request requires the PWSA to submit detailed information on past CSO performance and activities. It also requires the PWSA to conduct a source reduction analysis for the entire service area, followed by GI demonstration projects completed in December 2017. The results of the analysis and demonstration projects will be used to determine the details in the final consent decree.

In addition to the assessment, the USEPA 308 request requires the PWSA and the City to implement the Nine Minimum Controls to reduce combined sewer overflows, and to perform repairs and maintenance of deficiencies revealed by the assessment. The PWSA maintains an expedited response to significant structural failures of the sewer system where imminent structural failures are determined by a professional engineer and prioritized for repair. Ongoing sewer line replacement, point repair, lining, point lining, and Gunite projects have been implemented to address structural deficiencies. The USEPA 308 request also requires the submission of monthly reports updating the progress of the evaluations and improvements, as well as water quality impacts.

Given the scope of a potential CD, the size of the City sewer system, and the various conditions and/or deficiencies that may be discovered by the assessment, it is difficult to predict the total cost of compliance with the CD. Moreover, it is difficult to predict what, if any, large-scale and/or regional capital improvements may be required after the completion of the assessment to address wet weather sewer overflows in the City and in the ALCOSAN service area. The PWSA hired two engineering firms to assess and model the sewer system, and has fulfilled the first portion of the USEPA 308 request due by March 31, 2016. The second phase of the request required a source reduction study which was submitted December 1, 2016 and GI Demonstration projects must be constructed and performance evaluations completed by December 1, 2017. An additional 308 request from EPA was received in October of 2016 seeking more detailed information and further actions regarding the assessment of the PWSA's sewer system. This response was delivered on time in January 2017 and continues to require additional monthly reporting. The demonstration project evaluations were submitted on time on December 1, 2017.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

The Authority, along with the other impacted local municipalities, is awaiting a response from USEPA and DEP on its proposed regional plan. Costs associated with CD compliance will be reflected in the capital improvement program and funded by proceeds of potential future bond issuances.

Other PWSA Matters

During 2016, the PWSA initiated an arbitration proceeding against Veolia Water North America (Veolia), the previous management company of the PWSA. Veolia subsequently asserted counterclaims against the PWSA. The matter was settled during 2017 with no material effect on the Authority's financial statements.

Regarding lead mitigation - PWSA has implemented a number of critical initiatives to comply with the lead service line replacement consent order, and other requirements mandated by the Pennsylvania Department of Environmental Protection (PADEP). These initiatives include: (1) a lead service line identification program to be completed by 2020 for residential properties and 2022 for commercial properties, (2) a water treatment program to mitigate lead corrosion so as to comply with current water quality standards, and (3) a lead service line replacement program. These requirements are stipulated in the PADEP consent order with the City of Pittsburgh and PWSA dated November 2017.

PWSA has also been ordered by the PADEP to replace approximately 2,700 total public owned lead service lines by December 31, 2018. At present, PWSA has completed approximately 750 service line replacements, more than 2100 additional replacements will be completed by year-end. PWSA has accepted responsibility during 2018 to replace the public service line as well as that owned by the private or individual building owners. As a result of recent state legislation, PWSA has the ability though not the obligation to replace existing lead service lines on private property. To satisfy both city Council and PWSA board resolutions, PWSA will replace private lead service lines to avoid any "partial" line replacements, which are generally believed to increase the household risks from lead. Future private line replacement will be assessed upon completion of the 2018 lead service line replacement program. PWSA has budgeted a total of \$44 million to implement the 2018 lead service line replacement program.

Arena Land Agreement

On September 11, 2014, the URA entered into a Comprehensive Option Agreement (the "Agreement") with the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "SEA") and Pittsburgh Arena Real Estate Redevelopment LP (the "Redeveloper") that

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

replaced previous agreements regarding the redevelopment of the approximately 28-acre site comprised of the former Civic Arena and surrounding parking lots. Approximately 9 acres of the site are owned by the URA. On or about November 16, 2017, the parties to the Agreement executed a term sheet, which amends certain provisions of the Agreement. Pursuant to the Agreement as amended by the November 16, 2017 term sheet, the URA and SEA have certain joint development obligations. If those obligations are not met, the URA and SEA have a maximum joint liability of \$6,000,000.

18. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The risk of loss to which the City is exposed for the above-mentioned items is handled through various insurance coverages. As of December 31, 2017, there were no settlements exceeding coverage for the past three years. The City also covers certain claim settlements and judgments from its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Provisions are recorded within current liabilities for amounts payable within one year. Amounts not payable within one year are reported within long-term liabilities.

Changes in the accrued claims and judgments liability during the year ended December 31, 2017 are as follows:

| | |
|---|----------------------|
| Accrued claims and judgments, January 1 | \$ 20,481,000 |
| Current year claims | 5,806,000 |
| Claim payments/Reduction in estimate | <u>(16,120,000)</u> |
| Accrued claims and judgments, December 31 | <u>\$ 10,167,000</u> |

These accruals are subject to potential losses in excess of the amount recorded at year-end; it is unlikely that the amount for such potential losses would be material.

Also, the City is fully self-insured for workers' compensation benefits. The City monitors its liability through periodic actuarial studies. A self-insurance reserve fund in the amount of \$339,069 (classified as restricted within the General Fund) is maintained, due to a legal

CITY OF PITTSBURGH, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2017

requirement under self-insurance regulations of the State of Pennsylvania, in the General Fund.

Changes in the accrued workers' compensation liability during the year ended December 31, 2017 are as follows:

| | |
|--|-----------------------|
| Accrued worker's compensation, January 1 | \$ 129,368,752 |
| Current year claims | 11,864,052 |
| Claim payments | <u>(15,132,086)</u> |
| Accrued worker's compensation, December 31 | <u>\$ 126,100,718</u> |

The City is self-insured for losses and liabilities related to health insurance claims. Losses are accrued based upon the City's estimate of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on the City's experience. Specific and aggregate stop-loss insurance policies limit the City's exposure to large claims. Incurred but not reported costs are estimated to be \$3.1 million at December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET
PENSION LIABILITY AND RELATED RATIOS

PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2017 | 2016 | 2015 | 2014 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Total Pension Liability: | | | | |
| Service cost | \$ 24,416,693 | \$ 22,585,569 | \$ 21,696,487 | \$ 22,015,630 |
| Interest | 92,674,935 | 90,581,077 | 88,838,894 | 87,049,771 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (11,650,203) | - | 2,283,418 | - |
| Changes of assumptions | 58,685,088 | - | - | - |
| Benefit payments, including refunds of member contributions | (93,539,764) | (89,489,804) | (86,946,857) | (87,394,443) |
| Net Changes in Total Pension Liability | 70,586,749 | 23,676,842 | 25,871,942 | 21,670,958 |
| Total Pension Liability - Beginning | 1,252,774,972 | 1,229,098,130 | 1,203,226,188 | 1,181,555,230 |
| Total Pension Liability - Ending (a) | \$ 1,323,361,721 | \$ 1,252,774,972 | \$ 1,229,098,130 | \$ 1,203,226,188 |
| Plan Fiduciary Net Position: | | | | |
| Contributions - employer | \$ 70,487,381 | \$ 73,149,762 | \$ 63,758,477 | \$ 51,914,297 |
| Contributions - member | 11,372,391 | 10,907,326 | 10,900,701 | 10,909,251 |
| Net investment income (loss) | 59,629,520 | 30,739,535 | (680,514) | 24,302,368 |
| Benefit payments, including refunds of member contributions | (93,539,764) | (89,489,804) | (86,946,857) | (87,394,443) |
| Administrative expense | (1,299,205) | (1,287,145) | (1,294,544) | (1,271,604) |
| Other | - | - | - | 3,263,901 |
| Net Change in Plan Fiduciary Net Position | 46,650,323 | 24,019,674 | (14,262,737) | 1,723,770 |
| Plan Fiduciary Net Position - Beginning | 401,822,400 | 377,802,726 | 392,065,463 | 390,341,693 |
| Plan Fiduciary Net Position - Ending (b) | \$ 448,472,723 | \$ 401,822,400 | \$ 377,802,726 | \$ 392,065,463 |
| Net Pension Liability - Ending (a-b) | \$ 874,888,998 | \$ 850,952,572 | \$ 851,295,404 | \$ 811,160,725 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 33.89% | 32.07% | 30.74% | 32.58% |
| Covered Payroll | \$ 184,625,860 | \$ 215,018,989 | \$ 211,962,778 | \$ 202,853,143 |
| Net Pension Liability as a Percentage of Covered Payroll | 473.87% | 395.76% | 401.62% | 399.88% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| Schedule of City's Contributions | 2017 | 2016 | 2015 | 2014 |
|--|------------------------|------------------------|------------------------|------------------------|
| Actuarially determined contribution | \$ 49,202,651 | \$ 43,073,288 | \$ 42,860,296 | \$ 31,438,297 |
| Contributions in relation to the actuarially determined contribution | 70,487,381 | 73,149,762 | 63,758,477 | 51,914,297 |
| Contribution deficiency (excess) | <u>\$ (21,284,730)</u> | <u>\$ (30,076,474)</u> | <u>\$ (20,898,181)</u> | <u>\$ (20,476,000)</u> |
| Covered payroll | <u>\$ 184,625,860</u> | <u>\$ 215,018,989</u> | <u>\$ 211,962,778</u> | <u>\$ 202,853,143</u> |
| Contributions as a percentage of covered payroll | 38.18% | 34.02% | 30.08% | 25.59% |
| Investment Returns | | | | |
| Annual money-weighted rate of return, net of investment expense | 14.96% | 8.43% | 0.04% | 6.48% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

In accordance with Act 205 and the Acts under which the Municipal Pension Plan of the City of Pittsburgh, the Policemen's Relief and Pension Plan of the City of Pittsburgh, and the Firemen's Relief and Pension Plan of the City of Pittsburgh were established; a separate accounting for the activities of these three plans is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Plan's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each plan. However, the individual plans do not record the undivided interest in the investments in their individual plans since the assets of the Comprehensive Trust are available for the payment of benefits and expenses of any of the three pension plans without limitations. Therefore, in accordance with Governmental Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension plans plus the Comprehensive Trust constitute the City's Pension Plan.

Actuarial Methods and Assumptions Used in Calculation of Actuarially Determined Contribution

The latest valuations available are dated January 1, 2017; however, the 2017 contribution and contribution rate information presented in the required supplementary schedules was determined as part of the January 1, 2015 actuarial valuations. Additional information as of the January 1, 2015 valuation follows:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

| | Municipal | Policemen | Firemen |
|-------------------------------|---|---|---|
| Actuarial valuation date | 1/1/2015 | 1/1/2015 | 1/1/2015 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Dollar Closed | Level Dollar Closed | Level Dollar Closed |
| Remaining amortization period | 21 years (aggregate) | 22 years (aggregate) | 19 (aggregate) |
| Asset valuation method | Tabular Smoothing | Tabular Smoothing | Tabular Smoothing |
| Actuarial assumptions: | | | |
| Investment rate of return | 7.50% | 7.50% | 7.50% |
| Projected salary increases | 4.00% | 4.50% | 5.75% |
| Underlying inflation rate | 3.00% | 3.00% | 3.00% |
| Merit and longevity | 1.00% | 1.50% | 2.75% |
| Mortality table | RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience | RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience | RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience |

There were no benefit changes or changes in actuarial assumptions made in connection with the 1/1/2015 actuarial valuation.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

The actuarially determined contributions are based on the City's actuarially prepared Minimum Municipal Obligation under PA Act 205, as amended. The contribution excess for each year includes payments originating from:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------|----------------|----------------|----------------|
| Dedicated parking tax revenue | \$13.4 million | \$13.4 million | \$13.4 million |
| Gaming revenue | \$7.9 million | \$11.2 million | \$2.9 million |

As permitted by GASB Statement No. 82, covered payroll was not restated for prior years as it was not deemed practical due to the complex nature of the City's payroll structure.

