



County of Allegheny

2000 Comprehensive Annual Financial Report

Transmittal Letter

Dan Onorato, Controller

March 30, 2001

TO THE CITIZENS OF ALLEGHENY COUNTY:

I am pleased to present the 2000 Comprehensive Annual Financial Report (CAFR) for the County of Allegheny (the County).

The information presented is accurate in all material aspects and is presented in a manner designed to fairly set forth the County's financial position and the results of its operations for the year ended December 31, 2000. These financial statements and supplemental information are the responsibility of the County's management. All disclosures necessary to gain a thorough understanding of the County's financial affairs are included herein. This report contains all of the funds and account groups of the County, as well as the financial data of the discrete component units that are included as part of the County's reporting entity.

This CAFR consists of three major sections: the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section includes this transmittal letter highlighting significant 2000 financial and management items, the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the 1999 CAFR, an organization chart and a list of principal officials. The Financial Section contains a report by the independent public accounting firm of Arthur Andersen LLP, the general purpose financial statements, notes to general purpose financial statements and the combining and individual financial statements and schedules with comparative budgetary and prior year information, as applicable, arranged by fund type and account group. The Statistical Section includes historical financial information, selected demographic and other miscellaneous statistics for the County.

This report is designed to provide information to various users including: the taxpayers of Allegheny County, investors, creditors, governmental officials and the general public. Its intent is to describe the County's financial condition and the financial results of its operations as of and for the year ended December 31, 2000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

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Founded in 1788, the County of Allegheny is the second most populous county in Pennsylvania and the 19th most populous in the nation with 1.3 million residents residing in 730.74 square miles encompassing 130 municipalities. The County provides a number of services and programs, such as the delivering of essential human services to the poor and needy, enforcing laws, constructing roads and stimulating economic development.

Effective January 1, 2000, the County began operating under a Home Rule Charter (the Charter). The Charter superceded certain provisions of the Pennsylvania Second Class County Code pertaining to the County's governing framework. Specifically, the Charter established a 15 member County Council to serve as the legislative branch of the government and a Chief Executive to provide the executive function. The County Council and Chief Executive replaced the three-member Board of County Commissioners that previously performed all legislative and executive functions as set forth in the Second Class County Code.

The Charter also required adoption of an Administrative Code to detail the administration and operation of the County. Unless expressly or implicitly modified or repealed by the Charter or the Administrative Code, all provisions of the Second Class County Code and other applicable laws still govern the operations of the County.

The Controller is elected to serve as the County's chief financial officer. The Treasurer is elected to collect taxes and invest County funds. The Court of Common Pleas is part of the unified judicial system provided for by the Pennsylvania Constitution. Independently elected row officers include the Coroner, Clerk of Courts, District Attorney, Jury Commissioners (2), Prothonotary, Recorder of Deeds, Register of Wills and Sheriff.

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REPORTING ENTITY AND ITS SERVICES

REPORTING ENTITY:

Statement of Governmental Accounting Standards No. 14, "The Financial Reporting Entity," establishes standards for defining and reporting on the financial reporting entity. The core or nucleus of the financial reporting entity is the "primary government." The Governmental Accounting Standards Board's Codification, Section 2100.112, classifies all general purpose local governments as primary governments. For this report, the County is considered the "primary government."

The financial reporting entity includes both the primary government and all of its "discrete component units." A component unit is a legally separate entity that meets any one of the following criteria:

- ⇒ The primary government appoints the voting majority of the board, and is able to impose its will on the component unit, or is in a relationship of financial benefit or burden with the component unit;
- ⇒ The component unit is fiscally dependent on the primary government, or;
- ⇒ The financial statements of the primary government would be misleading if data from the component unit was not included.

In conformity with accounting principles generally accepted in the United States, the financial statements of the County's discrete component units are included in this report because of the significance of their operational or financial relationships with the County. The majority of the board of directors of the component units, except Memorial Hall are appointed by the County's Chief Executive and confirmed by the County Council.

Individual financial data for the Allegheny County Airport Authority (ACAA), Port Authority of Allegheny County (PAT), Community College of Allegheny County (CCAC), Redevelopment Authority of Allegheny County (RAAC), Allegheny HealthChoices Inc. (AHCI), Allegheny County Industrial Development Authority (ACIDA) Soldiers' and Sailors' Memorial Hall and Museum Trust, Inc. (Memorial Hall) and Allegheny County Conservation District (the Conservation District) have been included in the County's general purpose financial statements. They are reported in separate columns to emphasize that they are legally separate from the County. A separate Combined Statement of Revenues, Expenditures and Other Changes and Changes in Fund Balances for CCAC is included to conform with accounting principles specific to colleges and universities.

COUNTY-WIDE SERVICES:

Reflected in this report are the services provided by the County, including health and social services, education and cultural programs, public safety, infrastructure construction, repair and maintenance, judicial services, transportation, economic development, long-term nursing care and rehabilitation of the chronically ill and elderly, treatment, counseling and housing for people with

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mental disabilities or drug and alcohol dependency, shelter for delinquent children, services for abused children and their families, and general governmental administration.

2000: THE YEAR IN REVIEW

FINANCE AND MANAGEMENT

RESULTS OF OPERATIONS:

During 2000, the County continued to provide or support programs and services that encompassed public protection, infrastructure development, human services, culture and recreation, education and economic development. On December 16, 1999, the outgoing Board of Commissioners adopted a \$620.4 million operating budget for 2000. Fiscal year 2000 was the fifth consecutive year in which the real property millage was maintained. The budget was balanced using an anticipated \$3.0 million from the sale of lien taxes, the use of \$7.2 million in designated fund balance to further the county-wide reassessment ordered by Common Pleas Court Judge R. Stanton Wettick, Jr. in 1997, the use of \$7.7 million of reserved fund balance, the use of \$1.0 million of undesignated fund balance in the General Fund and the use of \$600,000 of undesignated fund balance in the Liquid Fuel Tax Fund.

Results of operations for the year 2000 indicate a \$6.7 million operating deficit in the operating budget. This marks a dramatic improvement from the \$29.8 million operating deficit in 1999.

Revenues and other financing sources totaled \$607.0 million for 2000. Current taxes increased from \$219.5 million in 1999 to \$222.9 million in 2000 as a result of Judge Wettick's across-the-board 2% increase in real property tax assessments. Additionally, delinquent taxes increased by \$1.9 million. The increase is primarily due to an increase in the payment of current-delinquent taxes, which represents individuals paying their 2000 taxes after the April 30th deadline. The remainder represents individuals paying 1999 taxes in 2000 before they could be liened. Actual lien collections dropped slightly, while interest and penalty on delinquent and lien taxes increased. However, the anticipated \$3.0 million tax lien sale did not materialize.

Several revenue items decreased from the prior year. The Public Utility Realty Tax from the state decreased \$2.5 million as a result of electric utility deregulation. Also, state funding for adult probation services decreased \$1.3 million from the prior year.

State reimbursement for County Health Department expenditures increased \$2.7 million. Part of the increase was the result of the transfer of responsibility for the provision of inmate healthcare at the County Jail from the Jail to the Health Department. The remainder is the result of increased expenditures at the department. State revenue for skilled and intermediate nursing care at the John J. Kane Regional Health Centers increased \$1.1 million.

Federal revenues increased \$21.9 million from the previous year. The primary reason was a shift in reimbursement for programs of the Office of Children, Youth and Families (CYF). The County received \$32.5 million in Temporary Assistance to Needy Families (TANF) funding, which was \$19.5 million more than 1999.

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Changes in the allocation amounts and the timing of drawdowns are the reason for the increase. The allocation increased significantly from \$15.7 million for the state's fiscal year 1998/99 to \$30.5 million for 1999/00, and increased again to \$36.8 million for 2000/01. Additionally, the state changed the timing of the drawdowns for TANF. Before the change CYF would draw down TANF funding during the first two quarters of the state fiscal year (July through December). Now, CYF draws down funding every quarter.

In addition to the increase in TANF revenue, Title IV-E child placement revenue for CYF increased \$1.4 million in 2000, due to higher administrative and per diem rates. Offsetting these increases were a \$1.9 million decrease in Act 148 funding for CYF, resulting from a decrease in the state's allocation to the County. Federal revenue for skilled and intermediate nursing care at the John J. Kane Regional Health Centers increased \$1.4 million.

The 2000 budget included \$7.0 million in new funding from the Commonwealth of Pennsylvania. During the year, the County received a one-time transportation subsidy from the state for \$5.0 million and a one-time technology subsidy of \$2.0 million. Additionally, the County received \$2.9 million in criminal justice subsidies and \$894,000 in crime lab subsidies during the last half of the year. The Chief Executive lobbied state officials heavily for all of the additional funds. Thus, new funding from the state amounted to \$10.8 million in 2000, which was \$3.8 million higher than budgeted. These additional funds had a positive impact on the County's fund balance. However, only the criminal justice and crime lab subsidies are expected to continue for the foreseeable future. The two funding streams are expected to generate \$7.0 million annually.

Expenditures and other financing uses totaled \$613.9 million in 2000, which was \$20.5 million higher than 1999.

County Police expenditures are \$5.6 million higher than last year. This is the result of the treatment of salary and benefit costs related to the Police manning Pittsburgh International Airport. An agreement with ACAA shifted those costs to the County this year, with reimbursement for the expenditures coming from ACAA. Last year, the expenses were part of ACAA.

Jail expenditures decreased \$4.0 million, as costs associated with inmate healthcare were transferred to the Health Department as mentioned previously. There is a corresponding increase in expenditures for the Health Department.

All told, health and welfare expenditures increased by \$15.8 million between 1999 and 2000. Expenditures for the Office of Children, Youth and Families (CYF) increased by \$13.3 million in 2000, while Institutional Care costs increased by \$3.9 million and Shuman Juvenile Detention Center expenditures increased by \$597,000. Also, the Home Detention/ Electronic Monitoring program, new in 2000, saw costs of \$619,000. Expenditures for the John J. Kane Regional Health Centers increased by \$3.5 million.

There was a \$9.4 million decrease in Behavioral Health/Mental Retardation (BH/MR) expenditures in the General Fund during 2000. Effective July 1, 1999, the County transferred BH/MR program costs in the General Fund to the Human Service Grants Fund, where the bulk of the program costs were already shown. Because BH/MR is more than 90% funded by federal and state sources, the transfer was an appropriate way to make the accounting for such services

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easier. As such, there is no activity in the General Fund for these services in 2000, compared to six months of activity in 1999. Revenues decreased corresponding.

During the year, the Allegheny Regional Asset District assumed responsibility for funding the Allegheny County Library Association's Electronic Information Network (EIN) as planned. As such, the \$1.0 million appropriation for the EIN was not expended.

Payments to SABRE Systems for the County's real estate reassessment project totaled \$6.1 million in 2000, compared to \$11.2 million in 1999. Accordingly, \$1.5 million of the fund balance designated for SABRE Systems was returned to undesignated fund balance.

Also during the year, the County changed its policy with regard to the method of reimbursing GLS, Inc. (GLS) for erroneous tax liens sold to the firm in prior years. Rather than reimburse GLS, new liens were swapped for the faulty liens. As such, \$1.1 million of the fund balance reserved for lien tax portfolio adjustments was returned to undesignated fund balance.

While reconciling the amount of unrestricted and restricted cash due ACAA resulting from the authority's creation in 1999, it was discovered that certain debt service payments, which the County paid for the aviation system, had been over-reimbursed to the County. As a result, a one-time expenditure to ACAA of \$3.1 million was needed in 2000 to remedy the situation.

As a result of the aforementioned \$6.7 million operating deficit, the total fund balance in the County's General Fund decreased from \$36,489,572 at the end of 1999 to \$29,780,761 at the end of 2000. However, the undesignated fund balance increased from \$21,366,670 at the end of 1999 to \$24,143,714 at the end of 2000, an increase of \$2.8 million, resulting from the above mentioned fund balance transfers. The operating deficit should be eliminated for 2001, as payments to SABRE Systems for the reassessment project are completed.

