Pennsylvania Intergovernmental Cooperation Authority

Annual Report
for
Fiscal Year 2000

October 16, 2000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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The Mission of the Authority

The mission of the Authority, as stated in its enabling legislation, is as follows:

Policy.--It is hereby declared to be a public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of Statewide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency is hereby determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

Legislative intent.--

(1) It is the intent of the General Assembly to:

(i) provide cities of the first class with the legal tools with which such cities can eliminate budget deficits that render them unable to perform essential municipal services;

(ii) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;

(iii) foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits for cities of the first class, which city shall be charged with the responsibility to exercise efficient and accountable fiscal practices, such as:

(A) increased managerial accountability;
(B) consolidation or elimination of inefficient city programs;
(C) recertification of tax-exempt properties;
(D) increased collection of existing tax revenues;
(E) privatization of appropriate city services;
(F) sale of city assets as appropriate;
(G) improvement of procurement practices including competitive bidding procedures; and
(H) review of compensation and benefits of city employees; and

(iv) exercise its powers consistent with the rights of citizens to home rule and self government.

(2) The General Assembly further declares that this legislation is intended to remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of Statewide concern. To safeguard the rights of the citizens to the electorial process and home rule, the General Assembly intends to exercise its power in an appropriate manner with the elected officers of cities of the first class.

(3) The General Assembly further declares that this legislation is intended to authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such debt shall not be a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or city of the first class.

Source: Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "PICA Act") Section 102.

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To: The Governor and the General Assembly of the Commonwealth of Pennsylvania
The Chairperson and the Minority Chairperson of the Appropriations Committee of the Pennsylvania Senate
The Chairperson and the Minority Chairperson of the Appropriations Committee of the Pennsylvania House of Representatives
The Mayor, the City Council and the Controller of the City of Philadelphia
Other Parties Concerned with the Restoration of Financial Stability of and Achieving Balanced Budgets for the City of Philadelphia

We are pleased to provide you with this Annual Report of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") for the fiscal year ended June 30, 2000 ("FY00"), PICA's ninth year of operations.

PICA continues to have a significant role in the ongoing City of Philadelphia ("City") financial recovery. FY00 activity included (1) the approval of a Five-Year Financial Plan for Fiscal Years 2001 through 2005 which anticipates balanced budgets and tax reductions in each component year; (2) monitoring ongoing Five-Year Financial Plan compliance; (3) continuing review and monitoring of the City's operations; (4) oversight as to utilization of remainder moneys borrowed by PICA for City capital projects, productivity enhancements and indemnity costs (deficit reduction); and (5) service as the primary independent source of objective information and opinion for the benefit of the citizens of the City and the Commonwealth as well as for the media, the financial community and other outside observers.

The PICA Board has been gratified by the recognition PICA regularly receives from the financial community and the media for its successful performance as the agency charged with the responsibility for oversight and monitoring of the City's finances. We would be remiss if we failed to acknowledge and express our sincere appreciation for the continuous support PICA receives from the Governor and the General Assembly, and also for the ongoing cooperation of Philadelphia's Mayor, City Council and City Controller. That support and cooperation are vital factors to PICA's continuing success and the City's ongoing financial recovery.

Lauri A. Kavulich, Esquire

William J. Leonard, Esquire

Gregg R. Melinson, Esquire

Stephanie A. Middleton, Esquire

Michael A. Karp

PICA Annual Report Requirements

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of First Class, Act of 1991, P.L. 9, No. 6 at §203(b)(5) requires PICA:

> To make annual reports within 120 days of the close of the Authority's fiscal year commencing with the fiscal year ending June 30, 1992, to the Governor and the General Assembly describing its progress with respect to restoring the financial stability of assisted cities and achieving balanced budgets for assisted cities, such reports to be filed with the Governor, with the presiding officers of the Senate and the House of Representatives, with the Chairperson and the Minority Chairperson of the Appropriations Committee of the Senate and the Chairperson and the Minority Chairperson of the House of Representatives and with the Governing Body, Mayor and Controller of the assisted city.