CITY OF PITTSBURGH,
PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION –
OPEB PLAN DISCLOSURES – REQUIRED BY
GASB STATEMENT NO. 74

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2017 |
|--|-----------------------|
| Total OPEB Liability: | |
| Service cost | \$ 7,792,888 |
| Interest | 22,199,364 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions | - |
| Benefit payments | (23,066,786) |
| Net Change in Total OPEB Liability | 6,925,466 |
| Total OPEB Liability - Beginning | 525,958,484 |
| Total OPEB Liability - Ending (a) | \$ 532,883,950 |
| Plan Fiduciary Net Position: | |
| Contributions - employer | \$ 25,566,786 |
| Net investment income (loss) | 2,240,768 |
| Benefit payments | (23,066,786) |
| Administrative expense | (49,551) |
| Other | - |
| Net Change in Plan Fiduciary Net Position | 4,691,217 |
| Plan Fiduciary Net Position - Beginning | 14,670,904 |
| Plan Fiduciary Net Position - Ending (b) | \$ 19,362,121 |
| Net OPEB Liability - Ending (a-b) | \$ 513,521,829 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 3.63% |
| Covered Employee Payroll | |
| Net OPEB Liability as a Percentage of Covered Employee Payroll | \$ 222,682,580 |
| | 230.61% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS AND INVESTMENT RETURNS - OPEB

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2017 |
|--|-----------------------|
| Schedule of City's Contributions | |
| Actuarially determined contribution | \$ 38,115,212 |
| Contributions in relation to the actuarially determined contribution | 25,566,786 |
| Contribution deficiency (excess) | <u>\$ 12,548,426</u> |
| Covered employee payroll | <u>\$ 222,682,580</u> |
| Contributions as a percentage of covered employee payroll | 11.48% |
| Investment Returns | |
| Annual money-weighted rate of return, net of investment expense | 14.35% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

Actuarial Methods and Assumptions

There were no benefit changes or changes in actuarial assumptions made in connection with the 1/1/2016 actuarial valuation. The methods and assumptions used to determine contribution rates are as follows:

| | |
|---------------------------|---|
| Actuarial valuation date | 01/01/2016 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar |
| Amortization period | 30 year open period |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% |
| Inflation rate | 2.75% |
| Mortality table | RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience |

Healthcare cost trend rates:

Medical/Rx Costs:

| <u>Year</u> | <u>Annual Trend Rate</u> |
|----------------|--------------------------|
| 2016 | 6.00% |
| 2017 | 6.00% |
| 2018 | 5.75% |
| 2019 | 5.50% |
| 2020 | 5.50% |
| 2021 | 5.25% |
| 2022 and later | 5.00% |

Medicare Part B Premiums:

| <u>Year</u> | <u>Annual Trend Rate</u> |
|----------------|--------------------------|
| 2016 | 3.90% |
| 2017 and later | 5.00% |

CITY OF PITTSBURGH,
PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION –
OPEB PLAN DISCLOSURES – REQUIRED BY
GASB STATEMENT NO. 45

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFIT PLANS

YEAR ENDED DECEMBER 31, 2017
(Dollar Amounts in Thousands)

| Actuarial Valuation Date | (a) Actuarial Value of Asset | (b) Actuarial Accrued Liability | (Overfunded) Unfunded Actuarial Accrued Liability | (a/b) Funded Ratio | (c) Covered Payroll | (Overfunded)/Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|------------------------------------|---------------------------------------|---|--------------------------|---------------------------|---|
| 01/01/08 | \$ - | \$ 359,140 | \$ 359,140 | 0.0% | \$ 172,624 | 208.05% |
| 01/01/10 | - | 488,631 | 488,631 | 0.0% | 184,368 | 265.03% |
| 01/01/12 | - | 495,761 | 495,761 | 0.0% | 198,185 | 250.15% |
| 01/01/14 | 6,152 | 570,263 | 564,111 | 1.1% | 202,853 | 278.09% |
| 01/01/16 | 11,375 | 518,245 | 506,870 | 2.2% | 215,019 | 235.73% |

Note 1: Covered payroll reflects information from Pension Fund Actuarial Valuations.

CITY OF PITTSBURGH,
PENNSYLVANIA

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER FUND STATEMENTS
AND SCHEDULES**

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA
COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2017

| Assets | Equipment Leasing Authority | Liquid Fuels Tax | EARN | Public Safety | Civic and Cultural | Grants and Donations | Total |
|---|-----------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 1,375,520 | \$ 6,806,171 | \$ 4,640,023 | \$ 10,406,173 | \$ 11,024,780 | \$ 2,297,708 | \$ 36,550,375 |
| Other receivables | - | - | - | 398,316 | 656,889 | 595,197 | 1,650,402 |
| Accrued interest | - | 6,596 | - | - | - | - | 6,596 |
| Due from other governments | - | - | - | - | - | - | - |
| Due from other funds | 1,049,840 | - | 8,151 | 65,756 | 198,549 | 153,095 | 1,475,391 |
| Total Assets | \$ 2,425,360 | \$ 6,812,767 | \$ 4,648,174 | \$ 10,870,245 | \$ 11,880,218 | \$ 3,046,000 | \$ 39,682,764 |
| Liabilities and Fund Balance | | | | | | | |
| Liabilities: | | | | | | | |
| Account payable | \$ - | \$ - | \$ 81,651 | \$ 46,111 | \$ 22,458 | \$ 19,452 | \$ 169,672 |
| Accrued liabilities | 1,086,392 | 432,563 | 344,555 | 557,646 | 416,468 | 630,351 | 3,467,975 |
| Unearned revenue | - | - | 3,995,484 | - | - | - | 3,995,484 |
| Due to other funds | - | - | 201,914 | 100,000 | 470,327 | 2,250 | 774,491 |
| Due to other governments | - | - | - | 1,347,666 | - | - | 1,347,666 |
| Total Liabilities | 1,086,392 | 432,563 | 4,623,604 | 2,051,423 | 909,253 | 652,053 | 9,755,288 |
| Fund Balance: | | | | | | | |
| Restricted - State and Federal Purpose Grants | - | 6,380,204 | 24,570 | 1,757,394 | 1,353,307 | 2,393,947 | 11,909,422 |
| Committed - Specified Program Services | 1,338,968 | - | - | 6,841,120 | 9,359,701 | - | 17,539,789 |
| Assigned: | | | | | | | |
| Public Safety | - | - | - | 220,308 | - | - | 220,308 |
| Community Recreation and Cultural | - | - | - | - | 257,957 | - | 257,957 |
| Total Fund Balance | 1,338,968 | 6,380,204 | 24,570 | 8,818,822 | 10,970,965 | 2,393,947 | 29,927,476 |
| Total Liabilities and Fund Balance | \$ 2,425,360 | \$ 6,812,767 | \$ 4,648,174 | \$ 10,870,245 | \$ 11,880,218 | \$ 3,046,000 | \$ 39,682,764 |

CITY OF PITTSBURGH, PENNSYLVANIA

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

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

| | Equipment Leasing Authority | Liquid Fuels Tax | EARN | Public Safety | Civic and Cultural | Grants and Donations | Total |
|--|-----------------------------------|------------------------|------------------|---------------------|-----------------------|-------------------------|----------------------|
| Revenues: | | | | | | | |
| Taxes, including penalties and interest | \$ - | \$ - | \$ - | \$ - | \$ 5,633,489 | \$ - | \$ 5,633,489 |
| Interest and dividends | - | 73,656 | - | - | - | - | 73,656 |
| Fines and forfeits | - | - | - | 145,224 | - | - | 145,224 |
| Intergovernmental revenues | - | 8,401,049 | 2,704,429 | 663,397 | 534,998 | 2,685,006 | 14,988,879 |
| Charges for user services | - | - | - | 11,209,006 | 2,912,489 | - | 14,121,495 |
| Miscellaneous | 301,916 | - | - | 49,016 | - | 3,098,238 | 3,449,170 |
| Total revenues | 301,916 | 8,474,705 | 2,704,429 | 12,066,643 | 9,080,976 | 5,783,244 | 38,411,913 |
| Expenditures: | | | | | | | |
| General government | 9,124,880 | - | 2,704,429 | 17,534 | 625,858 | 1,115,177 | 13,587,878 |
| Public safety | - | - | - | 10,870,725 | - | 1,192,899 | 12,063,624 |
| Public works | - | 2,191,238 | - | - | 5,684,166 | 3,249,174 | 11,124,578 |
| Community, recreational, and cultural | - | - | - | - | 1,858,358 | 51,923 | 1,910,281 |
| Total expenditures | 9,124,880 | 2,191,238 | 2,704,429 | 10,888,259 | 8,168,382 | 5,609,173 | 38,686,361 |
| Excess (Deficiency) of Revenues Over Expenditures | (8,822,964) | 6,283,467 | - | 1,178,384 | 912,594 | 174,071 | (274,448) |
| Other Financing Sources (Uses): | | | | | | | |
| Transfers in | 8,890,281 | - | - | - | - | - | 8,890,281 |
| Transfers out | - | (3,472,500) | - | (598,956) | (165,795) | (24,790) | (4,262,041) |
| Total other financing sources (uses) | 8,890,281 | (3,472,500) | - | (598,956) | (165,795) | (24,790) | 4,628,240 |
| Net Change in Fund Balance | 67,317 | 2,810,967 | - | 579,428 | 746,799 | 149,281 | 4,353,792 |
| Fund Balance: | | | | | | | |
| Beginning of year | 1,271,651 | 3,569,237 | 24,570 | 8,239,394 | 10,224,166 | 2,244,666 | 25,573,684 |
| End of year | \$ 1,338,968 | \$ 6,380,204 | \$ 24,570 | \$ 8,818,822 | \$ 10,970,965 | \$ 2,393,947 | \$ 29,927,476 |

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2017

| | Comprehensive Trust | Municipal Fund | Policemen's Fund | Firemen's Fund | Total |
|---|------------------------|-------------------|---------------------|-------------------|-----------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$13,456,685 | \$ 220,644 | \$ 3,259,630 | \$ 29,810 | \$ 16,966,769 |
| Investments: | | | | | |
| Common stock | 63,657,204 | - | - | - | 63,657,204 |
| U.S. government and agency obligations | 17,935,774 | - | - | - | 17,935,774 |
| Corporate and other obligations | 30,248,826 | - | - | - | 30,248,826 |
| Mutual funds: | | | | | |
| U.S. equities | 108,301,851 | - | - | - | 108,301,851 |
| Non-U.S. equities | 76,260,276 | - | - | - | 76,260,276 |
| Fixed income | 25,977,428 | - | - | - | 25,977,428 |
| Hedge funds | 57,768,339 | - | - | - | 57,768,339 |
| Real estate funds | 40,680,244 | - | - | - | 40,680,244 |
| Private equity | 12,606,162 | - | - | - | 12,606,162 |
| Due from (to) City of Pittsburgh | - | - | - | - | - |
| Due from (to) other fund | (435,784) | - | 435,784 | - | - |
| Accrued interest and dividend receivables | 452,093 | - | - | - | 452,093 |
| Total Assets | 446,909,098 | 220,644 | 3,695,414 | 29,810 | 450,854,966 |
| Liabilities | | | | | |
| Benefits and related withholdings payable | - | - | 2,174,458 | - | 2,174,458 |
| Accrued liabilities and other payables | 168,831 | 28,094 | - | - | 196,925 |
| Due to City of Pittsburgh Trust and Agency Fund | - | - | 6,640 | 4,420 | 11,060 |
| Total Liabilities | 168,831 | 28,094 | 2,181,098 | 4,420 | 2,382,443 |
| Net Position - Restricted for Pension Benefits | \$ 446,740,467 | \$ 192,550 | \$ 1,514,316 | \$ 25,390 | \$ 448,472,723 |