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The following chart details the changes in fund balances in the General Fund during the year 2000:

CHANGES IN FUND BALANCES					
DESCRIPTION	RESERVED	UNRESERVED			TOTAL FUND BALANCES
		DESIGNATED	UNDESIGNATED	TOTAL	
Audited Fund Balances as of 12/31/99	\$ 7,078,502	8,044,400	21,366,670	29,411,070	36,489,572
<u>2000 Use of Fund Balance:</u>					
Self-insurance-life benefits	-	(41,263)	-	(41,263)	(41,263)
SABRE SYSTEMS Expenditures	(142,562)	(6,126,993)	-	(6,126,993)	(6,126,993)
GLS Buybacks	(142,562)	(6,168,256)	-	(6,168,256)	(6,310,818)
<u>2000 Operating Activity:</u>					
Liquidation of 1999 Encumbrance Balance	(5,854,832)	-	-	-	(5,854,832)
Reclass 2000 Encumbrances to Reserved	5,287,231	-	(5,287,231)	(5,287,231)	-
Revenue Variance	-	-	1,346,822	1,346,822	1,346,822
Expenditure Variance	(567,601)	-	4,312,215	4,312,215	4,312,215
			371,806	371,806	(195,795)
Net Operating Activity and Use of Fund Balance	(710,163)	(6,168,256)	371,806	(5,796,450)	(6,506,613)
<u>One time Adjustments made In 2000:</u>					
Reclass Reserve for Tax Lien Portfolio	(1,081,108)	-	1,081,108	1,081,108	-
Reclass of Designated SABRE SYSTEMS to Undesignated	-	(1,526,328)	1,526,328	-	-
Equity Transfer to Debt Service	-	-	(202,198)	(202,198)	(202,198)
	(1,081,108)	(1,526,328)	2,405,238	878,910	(202,198)
Audited Fund Balances as of 12/31/00	\$ 5,287,231	349,816	24,143,714	24,493,530	29,780,761

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INDEPENDENT AUDIT:

For the 21st consecutive year, the County's General Purpose Financial Statements have been audited by an independent public accounting firm. The unqualified opinion of Arthur Andersen LLP is included in the Financial Section of this report.

CERTIFICATE OF ACHIEVEMENT:

The prestigious Certificate of Achievement for Excellence in Financial Reporting was awarded to the Controller's Office by the Government Finance Officers Association of the United States and Canada (GFOA) for the 1999 CAFR. This was the 18th consecutive year the Controller's Office has received this award, indicative of the Controller's continuing commitment to maintaining standards of excellence in financial processing and reporting. The 2000 CAFR was completed for the 17th consecutive year within 90 days of year-end, which is consistent with the issuance of annual reports by major corporations in the private sector.

INTERIM FINANCIAL REPORTING:

To ensure that timely and accurate information is available to county management for decision making purposes, the Controller's Office initiated the publication of quarterly comparative financial reports for the primary government which includes interim financial statements and budgetary data prepared and presented in a manner that conforms to accounting principles generally accepted in the United States. These financial statements are reviewed by the County's independent public accountants.

INTERNAL AUDIT:

The Controller's Audit Division routinely conducts financial and compliance audits of County departments, agencies, row offices and federal and state grants to insure that county government is efficient, effective and compliant. Management reviews are performed when the need arises. The division issued numerous financial and compliance audits, reviews and special reports to the Chief Executive, County Council and the general public during the 2000 calendar year to inform County taxpayers and aid in protecting their financial interests.

PERSONNEL ACTIONS:

In January, James C. Roddey became the first Chief Executive in Allegheny County. The first County Council was comprised of John P. DeFazio, Dave Fawcett, Ronald L. Francis, Jr., Jan Rea, Tom Shumaker, Eileen Wagner, Vince Gastgeb, Mike Crossey, Rick Schwartz, Charles J. Martoni, Richard D. Olasz, James E. Simms, Rich Fitzgerald, Wayne Fontana, and Thomas J. Foerster.

Dan Onorato was sworn in for his first term as Controller. Stephen A. Zappala, John K. Weinstein and George F. Matta II began their terms as the District Attorney, Treasurer and Clerk of Courts. In addition, Michael Coyne, Michael Della Vecchia, and David Wecht were re-

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elected in 1999 and continued serving as Prothonotary, Recorder of Deeds and Register of Wills, respectively. Robert B. Webb was appointed by the Chief Executive Executive and confirmed by County Council as County Manager.

In January, Councilman Thomas J. Foerster passed away. In February, Joe Natoli was appointed to serve the remainder of his term. In October, Prothonotary Michael Coyne passed away. Deputy Prothonotary Michael Lamb is serving as Acting Prothonotary. A list of the County's principal officials can be found on page 51 of this report.

DEBT RESTRUCTURING:

The County has embarked upon a debt restructuring program whose goal is to structure the County's debt so that no future County government will be forced to raise taxes to pay for routine capital projects. The Debt Policy Implementation plan will be carried out over a three year period beginning in 2000. The debt plan consists of two components: 1) the utilization of annual adjustable rate debt to replace fixed rate debt and 2) restructuring the debt so that the annual debt service payments will not exceed \$64 million.

On January 1, 2000, the County issued General Obligation Refunding Bonds, Series C-49, in the amount of \$54,495,000. The proceeds of the Series C-49 Bonds were used to: (1) partially refund certain of the Allegheny County Institution District's General Obligation Bonds, Series 18, which became obligations of the County upon the dissolution of the Institution District, effective January 1, 1997; and (2) pay certain costs related to the issuance of the Series C-49 Bonds. The partial refunding decreased the County's total debt service payments over the next nine years by approximately \$6,402,346, representing an economic gain (difference between present value of the old and new debt service payments) to the County of \$4,973,565.

On February 1, 2000, the County issued Adjustable Rate Demand General Obligation Bonds, Series C-50, in the amount of \$37,345,000. The proceeds of the Series C-50 Bonds were used to: (1) partially refund certain of the County's outstanding General Obligation Bonds, Series C-34; (2) partially defease certain of the County's outstanding General Obligation Bonds, Series C-49; and (3) pay certain costs related to the issuance of the Series C-50 Bonds. The partial refunding increased the County's total debt service payments over the next 27 years by approximately \$34,445,538, representing an economic gain (difference between present value of the old and new debt service payments) to the County of \$5,064,841.

On December 20, 2000, the County issued Adjustable Rate Demand General Obligation Bonds, Series C-51, in the amount of \$14,455,000; General Obligation Bonds, Series C-52, in the amount of \$42,255,000; and General Obligation Refunding Bonds, Series C-53, in the amount of \$29,110,000.

The proceeds of the Series C-51 Bonds were used to: (1) finance various capital projects of the County's capital improvement program; and (2) pay certain costs related to the issuance of the Series C-51 Bonds. Net proceeds of the issue were \$14,328,585 (\$14,455,000 less issuance costs of \$126,415). The proceeds of the Series C-52 Bonds were used to: (1) finance various capital projects of the County's capital improvement program; and (2) pay certain costs related to

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the issuance of the Series C-52 Bonds. Net proceeds of the issue were \$40,909,786 (\$42,255,000 less issuance costs of \$1,345,214). Of the proceeds for the two issues, \$5,238,371 have been recognized in the County's Debt Service Fund and \$50,000,000 have been recognized in the County's Capital Projects Fund.

The proceeds of the Series C-53 Refunding Bonds were used to: (1) partially defease certain of the County's outstanding General Obligation Bonds, Series C-34; and (2) pay certain costs related to the issuance of the Series C-53 Refunding Bonds. The partial refunding increased the County's total debt service payments over the next 20 years by approximately \$21,202,813, representing an economic gain (difference between present value of the old and new debt service payments) to the County of \$2,757,187.

The following chart details activity related to general obligation bonds during 2000:

SUMMARY OF GENERAL OBLIGATION BOND ACTIVITY					
<u>DESCRIPTION</u>	<u>BONDS PAYABLE</u>	<u>ACCRETION</u>	<u>DEBT ISSUED</u>	<u>DEBT RETIRED</u>	<u>BONDS PAYABLE</u>
Beginning Balance at 12/31/99	\$ 605,942,766	-	-	-	605,942,766
<u>Series C-49: Refunding</u>	-	-	54,495,000	(54,495,000)	-
<u>Series C-50: Refunding</u>	-	-	37,345,000	(37,345,000)	-
<u>Series C-51, C-52 and C-53:</u>					
2001 Capital Program	-	-	25,000,000	-	25,000,000
2002 Capital Program	-	-	25,000,000	-	25,000,000
Capitalized Interest	-	-	5,238,371	-	5,238,371
Adjustment to Face Value	-	-	1,471,629	-	1,471,629
Refunding	-	-	29,110,000	(29,110,000)	-
	-	-	85,820,000	(29,110,000)	56,710,000
Adjustment for Proceeds	-	-	-	2,771,993	2,771,993
Accretion Adjustment	-	2,895,489	-	-	2,895,489
Less: Principal Payments	-	-	-	(33,128,573)	(33,128,573)
Ending Balance at 12/31/00	<u>\$ 605,942,766</u>	<u>2,895,489</u>	<u>77,660,000</u>	<u>(151,306,580)</u>	<u>635,191,675</u>

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BOND RATING:

The County continued to maintain investment grade bond ratings from the three major rating agencies on its outstanding debt. Those ratings include: A2 from Moody's Investor Service, AA- from Standard & Poor's, and A from Fitch Investor Services.

On November 27, 2000 Moody's assigned an A2 rating to Allegheny County's issuance of \$42,255,000 in General Obligation Bonds, Series C-52 and \$29,110,000 in General Obligation Refunding Bonds, Series C-53 and also upgraded from A3 to A2, the rating on the County's remaining outstanding debt. Previously, Moody's had upgraded the County's financial outlook from negative to stable. The long-term A2 rating from Moody's results from increasingly stable financial operations, moderate but consistent tax base growth with significant economic development in progress and an above average but manageable debt position given the County's debt restructuring program. The improved outlook reflects Moody's belief that the County's multi-year debt restructuring initiative provides the needed flexibility to adequately address both current and future years' budget gaps.

COUNTY OPERATIONS

MAJOR CURRENT YEAR INITIATIVES:

With the exception of the new airport itself, the Airside Business Park and Air Cargo Center are widely hailed as two of the most important economic developments in the County in recent history. In May, it was announced that TechRx, a local software company specializing in processing pharmaceutical orders, would occupy 24,000 square feet of the first of three, single-story flex buildings planned for the park. Park plans also call for the construction of two three-story office buildings that will be built on the former site of the Greater Pittsburgh International Airport terminal.

Each office facility will offer 90,000 square feet of space. The Airside Business Park is poised to attract many of the new jobs and thousands of dollars in commerce that were promised when the new Pittsburgh International Airport was constructed. Located in close proximity to Route 60 and the Parkway West, the Business Park offers quick access to downtown Pittsburgh and to all major thoroughfares. Access to transportation, flexible office and warehouse space and modern amenities such as wide-band telecommunication networks are key selling points to companies that bring with them the prospect of many new jobs for the region.

Funding provided by the County enabled the Kurt J. Lesker Company, a manufacturer of vacuum equipment systems used in advanced technology applications, to expand its facilities. The firm received a \$500,000 Development Action Assistance Program loan from the County Department of Economic Development, and a \$300,000 Community Development Block Grant to aid in the expansion. The Lesker Company now employs 152 full-time and 15 part-time workers. The company, located in Jefferson Hills expects to add 75-100 new full-time jobs during the next five years because of the expansion.

Symbolic of the economic revitalization of the Mon Valley, a multi-national industrial corporation confirmed its commitment to the region's future with the opening in Duquesne of a 124,000-square-foot plant in November. The Harmon Group, recognized as a world leader in mechanical thermal equipment, officially opened the manufacturing facilities for three operations of one of its subsidiaries, the Harmon Thermal Transfer Corporation. The facility also includes

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headquarters and office space for all of the company's operations in Western Pennsylvania. The three operations will immediately establish 110 well-paying jobs in Allegheny County, compared with 42 jobs a year ago. The Regional Industrial Development Corporation conducted a major rehabilitation of the former USX Heat Treatment Building to suit the needs of Thermal Transfer, utilizing a \$1.8 million County Economic Development Fund loan and an \$800,000 Community Development Block grant administered by the County's Department of Economic Development.