§207 of the Act further provides for an annual audit to be included with the Annual Report, as follows:

> Every Authority shall file an annual report with the Chairperson and the Minority Chairperson of the Appropriations Committee of the Senate and the Chairperson and the Minority Chairperson of the Appropriations Committee of the House of Representatives, which shall make provisions for the accounting of revenues and expenses. The Authority shall have its books, accounts and records audited annually in accordance with generally accepted auditing standards by an independent auditor who shall be a certified public accountant, and a copy of his audit report shall be attached to and be made a part of the Authority's annual report. A concise financial statement shall be published annually in the Pennsylvania Bulletin.

Overview - PICA and its Role

PICA Act

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created in 1991 to assist the City of Philadelphia (the "City") in overcoming a severe financial crisis. At that time the City was burdened with a growing cumulative operating deficit, lacked resources to pay mounting overdue bills from vendors, had been pushed below the investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, was in a mode in which the quality of municipal services being provided was rapidly eroding, and verged on bankruptcy. PICA was created through the joint efforts of concerned Philadelphians and State officials who envisioned a structure which would assist the City in putting its revenue collection and spending processes in order, and at the same time reach a consensus on its future priorities, assets and limitations. The PICA Act was a compromise fashioned to meet the requirements of the Pennsylvania Constitution, the concept of local government Home Rule, and the interests of the State in the preservation of the financial integrity of its municipalities. PICA's role, a combination of cooperation, assistance and oversight was determined to be of vital importance in both a financial and political sense. It was designed to be a catalyst in the City re-evaluation of the role and priorities of municipal government.

Cooperation Agreement

The Intergovernmental Cooperation Agreement negotiated by and between PICA and the City and finalized in January of 1992 formalized the relationship contemplated by the PICA legislation. The powers and duties of the respective participants envisioned in the legislation were put into place with the execution of the Agreement. PICA was designed to be much more than a vehicle to raise otherwise unavailable funds for Philadelphia. It has the responsibility to evaluate and approve annually revised Five-Year Financial Plans, to monitor compliance by the City with such Plans, and the power to withhold both substantial Commonwealth financial assistance and the net proceeds of the PICA Tax (after PICA debt service) should the City fail to comply with its duty to balance such Plan in each of its years.

The PICA Organization

The Authority Board determined at the outset that PICA should not become overburdened with staff, preferring instead to impress upon the City the necessity for Philadelphia to develop and implement its own solutions to its problems. The Authority's staff, which totals eight, is organized to evaluate the actions of the City and to issue appropriate reports thereon to assist those who are properly charged with administration of City affairs or development of underlying policies.

PICA Financial Assistance to the City

The issuance of bonds to provide the funds directly required to assist the City to avoid insolvency and for essential capital programs was an important initial role of the Authority. That role has been successfully completed and the Authority's "new money" bond issuance powers have expired. Authority bond issuance is currently limited to refinancing existing Authority debt in order to realize net debt service savings to the City.

Through debt issuance and capital program earnings the Authority has provided in excess of $1,122 million to directly assist the City, allocated to the following purposes:

Purpose	Amount (thousands)
Deficit Elimination/Indemnities Funding	$ 256,200
Productivity Bank	20,000
Capital Projects	465,332
Retirement of Certain High Interest City Debt	381,300
TOTAL	$1,122,832

The Five-Year Financial Plan Process

PICA has consistently emphasized its firm belief that the City's continuing fiscal rehabilitation is dependent upon its continuing success in addressing both financial and managerial issues; that the process is less one dealing with finance than assessing the financial results of managerial decisions. Effective strategic planning and the institutionalization of change are matters which the City must continue to focus upon in order to assure that its considerable assets continue to be applied intelligently and consistently. The Plan process helps to document the City's intentions and the results of its actions.