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2017

| | Comprehensive Trust | Municipal Fund | Policemen's Fund | Firemen's Fund | Total |
|--|------------------------|-------------------|---------------------|-------------------|-----------------------|
| Additions: | | | | | |
| Contributions: | | | | | |
| Employer - pension benefits | \$ 48,358,235 | - | - | - | \$ 48,358,235 |
| Employer - other benefits | 1,967,071 | - | 1,047,940 | - | 3,015,011 |
| State Aid | 22,129,146 | - | - | - | 22,129,146 |
| Plan members | 11,372,391 | - | - | - | 11,372,391 |
| Total contributions | 83,826,843 | - | 1,047,940 | - | 84,874,783 |
| Investment income: | | | | | |
| Net increase in fair value of investments | 54,900,264 | - | - | - | 54,900,264 |
| Interest and dividends | 4,935,091 | - | - | 2,574 | 4,937,665 |
| Total investment income (loss) | 59,835,355 | - | - | 2,574 | 59,837,929 |
| Investment expense | (793,889) | - | - | - | (793,889) |
| Net investment income | 59,041,466 | - | - | 2,574 | 59,044,040 |
| Miscellaneous: | | | | | |
| Transfer in | - | 27,566,585 | 34,976,744 | 33,920,000 | 96,463,329 |
| Other | 547,883 | 27,966 | - | 9,631 | 585,480 |
| Total additions | 143,416,192 | 27,594,551 | 36,024,684 | 33,932,205 | 240,967,632 |
| Deductions: | | | | | |
| Benefit payments | - | 24,841,131 | 33,976,187 | 33,328,301 | 92,145,619 |
| Benefit payments - other benefits | - | 1,679,006 | 1,168,174 | 167,831 | 3,015,011 |
| Refund of employee contributions | - | 799,346 | 441,654 | 153,145 | 1,394,145 |
| Transfer out | 96,463,329 | - | - | - | 96,463,329 |
| Administrative expense | 303,878 | 270,592 | 446,775 | 277,960 | 1,299,205 |
| Total deductions | 96,767,207 | 27,590,075 | 36,032,790 | 33,927,237 | 194,317,309 |
| Net Increase (Decrease) in Net Position | 46,648,985 | 4,476 | (8,106) | 4,968 | 46,650,323 |
| Net Position: | | | | | |
| Beginning of year | 400,091,482 | 188,074 | 1,522,422 | 20,422 | 401,822,400 |
| End of year | \$ 446,740,467 | \$ 192,550 | \$ 1,514,316 | \$ 25,390 | \$ 448,472,723 |

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

YEAR ENDED DECEMBER 31, 2017

| | Balance at December 31, 2016 | Additions | Deletions | Balance at December 31, 2017 |
|---------------------------|---------------------------------|-----------------------|----------------------|---------------------------------|
| EMPLOYEE BENEFITS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 22,551,976 | \$ 85,318,158 | \$ 76,117,130 | \$ 31,753,004 |
| Other assets | 80,402 | 77,463 | 80,402 | 77,463 |
| Total Assets | \$ 22,632,378 | \$ 85,395,621 | \$ 76,197,532 | \$ 31,830,467 |
| Liabilities | | | | |
| Accrued liabilities | \$ 22,632,378 | \$ 85,395,621 | \$ 76,197,532 | \$ 31,830,467 |
| Total Liabilities | \$ 22,632,378 | \$ 85,395,621 | \$ 76,197,532 | \$ 31,830,467 |
| DEPOSITS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,658,672 | \$ 16,714,674 | \$ 16,960,184 | \$ 2,413,162 |
| Total Assets | \$ 2,658,672 | \$ 16,714,674 | \$ 16,960,184 | \$ 2,413,162 |
| Liabilities | | | | |
| Accrued liabilities | \$ 1,150,377 | \$ 15,978,734 | \$ 16,167,533 | \$ 961,578 |
| Deposits held in trust | 1,508,295 | 735,940 | 792,651 | 1,451,584 |
| Total Liabilities | \$ 2,658,672 | \$ 16,714,674 | \$ 16,960,184 | \$ 2,413,162 |
| OTHER | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 3,499,794 | \$ 863,814 | \$ 802,477 | \$ 3,561,131 |
| Total Assets | \$ 3,499,794 | \$ 863,814 | \$ 802,477 | \$ 3,561,131 |
| Liabilities | | | | |
| Accrued liabilities | \$ 3,492,294 | \$ 764,339 | \$ 802,477 | \$ 3,454,156 |
| Accounts payable | 7,500 | 99,475 | - | 106,975 |
| Total Liabilities | \$ 3,499,794 | \$ 863,814 | \$ 802,477 | \$ 3,561,131 |
| TOTAL AGENCY FUNDS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 28,710,442 | \$ 102,896,646 | \$ 93,879,791 | \$ 37,727,297 |
| Other assets | 80,402 | 77,463 | 80,402 | 77,463 |
| Total Assets | \$ 28,790,844 | \$ 102,974,109 | \$ 93,960,193 | \$ 37,804,760 |
| Liabilities | | | | |
| Accrued liabilities | \$ 27,275,049 | \$ 102,138,694 | \$ 93,167,542 | \$ 36,246,201 |
| Accounts payable | 7,500 | 99,475 | - | 106,975 |
| Deposits held in trust | 1,508,295 | 735,940 | 792,651 | 1,451,584 |
| Total Liabilities | \$ 28,790,844 | \$ 102,974,109 | \$ 93,960,193 | \$ 37,804,760 |

CITY OF PITTSBURGH, PENNSYLVANIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CAPITAL PROJECTS FUND
 YEAR ENDED DECEMBER 31, 2017

| | Budget | Actual | Variance |
|--|-------------------------------|-----------------------------|-----------------------------|
| Revenues: | | | |
| Intergovernmental | \$ 12,637,246 | \$ 12,637,246 | \$ - |
| Total revenues | <u>12,637,246</u> | <u>12,637,246</u> | <u>-</u> |
| Expenditures: | | | |
| Capital projects: | | | |
| Engineering and construction | 9,501,706 | 857,966 | 8,643,740 |
| Parks and recreation | 2,189,633 | 4,405 | 2,185,228 |
| Public works | 90,899,649 | 36,158,892 | 54,740,757 |
| General services | 7,048 | - | 7,048 |
| Urban Redevelopment Authority | 7,180,558 | 3,675,000 | 3,505,558 |
| Other | 20,934,413 | 8,869,826 | 12,064,587 |
| Total expenditures | <u>130,713,007</u> | <u>49,566,089</u> | <u>81,146,918</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(118,075,761)</u> | <u>(36,928,843)</u> | <u>81,146,918</u> |
| Other Financing Sources (Uses): | | | |
| Bond Proceeds | 60,000,000 | 60,000,000 | - |
| Transfers in | 12,000,000 | 12,000,000 | - |
| Total other financing sources (uses) | <u>72,000,000</u> | <u>72,000,000</u> | <u>-</u> |
| Net Change in Fund Balance | <u><u>\$ (46,075,761)</u></u> | <u><u>\$ 35,071,157</u></u> | <u><u>\$ 81,146,918</u></u> |

CITY OF PITTSBURGH, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2017

(Amounts expressed in thousands)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

| | |
|--|------------------|
| Actual amounts (budgetary basis) revenues, bond proceeds and transfers in from the budgetary comparison statement. | \$ 84,637 |
| The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget. | <u>(4,418)</u> |
| Total Capital Projects Fund revenue and other financing sources on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 80,219</u> |

Users/Outflows of Revenues:

| | |
|--|------------------|
| Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement. | \$ 49,566 |
| Transfer budgeted as project. | 6,506 |
| The adjustments to convert to GAAP basis, recording of expenditures, liabilities, and transfers out not included in budget. | <u>(5,811)</u> |
| Total Capital Projects Fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 50,261</u> |

STATISTICAL SECTION

Statistical Section

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

| <u>Contents</u> | <u>Page</u> |
|---|-------------|
| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 137 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax, and the earned income tax. | 143 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future. | 148 |
| Demographic and Economic Information | |
| These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place. | 157 |
| Operating Information | |
| This schedule contains service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 160 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

Table 1
CITY OF PITTSBURGH, PENNSYLVANIA
 NET POSITION BY COMPONENT
 LAST TEN YEARS
 ACCRUAL BASIS OF ACCOUNTING

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Primary Governmental Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 153,629,477 | \$ 102,439,691 | \$ 91,521,494 | \$ 48,597,817 | \$ 40,908,517 | \$ 30,418,047 | \$ 43,879,623 | \$ 36,763,941 | \$ 32,478,809 | \$ 28,406,314 |
| Restricted | 88,878,821 | 48,307,064 | 42,816,766 | 85,924,440 | 35,528,918 | 80,232,094 | 18,207,346 | 5,325,151 | 50,937,825 | 50,312,990 |
| Unrestricted | (1,379,305,726) | (1,365,984,973) | (1,425,259,836) | (554,343,879) | (500,286,687) | (535,262,684) | (544,694,171) | (603,655,738) | (640,869,765) | (640,595,818) |
| Total Primary Government Net Position | \$ (1,139,797,428) | \$ (1,215,238,218) | \$ (1,290,921,576) | \$ (421,821,622) | \$ (423,849,252) | \$ (424,612,543) | \$ (482,607,202) | \$ (561,566,646) | \$ (557,453,131) | \$ (561,876,514) |

Note: 2015 is the first year of GASB No. 68 Implementation.