The Sports & Exhibition Authority continued with the next phase of the \$328 million expansion of the David L. Lawrence Convention Center and held the official groundbreaking ceremony in April. In April 1998, the Commonwealth of Pennsylvania delivered nearly \$150 million in capital funds to the expansion, the largest state capital project in Southwestern Pennsylvania history. When completed in the first quarter of 2003, the facility will be one of the most unique convention centers in the world. The design incorporates a helipad, public outdoor jogging track, sculpture garden, restaurant and riverfront promenade. The new center will have 242,000 square feet of column-free exhibition space, a 96,000-square-foot secondary hall and a 35,000-square-foot ballroom. Located along the Allegheny River, the new facility will be accessible by vehicle and boat traffic. The expanded facility is expected to generate revenues for the hospitality community, as well as for the numerous retail businesses and sporting and cultural venues. In addition to the funding provided by the state, bonds backed by Allegheny County's hotel tax will fund the remaining costs of the project.

The Allegheny County Industrial Development Authority authorized a tax-exempt bond issue to aid a nonprofit corporation that provides housing for mentally and physically disabled citizens in Southwestern Pennsylvania. Residential Resources Inc. (RRI), will use the proceeds to lower debt service on property mortgages held by the agency. By consolidating the mortgage debt, RRI will release collateral to secure loans to purchase more properties. The bond issue is expected to total \$23 million. RRI was established in 1988 in response by an initiative developed by the County to provide housing for behavioral health patients who were being transferred to group home settings from more traditional institutions. RRI owns 180 total properties and is a prime resource for local BH/MR service providers. Whenever these providers indicate a need for housing, RRI looks for suitable properties; enters into a sales agreement; rehabilitates the home for occupancy; and leases the newly acquired property to the requesting agency.

The Redevelopment Authority Of Allegheny County (RAAC) agreed to assume development responsibilities of the former Cochrandale public housing community in the City of Duquesne. RAAC will produce a comprehensive redevelopment plan for the Route 837 corridor surrounding the 14-acre site. The County dedicated \$50,000 of Local Economic Development Assistance funds to complete the master plans for the property. The Cochrandale site is a designated Keystone Opportunity Zone (KOZ). The tax-free zones provide incentives for businesses to move into economically distressed communities. For a twelve year period, businesses locating to a KOZ are exempt from paying all local income, wage and property taxes, as well as state corporate net income taxes. The ultimate goal of the zones is to increase the future tax base and create jobs. The County has played an integral role in the transformation of numerous sites in the Mon Valley. In addition to providing financial resources to the \$300 million Homestead Waterfront retail complex, the County has also provided financial resources at the Regional Industrial Development Center's City Center of Duquesne and Industrial Center of McKeesport.

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The grand opening of Leetsdale Industrial Park took place in 2000 after major rehabilitation and the addition of two new 107,000 square-foot light manufacturing buildings. The two new buildings mark the first phase of the 140-acre park's expansion. The redevelopment and expansion of the Park was the result of the full support of state, county and local governments. In addition to low interest financing and a tax abatement program, Allegheny County provided \$110,000 in Community Block Grant funds for road infrastructure improvements on the site. Demand for the type of space that is provided at this location is high. Future development plans contemplate the construction of an additional 750,000 square feet of industrial and riverfront office buildings.

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ALLEGHENY COUNTY AIRPORT AUTHORITY/PITTSBURGH INTERNATIONAL AIRPORT:

Passenger levels at Pittsburgh International Airport (PIA) increased in 2000 from the level set in 1999, with a total of 19.8 million passengers either flying into or out of the facility. This represents an increase in plane ridership of 5.5% compared to the 18.8 million passengers that utilized the facility in 1999.

Service changes in 2000 included the entrance of AirTran Airways, which began new low-fare service between Pittsburgh International Airport and New York, Chicago and Atlanta in December. This makes Pittsburgh the 34th destination in the AirTran system. In addition to nonstop service to New York and Chicago, AirTran will provide easy access to nearly two dozen destinations throughout the Southeast via their hub in Atlanta. As an AirTran destination, the area will benefit from competitive service to three of the country's largest business centers. Business fares will be reduced by more than 65%, while leisure fares will decrease by as much as 35%. AirTran provides everyday, affordable air travel thorough out the eastern United States, and unlike other airlines, does not require a roundtrip purchase or Saturday night stay.

In addition, USAirways began service to London-Gatwick airport, filling a void left when British Airways discontinued the service in 1999.

The 330-room, 11-story Hyatt Hotel and Conference Center at Pittsburgh International Airport was completed this year, providing travelers and business executives with improved convenience. The \$31.5 million hotel was constructed on 3.75 acres of land west of the short-term parking garage. One entrance to the hotel is be attached to the covered, moving walkway leading to the landside terminal. The hotel has 21,000 feet of convention space, meeting rooms and banquet facilities, as well as a restaurant, bar, fitness facility and indoor pool. The opening has resulted in 350 permanent jobs.

CURRENT LOCAL CONDITIONS

The County, as part of the nation's industrial heartland, went through an economic transformation over two decades ago. Once dependent on heavy and primary metal manufacturing, it now enjoys a diversified economy. Good paying jobs in high technology and service industries have helped the region engineer an impressive rebound. As a result, the quality of life in the region has improved and the County is more economically diverse than at any point in its history. A downturn in a single industry will no longer disrupt the local economy the way the steel industry's drastic downsizing did over two decades ago.

Local economic conditions were robust at the end of 2000. The 3.9% unemployment rate in the six-county Metropolitan Statistical Area matched thirty year lows. Total employment in the region reached a record high of 1,126,800. Steel production rose to 13.9 million tons, despite the rising amount of steel imports.

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Statistics released in March by the Pennsylvania Department of Labor and Industry indicate that businesses in the Pittsburgh Metropolitan Statistical Area added 18,200 workers in 2000, the most since 1990 and more than twice initial estimates. Moreover, the total for 1999 was revised upward by 5,000 jobs to 17,200, the second biggest jump in local business payrolls in a decade, trailing only the 2000 increase. Combined, the back-to-back payroll increases represent 35,400 net new jobs in the region, an increase of 1.6% each year. This figure is roughly in line with last year's national job growth rate.

Many of the new jobs were created in industries characterized by high pay and requiring advanced skills, including computer software engineering, manufacturing, construction and transportation. The indicators serve to validate that the economic climate of the Pittsburgh region is strong and should boost the confidence of the business community, job seekers and college graduates.

The biggest job growth over the past two years came in the construction industry, as work on new stadiums, a new convention center and several new housing developments got under way. Construction jobs rose by 8,500 over the past two years, including 4,100 in 2000. Retail trade added 5,800 new positions over the past two years, including 3,400 in 2000. Business Services, which includes workers in the fast-growing computer software field, rose by 3,200 over the past two years, including 800 in 2000.

The state's revisions mean that the area has added 85,100 workers since 1994. Although the figure is 15,000 fewer than a job-creation goal set by the Allegheny Conference on Community Development in 1994, it is 15,000 more than conference leaders had estimated would be the final count when the challenge expired at the end of 2000.

A flurry of new construction was underway during the year. For the third time in as many years, the region topped \$3 billion in construction projects as monitored by the McGraw Hill Corporation.

Additionally, 2000 was another outstanding year for the real estate market in the County, with residential sales totaling \$1.65 billion, up from \$1.57 billion in 1999. According to West Penn Multi-List, the region's largest home-listing agency, there were 19,134 home sales in the County during 2000, compared to 18,647 in 1999. The activity was attributed to high employment, low interest rates, and an ample inventory of houses for sale, conditions conducive for both buyers and sellers.

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PROSPECTS FOR THE FUTURE

REGIONAL ECONOMIC OUTLOOK:

Unfortunately, experts predict a more uneven year for the region in 2001, a trend that is expected nationwide. In the Pittsburgh area at least, the great decade long expansion will be broken gently. According to Richard DeKaser, Chief Economist for National City Corporation, N.A., "the year 2001 looks like a soft landing scenario."

An independent review of the region's economy concluded that the region will benefit from the Internet explosion and the spread of new communication technologies for a number of years, boosting productivity, creating wealth and most importantly, adding jobs. Computer technology is reshaping the area's economy and job base, as well as the nature of commerce itself. In 1994, the Pennsylvania Department of Labor & Industry projected that by the year 2005, the region would have a total of 10,000 jobs in the software engineering field. There are already over 700 companies throughout the region employing more than 12,000 individuals, and the trend is just beginning.

In September, PNC Financial Services Group dedicated PNC Firstside Center, a five-story, \$120 million building that houses bank operations and other technology-driven services for the Pittsburgh-based financial institution. At nearly 650,000 square feet, the building located at First Avenue and Grant Street along the Monongahela River is a technology-driven, wired facility equipped with 234 miles of data cable. The employees will support PNC's businesses and customers nationwide. Due to PNC's e-commerce activities, the building is projected to employ 1,500 people in the first year (250 more than the original plan) with anticipated growth to a minimum of 1,800 employees by 2003. With the building's completion, PNC will occupy more than 2.5 million square feet of office space in the region. The construction of PNC Firstside Center has spurred a nearby extension to the Port Authority's light rail transit system along with a 1,200-space parking garage. Both are to be completed in 2001.

Work will continue on the \$228 million PNC Baseball Park, the new \$269 million football stadium, the \$120 million Mellon Bank Client Service Center, and the \$320 million expansion of the David L. Lawrence Convention Center. Besides the completion of many of these projects, new projects on tap for 2001 include the \$104 million Hillman Cancer Center, the \$32 million Multipurpose Building at the University of Pittsburgh, the \$69 million Convocation Center at the University of Pittsburgh, the \$30 million Alcoa Service Center, and continued expansion of the \$300 million Waterfront office, retail and entertainment development in Homestead.

Robinson Mall, a \$250 million retail mall development located in Robinson Township, should be completed by the end of 2001. Anchored by J. C. Penney's, Sears, and Kaufmann's department stores, the project will have 650,000 square feet of enclosed mall space and 1.2 million square feet of peripheral retail space. The developers hope to capitalize on the economic growth in the County's airport corridor. Construction on the peripheral sites will proceed over the next four years.

The region will also benefit from the opening of a \$20.5 million apartment project in downtown Pittsburgh. Lauded as an attraction for urban professionals, the 125-unit complex on Penn Avenue will be an integral component of the region's plan to revitalize downtown Pittsburgh.

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Originally constructed as a department store with adjacent warehouse space in 1905 and 1906, the two buildings encompass more than 230,000 square feet in space and should be ready for tenants in 2001.

The 2.3 mile, \$63 million extension of PAT's Martin Luther King Jr. East Busway between Wilkinsburg and the Swissvale-Rankin line should be completed in 2002. In conjunction with the extension, PAT plans to build a linear park abutting the busway from Wilkinsburg through Edgewood and Swissvale. The extension will link with the existing 6.8 mile East Busway that provides express service between Wilkinsburg and downtown Pittsburgh, bypassing congestion on the Parkway East and city streets. PAT has predicted that 13,600 additional riders will travel the extended busway.

These projects are only part of a local development surge that should make the County a vibrant and attractive place to live and work well into the new millennium.

GOVERNMENT COOPERATION:

The County continues to be involved in cooperative programs with the City of Pittsburgh to create and enhance efficiencies in various government sectors. The County and the City are also continuing in efforts to coordinate economic development throughout the County, and ultimately, the surrounding region. The County continues to cooperate with other municipalities outside of the City of Pittsburgh through the Councils of Government. That teamwork extends to the private sector, through cooperation with the Pittsburgh Regional Alliance (PRA), a nonprofit organization that coordinates regional development activities. PRA has six member organizations: the Greater Pittsburgh Chamber of Commerce; Penn's Southwest Association; the Pittsburgh High Technology Council; the Southwestern Pennsylvania Industrial Resource Center; the Regional Industrial Development Corporation of Southwestern Pennsylvania, and; the World Trade Center Pittsburgh. The County provides an annual operating subsidy to PRA.