As mandated in the PICA Act (and as further refined by the Intergovernmental Cooperation Agreement), the Plan is required to include:

- o Projected revenues and expenditures of the principal operating funds of the City for five fiscal years (the current fiscal year and the next four); and

- o Components to (i) eliminate any projected deficit for the current fiscal year; (ii) restore to special fund accounts money from those accounts used for purposes other than those specifically authorized; (iii) balance the current fiscal year budget and subsequent budgets in the Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

There also are statutorily mandated standards for development of the Plan (and the manner in which it is to be evaluated by PICA):

- o all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;

- o revenues are to be recognized in the accounting period in which they become both measurable and available; and

- o cash flow projections are to be made based upon reasonable and appropriate assumptions as to sources and uses of cash, including factors intended to provide a complete picture of cash demands.

The PICA Act also mandates standards for the basis for estimation of City revenues:

City Sources - current or proposed tax rates, historical collection patterns, and generally recognized econometric models;

State sources - historical patterns, currently available levels, or on levels proposed in a budget by the Governor;

Federal sources - historical patterns, currently available levels, or levels proposed in a budget by the President or in a Congressional budget resolution; and

Non-tax sources - current or proposed rates, charges or fees, historical patterns and generally recognized econometric models.

Deviations from such standards for estimation of revenues and appropriations which are proposed to be used by the City are to be disclosed specifically to the Authority and approved by a "qualified majority" of the Authority (four of its five appointed members). The Authority's Board generally has required that conservative criteria be used, and the result of the PICA process has been credible budget and Plan-making.

The Plan is also required to include a schedule of projected City capital commitments (and proposed sources of funding), debt service projections for existing and anticipated City obligations, a schedule of payments for legally-mandated services projected to be due during the term of the Plan and a schedule showing the number of authorized employee positions (filled and unfilled), inclusive of estimates of wage and benefit levels for various groups of employees.

The PICA Act requires that the Authority solicit an opinion or certification from the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Plan. The PICA Act does not, however, require that the Controller's determinations bind the Authority in its evaluation of a proposed Plan.

The PICA Act (§209) and the Cooperation Agreement (§409(b)) require submission of quarterly reports by the City concerning its compliance with the current Plan within 45 days of the end of a fiscal quarter. If a quarterly report indicates that the City is unable to project a balanced Plan and budget for its current fiscal year, the Authority may by the vote of a qualified majority declare the occurrence of a "variance", which is defined in §4.10 of the Cooperation Agreement as follows:

(i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or

(ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year.

As defined in §1.01 of the Cooperation Agreement, the City's "Covered Funds" are the General Fund, General Capital Fund, Grants Revenue Fund and any other principal operating funds of the City which become part of the City's Consolidated Cash Account.

The Effect of a "Variance"

The statute mandates the submission of monthly reports to PICA by the City in the event of a determination by the Authority of the occurrence of a variance. That situation occurred once in PICA's history. In November of 1992, the City projected a variance of $57 million (2.5%) for the 1993 fiscal year, and the Authority agreed with that assessment on December 9, 1992. Thereafter, until May of 1993, the City filed required monthly reports. The City was relieved of its burden to make monthly reports when the Authority approved the City's plan of correction in conjunction with its approval of the City's Five-Year Financial Plan for FY93-FY98 in May of 1993.

As provided in §210(e) of the PICA Act, legal consequences flow from a determination by the Authority of the existence of a variance. In addition to the City's additional reporting responsibilities, it also is required to develop revisions to the Plan necessary to cure the variance. The remedies which PICA has available to deal with a continuing variance are to direct the withholding of both specific Commonwealth funds due the City and that portion of the 1.50% tax levied on the wages and income of residents of the City in excess of the amounts necessary to pay debt service on PICA's bonds. Any amounts withheld would be paid over to the City after correction of the variance.

PICA "Threshold" Policies

From its inception PICA has held to the following policies in its evaluation of Philadelphia's Plans, initiatives, proposals and performance:

Emphasis on Structural Change - Consistent City failure to deal effectively with a long list of areas of government operations and service delivery contributed to the need for PICA. The City shall continually be encouraged to rethink existing policies and practices and to avoid sacrificing long-term progress for short-term gain.