Table 2
CITY OF PITTSBURGH, PENNSYLVANIA
CHANGES IN NET POSITION
LAST TEN YEARS
ACCURAL BASIS OF ACCOUNTING

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Expenses: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government: | | | | | | | | | | |
| Public safety | \$ 79,890,619 | \$ 90,146,429 | \$ 92,461,452 | \$ 74,786,585 | \$ 84,139,729 | \$ 76,848,176 | \$ 72,151,719 | \$ 71,614,406 | \$ 68,959,502 | \$ 72,646,015 |
| Highways and streets | 310,299,262 | 317,747,418 | 307,202,644 | 300,400,845 | 283,064,565 | 247,872,443 | 256,876,936 | 265,453,864 | 269,102,814 | 230,989,104 |
| Sanitation | 81,409,654 | 79,833,985 | 79,548,977 | 76,957,600 | 84,122,828 | 70,901,338 | 60,616,098 | 65,409,264 | 62,239,814 | 67,275,379 |
| Economic development | 23,206,671 | 17,484,337 | 18,213,380 | 15,237,555 | 16,179,754 | 13,934,766 | 15,570,885 | 16,830,263 | 16,905,288 | 16,568,056 |
| Cultural and recreation | 14,510,872 | 13,236,871 | 12,650,440 | 23,201,566 | 25,125,815 | 23,355,059 | 29,713,751 | 40,566,038 | 22,208,871 | 19,732,650 |
| Interest on long-term debt and debt subsidies | 9,181,844 | 11,052,602 | 11,889,380 | 16,047,636 | 14,061,771 | 12,102,441 | 12,300,170 | 13,104,511 | 11,680,075 | 11,818,117 |
| Miscellaneous | 18,747,955 | 20,913,636 | 23,075,567 | 33,349,335 | 29,031,125 | 33,561,747 | 34,804,447 | 36,743,860 | 52,693,640 | 56,511,220 |
| Total primary government expenses | \$ 537,246,877 | \$ 550,415,288 | \$ 545,021,840 | \$ 539,981,122 | \$ 535,725,587 | \$ 478,575,970 | \$ 482,036,006 | \$ 509,722,206 | \$ 505,715,304 | \$ 475,540,541 |
| Program Revenues: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 40,462,204 | \$ 41,875,773 | \$ 42,874,193 | \$ 19,717,129 | \$ 23,756,687 | \$ 22,041,417 | \$ 22,147,599 | \$ 22,366,390 | \$ 20,792,352 | \$ 20,182,426 |
| Highway and streets | 22,811,937 | 19,740,506 | 13,341,178 | 27,234,697 | 21,042,591 | 20,474,148 | 16,993,600 | 17,203,765 | 18,320,376 | 18,821,117 |
| Sanitation | 107,400 | 124,725 | 96,652 | 132,200 | 96,425 | 77,555 | 84,718 | 102,560 | 271,931 | 232,010 |
| Culture and recreation | 2,037,664 | 1,385,204 | 1,039,706 | 1,477,166 | 1,511,920 | 2,058,061 | 1,679,201 | 2,322,421 | 1,975,903 | 1,673,694 |
| Operating grants and contributions | 56,121,288 | 73,533,483 | 48,060,084 | 53,690,940 | 59,058,978 | 67,020,105 | 94,414,438 | 65,673,104 | 62,569,988 | 72,632,131 |
| Capital grants and contributions | 22,904,318 | 32,621,061 | 24,605,003 | 24,519,082 | 32,275,773 | 25,776,563 | 31,865,907 | 32,006,053 | 36,680,498 | 20,766,859 |
| Total primary government program revenues | \$ 148,139,595 | \$ 173,097,877 | \$ 133,211,399 | \$ 129,514,316 | \$ 140,685,772 | \$ 140,719,617 | \$ 169,966,368 | \$ 141,864,858 | \$ 143,470,020 | \$ 137,291,310 |
| Net (Expense) Revenue: | \$ (389,107,282) | \$ (377,317,411) | \$ (411,810,447) | \$ (410,466,806) | \$ (395,039,815) | \$ (337,856,353) | \$ (312,069,638) | \$ (367,857,348) | \$ (360,245,284) | \$ (338,249,231) |
| Governmental Activities: | | | | | | | | | | |
| General Revenues and Other Changes in Net Position: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Real estate | \$ 143,161,069 | \$ 142,546,732 | \$ 137,884,011 | \$ 129,918,499 | \$ 125,749,849 | \$ 139,203,730 | \$ 135,744,044 | \$ 131,832,591 | \$ 131,913,614 | \$ 128,532,482 |
| Earned income | 96,635,845 | 92,272,255 | 88,904,431 | 86,925,234 | 82,711,518 | 75,358,073 | 74,537,388 | 70,217,088 | 67,717,310 | 65,108,103 |
| Business privilege | 4,253 | 4,517 | 2,751 | 17,851 | 39,539 | 103,906 | 231,821 | 833,142 | 9,647,008 | 9,460,665 |
| Local services | 14,017,903 | 14,238,005 | 13,984,697 | 14,022,784 | 13,901,193 | 14,227,654 | 16,592,287 | 13,963,285 | 13,512,620 | 13,743,861 |
| Payroll preparation | 63,274,223 | 61,157,691 | 73,930,705 | 56,416,555 | 54,366,168 | 51,833,425 | 51,057,843 | 46,620,284 | 46,519,083 | 46,733,471 |
| Parking | 58,758,563 | 58,419,897 | 55,065,134 | 53,248,377 | 51,986,310 | 50,920,051 | 48,242,776 | 46,655,098 | 45,299,789 | 45,920,603 |
| Sales tax from Regional Asset District | 27,346,010 | 28,313,592 | 26,227,370 | 27,018,069 | 24,608,395 | 26,032,524 | 20,857,014 | 20,440,182 | 20,014,023 | 20,178,425 |
| Deed transfer | 29,763,117 | 27,976,052 | 22,331,381 | 20,114,616 | 20,739,834 | 15,575,701 | 18,729,805 | 14,108,533 | 12,283,957 | 17,071,424 |
| Amusement | 17,341,213 | 16,656,474 | 16,168,807 | 14,348,201 | 13,716,588 | 11,282,494 | 13,132,370 | 10,847,981 | 11,453,330 | 11,593,318 |
| Nonprofit payment for municipal services | 391,491 | 433,714 | 378,932 | 2,267,059 | 2,010,873 | 4,894,760 | 3,555,369 | 294,268 | 849,978 | 778,417 |
| Mercantile | - | - | - | - | - | - | 1,330 | 10,051 | 16,368 | 34,388 |
| Other | 6,788,191 | 6,712,484 | 8,416,329 | 6,026,456 | 5,801,064 | 4,960,016 | 2,403,662 | 4,922,118 | 4,609,767 | 4,145,482 |
| Unrestricted investment earnings | 1,795,367 | 640,354 | 292,395 | 182,305 | 97,006 | 204,587 | 72,903 | 244,681 | 590,130 | 4,147,306 |
| Donations and endowments | 4,745,585 | 2,443,318 | 777,080 | 829,298 | 1,731,297 | 53,282 | 4,209,467 | 287,500 | 204,000 | 575,000 |
| Gain/(loss) on sale of assets | (124,887) | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 650,129 | 1,185,186 | 730,099 | 1,159,132 | 1,597,930 | 1,200,809 | 1,661,003 | 2,467,021 | 37,691 | 189,317 |
| Total primary government | \$ 464,548,072 | \$ 453,000,771 | \$ 445,093,622 | \$ 412,494,436 | \$ 399,057,464 | \$ 395,851,012 | \$ 391,029,082 | \$ 363,743,833 | \$ 364,668,668 | \$ 368,212,262 |
| Change in Net Position: | \$ 75,440,790 | \$ 75,683,360 | \$ 33,283,175 | \$ 2,027,630 | \$ 4,017,649 | \$ 57,994,659 | \$ 78,959,444 | \$ (4,113,515) | \$ 4,423,384 | \$ 29,963,031 |
| Primary government - governmental activities | | | | | | | | | | |

Table 3

CITY OF PITTSBURGH, PENNSYLVANIA

PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN YEARS

ACCRUAL BASIS OF ACCOUNTING

| Function/Program | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 56,529,600 | \$ 52,908,014 | \$ 73,670,656 | \$ 55,325,989 | \$ 64,910,815 | \$ 73,130,821 | \$ 85,450,651 | \$ 68,630,131 | \$ 72,158,419 | \$ 71,287,551 |
| Public safety | 58,558,543 | 69,917,263 | 29,014,391 | 43,029,190 | 40,131,320 | 36,962,644 | 40,436,474 | 34,577,088 | 36,872,062 | 34,142,202 |
| Highways and streets | 23,080,841 | 41,166,791 | 23,762,756 | 20,902,347 | 25,098,423 | 19,951,205 | 32,381,395 | 22,453,872 | 20,333,685 | 19,977,958 |
| Sanitation | 1,280,753 | 3,036,512 | 424,350 | 983,805 | 529,956 | 452,759 | 657,406 | 588,240 | 304,727 | 767,921 |
| Economic development | 5,239,068 | 2,408,059 | 3,704,451 | 6,350,537 | 6,556,494 | 6,614,201 | 6,017,455 | 10,426,726 | 8,973,109 | 5,783,512 |
| Cultural and recreation | 3,450,790 | 3,661,238 | 2,634,789 | 2,922,448 | 3,458,764 | 3,607,987 | 5,022,987 | 5,188,801 | 4,828,018 | 5,332,166 |
| Total primary government | \$ 148,139,595 | \$ 173,097,877 | \$ 133,211,393 | \$ 129,514,316 | \$ 140,685,772 | \$ 140,719,617 | \$ 169,966,368 | \$ 141,864,858 | \$ 143,470,020 | \$ 137,291,310 |

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

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 (2) | 2010 | 2009 | 2008 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| General Fund: | | | | | | | | | | |
| Restricted | \$ 13,163,423 | \$ 13,059,755 | \$ 5,868,149 | \$ 5,600,297 | \$ 10,022,616 | \$ 7,696,849 | \$ 6,269,674 | \$ - | \$ - | \$ - |
| Assigned | 8,189,298 | 2,626,144 | 2,316,420 | 3,774,771 | 3,646,559 | 3,004,873 | 4,563,061 | - | - | - |
| Unassigned | 110,422,643 | 98,793,635 | 69,121,488 | 53,754,570 | 82,030,086 | 81,410,445 | 58,449,103 | 6,320,807 | 5,941,959 | 6,426,664 |
| Reserved | - | - | - | - | - | - | - | 42,610,199 | 55,446,599 | 46,459,249 |
| Unreserved | - | - | - | - | - | - | - | - | - | - |
| Total General Fund | 131,775,364 | 114,479,534 | 77,306,057 | 63,129,638 | 95,699,261 | 92,112,167 | 69,281,838 | 48,931,006 | 61,388,558 | 52,885,913 |
| All Other Governmental Funds: | | | | | | | | | | |
| Restricted | 72,715,398 | 35,247,309 | 36,948,617 | 76,637,391 | 25,506,302 | 72,595,265 | 11,937,672 | - | - | - |
| Committed | 18,839,789 | 17,383,882 | 16,336,309 | 13,751,375 | 12,799,191 | 9,768,475 | 20,693,629 | - | - | - |
| Assigned | 19,288,370 | 23,756,536 | 39,805,850 | 29,454,428 | 26,317,580 | 16,151,126 | 16,349,228 | - | - | - |
| Reserved and designated for subsequent (1) years expenditures, Reported in: | - | - | - | - | - | - | - | - | 103,111,551 | 127,434,810 |
| Debt service funds | - | - | - | - | - | - | - | 3,567,405 | - | - |
| Capital project funds | - | - | - | - | - | - | - | 31,713,615 | - | - |
| Other governmental funds - Special Revenue | - | - | - | - | - | - | - | 604,075 | - | - |
| Unreserved, Undesignated, Reported in: | - | - | - | - | - | - | - | - | - | - |
| Community development funds | - | - | - | - | - | - | - | 84,617 | 84,617 | 84,617 |
| Capital project fund | - | - | - | - | - | - | - | - | - | - |
| Other governmental funds - Special Revenue | - | - | - | - | - | - | - | 11,759,863 | 12,590,970 | 13,250,599 |
| Total All Other Governmental Funds | 110,843,557 | 76,387,727 | 93,090,776 | 119,843,194 | 64,623,073 | 98,454,866 | 48,980,529 | 47,729,575 | 115,787,138 | 140,770,026 |
| Total Governmental Funds | \$ 242,618,921 | \$ 190,867,261 | \$ 170,396,833 | \$ 182,972,832 | \$ 160,322,334 | \$ 190,567,033 | \$ 118,262,367 | \$ 96,660,581 | \$ 177,175,696 | \$ 193,655,939 |

(1) Fund breakout not readily available for 2009-2008; was presented for 2010.

(2) The City implemented GASB 54 beginning in 2011.

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)
(\$'s in Thousands)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|----------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|----------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 452,752 | \$ 451,757 | \$ 435,520 | \$ 406,059 | \$ 397,548 | \$ 388,218 | \$ 380,769 | \$ 360,761 | \$ 363,582 | \$ 366,220 |
| Payment in lieu of taxes | 391 | 434 | 379 | 2,267 | 2,011 | 4,894 | 3,555 | 294 | 850 | 778 |
| Interest earnings | 1,795 | 641 | 292 | 182 | 97 | 205 | 73 | 245 | 590 | 4,147 |
| Fines and forfeits | 9,177 | 10,586 | 12,293 | 7,646 | 9,699 | 11,491 | 8,374 | 9,225 | 7,768 | 6,409 |
| Intergovernmental | 57,109 | 86,366 | 54,033 | 59,946 | 73,308 | 75,897 | 99,372 | 84,614 | 86,755 | 80,781 |
| Charges for user services | 59,486 | 55,655 | 50,905 | 41,383 | 39,652 | 36,432 | 35,312 | 34,961 | 36,452 | 37,484 |
| Pension state aid | 22,129 | 20,491 | 18,255 | 18,264 | 18,027 | 16,900 | 26,908 | 15,595 | 15,030 | 15,148 |
| Miscellaneous | 5,634 | 3,700 | 1,719 | 2,237 | 1,885 | 1,268 | 6,079 | 921 | 436 | 924 |
| Total revenues | 608,473 | 629,630 | 573,396 | 537,984 | 542,227 | 535,305 | 560,442 | 506,616 | 511,463 | 511,891 |
| Expenditures: | | | | | | | | | | |
| General government | 87,827 | 92,108 | 99,861 | 79,622 | 82,485 | 82,947 | 68,743 | 66,253 | 55,122 | 57,277 |
| Public safety | 300,472 | 295,499 | 274,235 | 270,581 | 268,116 | 258,272 | 256,416 | 289,149 | 250,384 | 220,309 |
| Public works | 96,185 | 90,665 | 79,841 | 68,324 | 77,625 | 67,664 | 55,730 | 62,416 | 54,564 | 61,109 |
| Sanitation | 18,643 | 17,247 | 17,145 | 16,193 | 16,014 | 15,181 | 15,501 | 17,059 | 14,960 | 15,721 |
| Community, recreational, and cultural | 9,376 | 9,746 | 11,589 | 15,499 | 13,524 | 12,510 | 12,077 | 13,866 | 11,536 | 11,670 |
| Claims and judgments | 2,612 | 1,984 | 1,381 | 4,644 | 2,443 | 568 | 1,245 | 539 | 5,361 | 1,047 |
| Miscellaneous | - | - | - | - | - | - | 6,576 | 5,893 | 5,175 | 5,112 |
| Economic and physical development | 8,796 | 7,769 | 5,596 | 8,946 | 11,621 | 8,786 | 14,370 | 26,465 | 22,221 | 19,694 |
| Capital outlay | - | - | - | - | - | - | 5,462 | 6,046 | 9,973 | 10,299 |
| Bond issue costs | 372 | 99 | - | 758 | - | 358 | - | - | - | 744 |
| Debt service/authorities: | | | | | | | | | | |
| Interest | 21,662 | 24,568 | 27,889 | 30,296 | 33,062 | 32,981 | 36,257 | 37,765 | 40,699 | 42,717 |
| Principal | 66,173 | 63,835 | 61,135 | 56,705 | 53,805 | 49,280 | 51,845 | 49,410 | 44,325 | 44,490 |
| Debt subsidies to component units | 5,842 | 5,738 | 7,300 | 14,524 | 13,776 | 14,836 | 14,618 | 14,142 | 13,623 | 13,444 |
| Total expenditures | 617,960 | 609,258 | 585,972 | 566,092 | 572,471 | 543,383 | 538,840 | 589,003 | 527,943 | 503,633 |
| Excess (Deficiency) of Revenues Over Expenditures | (9,487) | 20,372 | (12,576) | (28,108) | (30,244) | (8,078) | 21,602 | (82,387) | (16,480) | 8,258 |