In partnership, the City's Urban Redevelopment Authority and the County Department of Economic Development will be able to package financing agreements as a new IRS Section 504 Certified Development Company, thanks to approval of Allegheny-Pittsburgh Business Development Corporation's (APBDC) application by the U.S. Small Business Administration (SBA). APBDC is now licensed by the SBA to provide growing businesses located in the City of Pittsburgh and Allegheny County with long-term, fixed-rate financing for major fixed assets improvements such as land and buildings, heavy equipment and machinery. A typical Section 504 project includes a loan secured with a senior lien from the private sector covering up to 50 percent of the project cost, as well as a loan secured with a junior lien from the APBDC covering up to 40 percent of the cost. The remaining 10 percent equity comes from the small business borrower.

The staff of the Urban Redevelopment Authority's Business Development Center and the County's Department of Economic Development will receive the Section 504 loan applications and provide loan under-writing support to APBDC.

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2001 BUDGET:

On December 5, 2000, the County Council adopted a 2001 Operating Budget of \$639.3 million. The budget set the real property tax rate at 4.9 mills. The large reduction in the millage is the result of a change in the way real estate is assessed within the County. Beginning in 2001, each parcel will be assessed at 100% of market value, rather than the previous 25%.

On January 16, 2001, the County Council made technical corrections to the 2001 Operating Budget and adjusted the 2001 millage rate. The technical corrections transferred appropriations between expenditure characters within certain departments. In addition, real estate tax estimates were increased, offset by a similar increase in the amount of tax refunds. The 2001 millage rate was lowered from 4.9 mills to 4.72 mills. The reduction was necessitated by anti-windfall provisions in the Charter that pertain to reassessments. When the certified assessed valuation of real property for 2001 was received, it was substantially higher than the estimate used in the original budget.

2001 PREVIEW:

A \$750,000 loan from the County's Economic Development Fund will enable MS Associates of West Elizabeth to purchase, improve and expand the former 84 Lumber facility located on Route 51. A 28,000-square-foot addition will be added to the present 29,000-square-foot building. Negotiations are currently underway with several potential clients. MS Associates recently renovated and expanded a former auto dealership in West Mifflin to house the North American headquarters for Adtranz, a manufacturer of transportation networks like light rail and people movers. Moving its professional services to the former dealership allowed Adtranz to expand its manufacturing facility. The move resulted in the creation of more than 100 new jobs.

United Airlines (UAL) Corporation has agreed to terms with the County and the Commonwealth of Pennsylvania to establish a \$160 million maintenance operation center in Pittsburgh—preserving nearly 3,000 jobs in the area. The state agreed to provide UAL with a \$35 million economic package that includes a \$15 million redevelopment assistance grant, a \$10 million Opportunity Grant and a \$10 million rollback of the Airline Catering Tax. Additionally, the ACAA will provide up to \$25 million for project-related infrastructure improvements.

UAL has been studying the feasibility of expanding the existing US Airways maintenance base since the merger of the two airlines, subject to U.S. Department of Justice approval, was announced in May. The base will consist of two new hangars with four aircraft-maintenance bays and will cost an estimated \$130 million. In addition, UAL plans to refurbish four existing US Airways maintenance hangars at a cost of \$30 million. The agreement is seen as proof of UAL's commitment to the region.

The Port of Pittsburgh recently displayed a Web site it expects to open in May to help freight shippers explore the advantages of barge transportation and enable barge operators to bid for

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business. The demonstration was part of a seminar aimed at helping the region's river transportation industry diversify its business. As part of the seminar, officials from the Port of New York also discussed how a huge change in the way they handle cargo at their ocean port will create opportunities for numerous inland ports, including Pittsburgh, one of the nation's largest. At the moment, the Port of Pittsburgh handles about 53 million tons of cargo annually, consisting mainly of bulk commodities. Coal accounts for almost 80 percent of the business. Port officials are interested in transporting more goods that are shipped in containers. The intent is to diversify and get non-traditional shippers onto the rivers. That goal is supported by the U.S. Department of Transportation, which is concerned that projected increases in the volume of goods being trucked over the nation's highways portend gridlock in the next decade or two. Trucking also takes a higher environmental and energy toll on the country. The savings of barge transportation vs. trucking are substantial: from \$20 to \$30 a ton. That fact has made the idea of shifting many goods to river transport a hot topic of conversation.

Oki Electric Industry Co., Japan's first telecommunications manufacturer, plans to open a microchip design center in Pittsburgh's Oakland neighborhood. The design facility, which is eventually expected to employ 50 people, is the second development landed by the Pittsburgh Digital Greenhouse, a state-sponsored initiative founded in 1999. The Digital Greenhouse initiative aspires to make western Pennsylvania a major center for the design of the next generation of microchip technology. Sony Corporation was the first company to commit to opening such a center, and recently selected a site for the facility in the Pittsburgh's East Liberty section. Oki Electric, which is headquartered in Tokyo, chose Pittsburgh in large part because of the city's universities. The state government has said it will spend as much as \$13 million to support the initiative and believes the greenhouse can create up to 1,500 jobs over three years. Advocates promoting the area's high-technology potential tout the regions premiere computer and engineering research facilities.

More information about the County may be obtained at the County's official web site at www.county.allegheny.pa.us.

GASB UPDATE:

During the coming year, the Controller's Office will begin preparing for the implementation of Statement of Governmental Accounting Standards No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued by the Governmental Accounting Standards Board (GASB). This statement establishes new requirements to enhance the understandability and usefulness of the comprehensive annual financial report. GASB Statement No. 34 will help users by:

- ⇒ Assessing the finances of the government in its entirety, including the year's operating results;

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- ⇒ Determining whether the government's overall financial position improved or deteriorated;
- ⇒ Evaluating whether the government's current-year revenues were sufficient to pay for current-year services;
- ⇒ Indicating the cost of providing services to its citizenry;
- ⇒ Indicating how the government finances its programs through user fees and other program revenues versus general tax revenues, and;
- ⇒ Explaining the extent to which the government has invested in capital assets, including roads, and other infrastructure assets.

The County is required to implement GASB Statement No. 34 no later than fiscal year 2002. The statement represents the most important change in the history of financial reporting of County government.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Under provisions of the Second Class County Code, the Controller is responsible for developing and maintaining the accounting system for the County. In addition, the Controller must audit all claims before disbursement, present a proposed operating budget, audit accounts of all County offices, file an annual financial report with the Court of Common Pleas and perform many administrative and board functions.

The accounts of the County are organized within funds and account groups. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County maintains the following types of funds and account groups: governmental funds; proprietary funds; fiduciary funds, and; account groups for fixed assets and long-term debt.

BASIS OF ACCOUNTING:

The accounting records for the County's general government operations are maintained on the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recorded when the services or goods are received and the fund liabilities are incurred, except for principal and interest on general long-term debt which are reflected as expenditures when due. The accounting records for the County's proprietary fund types and related trust fund are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

INTERNAL CONTROL:

The County's internal accounting control system is an established framework that provides officials with assurances that assets of the government are reasonably safeguarded against loss from unauthorized use. These controls are in place to ensure financial transactions are authorized and

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properly recorded in order to have reliable records for preparing financial statements and maintaining accountability for assets and liabilities.

BUDGETARY PROCESS:

As specified in the Home Rule Charter, the Chief Executive must present the annual operating and capital budgets to the County Council 75 days before the end of each fiscal year. No later than 25 days before the end of the year, the County Council must adopt by resolution balanced operating and capital budgets. The annual budget contains estimated revenues and expenditures for the following funds: General, Liquid Fuel Tax and Debt Service. Budgets are not prepared for the County Grants and Human Service Grants Funds. In addition, in accordance with the Administrative Code, County Council must adopt by resolution a Grants and Special Revenues Budget and a Trust and Agency budget.

Budgetary control is maintained at the fund, department and character levels of expenditures by encumbering the total dollars indicated on purchase requisitions prior to their release to vendors. The term encumbrance as employed in governmental accounting means a restriction is placed on the budget allowance to control expenditures. Expenditure documents that result in an overrun of available appropriation balances at the various levels of control are not released until appropriation transfers are officially requested and made available. At year-end, open encumbrances are reported as reservations of fund balance and reappropriated at the start of the next fiscal year.

REVENUE AND EXPENDITURE OVERVIEW

The following revenue and expenditure overviews relate to the finances of the primary government (Allegheny County). Three funds comprise the general governmental functions for purposes of the following revenue and expenditure analyses and charts. They include the General, Liquid Fuel Tax and Debt Service Funds.

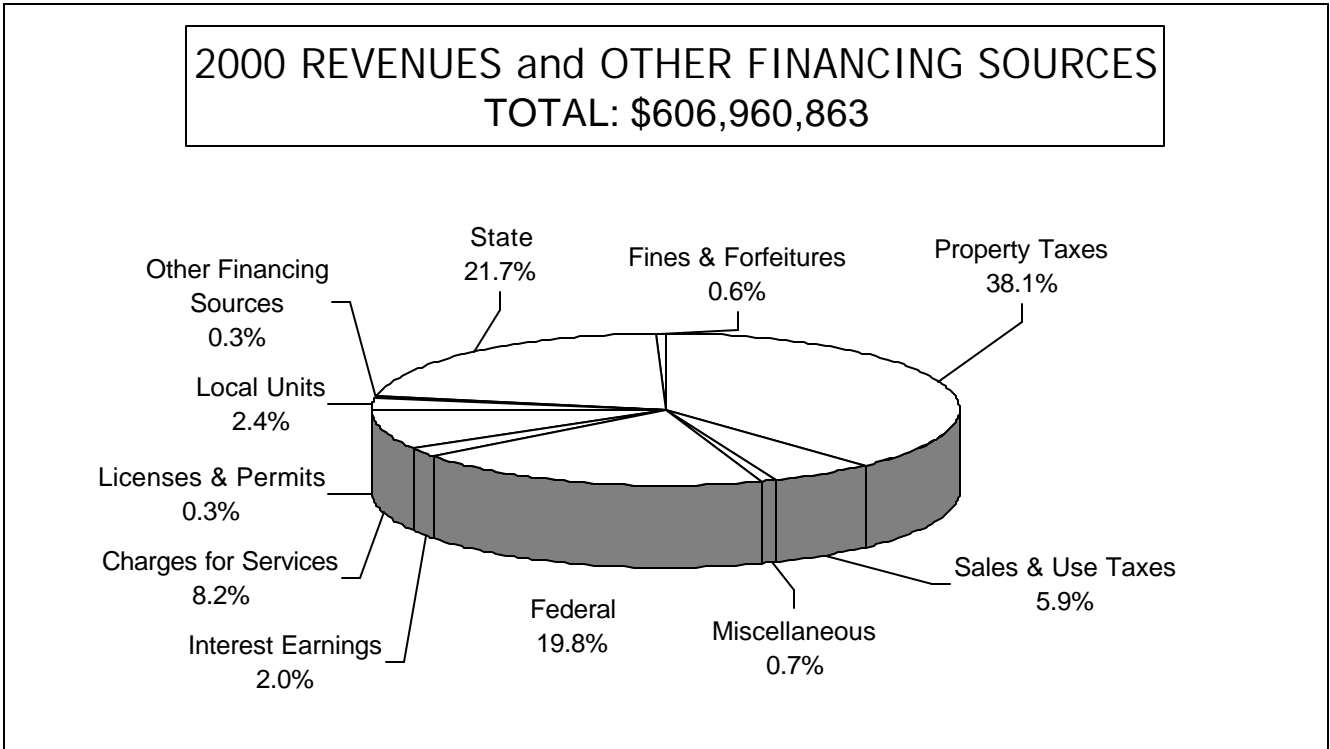
REVENUES:

Revenues for all general governmental functions totaled \$606,960,863 in 2000, which represents an increase of 7.9% compared to 1999 revenues. Revenues are classified into the following general types:

- * Property Taxes - real property taxes levied by the County.
- * Sales and Use Taxes - the 1% local sales tax adopted by the County.
- * Licenses and Permits - charges for the issuances of licenses and permits.
- * Federal - monies received from the federal government such as grants, entitlements and reimbursements.
- * State - grants, entitlements, shared revenues and reimbursements provided by the Commonwealth of Pennsylvania.
- * Local Units - revenues provided by the Allegheny Regional Asset District, as well as revenues received from local municipalities and school districts.
- * Charges for Services - fees and charges for services rendered to a taxpayer, third-party or to another County fund.
- * Fines and Forfeitures - charges levied by the Court of Common Pleas or District

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- Magistrates.
- * Interest Earnings - monies received from investments and management of idle cash.
 - * Miscellaneous - revenue from sources not otherwise provided for in other classifications.
 - * Other Financing Sources – monies received from capital projects, grant funds or component units.



