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January 11, 2012

*VIA US MAIL AND ELECTRONIC MAIL*

The Honorable Luke Ravenstahl  
City of Pittsburgh  
313 City-County Building  
414 Grant Street  
Pittsburgh, PA 15219

**Re: Intergovernmental Cooperation Authority Disapproval of 2012 Budget And  
Proposed Financial Plan**

Dear Mayor Ravenstahl:

By letter dated December 23, 2011, the Pittsburgh Intergovernmental Cooperation Authority (“ICA”) explicitly advised officials of the City of Pittsburgh (“City”) that the 2012 Budget for the City, as adopted by City Council on December 19, 2011, and the proposed financial plan, that includes the 2012 operating and capital budgets, failed to reflect the conditions for approval that the ICA has required.

The ICA indicated that one of the unsatisfied ICA conditions involved the implementation of an acceptable strategic capital project plan. Specifically, the letter noted:

The City must establish and implement a strategic capital project plan that is acceptable to the ICA. Further, the capital project plan must demonstrate that future budgets for the City will be able to sustain the additional debt service or any new debt issuance. As Mr. Scott Kunka advised the ICA in his October 19<sup>th</sup> letter, the City was to have in place, by the end of 2011, a formal capital budget process for 2012 that will include the “description of money achieved via refinancing, refunding, and/or new borrowing; a recommendation of all pre-allotted capital funds; a system by which new projects are weighted in consideration of fund allocation; and, discussion of the new ERP’s CIP tracking and monitoring tools and attendant City policy.”

On January 6, 2011, in response to our letter, City officials, including representatives of the Finance Department, met with representatives of the ICA and the Act 47 Coordinator. At the meeting, the City’s failure to establish and implement a strategic capital project plan was

recognized and discussed. The ICA and the Act 47 left that meeting expecting that the City would address that unfilled condition, as well as the remaining conditions discussed in the letter.

Early this week, the ICA learned that City officials planned to travel to New York to meet with representatives of certain financial institutions to commence activity on a proposed 125 million dollar financing, which includes an 80 million dollar capital project component and a 45 million dollar refinancing piece. These efforts are not authorized nor appropriate because the City does not have an approved budget and financial plan or a strategic capital project plan in place. The City has a commitment to achieve and maintain specific pension funding limits and address additional legacy costs. It must also provide satisfactory evidence of its ability to meet new debt obligations, over the entire repayment term, without negatively impacting its existing commitments and obligations.

On behalf of the ICA and Act 47 Coordinator, let me reiterate that the 2012 budget for the City of Pittsburgh has not met the approval of the ICA or the Act 47 Coordinator, and, thus, is not an approved budget under the Intergovernmental Cooperation Authority Act for Cities of the Second Class ("Act"), 53 P.S. §§28101, *et seq.*, and the September 7, 2004 Cooperation Agreement ("Cooperation Agreement"). An article in yesterday's *Pittsburgh Post Gazette* quoted your spokesperson, Joanna Doven, as stating that the ICA has no role in approving the bond sale. This is simply not true. Section 208 of Act 11 specifically provides:

A city and its corporate entities may not borrow or receive funds for any lawful purpose unless the city has entered into an intergovernmental cooperation agreement with the authority **and there is an approved financial plan in effect.**

53 P.S. §28208 (emphasis added).

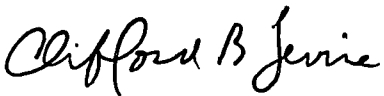
The ICA and Act 47 Coordinator remain interested in addressing, through good faith discussions, the resolution of the unsatisfied conditions noted in the December 23 letter. However, City officials must be aware that, in the absence of such a resolution, the City's efforts to proceed with a proposed 125 million dollar bond financing, or any financing of this nature, is imprudent and in contravention of Act 11 and the Cooperation Agreement.

As we previously noted, the ICA remains willing to work with the City. However, under the Cooperation Agreement, the City must be forthcoming with the appropriate documentation and provide evidence that it has met the conditions described in the December 23 letter. As long as the City fails to meet these conditions, the ICA will continue to withhold final approval of the 2012 operating budget and the associated five-year Financial Plan. Until a resolution of these matters is achieved, we trust that the City will refrain from taking action to commence the borrowing of substantial sums. Further, we remind the City that its failure to abide by Act 11 and the Cooperation Agreement is a material fact which should be disclosed to financial advisors, bond underwriters, rating agencies and investors.

Thank you for your anticipated cooperation. If you have any questions, please do not hesitate to call me.

Very truly yours,

COHEN & GRIGSBY, P.C.

By:   
Clifford B. Levine

CBL/tmb

*Via Electronic Mail*

cc: Honorable Darlene Harris  
Honorable Ricky Burgess  
Honorable Michael Lamb  
Yarone Zober  
Scott Kunka  
Dan Regan, Esquire  
Honorable C. Alan Walker  
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