(Continued)

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)

(\$'s in Thousands)
(Continued)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|------------------|------------------|--------------------|------------------|--------------------|------------------|------------------|--------------------|--------------------|-----------------|
| Other Financing Sources (Uses): | | | | | | | | | | |
| Bond issuance | 54,635 | - | - | 44,470 | - | 114,495 | - | - | - | 66,775 |
| Refunding bond issuance | - | 23,723 | - | 62,920 | - | - | - | - | - | - |
| Proceeds from capital asset disposition | - | - | - | - | - | - | - | - | - | - |
| Bond premium | 6,604 | - | - | 12,226 | - | 13,613 | - | - | - | 3,293 |
| Insurance proceeds | - | - | - | - | - | - | - | 1,872 | - | - |
| Transfers from other funds | 111,145 | 108,729 | 114,740 | 115,579 | 110,369 | 92,654 | 106,713 | 138,023 | 96,560 | 170,519 |
| Transfer from agency funds | - | - | - | - | - | - | - | - | - | - |
| Transfer from discretely presented component units | - | - | - | - | - | - | - | - | - | - |
| Payments to escrow agents | - | (23,624) | - | (68,858) | - | (47,725) | - | - | - | (69,574) |
| Transfers to other funds | (111,145) | (108,729) | (114,740) | (115,579) | (110,369) | (92,654) | (106,713) | (138,023) | (96,560) | (170,519) |
| Transfer to agency funds | - | - | - | - | - | - | - | - | - | - |
| Pension state aid | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 61,239 | 99 | - | 50,758 | - | 80,383 | - | 1,872 | - | 494 |
| Net Change in Fund Balance | \$ 51,752 | \$ 20,471 | \$ (12,576) | \$ 22,650 | \$ (30,244) | \$ 72,305 | \$ 21,602 | \$ (80,515) | \$ (16,480) | \$ 8,752 |

Debt service (principal and interest) as a percentage of noncapital expenditure 15.2% 15.1% 15.8% 15.6% 15.4% 15.2% 16.5% 14.9% 16.4% 17.6%

Notes: (1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds. (Concluded)

Table 6

CITY OF PITTSBURGH, PENNSYLVANIA

GOVERNMENTAL FUND TAX REVENUES BY SOURCES

LAST TEN YEARS

(\$'s in Thousands)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Real estate tax | \$ 143,238 | \$ 141,102 | \$ 137,316 | \$ 127,354 | \$ 127,606 | \$ 137,411 | \$ 134,558 | \$ 131,625 | \$ 131,313 | \$ 130,970 |
| Mercantile tax | - | - | - | - | 6 | - | 2 | 5 | 8 | 12 |
| Amusement tax | 17,285 | 16,624 | 16,160 | 14,338 | 13,714 | 11,280 | 13,128 | 10,845 | 11,450 | 11,589 |
| Payroll preparation tax | 57,779 | 65,025 | 66,130 | 55,972 | 54,151 | 51,553 | 50,641 | 46,346 | 46,235 | 46,479 |
| Earned income tax | 96,627 | 92,241 | 88,853 | 86,860 | 84,103 | 75,228 | 74,146 | 69,674 | 67,483 | 65,296 |
| Facilities usage fee | 5,234 | 5,090 | 5,893 | 4,688 | 4,287 | 3,333 | 3,909 | 3,375 | 3,163 | 2,791 |
| Deed transfer tax | 29,763 | 27,976 | 22,332 | 20,115 | 20,740 | 15,576 | 18,730 | 14,109 | 12,284 | 17,071 |
| Parking tax | 58,663 | 57,747 | 55,001 | 53,233 | 51,977 | 50,911 | 48,217 | 46,651 | 45,274 | 45,902 |
| Local/Emergency services tax | 13,912 | 14,155 | 13,873 | 13,907 | 13,831 | 14,128 | 13,138 | 13,962 | 13,416 | 13,271 |
| Business privilege tax | 2 | - | - | 3 | 20 | 57 | 143 | 612 | 9,315 | 9,113 |
| Institution/service tax | 587 | 559 | 586 | 480 | 494 | 457 | 455 | 457 | 125 | 48 |
| Penalties and interest | 1,361 | 1,924 | 1,237 | 1,273 | 1,023 | 2,250 | 1,515 | 1,328 | 2,166 | 2,201 |
| Public service privilege | 955 | 1,000 | 1,911 | 818 | 989 | 1,165 | 1,330 | 1,332 | 1,336 | 1,299 |
| Regional Asset District | 27,346 | 28,314 | 26,228 | 27,018 | 24,608 | 24,869 | 20,857 | 20,440 | 20,014 | 20,178 |
| Total tax revenues | \$ 452,752 | \$ 451,757 | \$ 435,520 | \$ 406,059 | \$ 397,549 | \$ 388,218 | \$ 380,769 | \$ 360,761 | \$ 363,582 | \$ 366,220 |

Note:
In 2008, the emergency services tax became known as the local services tax.

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA

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

(\$'s in Thousands)

| Year | Total Assessed Value | Less: Tax- Exempt Property | Total Taxable Assessed Value | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Estimated Actual Value (1) | Taxable Rate (mills) |
|------|-------------------------|----------------------------------|---------------------------------|-----------------------------------|--|-------------------------|
| 2008 | \$ 21,032,626 | \$ 7,777,749 | \$ 13,254,877 | \$ 15,148,431 | 87.50% | 10.800 |
| 2009 | 21,299,162 | 7,950,341 | 13,348,821 | 15,485,871 | 86.20% | 10.800 |
| 2010 | 21,549,437 | 8,108,433 | 13,441,004 | 15,720,473 | 85.50% | 10.800 |
| 2011 | 21,980,818 | 8,494,384 | 13,486,434 | 15,773,607 | 85.50% | 10.800 |
| 2012 | 22,380,149 | 8,737,987 | 13,642,162 | 15,955,745 | 85.50% | 10.800 |
| 2013 | 32,939,892 | 12,707,501 | 20,232,391 | 22,282,369 | 90.80% | 7.560 |
| 2014 | 31,120,498 | 12,457,503 | 18,662,995 | 20,285,864 | 92.00% | 7.560 |
| 2015 | 31,189,789 | 12,503,501 | 18,686,288 | 21,453,832 | 87.10% | 8.060 |
| 2016 | 31,490,413 | 12,233,050 | 19,257,363 | 22,134,900 | 87.00% | 8.060 |
| 2017 | 31,056,787 | 11,480,853 | 19,575,934 | 22,316,565 | 87.72% | 8.060 |

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

(1) - Pennsylvania Department of Revenue Common Level Ratio

Table 8
CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

| Fiscal Year | City of Pittsburgh | | | School district millage | County millage | Total Millage |
|-------------|--------------------|------------------|-------------|-------------------------|----------------|---------------|
| | Land millage | Building millage | Average (1) | | | |
| 2008 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2009 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2010 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2011 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2012 | 10.800 | 10.800 | 10.800 | 13.920 | 5.690 | 30.410 |
| 2013 (2) | 7.560 | 7.560 | 7.560 | 9.650 | 4.730 | 21.940 |
| 2014 | 7.560 | 7.560 | 7.560 | 9.650 | 4.730 | 21.940 |
| 2015 | 8.060 | 8.060 | 8.060 | 9.840 | 4.730 | 22.630 |
| 2016 | 8.060 | 8.060 | 8.060 | 9.840 | 4.730 | 22.630 |
| 2017 | 8.060 | 8.060 | 8.060 | 9.840 | 4.730 | 22.630 |

Notes:

- (1) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
- (2) Millage reduced due to increase in assessed values. No "windfall" provisions enacted due to reassessed values.

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

Table 9
CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | 2017 | | | | 2008 | | | |
|--|--------------------------|------|---|--------------------------|------------------------|---------------|---|--|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | |
| PNC | \$ 428,767,800 | 1 | 2.19% | \$ 167,130,300 | 4 | 1.26% | | |
| 500 Grant St. Assoc/Mellon Bank Holdings Acquisition Co LP | 318,444,600 | 2 | 1.63% | 445,192,400 | 1 | 3.36% | | |
| Buncher Company | 248,136,300 | 3 | 1.27% | - | | | | |
| 600 GS Prop LP | 241,527,500 | 4 | 1.23% | 196,429,400 | 2 | 1.48% | | |
| HRLP Fourth Avenue LLC | 233,211,300 | 5 | 1.19% | 160,000,000 | 5 | 1.21% | | |
| Pittsburgh CBD LLC | 179,400,000 | 6 | 0.92% | - | | | | |
| IX Liberty Center Owner LP | 132,075,350 | 7 | 0.67% | - | | | | |
| Liberty Avenue Holdings LLC | 120,000,000 | 8 | 0.61% | - | | | | |
| North Shore Developers | 79,000,000 | 9 | 0.40% | 49,210,000 | 8 | 0.37% | | |
| Market Assoc. Limited | 78,000,000 | 10 | 0.40% | - | | | | |
| Oxford Development | - | | | 185,000,000 | 3 | 1.40% | | |
| Grant Liberty Dev. Group | - | | | 115,000,000 | 6 | 0.87% | | |
| Hertz Gateway Center LP | - | | | 110,000,000 | 7 | 0.83% | | |
| Harrahs Forest City Assoc. | - | | | 45,700,000 | 9 | 0.34% | | |
| | | | | 39,036,900 | 10 | 0.29% | | |
| | <u>\$ 2,058,562,850</u> | | <u>10.52%</u> | <u>\$ 1,512,699,000</u> | | <u>11.41%</u> | | |
| Total Taxable Assessed Valuation | <u>\$ 19,575,934,419</u> | | | <u>\$ 13,254,877,546</u> | | | | |

Note: Information obtained from Real Estate Department assessments.

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

LAST TEN YEARS
 (\$'s in Thousands)

| Fiscal Year | Taxable Assessed valuation of land and buildings | Land millage | Building millage | Original net levy | Adjusted net levy (1) | Budgeted | Receipts (2) | Year of original levy | | Delinquent taxes | | |
|-------------|--|--------------|------------------|-------------------|-----------------------|------------|--------------|--|--|------------------|------------|----------|
| | | | | | | | | Percent of original net levy collected | Percent of adjusted net levy collected | Budget | Collection | Receipts |
| 2008 | \$ 13,254,877 | 10.80 | 10.80 | \$143,383 | \$129,768 | \$ 122,300 | \$ 127,273 | 88.8 | 98.1 | 3,245 | 3,697 | 113.9 |
| 2009 | 13,348,821 | 10.80 | 10.80 | 145,967 | 128,830 | 123,673 | 125,104 | 85.7 | 97.1 | 3,201 | 4,972 | 155.3 |
| 2010 | 13,441,004 | 10.80 | 10.80 | 145,163 | 134,998 | 127,118 | 124,250 | 85.6 | 92.0 | 6,454 | 3,672 | 56.9 |
| 2011 | 13,486,434 | 10.80 | 10.80 | 145,653 | 139,547 | 128,790 | 129,924 | 89.2 | 93.1 | 3,830 | 3,928 | 102.6 |
| 2012 | 13,642,162 | 10.80 | 10.80 | 147,335 | 131,841 | 130,578 | 126,821 | 85.9 | 95.2 | 3,525 | 5,551 | 157.5 |
| 2013 | 20,232,391 | 7.56 | 7.56 | 153,382 | 123,150 | 130,578 | 122,632 | 80.0 | 99.6 | 3,406 | 5,144 | 151.0 |
| 2014 | 18,662,995 | 7.56 | 7.56 | 141,411 | 121,775 | 128,770 | 120,087 | 84.9 | 98.6 | 4,673 | 5,144 | 109.4 |
| 2015 | 18,686,288 | 8.06 | 8.06 | 150,679 | 131,834 | 133,355 | 130,470 | 86.6 | 99.0 | 4,597 | 4,714 | 102.5 |
| 2016 | 19,257,363 | 8.06 | 8.06 | 155,214 | 136,149 | 134,126 | 136,210 | 87.8 | 100.0 | 3,500 | 4,424 | 126.4 |
| 2017 | 19,575,934 | 8.06 | 8.06 | 158,050 | 137,657 | 140,082 | 136,840 | 86.6 | 99.4 | 3,371 | 4,694 | 139.2 |

Notes:

- (1) Represents net levy as of December 31 of the tax year (i.e., net of exonerations, discounts, and additions granted in that year).
- (2) Receipts are net of refunds.