Focus on Long-Term Progress - Meaningful strategic planning, institutionalization of appropriate change, focus on attaining long-term structural balance and on implementing pragmatic economic stimulus policies and procedures are matters of paramount importance and are to be emphasized in the PICA oversight process.

Infrastructure Programs - A meaningful capital program is a visible and tangible element of a City's social contract with its residents. The capital program, including proper maintenance of capital assets, is a key element to long-term fiscal stability. A consistent policy to adequately fund and staff infrastructure maintenance shall be continually encouraged.

Consistent Application of Stated Assumptions - Inconsistent application of unstated assumptions frequently caused pre-PICA City budgets to lack credibility, and made reliable assessment of prospects of attaining the results of such budgets impossible. PICA's Plan review process shall focus on assumptions utilized being both visible and consistent in their application.

Use of Credible Revenue Estimates - Realistic revenue estimates are a vital component of the City's budgeting and Plan preparation process and shall be a matter of primary concern in PICA's Annual Plan review process.

While it would be incorrect to claim that PICA threshold policies have resulted in all desired effects coming to fruition, they have contributed substantially to City procedural improvements.

Philadelphia City Controller

An unforeseen benefit of the PICA Act's requirement that PICA solicit an opinion from the City Controller as to the reasonableness of Plan assumptions and estimates has been the extensive cooperative professional relationship which has developed between PICA Staff and the Controller's Office. The mutually beneficial professional relationship includes ongoing cooperation on matters of common concern and regular staff meetings with respect to such matters; joint reviews of Plan components including appropriate joint meetings with City department heads and chief operating personnel pertinent thereto; cooperation on capital project reviews and reviews of PICA funded special purpose grants to the City; PICA assistance for Controller special situation studies; and specific Office of the Controller personnel assigned responsibility for effective ongoing liaison with PICA Staff. The City Controller provides copies of all City audit reports and copies of special situation studies to PICA on a timely basis. The assistance provided to PICA by the City Controller is sincerely appreciated. Cooperation between its "oversight" and "watchdog" entities has substantially benefited the City.

Corporate Entities and The School District of Philadelphia

"Corporate Entities" are defined in §1.01 of the Cooperation Agreement as "an authority or other corporate entity, now existing or hereafter created, of which one or more members of its governing board are appointed by the Mayor and which performs governmental functions for the City". The Agreement provides that the City shall cooperate with PICA in any PICA request to look into the operations of either the Corporate Entities or the School District of Philadelphia. To date PICA has not devoted any substantial attention to the operations of such City related institutions, but it is currently in a position to promptly assist in the matter of School District of Philadelphia assistance and oversight as has been suggested, but not yet requested, by the Pennsylvania Courts and Legislature and by Philadelphia's Mayor.

The Work of PICA - Fiscal Year 2000

Approval of the FY2001-FY2005 Plan

Review and recommendation for approval of the City's FY2001-FY2005 Five-Year Financial Plan was a major component of PICA Staff activities during the 2000 fiscal year. PICA Staff's comprehensive review of the Plan included assessment of the reasonableness of Plan revenue projections. The approved Plan proposes continued annual cuts in wage and earnings, net profits and business privilege taxes. Estimates of the impact of the tax cuts on revenues were carefully weighed during the review process.

While recommended for approval the Plan (the first submitted by the new Street Administration) contained both quantifiable and qualitative risks to the continuing fiscal health of the City. PICA Staff noted that certain of the new Administration's guidelines and proposals constitute new risks to the City's finances without providing precautionary strategies; and cited seven significant risks contained in the Plan (three of which were quantifiable) as follows:

- Inclusion of unidentified "Future Target Reductions" in each of the final four years of the Plan ($60 million risk).

- An overestimation of Public Utility Realty Transfer Act (PURTA) tax revenue from the State ($20 million risk).