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Revenues for 2000 and 1999 which support general governmental functions are shown in the following table:

CHANGES IN REVENUES BY FUNCTION				
<u>REVENUE SOURCES</u>	<u>2000 ACTUAL</u>	<u>1999 ACTUAL</u>	<u>AMOUNT INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
TAXES – PROPERTY	\$ 231,202,103	224,548,137	6,653,966	3.0 %
TAXES – SALES AND USE	35,930,228	35,665,358	264,870	0.7
LICENSES AND PERMITS	1,985,089	1,844,023	141,066	7.6
FEDERAL REVENUES	120,332,378	98,482,244	21,850,134	22.2
STATE REVENUES	131,895,143	134,713,868	(2,818,725)	(2.1)
LOCAL UNITS REVENUES	14,839,217	13,549,741	1,289,476	9.5
CHARGES FOR SERVICES	49,402,693	40,326,858	9,075,835	22.5
FINES AND FORFEITURES	3,333,450	3,090,463	242,987	7.9
INTEREST EARNINGS	12,395,072	8,244,034	4,151,038	50.4
MISCELLANEOUS	4,075,391	2,107,656	1,967,735	93.4
OTHER FINANCING SOURCES	<u>1,570,099</u>	<u>178,877</u>	<u>1,391,222</u>	777.8
TOTAL REVENUE	<u>\$ 606,960,863</u>	<u>562,751,259</u>	<u>44,209,604</u>	7.9 %

Combined, real property and sales and use taxes accounted for 44.0% of the County's revenues in 2000 compared to 43.1% in 1999. Overall, revenues from real property taxes increased a modest \$6.7 million or 3.0% in fiscal year 2000. Sales and use taxes remained stable. The major increase in federal revenue of 22.2% is the result of a number of factors including the shift in reimbursement for Children, Youth and Families (CYF). Charges for services growth of \$9.1 million is primarily the result of increased fees. Detailed reasons for the increases/decreases are provided in the explanations for the individual funds.

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The following table details the variances between budgeted and actual revenues for general governmental functions as well as the percentage change for 2000:

COMPARISON OF BUDGETED TO ACTUAL REVENUES BY FUNCTIONS				
<u>REVENUE SOURCES</u>	<u>2000 ADOPTED BUDGET</u>	<u>2000 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE FAVORABLE (UNFAVORABLE)</u>
TAXES – PROPERTY	\$ 236,885,000	231,202,103	(5,682,897)	(2.4) %
TAXES – SALES AND USE	36,250,000	35,930,228	(319,772)	(0.9)
LICENSES AND PERMITS	1,773,500	1,985,089	211,589	11.9
FEDERAL REVENUES	104,228,119	120,332,378	6,104,259	15.5
STATE REVENUES	141,279,126	131,895,143	(9,383,983)	(6.6)
LOCAL UNITS REVENUES	14,549,500	14,839,217	289,717	2.0
CHARGES FOR SERVICES	51,200,584	49,402,693	(1,797,891)	(3.5)
FINES AND FORFEITURES	3,021,000	3,333,450	312,450	10.3
INTEREST EARNINGS	10,060,390	12,395,072	2,334,682	23.2
MISCELLANEOUS	4,713,596	4,075,391	(638,205)	(13.5)
OTHER FINANCING SOURCES	-	1,570,099	1,570,099	100.0
TOTAL REVENUES	<u>\$ 603,960,815</u>	<u>606,960,863</u>	<u>3,000,048</u>	0.5 %

The total adopted revenue budget for 2000 of \$620,441,388 included a \$16,480,573 use of fund balance. Therefore, the adjusted revenue budget for 2000 was \$603,960,815.

The following table details the actual revenues for general governmental functions by fund for the year 2000:

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REVENUES BY FUNCTION BY FUND				
<u>REVENUE SOURCES</u>	<u>GENERAL FUND</u>	<u>LIQUID FUEL TAX FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL OPERATING REVENUE</u>
TAXES – PROPERTY	\$ 171,206,833	-	59,995,270	231,202,103
TAXES – SALES AND USE	35,930,228	-	-	35,930,228
LICENSES AND PERMITS	1,985,089	-	-	1,985,089
FEDERAL REVENUES	120,332,378	-	-	120,332,378
STATE REVENUES	127,176,864	4,328,194	390,085	131,895,143
LOCAL UNITS REVENUES	13,151,717	-	1,687,500	14,839,217
CHARGES FOR SERVICES	49,402,693	-	-	49,402,693
FINES AND FORFEITURES	3,333,450	-	-	3,333,450
INTEREST EARNINGS	10,598,843	63,622	1,732,607	12,395,072
MISCELLANEOUS	4,067,992	-	7,399	4,075,391
OTHER FINANCING SOURCES	<u>1,519,214</u>	<u>-</u>	<u>50,885</u>	<u>1,570,099</u>
TOTAL REVENUES	<u>\$ 538,705,301</u>	<u>4,391,816</u>	<u>63,863,746</u>	<u>606,960,863</u>

Allocations of the real property tax levy by purpose for 2000 and the preceding two years were as follows (amount per \$100 assessed value):

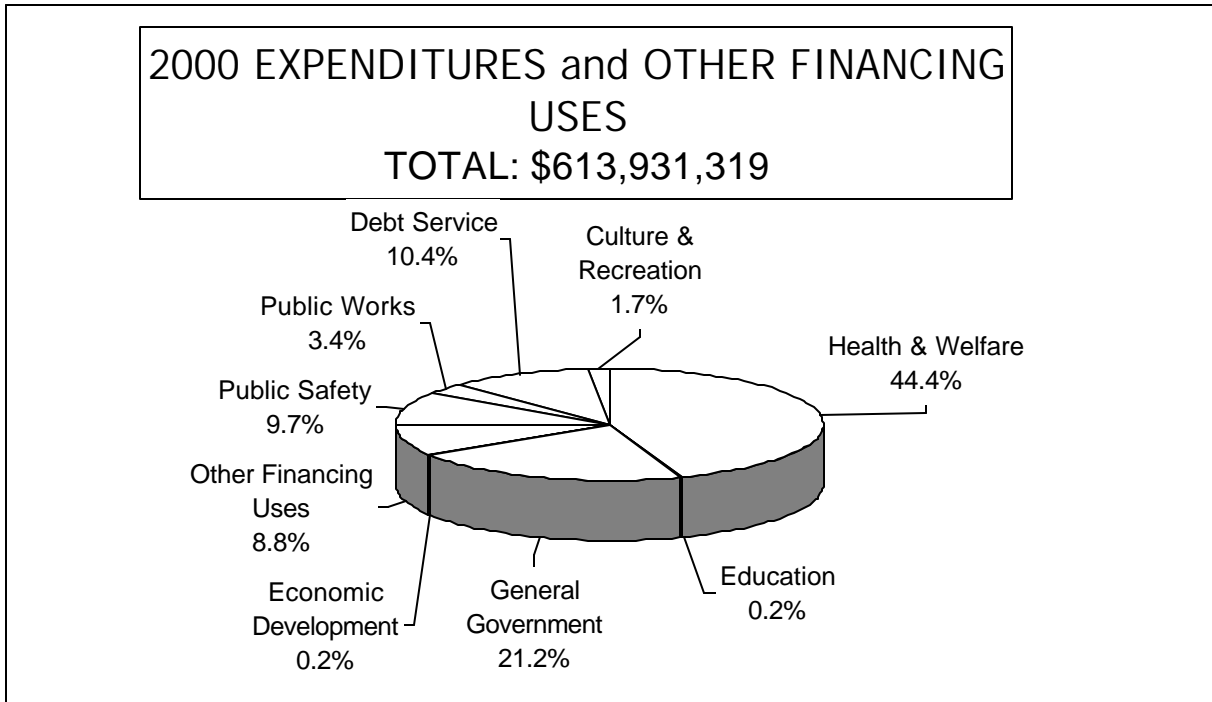
<u>PURPOSE</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
GENERAL FUND	\$ 1.865	1.860	1.940
DEBT SERVICE FUND	<u>.655</u>	<u>.660</u>	<u>.580</u>
TOTAL TAX RATE	<u>\$ 2.520</u>	<u>2.520</u>	<u>2.520</u>

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EXPENDITURES:

Expenditures for governmental services, excluding the internal service funds, totaled \$613,931,319 in 2000, which represents an increase of 2.6% from the previous year. Expenditures fall into nine general classifications:

- * General Government - represents services provided by the administrative, elected row offices and judicial branches of government as a whole.
- * Public Safety - includes such services as emergency management, the jail and law enforcement departments involved in the protection of County residents.
- * Public Works - accounts for those expenditures which provide for physical infrastructure essential to the County, including roads, bridges and parks.
- * Health & Welfare - includes expenditures to address the needs of older adults, abused and neglected children, infirm adults and mentally ill and retarded residents.
- * Culture & Recreation - accounts for the various recreational and cultural events, programs and facilities including the extensive County-wide park system.
- * Education - includes expenditures to provide formal and informal opportunities to County residents, exclusive of the Community College of Allegheny County.
- * Economic Development - represents various development and promotional programs designed to attract new companies to the region.
- * Debt Service - reflects scheduled payments for long-term debt.
- * Other Financing Uses – includes payments to capital projects, grant funds or component units.



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Expenditures by classification for 2000 and 1999, and the changes between years, are shown in the following table:

CHANGES IN EXPENDITURES BY FUNCTION				
<u>EXPENDITURE FUNCTION</u>	<u>2000 ACTUAL</u>	<u>1999 ACTUAL</u>	<u>AMOUNT INCREASE (DECREASE)</u>	<u>PERCENTAG E INCREASE (DECREASE)</u>
GENERAL GOVERNMENT	\$ 130,327,062	134,048,740	(3,721,678)	2.8 %
PUBLIC SAFETY	59,280,543	57,580,908	1,699,635	3.0
PUBLIC WORKS	21,121,891	22,441,176	(1,319,285)	5.9
HEALTH AND WELFARE	272,715,555	256,868,168	15,847,387	6.2
CULTURE AND RECREATION	10,611,515	11,033,571	(422,056)	3.8
EDUCATION	806,000	1,735,002	(929,002)	(53.5)
ECONOMIC DEVELOPMENT	880,896	1,141,045	(260,149)	(22.8)
DEBT SERVICE: PRINCIPAL RETIREMENT INTEREST CHARGES	33,128,573 <u>31,197,283</u> <u>64,325,856</u>	21,051,567 <u>43,191,502</u> <u>64,243,069</u>	12,077,006 <u>(11,994,219)</u> <u>82,787</u>	57.4 (27.8) 0.1
OTHER FINANCING USES	<u>53,862,001</u>	<u>44,307,521</u>	<u>9,554,480</u>	21.6
TOTAL EXPENDITURES	<u>\$ 613,931,319</u>	<u>593,399,200</u>	<u>20,532,119</u>	3.5 %

As previously indicated, total outlays increased 3.5%, or \$20.5 million during 2000. General government expenditures decreased \$3.7 million. Public safety expenditures increased by \$1.7 million and public works expenditures declined \$1.3 million. Combined debt service principal and interest payments increased \$82,787. Economic development expenditures decreased \$260,149 and education expenditures declined \$929,002. Offsetting these decreases were increases in health and welfare expenditures of \$15.8 million. These changes are discussed in greater detail in the fund narratives which follow.

The following table shows expenditures by function as compared to the adopted budget for 2000. The adopted budget number includes reappropriations and operating transfers made during the course of the year. Please refer to the summary schedule A-3 for a more complete analysis.