Table 11

CITY OF PITTSBURGH, PENNSYLVANIA

RATIOS OF OUTSTANDING DEBT - BY TYPE

LAST TEN YEARS

| Fiscal Year | Obligation Bonds (1) | Capital Leases | Outstanding Debt | Percentage of Personal Income (2) | Population (3) | Debt per Capita |
|---------------------------------|-------------------------|-------------------|---------------------|--------------------------------------|----------------|-----------------------|
| <u>Governmental Activities:</u> | | | | | | |
| 2008 | \$ 723,092,248 | \$ 13,209,022 | \$ 736,301,270 | 2.42% | 334,563 | \$ 2,201 |
| 2009 | 680,380,610 | 12,658,713 | 693,039,323 | 2.06% | 334,563 | 2,071 |
| 2010 | 633,338,316 | 12,074,466 | 645,412,782 | 2.07% | 305,704 | 2,111 |
| 2011 | 581,007,897 | 11,454,180 | 592,462,077 | 1.81% | 305,704 | 1,938 |
| 2012 | 612,114,556 | 10,780,033 | 622,894,589 | 1.90% | 305,704 | 2,038 |
| 2013 | 565,180,727 | 10,080,874 | 575,261,601 | 1.72% | 305,704 | 1,882 |
| 2014 | 558,081,184 | 9,338,590 | 567,419,774 | 1.64% | 305,704 | 1,856 |
| 2015 | 492,843,748 | 8,550,523 | 501,394,271 | 1.41% | 305,704 | 1,640 |
| 2016 | 425,637,037 | 7,713,856 | 433,350,893 | 1.19% | 305,704 | 1,418 |
| 2017 | 416,627,243 | 6,825,565 | 423,452,808 | 1.16% | 305,704 | 1,385 |

1. Presented net of original issuance discounts and premiums
2. Personal income is disclosed on Table 19
3. United States Census Bureau

Table 12

CITY OF PITTSBURGH, PENNSYLVANIA

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

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Population | Assessed value | General bonded debt | Less debt service funds | Net general bonded debt | Ratio of net general bonded debt to assessed value | Net general bonded debt per capita |
|----------------|------------|-------------------|---------------------------|-------------------------------|----------------------------------|--|--|
| 2008 | 335 | \$ 13,254,877 | \$ 723,032 | \$ 48,287 | \$ 674,745 | 5.09% | \$ 2,014 |
| 2009 | 335 | 13,348,821 | 680,381 | 48,627 | 631,754 | 4.73% | 1,886 |
| 2010 | 306 | 13,441,004 | 633,338 | - | 633,338 | 4.71% | 2,058 |
| 2011 | 306 | 13,486,434 | 581,008 | - | 581,008 | 4.30% | 1,895 |
| 2012 | 306 | 13,642,162 | 612,115 | - | 612,115 | 4.48% | 1,997 |
| 2013 | 306 | 20,232,391 | 565,181 | - | 565,181 | 2.79% | 1,847 |
| 2014 | 306 | 18,662,995 | 558,081 | - | 558,081 | 2.99% | 1,824 |
| 2015 | 306 | 18,686,289 | 492,844 | - | 492,844 | 2.64% | 1,611 |
| 2016 | 306 | 19,257,363 | 425,637 | - | 425,637 | 2.21% | 1,391 |
| 2017 | 306 | 19,575,934 | 416,627 | - | 416,627 | 2.13% | 1,362 |

Table 13

CITY OF PITTSBURGH, PENNSYLVANIA

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

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Principal | Interest (2) | Total debt service | Total general governmental expenditures | Ratio of debt to general governmental expenditures |
|----------------|-----------|--------------|--------------------------|--|---|
| 2008 | \$ 44,490 | \$ 42,717 | \$ 87,207 | \$ 503,633 | 17.32% |
| 2009 | 44,325 | 40,699 | 85,024 | 527,943 | 16.10% |
| 2010 | 49,410 | 37,765 | 87,175 | 589,003 | 14.80% |
| 2011 | 51,845 | 36,257 | 88,102 | 538,840 | 16.35% |
| 2012 | 49,280 | 32,981 | 82,261 | 543,383 | 15.14% |
| 2013 | 53,805 | 33,061 | 86,866 | 572,471 | 15.17% |
| 2014 | 56,705 | 30,295 | 87,000 | 566,092 | 15.37% |
| 2015 | 61,135 | 27,889 | 89,024 | 585,972 | 15.19% |
| 2016 | 63,835 | 24,569 | 88,404 | 609,258 | 14.51% |
| 2017 | 66,173 | 20,795 | 86,968 | 617,960 | 14.07% |

Notes:

(1) City of Pittsburgh bonds only.

(2) Excludes bond issuance and other costs.

Table 14

CITY OF PITTSBURGH, PENNSYLVANIA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2017

(\$s in Thousands)

| Jurisdiction | Debt outstanding | Percentage applicable to City | Amount applicable to City |
|--|---------------------|-------------------------------------|---------------------------------|
| Direct debt: | | | |
| City of Pittsburgh: | | | |
| General obligation | \$ 416,627 | 100% | \$ 416,627 |
| Capital lease | 6,826 | 100% | 6,826 |
| | <u>423,453</u> | | <u>423,453</u> |
| Total direct debt | | | |
| | <u>423,453</u> | | <u>423,453</u> |
| Overlapping debt: | | | |
| Pittsburgh Water and Sewer Authority (1) | 799,335 | 0% | - |
| Auditorium Authority | 123 | 50% | (2) 62 |
| Parking Authority | 57,387 | 100% | 57,387 |
| The School District of Pittsburgh | 281,082 | 100% | 281,082 |
| Allegheny County | 885,681 | 25% | (3) 221,420 |
| | <u>2,023,608</u> | | <u>559,951</u> |
| Total overlapping debt | | | |
| | <u>2,023,608</u> | | <u>559,951</u> |
| Total direct and overlapping debt | | | |
| | <u>\$ 2,447,061</u> | | <u>\$ 983,404</u> |

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

(2) - Subsidized equally by the City of Pittsburgh and Allegheny County

(3) - Based on percent of population of the City of Pittsburgh compared to Allegheny County

CITY OF PITTSBURGH,
PENNSYLVANIA

Table 15

CITY OF PITTSBURGH, PENNSYLVANIA

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

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2017

| | Nonelectoral debt | Lease rental debt |
|---|----------------------|-------------------------|
| Gross debt (1): | | |
| Principal amount of bonds issued and outstanding: | | |
| General obligation | \$ 395,845,000 | \$ - |
| Capital Leases | - | 6,825,565 |
| | 395,845,000 | 6,825,565 |
| Total gross debt | 395,845,000 | 6,825,565 |
| Items deductible from gross debt: | | |
| Cash and legal investments held in sinking fund for payment of bonds and notes | 1,329,181 | - |
| Delinquent real estate taxes | 9,570,455 | - |
| Self-liquidating and subsidized debt: | | |
| Taxable General Obligation Pension Bonds, 1998ABC | 155,920,000 | - |
| | 166,819,636 | - |
| Total deductions | 166,819,636 | - |
| Net debt | \$ 229,025,364 | \$ 6,825,565 |

(Continued)

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$799,335,000 are not considered debt of the City of Pittsburgh for purposes of this calculation.

CITY OF PITTSBURGH, PENNSYLVANIA

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

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2017
(Continued)

| Allocation of Total Net Debt | |
|--|------------------------------|
| Net nonelectoral debt | \$ 229,025,364 |
| Net lease rental debt | <u>6,825,565</u> |
| Net nonelectoral and lease rental debt | <u><u>\$ 235,850,929</u></u> |

| Debt Incurring Margin | | | |
|--|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 |
| Total net revenue of the City | <u>\$ 478,003,428</u> | <u>\$ 508,437,720</u> | <u>\$ 517,460,570</u> |
| Borrowing base (arithmetic average of total net revenue for said three fiscal years) | | | <u>\$ 501,300,573</u> |

| | Net nonelectoral debt (borrowing base x 250%) | Net nonelectoral and lease rental debt (borrowing base x 350%) |
|---------------------------------|--|---|
| Debt limitations | \$ 1,253,251,432 | \$ 1,754,552,004 |
| Less existing net debt | (229,025,364) | (235,850,929) |
| Remaining debt incurring margin | <u>\$ 1,024,226,068</u> | <u>\$ 1,518,701,075</u> |

(Concluded)

Table 16

CITY OF PITTSBURGH, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION

LAST TEN YEARS

(dollars in thousands)

| | <u>Debt limit</u> | <u>Total Net Debt applicable to limit</u> | <u>Legal debt margin</u> | <u>Legal debt margin %</u> |
|------|-------------------|---|------------------------------|--------------------------------|
| 2017 | \$ 1,253,251 | \$ (229,025) | \$ 1,024,226 | 81.73% |
| 2016 | 1,200,164 | (218,682) | 981,482 | 81.78% |
| 2015 | 1,154,411 | (267,452) | 886,959 | 76.83% |
| 2014 | 1,121,402 | (341,154) | 780,248 | 69.58% |
| 2013 | 1,108,747 | (338,265) | 770,482 | 69.49% |
| 2012 | 1,092,625 | (372,206) | 720,419 | 65.93% |
| 2011 | 1,075,235 | (332,419) | 742,816 | 69.08% |
| 2010 | 1,073,609 | (373,994) | 699,615 | 65.16% |
| 2009 | 1,080,213 | (374,738) | 705,475 | 65.31% |
| 2008 | 1,088,171 | (411,568) | 676,603 | 62.18% |

Note: The State of Pennsylvania's Local Government Unit Debt Act determines the calculation of the Legal Debt Margin. See Table 15.

Table 17
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
 PITTSBURGH WATER AND SEWER AUTHORITY

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Gross revenues | (1) Operating expenses | Net revenue available for debt service | Principal | Interest | Total | Coverage |
|----------------|-------------------|------------------------------|---|-----------|-----------|-----------|----------|
| 2008 | \$ 129,938 | \$ 89,162 | \$ 40,776 | \$ 15,531 | \$ 24,223 | \$ 39,754 | 1.03 |
| 2009 | 134,175 | 93,799 | 40,376 | 14,625 | 37,984 | 52,609 | 0.77 |
| 2010 | 139,753 | 93,157 | 46,596 | 16,435 | 39,202 | 55,637 | 0.84 |
| 2011 | 140,552 | 92,227 | 48,325 | 14,885 | 36,747 | 51,632 | 0.72 |
| 2012 | 144,138 | 93,305 | 50,833 | 15,064 | 37,243 | 52,307 | 0.97 |
| 2013 | 142,657 | 95,823 | 46,834 | 144,184 | 33,053 | 177,237 | 0.26 |
| 2014 | 164,255 | 111,454 | 52,801 | 19,249 | 37,146 | 56,395 | 0.94 |
| 2015 | 174,164 | 116,908 | 57,256 | 21,201 | 36,865 | 58,066 | 0.99 |
| 2016 | 180,727 | 131,936 | 48,791 | 22,004 | 36,966 | 58,970 | 0.83 |
| 2017 | 202,996 | 157,220 | 45,776 | 22,481 | 34,913 | 57,394 | 0.80 |

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

Table 18
CITY OF PITTSBURGH, PENNSYLVANIA

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

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Gross revenues (2) | Operating expenses (3) | Net revenue available for debt service | Debt service requirements (4) | | | Coverage (5) |
|-------------|--------------------|------------------------|--|-------------------------------|----------|----------|--------------|
| | | | | Principal | Interest | Total | |
| 2008 | \$ 4,074 | \$ 1,449 | \$ 2,625 | \$ 2,306 | \$ 2,063 | \$ 4,369 | 0.60 |
| 2009 | 3,857 | 1,712 | 2,145 | 2,620 | 1,862 | 4,482 | 0.48 |
| 2010 | 4,113 | 1,636 | 2,477 | 2,600 | 1,539 | 4,139 | 0.60 |
| 2011 | 4,302 | 1,712 | 2,590 | 241 | 1,387 | 1,628 | 1.59 |
| 2012 | 4,750 | 2,262 | 2,488 | 841 | 1,238 | 2,079 | 1.20 |
| 2014 | 6,366 | 2,237 | 4,129 | 757 | 643 | 1,400 | 2.95 |
| 2015 | 6,632 | 2,285 | 4,347 | 780 | 616 | 1,396 | 3.11 |
| 2016 | 7,532 | 2,407 | 5,125 | 3,189 | 570 | 3,759 | 1.36 |
| 2017 | 7,591 | 2,621 | 4,970 | 678 | 564 | 1,242 | 1.36 |

(1) Figures presented are for the fiscal year end of March 31.