- Loss of PGW's annual $18 million payment to the City ($90 million), as well as potential additional City long-term liability, in light of PGW's continuing financial struggles.

    - July 1, 2000 expiration of labor contracts with the City's four major municipal unions, with no explicit funding in the Plan for any costs associated with new labor contracts.

- Continued phase-in of welfare reform, including the looming Federal deadline for cessation of welfare benefits, with unpredictable effects on the City's economy and demands on its General Fund.

- An increase in the percentage of locally generated dollars that are subject to long-term commitments and the City's fast approach to its allowable debt limit, which jeopardizes the infrastructure maintenance goals of the overall Capital Program.

- A serious departure from the City's recent policy of sound financial management evidenced by a lack of detail regarding the City's Capital Program in FY2001-2002, and the commitment of $250 million in additional long-term debt.

The Plan's success depends on a continuing strong national economy. The City's economic projections are reasonable given such an economic climate but the City shows little preparedness for a general economic decline.

In the matter of collective bargaining agreements and arbitration awards the City requested, and PICA approved, a waiver of the requirement that the Plan revisions be submitted to PICA no later than 15 days after the execution of any collective bargaining agreement and no later than 20 days after any final arbitration award. This was done to avoid logistical problems during City Council's summer recess and the need to prepare and review four different amendments to the approved Plan. The City agreed to submit the required revisions to the Plan to PICA no later than 15 days after the final arbitration award (the Firefighters Act 111 award) or 15 days after the end of the first quarter of FY2001 (October 16, 2000) whichever is later. The District Council 33 and District Council 47 collective bargaining agreements and the Fraternal Order of Police Act 111 arbitration award appear to be within the parameters PICA Staff anticipated when the Plan was recommended for approval, but any judgements as to approval or disapproval of the amended Plan was must await completion of PICA Staff's review of the new document. Wage and benefit costs, rightsizing of the workforce and management rights will be major concerns of that review.

The Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Year 2001-Fiscal Year 2005, dated May 16, 2000 and comprising 76 pages, is available on request.

Strategic Planning

PICA has consistently urged the City to undertake a strategic planning process, both to assist in institutionalizing the management reforms that have been implemented to date and to promote further changes in the fundamental operations of City government that will help maintain fiscal stability over the long term. The City responded with a process that resulted in a Strategic Plan for City government as a whole, published as an appendix to the FY1996-FY2000 Plan. That Citywide Strategic Plan served as a comprehensive statement of the issues facing City government and the general strategies and action steps that the City expected to follow in addressing these issues over the coming years.

The production of the Citywide plan was an important step. However, for the full value of the strategic planning process to be realized, individual departments and agencies need to produce strategic plans that translate the Citywide plan into specific departmental actions and measurable goals.

PICA will press the current City Administration to focus on strategic planning as a valuable management tool.

City Capital Program

Oversight of the capital program continued to be a key element of PICA's work in FY00. The City continues to make progress in its scheduling and monitoring of capital project activities. Improved City monitoring of budget, encumbrance and expenditure information by project is encouraging.

PICA Staff has continually noted the need for the City's capital program to be guided by an overall strategic plan. Progress in this area has been limited by the fact that the strategic planning process remains incomplete. PICA Staff continues to monitor the relationship of the capital program and capital budgets to other Citywide programs.

Maintenance of City Facilities

The need for an efficient maintenance program for all City facilities has been an ongoing PICA concern. Preventive maintenance inadequacies in the past led to substandard City facilities, with direct impacts on service levels, and eventual use of limited capital dollars as maintenance problems deteriorated over time into major capital repair requirements. To prevent such occurrences in the future, PICA Staff believes that the City must consolidate separate facility maintenance units located within the various City departments and move toward a Citywide facility maintenance program.

While there have been improvements in preventive maintenance, further progress is needed to ensure that facilities are maintained at acceptable standards and that the level of City maintenance investment is sufficient to minimize the City's costs over the long term.