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COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES BY FUNCTION				
<u>EXPENDITURE FUNCTION</u>	2000 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS	2000 <u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)	PERCENTAGE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT	\$ 136,738,290	130,327,062	6,411,228	4.7 %
PUBLIC SAFETY	59,869,731	59,280,543	589,188	1.0
PUBLIC WORKS	21,363,513	21,121,891	241,622	1.0
HEALTH AND WELFARE	281,695,727	272,715,555	8,980,172	3.2
CULTURE AND RECREATION	10,622,784	10,611,515	11,269	0.1
EDUCATION	868,500	806,000	62,500	7.2
ECONOMIC DEVELOPMENT	497,844	880,896	(383,052)	(76.9)
DEBT SERVICE: PRINCIPAL RETIREMENT INTEREST CHARGES	33,190,041 <u>31,138,209</u> 64,328,250	33,128,573 <u>31,197,283</u> 64,325,856	61,468 <u>(59,074)</u> 2,394	(0.2) 0.2 0.0
OTHER FINANCING USES	<u>50,206,873</u>	<u>53,862,001</u>	<u>(3,655,128)</u>	7.3
TOTAL EXPENDITURES LESS: REAPPROPRIATIONS TOTAL ADOPTED BUDGET	626,191,512 (5,750,124) <u>\$ 620,441,388</u>	<u>613,931,319</u>	<u>12,260,193</u>	2.0 %

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following table details actual expenditures for general governmental functions by fund for the year 2000:

EXPENDITURES BY FUNCTION BY FUND				
<u>EXPENDITURE FUNCTION</u>	<u>GENERAL FUND</u>	<u>LIQUID FUEL TAX FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL OPERATING EXPENDITURES</u>
GENERAL GOVERNMENT	\$ 130,327,062	-	-	130,327,062
PUBLIC SAFETY	59,280,543	-	-	59,280,543
PUBLIC WORKS	16,607,425	4,514,466	-	21,121,891
HEALTH AND WELFARE	272,715,555	-	-	272,715,555
CULTURE AND RECREATION	10,611,515	-	-	10,611,515
EDUCATION	806,000	-	-	806,000
ECONOMIC DEVELOPMENT	880,896	-	-	880,896
DEBT SERVICE: PRINCIPAL RETIREMENT INTEREST CHARGES	- <u>120,917</u> <u>120,917</u>	- - -	33,128,573 <u>31,076,366</u> <u>64,204,939</u>	33,128,573 <u>31,197,283</u> <u>64,325,856</u>
OTHER FINANCING USES	<u>53,862,001</u>	-	-	<u>53,862,001</u>
TOTAL EXPENDITURES	\$ <u><u>545,211,914</u></u>	<u><u>4,514,466</u></u>	<u><u>64,204,939</u></u>	<u><u>613,931,319</u></u>

Expenditures can also be viewed on a departmental basis. The following chart summarizes expenditures, indicating the departmental adopted budget, including reappropriated balances from 1999, and authorized budget transfers. Also shown is the adjusted budget compared to the actual expenditures. Overall, the County's expenditures compared favorably to the adjusted budget, as costs were \$12.3 million less than anticipated. Departmental expenditures for the year 2000 are as follows:

COUNTY OF ALLEGHENY, PENNSYLVANIA

SUMMARY OF EXPENDITURES BY DEPARTMENT					
<u>DEPARTMENT</u>	2000 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS	2000 BUDGET TRANSFERS	2000 ADJUSTED BUDGET	2000 ACTUAL EXPENDITURES	VARIANCE FAVORABLE (UNFAVORABLE)
COUNTY ADMINISTRATION:					
Chief Executive	\$ 500,711	(8,500)	492,211	401,187	91,024
County Council	900,000	14,000	914,000	694,538	219,462
County Manager	1,641,510	(12,100)	1,629,410	1,280,800	348,610
Budget and Finance	791,581	-	791,581	679,341	112,240
Solicitor	2,054,912	27,400	2,082,312	1,423,801	658,511
MBE/DBE	347,196	6,600	353,796	294,591	59,205
	<u>6,235,910</u>	<u>27,400</u>	<u>6,263,310</u>	<u>4,774,258</u>	<u>1,489,052</u>
ADMINISTRATIVE SERVICES:					
Administration	1,520,790	39,158	1,559,948	1,008,271	551,677
MIS	5,051,723	-	5,051,723	3,704,955	1,346,768
Purchasing	544,217	43,482	587,699	560,402	27,297
Elections	4,511,802	-	4,511,802	4,352,736	159,066
Memorial Hall *	756,605	-	756,605	745,107	11,498
Veteran's Affairs	579,141	16,000	595,141	536,767	58,374
Property and Supplies	5,319,522	(211,640)	5,107,882	5,158,827	(50,945)
Human Resources	810,690	11,000	821,690	787,235	34,455
	<u>19,094,490</u>	<u>(102,000)</u>	<u>18,992,490</u>	<u>16,854,300</u>	<u>2,138,190</u>
Board of Assessment	<u>4,907,787</u>	<u>230,000</u>	<u>5,137,787</u>	<u>4,692,757</u>	<u>445,030</u>
HUMAN SERVICES:					
Administration	722,288	(1,189,750)	(467,462)	644,679	(1,112,141)
Aging	4,691,567	(1,493,500)	3,198,067	3,206,100	(8,033)
Children, Youth and Families	106,460,757	0,078,750	116,539,507	116,295,862	243,645
Behavioral Health and Mental Retardation	25,866,516	(5,087,618)	20,778,898	17,742,073	3,036,825
Health Department	22,765,003	(1,072,135)	21,692,868	20,492,317	1,200,551
	<u>160,506,131</u>	<u>1,235,747</u>	<u>161,741,878</u>	<u>158,381,031</u>	<u>3,360,847</u>
Economic Development	485,844	12,000	497,844	880,896	(383,052)
Kane Regional Health Centers	84,413,118	(3,252,500)	81,160,618	75,900,346	5,260,272
Public Defender	4,894,552	(331,000)	4,563,552	4,536,974	26,578
Public Works	31,726,358	(32,000)	31,694,358	31,454,412	239,946

COUNTY OF ALLEGHENY, PENNSYLVANIA

SUMMARY OF EXPENDITURES BY DEPARTMENT – continued					
<u>DEPARTMENT</u>	<u>2000 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS</u>	<u>2000 BUDGET TRANSFERS</u>	<u>2000 ADJUSTED BUDGET</u>	<u>2000 ACTUAL EXPENDITURES</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SAFETY SERVICES:					
Emergency Services/Fire Marshall	1,486,977	-	1,486,977	-	1,486,977
Jail *	37,867,204	1,973,260	39,840,464	39,561,924	278,540
Police	18,230,512	(69,500)	18,161,012	18,079,509	81,503
Administration	413,377	(27,500)	385,877	1,658,710	(1,272,833)
Shuman Center	7,886,341	(162,432)	7,723,909	7,420,224	303,685
	<u>65,884,411</u>		<u>67,598,239</u>	<u>66,720,367</u>	<u>877,872</u>
		<u>1,713,828</u>			
Miscellaneous Grant Agencies *	80,859,776	660,512	81,520,288	84,982,719	(3,462,431)
Non-departmental Operating Expenditures *	15,010,686	(692,032)	14,318,654	13,234,985	1,083,669
TOTAL ADMINISTRATION	<u>474,019,063</u>	<u>(530,045)</u>	<u>473,489,018</u>	<u>462,413,045</u>	<u>11,075,973</u>
ROW OFFICES:					
Controller	4,457,432	-	4,457,432	4,333,859	123,573
Coroner	5,736,396	108,800	5,845,196	5,825,489	19,707
Clerk of Courts	2,078,663	(46,300)	2,032,363	1,915,050	117,313
District Attorney	9,506,979	126,800	9,633,779	9,634,916	(1,137)
Jury Commissioners	650,166	(57,100)	593,066	589,104	3,962
Recorder of Deeds	2,351,356	71,500	2,422,856	2,421,908	948
Register of Wills	2,457,497	41,607	2,499,104	2,414,353	84,751
Sheriff	11,921,043	41,200	11,962,243	12,023,256	(61,013)
Treasurer	4,185,608	231,100	4,416,708	4,343,908	72,800
Prothonotary	3,013,244	(41,630)	2,971,614	2,962,290	9,324
	<u>46,358,384</u>	<u>475,977</u>	<u>46,834,361</u>	<u>46,464,133</u>	<u>370,228</u>
Court of Common Pleas	41,817,015	(155,932)	41,661,083	40,849,202	811,881
Debt Service	<u>63,997,050</u>	<u>210,000</u>	<u>64,207,050</u>	<u>64,204,939</u>	<u>2,111</u>
TOTAL EXPENDITURES	626,191,512	-	<u>626,191,512</u>	<u>613,931,319</u>	
LESS:	<u>(5,750,124)</u>				<u>12,260,193</u>
REAPPROPRIATIONS	\$				
TOTAL ADOPTED BUDGET	<u>620,441,388</u>				

* These expenditures include transfers to component units.

COUNTY OF ALLEGHENY, PENNSYLVANIA

INDIVIDUAL FUND ANALYSES:

A more detailed analysis of each fund is presented on the following pages, with an explanation of the underlying reasons for the fluctuations in revenues and expenditures or expenses.

GENERAL FUND:

A comparison of the revenues of the General Fund for the last two years follows:

GENERAL FUND REVENUES				
<u>REVENUE SOURCES</u>	<u>2000</u>	<u>1999</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
TAXES - PROPERTY	\$ 171,206,833	165,943,686	5,263,147	3.2 %
TAXES - SALES AND USE	35,930,228	35,665,358	264,870	0.7
LICENSES AND PERMITS	1,985,089	1,844,023	141,066	7.6
FEDERAL REVENUES	120,332,378	98,482,244	21,850,134	22.2
STATE REVENUES	127,176,864	129,381,491	(2,204,627)	(1.7)
LOCAL UNITS REVENUE	13,151,717	12,602,376	549,341	4.4
CHARGES FOR SERVICES	49,402,693	40,326,858	9,075,835	22.5
FINES AND FORFEITURES	3,333,450	3,090,463	242,987	7.9
INTEREST EARNINGS	10,598,843	7,649,736	2,949,107	38.6
MISCELLANEOUS	4,067,992	2,107,656	1,960,336	93.0
OTHER FINANCING SOURCES	<u>1,519,214</u>	<u>-</u>	<u>1,519,214</u>	100.0
TOTAL REVENUES	<u>\$ 538,705,301</u>	<u>497,093,891</u>	<u>41,611,410</u>	8.4 %

When compared to 1999 revenues, 2000 revenues increased \$41.6 million,

COUNTY OF ALLEGHENY, PENNSYLVANIA

or 8.4%. The increase in revenues is the result of the following:

- ◆ Real property tax and collections increased \$5.3 million, or 3.2% from the previous year. The increase is the result of several factors. First, current collections increased \$2.8 million. Much of that increase is due to Judge Wettick's court order, which increased assessed valuations across the board by 2% in anticipation of the revaluation in 2001. A small part of the increase is due to new construction projects placed on the tax rolls for 2000. The millage allocated to the County General Fund increased slightly, from 18.6 mills in 1999 to 18.65 mills in 2000. Additionally, delinquent taxes were \$1.4 million higher. Much of that increase is in the current-delinquent category, which represents individuals paying their 2000 taxes after the April 30th deadline. The remainder represents individuals paying 1999 taxes in 2000 before they could be liened. Actual liened collections dropped slightly, while interest and penalty on delinquent and lien taxes increased. The County received \$192,000 additional payments in lieu of taxes from tax-exempt entities in 2000 per agreements with not-for-profit entities. Finally, tax refunds decreased in 2000 by \$696,000.
- ◆ Sales tax revenues increased \$265,000 over the 1999 figure.
- ◆ A number of factors are responsible for the increase in federal revenues of \$21.9 million. The largest of these is the shift in reimbursement for CYF programs to Temporary Assistance to Needy Families (TANF) funding, a federal program, rather than Act 148, a state program. The shift resulted in an increase in TANF revenues of \$19.5 million. The state has always had a great deal of flexibility in using federal TANF funds to support child welfare services. Changes in the allocation amounts and the timing of drawdowns during 1999 are the reason for the increase this year. The state's fiscal year 1998/99 allocation to the County was \$15.7 million. It increased to \$30.5 million for the state's fiscal year 1999/00, and grew to \$36.8 million for the state's fiscal year 2000/01. Additionally, the state changed the timing of the drawdowns for TANF. Before the change, the Office of Children, Youth and Families (CYF) would draw down TANF funding during the first two quarters of the state fiscal year (July through December). Now, CYF draws down funding every quarter. These acts combined to result in a 1999 TANF figure that was very low at \$13.0 million. CYF accrued for all of the state 1998/99 TANF funding at the end of 1998, and drew down \$10.4 million for state year 1999/00 during the last half of 1999. By the time the state increased the County's TANF allocation for their 1999/2000 fiscal year in 2000, the County books were closed for 1999. As a result, the TANF revenue for 1999 was under-accrued by \$3.6 million. This revenue is now appearing the 2000 TANF total. Along with last year's under-accrual, CYF drew down an additional \$13.5 million for state fiscal year 1999/00 during the first half of 2000 and \$15.4 million for state fiscal year 2000/ 01 during the last half of 2000.
- ◆ In addition to the increase in TANF revenue, Title IV-E child placement revenue for CYF rose by \$1.4 million in 2000, due to higher administrative and per diem rates. This was partially offset by a decline in Title IV-B adoption services revenue by \$620,000.
- ◆ Changes in regulations to the Medicare program and a different patient mix at the John J. Kane Regional Health Centers resulted in decreased Medicare revenues of \$623,000. The regulation changes were more than offset by increases in skilled nursing care revenues of \$1.4 million from specialty billings and an increase in Kane's room rate reimbursement.