(2) Total revenues including interest.

(3) Total operating expenses exclusive of depreciation, interest, baseball lease credit adjustments, and loss on disposal of turf.

(4) Debt service payments on notes are excluded.

(5) The City of Pittsburgh guarantees the payment of Stadium Authority debt service and/or operating losses.

Table 19

CITY OF PITTSBURGH, PENNSYLVANIA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN YEARS

| Fiscal Year | (1) Population | (2) Per capita income | (2) Personal income | (2) Median age | (3) School enrollment | (4) Unemployment rate percentage |
|-------------|-------------------|--------------------------------|---------------------------|----------------------|-----------------------------|--|
| 2008 | 334,563 | \$ 38,550 | \$ 91,101 | 41.9 | 28,265 | 6.0% |
| 2009 | 334,563 | 42,819 | 100,675 | 35.5 | 26,123 | 8.8% |
| 2010 | 305,704 | 44,191 | 102,135 | 35.5 | 25,326 | 6.5% |
| 2011 | 305,704 | 43,787 | 106,800 | 35.6 | 24,997 | 6.6% |
| 2012 | 305,704 | 50,922 | 107,300 | 33.2 | 24,727 | 7.7% |
| 2013 | 305,704 | 49,700 | 109,124 | 33.2 | 24,525 | 6.7% |
| 2014 | 305,704 | 51,798 | 112,834 | 33.2 | 24,103 | 4.6% |
| 2015 | 305,704 | 49,349 | 116,265 | 33.4 | 23,639 | 4.3% |
| 2016 | 305,704 | 50,756 | 119,432 | 33.2 | 23,286 | 5.2% |
| 2017 | 305,704 | 51,187 | 119,896 | 33.5 | 22,362 | 4.5% |

Data Sources:

- (1) Census Bureau
- (2) U.S. Department of Commerce, 12-month lag
- (3) School District of Pittsburgh
- (4) U.S. Department of Labor, Bureau of Labor Statistics

Table 20

CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

| Employer | 2017 | | | 2008 | | |
|---|----------------|------|--|----------------|------|--|
| | Employees | Rank | Percentage of Total Municipal Employment | Employees | Rank | Percentage of Total Municipal Employment |
| University of Pittsburgh Medical Center | 46,480 | 1 | 14.90 % | 37,000 | 1 | 12.03 % |
| Highmark Health | 20,497 | 2 | 6.57 | - | - | - |
| U.S. Government | 18,199 | 3 | 5.84 | 18,666 | 2 | 6.07 |
| Commonwealth of Pennsylvania | 16,580 | 4 | 5.32 | 13,661 | 3 | 4.44 |
| University of Pittsburgh | 12,047 | 5 | 3.86 | 11,261 | 5 | 3.66 |
| PNC Financial Services Group, Inc. | 11,953 | 6 | 3.83 | 9,150 | 7 | 2.97 |
| Giant Eagle | 9,902 | 7 | 3.18 | 8,347 | 8 | 2.71 |
| Wal-Mart Stores, Inc. | 9,000 | 8 | 2.89 | 10,030 | 6 | 3.26 |
| Allegheny County | 7,044 | 9 | 2.26 | 7,194 | 9 | 2.34 |
| BNY Mellon (2) | 7,000 | 10 | 2.24 | - | - | - |
| West Penn Allegheny Health System | - | - | - | 11,432 | 4 | 3.72 |
| Mellon Financial Corp. (1) | - | - | - | 6,668 | 10 | 2.17 |
| Total | 158,702 | | 50.89 % | 133,409 | | 43.36 % |
| Total Employees | 311,861 | | | 307,678 | | |

Source: Pittsburgh Business Times

(1) Pre-merger

(2) Post-merger

Table 21

CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Property value (1) | Number of permits issued (2) | Dollar value (2) | Bank deposits (3) |
|----------------|-----------------------|------------------------------------|---------------------|----------------------|
| 2008 | \$ 13,254,877 | 2,277 | \$ 980,645 | \$ 95,371,463 |
| 2009 | 13,348,821 | 2,222 | 624,954 | 100,194,959 |
| 2010 | 13,441,004 | 2,893 | 325,449 | 110,870,210 |
| 2011 | 13,486,434 | 2,518 | 402,186 | 81,120,698 |
| 2012 | 13,642,162 | 2,488 | 394,669 | 129,951,213 |
| 2013 | 20,232,391 | 3,044 | 593,153 | 73,876,193 |
| 2014 | 18,662,995 | 3,485 | 567,714 | 77,659,293 |
| 2015 | 18,686,289 | 7,046 | 903,678 | 115,371,109 |
| 2016 | 19,257,363 | 12,721 | 1,398,555 | 119,405,732 |
| 2017 | 19,575,934 | 12,645 | 1,077,385 | 100,669,655 |

Notes:

(1) Assessed value from Table 7

Data Sources:

(2) Value of Construction Project and Permits from Department of Permits, Licenses, and Inspection

(3) FDIC website

Table 22

CITY OF PITTSBURGH, PENNSYLVANIA

CITY EMPLOYMENT

LAST TEN YEARS

| <u>Fiscal Year</u> | <u>Regular budgeted positions</u> | <u>Actual subsequent January payroll</u> |
|--------------------|---|--|
| 2008 | 3,363 | 3,177 |
| 2009 | 3,310 | 3,213 |
| 2010 | 3,326 | 3,157 |
| 2011 | 3,303 | 3,131 |
| 2012 | 3,303 | 3,128 |
| 2013 | 3,301 | 3,077 |
| 2014 | 3,303 | 3,067 |
| 2015 | 3,250 | 3,134 |
| 2016 | 3,255 | 3,106 |
| 2017 | 3,281 | 3,233 |

Table 23

CITY OF PITTSBURGH, PENNSYLVANIA

FULL-TIME EQUIVALENT MUNICIPAL EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN YEARS

| Function/program | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government: | | | | | | | | | | |
| City Council-City Clerk | 40 | 41 | 41 | 41 | 39 | 39 | 39 | 39 | 39 | 39 |
| Mayor's Office | 14 | 15 | 16 | 16 | 16 | 16 | 15 | 14 | 14 | 16 |
| Innovation & Performance (C.I.S.) | 63 | 62 | 62 | 61 | 60 | 59 | 55 | 58 | 55 | 51 |
| Human Relations Commission | 8 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | 8 | 8 |
| City Controller | 55 | 56 | 56 | 56 | 53 | 58 | 58 | 58 | 58 | 72 |
| Finance Department | 59 | 75 | 75 | 83 | 99 | 98 | 98 | 103 | 101 | 111 |
| Finance-Fleet & General Services | 0 | 0 | 0 | 0 | 20 | 20 | 21 | 22 | 22 | 24 |
| Law | 39 | 42 | 42 | 42 | 42 | 44 | 43 | 45 | 43 | 46 |
| Personnel & Civil Service | 55 | 62 | 62 | 64 | 68 | 80 | 83 | 83 | 83 | 86 |
| City Planning | 57 | 41 | 40 | 52 | 49 | 47 | 48 | 49 | 46 | 48 |
| Bureau of Neighborhood Empowerment | 12 | 10 | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Management & Budget | 25 | 23 | 24 | 24 | 0 | 0 | 0 | 0 | 0 | 0 |
| Permits, Licenses, and Inspections | 79 | 74 | 72 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety: | | | | | | | | | | |
| Administration | 49 | 24 | 23 | 23 | 17 | 17 | 17 | 17 | 15 | 4 |
| Police | 1056 | 1070 | 1073 | 1091 | 1092 | 1090 | 1090 | 1116 | 1116 | 1119 |
| Emergency Medical Services | 199 | 180 | 180 | 180 | 180 | 180 | 180 | 181 | 180 | 183 |
| Fire | 659 | 664 | 664 | 674 | 674 | 674 | 676 | 660 | 660 | 668 |
| Bureau of Building Inspection | 0 | 0 | 0 | 76 | 76 | 75 | 75 | 75 | 74 | 72 |
| Animal Control | 15 | 17 | 17 | 16 | 16 | 16 | 16 | 16 | 16 | 18 |
| Public Works: | | | | | | | | | | |
| Administration | 13 | 14 | 14 | 14 | 13 | 13 | 12 | 12 | 12 | 12 |
| Operations | 419 | 351 | 348 | 346 | 327 | 320 | 312 | 317 | 317 | 323 |
| Environmental Services | 198 | 200 | 200 | 201 | 201 | 196 | 196 | 196 | 196 | 196 |
| Redd Up Program | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| Engineering | 62 | 65 | 61 | 61 | 37 | 37 | 36 | 35 | 34 | 39 |
| General Services-Facilities | 0 | 0 | 0 | 0 | 39 | 42 | 50 | 48 | 48 | 43 |
| Mobility and Infrastructure | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parks and Recreation | 95 | 158 | 159 | 160 | 168 | 167 | 168 | 167 | 166 | 170 |
| Non-Departmental | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Totals: | <u>3281</u> | <u>3255</u> | <u>3250</u> | <u>3303</u> | <u>3301</u> | <u>3303</u> | <u>3303</u> | <u>3326</u> | <u>3310</u> | <u>3363</u> |

Note: Regular budgeted positions are displayed.

In 2015, Bureau of Building Inspection was moved to General Government and renamed Permits, Licenses, and Inspections.

CITY OF PITTSBURGH,
PENNSYLVANIA

OTHER INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS

YEAR ENDED DECEMBER 31, 2017

| <u>Official</u> | <u>Budgeted Annual Salary</u> | <u>Amount of Surety Bond</u> |
|-----------------------------|---------------------------------------|--------------------------------------|
| Mayor | \$ 109,650 | \$ 10,000 |
| Chief Financial Officer | 104,594 | 200,000 |
| Director of Finance | 83,332 | 200,000 |
| Controller | 72,467 | 25,000 |
| Members of City Council (9) | 65,423 | - |