The Tax Base and the Local Economy

The City's high tax burden for individuals and businesses remains a major obstacle to economic development. The continuing tax cuts proposed in the FY2001-FY2005 Plan are a positive step toward addressing this problem. However, even with the implementation of the tax reductions, significant tax differentials will remain between the City and competing locations in the suburbs and elsewhere. While State and Federal policies drive much of the tax differential, the City government can still do much to promote a more competitive tax structure. The City can further increase productivity, cut costs, improve tax enforcement and make appropriate changes in the levels and mix of City services provided, consistent with a strategic plan. PICA Staff continues to press for such results.

Indemnities

During FY00, the City did not draw funds from the Special Indemnity Accounts that were created with PICA bond proceeds that were not needed to finance initially projected deficits. As of June 30, 2000, in excess of $11.8 million remained in such accounts, including proceeds from the 1992 bond issue granted to the City by PICA and subsequent interest earnings. These funds continue to be available for indemnity payments associated with cases resolved under the Court of Common Pleas Day Backward/Day Forward backlog reduction program.

White Paper Project

PICA Staff issued three "White Papers" during FY00. They were No. 6 "The Adverse Consequences of Philadelphia's Continuing Population Loss", No. 7 "Philadelphia Must Reduce Its Need for Tax Revenues", and No. 8 "Good Policy Demands Better Measurement: Philadelphia's Economic Development Program".

White Paper No. 6, dated November 8, 1999 discussed the cause and effect of the disparities in the City's continuing population decline, pointing out that it is mostly young adults who are leaving the City, draining it of future wage earners. A large decline among the youngest elementary school age children indicates that young families who are able to do so are fleeing the City's public schools. Nonetheless, the number of school age children in the City is projected to remain stable over the next two decades, indicating that a smaller and poorer population will need to support a school district of roughly the same size as today. The City's total number of residents over 85 years of age is projected to grow tremendously over the same period increasing the service demands of that population. Immediate remedial actions were recommended.

White Paper No. 7, dated January 31, 2000, discussed in detail the factors, many of which were outside of City control, which over the past several years have afforded the City the ability to produce tax cuts and positive fund balances simultaneously. It stressed the need for the City to address a major continuing challenge – reducing the amount of tax revenues it spends. The White Paper pointed out that each 1% reduction in tax supported expenditures would allow the City to add $20 million to its General Fund balance, reduce the wage tax rate by 1.7% or reduce the BPT Gross Receipts Tax rate by 20%. It concluded that improved enforcement and collection of taxes and continued economic growth will never afford the City more than an incremental ability to reduce taxes. To further reduce tax rates, thus enhancing its economic outlook, or to simply accommodate the probable diminishing funding capacity of an otherwise ever shrinking tax base, the City must reduce tax-supported expenditures.

White Paper No. 8, dated March 27, 2000, critiqued Philadelphia's Economic Stimulus Program, focusing particularly on the lack of publicly distributed information as to overall program strategy, pre-determined performance measures, or evaluative tools to determine if spending decisions result in expected performances. Alternative uses of General Fund dollars (such as further tax reduction) were discussed therein as were competing public investment opportunities. The White Paper concluded that given the sizeable public investment ($4.3 billion) the lack of performance measurements and established expectations for spending should no longer be tolerated. It warned that if the Administration fails to stress performance and does not consistently monitor the process City Administrators will not embrace program reforms.

Goals for PICA - Fiscal Year 2001

Ongoing Goals

During the next fiscal year, PICA Staff will continue to:

- o Focus on the need for City departments and agencies to produce strategic plans which delineate specific actions to be undertaken and measurable goals to be achieved that assist in attaining the goals of the Citywide Plan.

- o Promote the further development and use of departmental performance measures that contribute to a better understanding of and capacity to manage departmental activities.

- o Oversee PICA-funded City capital projects, stressing essential improvements to the City's capital project management and the benefits derivable from coordinated strategic and capital planning.

- o Encourage the implementation of a consolidated Citywide facility maintenance program.