COUNTY OF ALLEGHENY, PENNSYLVANIA

- ◆ Federal maintenance of prisoner revenue increased by \$462,000 in 2000. Additionally, federal BH/MR funding rose \$1.0 million. Environmental Protection Agency air quality revenues dropped \$219,000 in 2000, and miscellaneous federal revenue declined \$404,000.
- ◆ State revenues decreased by \$2.2 million. The primary reason is an \$11.9 million decrease in BH/MR funding during 2000. This is because effective July 1, 1999, the County transferred all BH/MR program costs in the General Fund to the Human Service Grants Fund, where the bulk of the program costs were already being shown. Although BH/MR administrative costs still appear in the General Fund, no program costs appear in 2000. As a result, there has been a corresponding decrease in state reimbursements.
- ◆ There was a \$1.9 million decrease in Act 148 funding for CYF, which is the result of a decrease in the County's allocation from the state. For state fiscal year 1998/99, the County's allocation was \$59.1 million. It dropped to \$55.1 million for state fiscal year 1999/00, but rose to \$58.1 million for state fiscal year 2000/01. The change in TANF allocations and drawdown procedures are the reason for the fluctuation.
- ◆ State reimbursement for County Health Department expenditures increased by \$2.7 million. The increase is a direct result of additional expenditures by the department. State skilled and intermediate nursing care revenue for the John J. Kane Regional Health Centers increased by \$1.1 million. And medical assistance prescription revenue at the centers increased \$276,000. However, state funding for adult probation services decreased \$1.3 million in 2000.
- ◆ Pennsylvania's deregulation of electric utilities resulted in lower Public Utility Realty Tax (PURT) revenues of \$1.8 million in the General Fund. Electric power plant properties are no longer tax-exempt. Thus, the total pool of funds distributed is lower.
- ◆ The County received a one-time transportation subsidy from the state for \$5.0 million in 2000, as well as a one-time technology subsidy of \$2.0 million. Additionally, the County received \$2.9 million in criminal justice subsidies and \$894,000 in crime lab subsidies during the last half of the year. These two funding streams are expected to continue for the foreseeable future at a rate of \$7.0 million annually. The Chief Executive lobbied state officials heavily for all of the additional funds.
- ◆ In addition, charges for services increased \$9.1 million in 2000, interest earnings increased \$2.9 million and miscellaneous receipts increased \$2.0 million.

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The following is a comparison of the expenditures of the General Fund for the last two years:

GENERAL FUND EXPENDITURES				
<u>EXPENDITURES BY FUNCTION</u>	<u>2000</u>	<u>1999</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
GENERAL GOVERNMENT	\$ 130,327,062	134,048,740	(3,721,678)	(2.8) %
PUBLIC SAFETY	59,280,543	57,580,908	1,699,635	3.0
PUBLIC WORKS	16,607,425	18,238,677	(1,631,252)	8.9
HEALTH AND WELFARE	272,715,555	256,868,168	15,847,387	6.2
CULTURE AND RECREATION	10,611,515	11,033,571	(422,056)	3.8
EDUCATION	806,000	1,735,002	(929,002)	(53.5)
ECONOMIC DEVELOPMENT	880,896	1,141,045	(260,149)	(22.8)
DEBT SERVICE: INTEREST CHARGES	120,917	70,604	50,313	71.3
OTHER FINANCING USES	<u>53,862,001</u>	<u>44,307,521</u>	<u>9,554,480</u>	21.6
TOTAL EXPENDITURES	<u>\$ 545,211,914</u>	<u>525,024,236</u>	<u>20,187,678</u>	3.8 %

When compared to 1999 expenditures, 2000 expenditures increased by \$20.2 million, or 3.8%. The increase in expenditures is the result of the following:

- ◆ General government expenditures decreased \$3.7 million compared to 1999. *The decrease is in primarily the result of a \$5.1 million decrease in payments made to SABRE Systems for the countywide property reassessment project. Billings for 2000 related to this contract totaled \$6.1 million, compared to \$11.2 million in 1999.*
- ◆ Expenditures for the Chief Executive and County Council during 2000 were \$401,000 and 695,000, respectively.

COUNTY OF ALLEGHENY, PENNSYLVANIA

◆ Expenditures for the County Manager's Office, the Law Department's Legal Division, the Prothonotary, and the Jury Commissioners' Office are less than last year by \$228,888, \$343,000, \$597,000, and \$251,000 respectively. These differences were primarily related to decreases in salaries and fringe benefits. Law Library expenditures decreased \$261,000, due to a contract with Duquesne University to operate the facility. Expenditures in the Clerk of Courts Office decreased \$267,000, mainly due to fewer salary, benefit and service costs. The Court of Common Pleas' divisions showed a decrease in costs for 2000. Specifically, Adult Probation decreased \$891,000 because fringe benefits were reimbursed from a special revenue project. Family – Juvenile Division decreased \$830,000 in salaries, benefits and service costs. Elections expenditures decreased \$373,000, primarily in services. Finally, Non-departmental costs declined \$1.7 million. Approximately \$1.4 million was a decrease in judgments and losses from the prior year.

◆ The Public Defender's costs increased \$386,000, resulting from a court-approved settlement that requires the County to hire additional attorneys and investigators. Coroner's Office costs increased \$528,000 in 2000, as a result of increased salary costs. Sheriff's Office costs increased \$257,000, mainly in services. Costs for the Court of Common Pleas' Judicial Support Division grew \$435,000. This represents the net result of decrease of \$619,000 in salaries and fringes for management employees transferred to the state payroll and an increase in service costs of \$955,000. The Courts' criminal related costs increased \$396,000 in service costs. Property Assessment costs increased \$308,000 in salaries. The Administrative Services' Administrative Division increased \$736,000. Of the total, \$480,000 was for services with the balance being expended on salaries and fringes. Finally, Management Information Services expenditures increased from \$91,000 to \$3.5 million as a result of increased spending on the Geographic Information System in 2000. In addition, the bulk of the division was transferred from the Central Services Fund to the General Fund in 2000.

◆ Public safety expenditures increased by \$1.7 million, from \$57.6 million to \$59.3 million. This is the result of two major changes which took place during 2000. The responsibility for inmate healthcare program at the County Jail was transferred to the Health and Welfare category as of March 1, 2000. As a result, the Jail's service expenditures decreased \$4.0 million. However, County Police expenditures were \$5.6 million higher than last year. This is because an agreement with ACAA shifted salary and benefit costs related to police manning Pittsburgh International Airport to the County this year. ACAA now reimburses the County for these payroll related expenses. Last year, the expenses were part of ACAA.

◆ Public works' expenditures decreased by \$1.6 million. The department's Maintenance expenditures for salaries and services decreased \$1.4 million compared to last year. Also, expenditures in the department's Administrative division decreased \$444,000 primarily as a result of reductions in salary and fringe benefit costs.

◆ Health and welfare expenditures increased \$15.8 million between 1999 and 2000. Expenditures for CYF increased \$13.3 million in 2000, while Institutional Care costs increased by \$3.9 million and Shuman Juvenile Detention Center expenditures increased \$597,000. Also, the Home Detention/Electronic Monitoring program, new in 2000, had expenditures totaling \$619,000.

◆ There was a \$9.4 million decrease in BH/MR expenditures in the General Fund during 2000. Effective July 1, 1999, the County transferred BH/MR program costs in the General Fund to the Human Service Grants Fund, where the bulk of the program costs were already shown. Because BH/MR is more than 90% funded by federal and state sources, the transfer was an appropriate way to

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make the accounting for such services simpler. As such, there was no activity in the General Fund for these services in 2000, compared to six months of activity in 1999. Administrative costs associated with BH/MR programs continued to be shown in the General Fund.

◆ Expenditures at the Health Department increased by \$4.3 million. The increase is primarily the result of assuming responsibility for the inmate healthcare program at the County Jail effective March 1, 2000. Total costs for these ten months were \$4.4 million. Additionally, the Health Department's administrative expenditures increased \$546,000, mainly in the service category. These increases were partially offset by a \$435,000 reduction in expenditures for the Environmental Health Division primarily in the benefit and equipment categories.

.. *Expenditures at the John J. Kane Regional Health Centers increased \$3.5 million. Salary expenditures increased \$1.0 million primarily due to staff having to work overtime to cover vacancies due to employee turnover. Kane has also entered into various new contracts during the year as mandated by the state, increasing service costs. Additionally, drug costs increased \$277,000. Finally, a research study was undertaken to determine the feasibility of reserving parts of the system for independent living.*

.. ? *Culture and recreation expenditures decreased by \$422,000, primarily due to the separation of Memorial Hall as an independent, not-for-profit organization in 2000. Costs associated with Memorial Hall last year were \$805,000. This decrease was partially offset by increased expenditures at the Parks Division for services, supplies and materials.*

.. *Education expenditures decreased by \$929,000 in 2000. The County's annual subsidy to support the Allegheny County Library Association's Electronic Information Network was funded by the Allegheny Regional Asset District.*

.. *Economic development expenditures decreased by \$260,000, primarily at the Planning Department, where services were \$177,000 lower than last year.*

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LIQUID FUEL TAX FUND:

Established by State legislation on June 1, 1931, the Liquid Fuel Tax is an excise tax imposed on all liquid fuels sold or used and delivered within the Commonwealth of Pennsylvania. The present tax rate is twenty-six cents per gallon. Of this amount, one-half cent per gallon is allocated to the Liquid Fuel Tax Fund and is then distributed in June and December of each year to the 67 counties of Pennsylvania.