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|---|---------------|----------------|--------------------|---|--|--|---------------|
| | | | | | | Interest | Principal |
| General Obligation Bonds, 1998 Series ABC | 3/01/1998 | \$ 255,865,000 | \$ 155,920,000 | \$13,235,000 in 2018 \$20,030,000 in 2019 \$21,400,000 in 2020 \$22,860,000 in 2021 \$24,425,000 in 2022 \$26,095,000 in 2023 \$27,875,000 in 2024 | 6.50 6.50 6.60 6.60 6.60 6.60 | \$ 9,847,348 | \$ 13,235,000 |
| General Obligation Bonds, 2012 Series A | 2/07/2012 | 39,235,000 | 29,815,000 | \$5,000 in 2018 \$4,475,000 in 2019 \$4,695,000 in 2020 \$4,190,000 in 2021 \$860,000 in 2021 \$4,060,000 in 2022 \$1,000,000 in 2022 \$5,310,000 in 2023 \$5,330,000 in 2024 | 2.13 5.00 5.00 2.70 4.00 5.00 4.00 5.00 5.00 | 1,376,736 | 5,000 |
| General Obligation Bonds, 2012 Series B | 2/07/2012 | 71,275,000 | 71,275,000 | \$ 245,000 in 2024 \$ 34,650,000 in 2025 \$ 36,380,000 in 2026 | 5.00 5.00 5.00 | 3,563,750 | - |
| Carry forward | | | 257,010,000 | | | 14,787,834 | 13,240,000 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds Brought Forward | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|--|---------------|-------------|--------------------|--|------------------------------------|--|------------|
| | | | | | | Interest | Principal |
| General Obligation Bonds, 2014 | 08/28/14 | 44,470,000 | 44,460,000 | \$15,000 in 2018 \$2,615,000 in 2019 \$2,495,000 in 2020 \$2,590,000 in 2021 \$2,720,000 in 2022 \$2,855,000 in 2023 \$2,840,000 in 2024 \$2,410,000 in 2025 \$2,545,000 in 2026 \$3,490,000 in 2027 \$3,600,000 in 2028 \$3,780,000 in 2029 \$3,965,000 in 2030 \$4,165,000 in 2031 \$4,375,000 in 2032 | 5.00 | 2,019,600 | 15,000 |
| General Obligation Bonds, 2014, Series B | 10/23/14 | 46,525,000 | 39,740,000 | \$39,740,000 in 2018 | 5.00 | 1,987,000 | 39,740,000 |
| Carry forward | | | 341,210,000 | | | 18,794,434 | 52,995,000 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds Brought Forward | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|---|--|--|---------------|
| | | | | | | Interest | Principal |
| General Obligation Bonds, 2017 | 04/27/17 | 54,635,000 | 54,635,000 | \$5,000 in 2018 \$2,015,000 in 2019 \$2,095,000 in 2020 \$2,175,000 in 2021 \$2,285,000 in 2022 \$2,400,000 in 2023 \$2,520,000 in 2024 \$2,645,000 in 2025 \$2,780,000 in 2026 \$2,915,000 in 2027 \$3,065,000 in 2028 \$3,215,000 in 2029 \$3,315,000 in 2030 \$3,480,000 in 2031 \$3,620,000 in 2032 \$3,765,000 in 2033 \$3,915,000 in 2034 \$4,110,000 in 2035 \$4,315,000 in 2036 | 3.00 4.00 4.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 3.00 5.00 4.00 4.00 4.00 5.00 5.00 5.00 | 18,794,434 | 2,517,600 |
| | | | 341,210,000 | | | | 52,995,000 |
| Subtotal | | | 395,845,000 | | | | 21,312,034 |
| Plus: Net bond premiums/discounts | | | 20,782,243 | | | | |
| Total: General obligation bonds payable | | | \$ 416,627,243 | | | | \$ 21,312,034 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Service Requirements Interest | 2018 Maximum Service Requirements Principal |
|--|---------------|--------------|--------------------|----------------------|------------------------------------|--|---|
| Public Auditorium Authority Revenue Bonds (City Share) | | | | | | | |
| Auditorium Bonds (Refunding), 2005 Series A | 9/15/2005 | \$ 4,172,500 | \$ 122,500 | \$122,500 in 2018 | 3.90 | 9,483 | 122,500 |
| Total Auditorium Authority Revenue Bonds | | | \$ 122,500 | | | 9,483 | 122,500 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|--|---------------|-------------|--------------------|---|--|--|--------------|
| | | | | | | Interest | Principal |
| Parking Authority Refunding Bonds, Series 2015 A | 10/15/15 | 67,395,000 | \$ 51,875,000 | \$4,910,000 in 2018 \$5,105,000 in 2019 \$5,360,000 in 2020 \$5,520,000 in 2021 \$5,730,000 in 2022 \$5,950,000 in 2023 \$6,185,000 in 2024 \$6,430,000 in 2025 \$6,685,000 in 2026 | 4.00 4.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 | \$ 2,544,650 | \$ 4,910,000 |
| Subtotal | | | 51,875,000 | | | 2,544,650 | 4,910,000 |
| Plus: Bond premium | | | 5,512,091 | | | - | - |
| Total Public Parking Authority Bonds and Notes Payable | | | \$ 57,387,091 | | | \$ 2,544,650 | \$ 4,910,000 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|--|---------------|---------------|--------------------|---|--|--|-----------|
| | | | | | | Interest | Principal |
| <u>Water and Sewer Authority Bonds</u> | | | | | | | |
| First Lien Revenue Bonds, 1998 Series B (zero coupon bonds) | 3/1/1998 | \$ 36,440,070 | \$ 53,911,000 | \$26,930,000 in 2027 \$26,930,000 in 2028 \$26,930,000 in 2029 \$14,660,000 in 2030 | 5.31 5.28 5.30 5.23 | - | - |
| Subordinate Revenue Refunding Bonds, 2008 Series C | 06/12/08 | 103,795,000 | 103,660,000 | \$2,940,000 in 2030 \$15,345,000 in 2031 \$25,505,000 in 2032 \$26,475,000 in 2033 \$27,645,000 in 2034 \$5,750,000 in 2035 | Variable | 4,620,087 | - |
| First Lien Revenue Refunding Bonds, 2013 Series A | 12/12/13 | 130,215,000 | 93,825,000 | \$7,705,000 in 2018 \$10,690,000 in 2019 \$8,010,000 in 2020 \$8,190,000 in 2021 \$8,530,000 in 2022 \$8,885,000 in 2023 \$7,390,000 in 2024 \$7,840,000 in 2025 \$350,000 in 2026 \$375,000 in 2027 \$360,000 in 2028 \$385,000 in 2029 \$9,535,000 in 2030 \$9,765,000 in 2031 \$2,860,000 in 2032 \$2,955,000 in 2033 | 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 3.88 4.00 4.13 4.25 5.00 5.00 4.50 4.50 | 4,552,138 | 7,705,000 |
| Carry forward | | | 251,396,000 | | | 9,172,225 | 7,705,000 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|--|--|--|------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | | | | | |
| First Lien Revenue Bonds, 2013 Series B | 12/12/13 | 86,695,000 | 38,760,000 | \$4,025,000 in 2033 \$4,235,000 in 2034 \$4,455,000 in 2035 \$4,690,000 in 2036 \$4,935,000 in 2037 \$5,195,000 in 2038 \$5,470,000 in 2039 \$5,755,000 in 2040 | 5.250 5.250 5.250 5.250 5.250 5.250 5.250 | 2,034,900 | - |
| First Lien Revenue Refunding Bonds, 2017 Series A | 12/21/17 | 159,795,000 | 159,795,000 | \$7,925,000 in 2018 \$9,265,000 in 2019 \$12,995,000 in 2020 \$13,650,000 in 2021 \$14,360,000 in 2022 \$15,425,000 in 2023 \$17,180,000 in 2024 \$18,540,000 in 2025 \$28,535,000 in 2026 \$3,060,000 in 2027 \$3,210,000 in 2028 \$3,375,000 in 2029 \$3,545,000 in 2030 \$5,105,000 in 2031 \$3,825,000 in 2032 | 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 3.000 3.000 | 5,424,410 | 7,925,000 |
| First Lien Revenue Refunding Bonds, 2017 Series B | 12/21/17 | 5,595,000 | 5,595,000 | \$5,595,000 in 2018 | 1.891 | 73,473 | 5,595,000 |
| First Lien Revenue Refunding Bonds, 2017 Series C | 12/28/17 | 218,805,000 | 218,805,000 | \$750,000 in 2032 \$915,000 in 2033 \$4,000,000 in 2034 \$27,400,000 in 2035 \$34,020,000 in 2036 \$35,520,000 in 2037 \$37,085,000 in 2038 \$38,675,000 in 2039 \$40,440,000 in 2040 | 4.250 5.250 5.250 5.250 5.250 5.250 5.250 5.250 5.250 | 2,034,900 | - |
| Carry forward | | | 674,351,000 | | | 18,739,908 | 21,225,000 |

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds Brought Forward | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|---------------------------------|------------------|----------------|-----------------------|---|--|---|------------|
| | | | | | | Interest | Principal |
| Pennvest Revolving Loan | Various | 69,388,526 | 31,188,000 | \$3,378,000 in 2018 \$3,443,000 in 2019 \$3,509,000 in 2020 \$3,578,000 in 2021 \$3,607,000 in 2022 \$2,980,000 in 2023 \$2,353,000 in 2024 \$1,887,000 in 2025 \$1,382,000 in 2026 \$1,356,000 in 2027 \$1,387,000 in 2028 \$1,130,000 in 2029 \$629,000 in 2030 \$440,120 in 2031 \$94,000 in 2032 \$33,000 in 2033 | Variable | 579,000 | 3,378,000 |
| SWAP Borrowing, 2014 | 11/03/14 | 9,471,000 | 8,038,000 | \$451,000 in 2018 \$461,000 in 2019 \$471,000 in 2020 \$481,000 in 2021 \$491,000 in 2022 \$502,000 in 2023 \$513,000 in 2024 \$524,000 in 2025 \$535,000 in 2026 \$547,000 in 2027 \$559,000 in 2028 \$571,000 in 2029 \$575,000 in 2030 \$532,000 in 2031 \$421,000 in 2032 \$273,000 in 2033 \$116,000 in 2034 \$17,000 in 2035 | 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 3.500 | 171,000 | 451,000 |
| Carry forward | | | 713,577,000 | | | 19,489,908 | 25,054,000 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA
SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2017
(Continued)

| Serial Bonds Brought Forward | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2018 Maximum Debt Service Requirements | |
|--|---------------|-------------|--------------------|--|------------------------------------|--|---------------|
| | | | | | | Interest | Principal |
| SWAP Borrowing, 2017 | | | | | | | |
| | 12/28/17 | 70,869,000 | 70,393,000 | \$2,740,000 in 2018 \$2,812,000 in 2019 | 3.800 | 1,720,000 | 2,744,000 |
| | | | 713,577,000 | \$2,883,000 in 2020 | 3.800 | | |
| | | | | \$2,953,000 in 2021 | 3.800 | | |
| | | | | \$3,027,000 in 2022 | 3.800 | | |
| | | | | \$3,102,000 in 2023 | 3.800 | | |
| | | | | \$3,179,000 in 2024 | 3.800 | | |
| | | | | \$3,258,000 in 2025 | 3.800 | | |
| | | | | \$3,339,000 in 2026 | 3.800 | | |
| | | | | \$3,421,000 in 2027 | 3.800 | | |
| | | | | \$3,506,000 in 2028 | 3.800 | | |
| | | | | \$3,593,000 in 2029 | 3.800 | | |
| | | | | \$3,683,000 in 2030 | 3.800 | | |
| | | | | \$3,774,000 in 2031 | 3.800 | | |
| | | | | \$3,865,000 in 2032 | 3.800 | | |
| | | | | \$3,954,000 in 2033 | 3.800 | | |
| | | | | \$4,012,000 in 2034 | 3.800 | | |
| | | | | \$3,800,000 in 2035 | 3.800 | | |
| | | | | \$3,268,000 in 2036 | 3.800 | | |
| | | | | \$2,634,000 in 2037 | 3.800 | | |
| | | | | \$1,953,000 in 2038 | 3.800 | | |
| | | | | \$1,216,000 in 2039 | 3.800 | | |
| | | | | \$418,000 in 2040 | 3.800 | | |
| Capital Lease, 2015 | 01/01/15 | 7,445,050 | 6,331,000 | \$439,000 in 2018 | 3.400 | 209,000 | 439,000 |
| | | | | \$454,000 in 2019 | 3.400 | | |
| | | | | \$469,000 in 2020 | 3.400 | | |
| | | | | \$485,000 in 2021 | 3.400 | | |
| | | | | \$502,000 in 2022 | 3.400 | | |
| | | | | \$520,000 in 2023 | 3.400 | | |
| | | | | \$538,000 in 2024 | 3.400 | | |
| | | | | \$556,000 in 2025 | 3.400 | | |
| | | | | \$575,000 in 2026 | 3.400 | | |
| | | | | \$595,000 in 2027 | 3.400 | | |
| | | | | \$616,000 in 2028 | 3.400 | | |
| | | | | \$583,000 in 2029 | 3.400 | | |
| Revolving Line of Credit | 07/01/16 | | 43,800,000 | \$43,800,000 in 2020 | | | |
| Gross Water and Sewer Authority Revenue Bonds and other borrowings | | | 834,101,000 | | | 21,418,908 | 28,237,000 |
| Plus: Net bond premium | | | 32,076,000 | | | | |
| Net Water and Sewer Authority Revenue Bonds and other borrowings | | | \$ 866,177,000 | | | \$ 21,418,908 | \$ 28,237,000 |

(Concluded)

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