The Pennsylvania Department of Revenue administers the allocation of this revenue, which must be used by the counties for highway and bridge maintenance. Revenues, expenditures and fund balance for the Liquid Fuel Tax Fund for the last two years are as follows:

LIQUID FUEL TAX FUND				
<u>DESCRIPTION</u>	<u>2000</u>	<u>1999</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
STATE LIQUID FUEL TAX	\$ 4,328,194	4,195,959	132,235	3.2 %
INTEREST EARNINGS	<u>63,622</u>	<u>43,721</u>	<u>19,901</u>	45.5
TOTAL REVENUES	<u>4,391,816</u>	<u>4,239,680</u>	<u>152,136</u>	3.6
EXPENDITURES:				
ROAD MAINTENANCE	<u>4,514,466</u>	<u>4,202,499</u>	<u>(311,967)</u>	(7.4)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(122,650)	37,181	(159,831)	(429.9)
FUND BALANCE AT BEGINNING OF YEAR	<u>963,411</u>	<u>926,230</u>	<u>37,181</u>	4.0
FUND BALANCE AT END OF YEAR	<u>\$ 840,761</u>	<u>963,411</u>	<u>(122,650)</u>	(12.7)%

COUNTY OF ALLEGHENY, PENNSYLVANIA

DEBT SERVICE FUND AND GENERAL LONG-TERM DEBT ACCOUNT GROUP:

The Debt Service Fund accounts for the accumulation of resources for and payment of the County's general long-term debt principal and interest. The following is a comparison of revenues, expenditures and fund balance for the Debt Service Fund for 2000 and 1999:

DEBT SERVICE FUND				
DESCRIPTION	2000	1999	VARIANCE FAVORABLE (UNFAVORABLE)	PERCENTAGE FAVORABLE (UNFAVORABLE)
REVENUES EXPENDITURES	\$ 63,812,861 <u>64,204,939</u>	61,238,811 <u>64,172,465</u>	<u>2,574,050</u> <u>(32,474)</u>	4.2 % (0.1)
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(392,078)</u>	<u>(2,933,654)</u>	<u>2,541,576</u>	86.6
PROCEEDS OF GENERAL OBLIGATION BONDS	5,238,371	-	5,238,371	100.0
PROCEEDS OF GENERAL OBLIGATION REFUNDING BONDS	119,428,000	63,918,336	55,509,664	86.8
PAYMENT TO REFUNDED BOND ESCROW AGENT	(119,428,000)	(63,918,336)	(55,509,664)	(86.8)
OPERATING TRANSFERS FROM COMPONENT UNITS	<u>50,885</u>	<u>-</u>	<u>50,885</u>	100.0
TOTAL OTHER FINANCING SOURCES	<u>5,289,256</u>	<u>-</u>	<u>5,289,256</u>	100.0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,897,178	(2,933,654)	7,830,832	266.9
FUND BALANCE AT BEGINNING OF YEAR	138,995	1,045,729	(906,734)	(86.7)
EQUITY TRANSFER	<u>202,198</u>	<u>2,026,920</u>	<u>(1,824,722)</u>	(90.0)
FUND BALANCE AT END OF YEAR	<u>\$ 5,238,371</u>	<u>138,995</u>	<u>5,099,376</u>	3,668.7 %

COUNTY OF ALLEGHENY, PENNSYLVANIA

The ratio of tax-supported debt to assessed valuation is a useful indicator of the County's debt position and is of interest to municipal managers, citizens and investors. This data for the County at the end of 2000 is as follows:

<u>TAX-SUPPORTED DEBT</u>	<u>RATIO OF DEBT TO END-OF-YEAR ASSESSED VALUATION</u>	<u>DEBT PER CAPITA</u>
\$ 635,191,626	6.63 %	\$ 495.60

Tax-supported debt represents all principal debt of the County. The total amount of long-term debt outstanding of the County consists of \$635,191,626 in General Obligation Bonds at December 31, 2000. Complete detailed information concerning the General Obligation Bonds of the County appears in Schedules I-1 through I-4 of this report.

CAPITAL PROJECTS FUNDS:

The County has maintained two capital projects funds, one for the County and one for the Kane Regional Health Centers (Human Service). However, the Human Service Capital Projects Fund was merged with the County Capital Projects Fund in 2000 to consolidate all capital projects in one fund. The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major facilities. Rigid internal control procedures are practiced by the Controller's Office to ensure that sufficient funding sources are available before approval is given to any new construction contracts, change orders or amendments to existing construction contracts.

In 2000 the County issued General Obligation Bonds, Series C-51, with net proceeds of \$24,995,918, and General Obligation Bonds, Series C-52 with net proceeds of \$25,004,082. The net proceeds were for the County's road, bridge, equipment, building and park rehabilitation programs for 2001 and 2002.

COUNTY OF ALLEGHENY, PENNSYLVANIA

A comparison of the total revenues, expenditures, proceeds and fund balances for the Capital Projects Funds is shown in the following table:

CAPITAL PROJECTS FUNDS				
<u>COUNTY AND HUMAN SERVICE</u>	<u>2000</u>	<u>1999</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE</u>)	PERCENTAGE FAVORABLE <u>(UNFAVORABLE</u>)
REVENUES	\$	6,677,626	13,975,843	209.3 %
EXPENDITURES	20,653,469	<u>17,617,090</u>	(15,692,430)	(89.1)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(12,656,051)	(10,939,464)	(1,716,587)	(15.7)
PROCEEDS OF GENERAL OBLIGATION BONDS	50,000,000	66,804,124	(16,804,124)	(25.2)
OPERATING TRANSFERS TO COMPONENT UNITS	(3,300,000)	(3,643,091)	343,091	9.4
FUND BALANCE AT BEGINNING OF YEAR	<u>75,594,255</u>	<u>23,372,686</u>	<u>52,221,569</u>	223.4
FUND BALANCE AT END OF YEAR	<u>\$ 109,638,204</u>	<u><u>75,594,255</u></u>	<u>34,043,949</u>	45.0

Revenues increased \$14.0 million between 1999 and 2000. The increase is primarily the result of an additional \$11.9 million in federal revenues. Federal reimbursements for the Glenwood Bridge Rehabilitation project alone increased \$9.6 million in 2000.

Expenditures increased \$15.7 million between 1999 and 2000. Expenditures for bridge projects increased \$11.2 million, equipment expenditures were \$ 2.4 million higher and roads projects increased \$2.1 million. The predominant bridge projects in 2000 were the Glenwood Bridge Rehabilitation and replacement of the Pine Creek Bridge No. 2. The increase in equipment expenditures was the result of efforts to upgrade the computerized financial system and replace nonfunctioning or obsolete capital equipment. Road projects included the micro-surfacing treatment program for asphalt roads, as well as the construction and maintenance of retaining walls, storm sewers, and other physical roadway related features.

The major building project for 2000 was the conversion of the old jail into a new Family Court facility. Parks projects included playground safety improvements and improvements to Corrigan Drive in South Park. Additional financial information on the Capital Projects Funds appears in Exhibits D-1 and D-2 in this report.

COUNTY OF ALLEGHENY, PENNSYLVANIA

GRANTS FUNDS:

The County and Human Service Grants Funds were established for the purpose of accounting for federal, state and other grants and related program expenditures.

The following is a comparison of revenues, expenditures and fund balances for the Grants Funds for the last two years:

GRANTS FUNDS				
<u>COUNTY AND HUMAN SERVICE</u>	<u>2000</u>	<u>1999</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE FAVORABLE (UNFAVORABLE)</u>
REVENUES	\$	410,053,078	44,786,061	10.9 %
EXPENDITURES	454,839,139	<u>411,508,827</u>	<u>(41,991,546)</u>	(10.2)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,338,766	(1,455,749)	2,794,515	192.0
NET OPERATING TRANSFERS	(2,509,823)	551,794	(3,061,617)	554.8
FUND BALANCE AT BEGINNING OF YEAR	13,061,962	15,358,181	(2,296,219)	15.0
EQUITY TRANSFER	-	<u>(1,392,264)</u>	<u>1,392,264</u>	N/A
FUND BALANCE AT END OF YEAR	<u>\$ 11,890,905</u>	<u>13,061,962</u>	<u>(1,171,057)</u>	9.0

Each grant is established on its own fiscal year or program completion basis in accordance with the grant agreement. Expenditures are controlled within each grant project so as not to exceed the grant revenues provided. These grants encompass a wide variety of projects, including service, training and assistance programs. The increase in both revenues and expenditures can be attributed primarily to the behavioral health/managed care program (adults and children on medical assistance), which the County assumed during 1999. The program increased \$24.1 million between 1999 and 2000. There were also expansions of the Aging Block Grant program, Child Support Enforcement program, Homeless Assistance program, Summer Food program, State Employment and Training program, School Based Probation program, Redevelopment/Capital Assistance program and Police Training program. In addition, the transfer of certain BH/MR programs from the General Fund, effective July 1, 1999, has resulted in a full year of these expenditures compared to only six months in 1999. Exhibits B-4 and B-5 provide detailed listings of grant program resources and uses of funds for 2000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

INTERNAL SERVICE FUNDS:

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis, and the County's medical self-insurance plan.

The County has two Internal Service Funds: Central Services and Risk Management. There are now two divisions that operate within the Central Services Fund: Graphics and the Mailroom. At the beginning of fiscal year 2000, the division of Management Information Services was transferred to the General Fund. Various user departments of the County are charged for the services and materials provided by these divisions. User rates are established to provide for full absorption of operating expenses, including depreciation.

The Risk Management Fund expenses include claims incurred and reported, and estimates of claims incurred but not reported. The expenses are ultimately charged to the various user funds.

A comparison of the total operating revenues, expenses and changes in retained earnings for the Internal Service Funds covering 2000 and 1999 is as follows:

INTERNAL SERVICE FUNDS				
<u>CENTRAL SERVICE AND RISK MGMT.</u>	<u>2000</u>	<u>1999</u>	VARIANCE FAVORABLE (UNFAVORABLE)	PERCENTAGE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES	\$ 37,221,746	41,608,553	(4,386,807)	(10.5) %
OPERATING EXPENSES	<u>37,223,245</u>	<u>41,713,678</u>	<u>4,490,433</u>	10.8
OPERATING LOSS	(1,499)	(105,125)	103,626	98.6
NON-OPERATING REVENUES (NET)	<u>1,499</u>	<u>105,125</u>	<u>(103,626)</u>	(98.6)
NET LOSS	<u>-</u>	<u>-</u>	<u>-</u>	N/A
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	N/A
RETAINED EARNINGS AT END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>-</u>	N/A

COUNTY OF ALLEGHENY, PENNSYLVANIA

TRUST AND AGENCY FUNDS:

The Pension Trust Fund supports the County's Retirement System and provides for regular payments to qualified, retired County employees. At December 31, 2000, the fund balance reserved for the Employees' Retirement System of \$711,206,313 represents a decrease of \$55,665,728 from the December 31, 1999 fund balance of \$766,872,041. The decrease is primarily the result of a decline in the market values of the fund's investments. Detailed information on the Pension Trust Fund appears in Exhibits F-1 and F-2.

The Agency Fund accounts for the administration of assets that come into the County's possession in connection with its governmental responsibility. Detailed information on the Agency Fund appears in Exhibit F-3.

GENERAL FIXED ASSETS ACCOUNT GROUP:

The general fixed assets of the County are those fixed assets of a significant value used in the performance of general governmental functions but exclude the fixed assets of the proprietary fund. The County has defined significant value as a cost of \$1,000 or more per item.

As of December 31, 2000, the general fixed assets of the County amounted to \$366,133,283. This amount represents historical cost or estimated historical cost. Exhibits G-1, G-2 and G-3 provide data on County general fixed assets (excluding infrastructure) along with the funding source for acquisition of those assets.

CASH MANAGEMENT

A pooled cash account is maintained for County Funds to account for all cash that does not require a restricted bank account. Through the utilization of pooled cash, the Treasurer's Office invests excess cash in short-term investments and thereby achieves the best possible financial return on available funds. Excess cash in restricted bank accounts is also invested in short-term investments.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The results of this year's investment activities are shown below, with a comparison to the previous year:

INTEREST EARNINGS BY FUND TYPE				
<u>FUND TYPE</u>	<u>2000</u>	<u>1999</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
GENERAL FUND	\$ 10,508,812	7,649,736	2,949,107	38.6 %
SPECIAL REVENUE FUNDS	1,979,768	1,732,643	247,125	14.3
DEBT SERVICE FUND	1,732,607	550,577	1,182,030	214.7
CAPITAL PROJECTS FUNDS	2,703,120	1,955,251	747,869	38.2
INTERNAL SERVICE FUNDS	<u>1,499</u>	<u>105,125</u>	<u>(103,626)</u>	(98.6)
TOTAL	\$ 17,015,007	<u>11,993,332</u>	<u>5,022,505</u>	41.9

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Allegheny, Pennsylvania, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 1999. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

COUNTY OF ALLEGHENY, PENNSYLVANIA

ACKNOWLEDGMENTS

The information contained in this report provides a comprehensive picture of the financial position of the County of Allegheny. The presentation of this report on a timely basis could not be accomplished without the efficient and dedicated services of many people. I wish to express my thanks and sincere appreciation to all of the staff and auditors who assisted and contributed during its preparation.

Respectfully submitted,

Dan Onorato
Controller