Plan Approvals

PICA Staff looks forward to the FY2001 review of the City's Revised Five-Year Financial Plan, Fiscal Year 2001-Fiscal Year 2005 to be received during October 2000.

Answers to PICA Staff concerns discussed in the Staff Report on the initially approved Plan on matters such as: increasing debt service costs; legal debt limit constraints; costs incident to new sports stadiums; funding the proposed saving neighborhoods campaign (blight removal program); the need for a "Rainy Day Fund"; and the City's apparent lack of preparation for fiscal risks in the event of a downturn in the national economy; will hopefully be addressed in the October 2000 Revised Plan.

Review of the City's Five-Year Financial Plan, Fiscal Year 2002-Fiscal Year 2006 (including Fiscal Year 2001) is also expected to present major challenges.

Both of the above reviews will occur during FY01 and will result from the combined efforts of PICA Staff and Staff assigned to the task by the City Controller.

Philadelphia Gas Works

The Philadelphia Gas Works (PGW) continues to face major financial and managerial challenges. Thin financial resources threaten its ongoing viability. Proposed City actions such as foregoing scheduled annual $18 million payments from PGW, providing grants and loans to PGW, and assuming PGW debt are a major threat to the City's General Fund. Accordingly, PICA Staff anticipates a more significant involvement in the resolution of present uncertainties as to PGW's future.

The School District of Philadelphia

The possibility of PICA being of substantial assistance to both the Commonwealth of Pennsylvania and the City of Philadelphia in the matter of School District financial oversight was originally proposed by the Courts, has twice been a matter of legislative discussions, and has been endorsed by the Mayor and several members of City Council. That opportunity and the challenges it would present would be welcomed by PICA Staff and would immediately become a top priority item. PICA's budget includes reserve funding for such an event.

Overall Goal

PICA's overall goal continues to be assisting the City to become more proactive in serving its citizens; to define its service delivery philosophy; and then to consistently deliver such services within the constraints of available resources. No less will be acceptable.

Future City Reporting to PICA

Regular Reporting Required

The reporting system established in the Cooperation Agreement and in the PICA Act requires a regular flow of data from the City to PICA. This system is the fundamental device used by PICA Staff in its ongoing evaluation of City progress in its fiscal rehabilitation. PICA is generally satisfied as to the information being provided to it. PICA Staff anticipates working closely with the new administration to ensure that there is no lapse in the flow of information PICA requires to fulfill its mission.

Data to be Received by PICA Includes:

Revised Plan. The PICA Act and the Cooperation Agreement contemplate the continuous existence of a Plan encompassing the current fiscal year and the four fiscal years thereafter, and require that a new year be added to the then-existing Plan not later than 100 days prior to the end of each fiscal year. The City's Five-Year Financial Plan, Fiscal Year 2002-Fiscal Year 2006 (including Fiscal Year 2001) is thus anticipated to be received by PICA by March 22, 2001.

Quarterly Plan Reports. Under the Cooperation Agreement (§409(b)), the Authority receives reports from the City on a quarterly basis (within 45 days after the end of each fiscal quarter) concerning the status of compliance with the Plan and associated achievement of initiatives. The Cooperation Agreement (§409(e)) also requires that the City provide reports to PICA concerning Supplemental Funds (i.e., the Water and Aviation Funds) on a quarterly basis.

Grants Revenue Fund Contingency Account Report. The Cooperation Agreement provides that a report on the Grants Revenue Fund Contingency Account be prepared and submitted, by department, not later than 20 days after the close of each fiscal quarter. This report details the receipt and use of Federal and Commonwealth Funds by the City. A separate report details the eligibility for fund withholding by the Commonwealth (at PICA's direction) in the event the City cannot propose credible measures to balance a Plan which has been declared at "variance" by PICA.

Prospective Debt Service Requirements Report. The Cooperation Agreement requires submission of a report detailing prospective debt service payments by the City, as well as lease payments, 60 days prior to the beginning of a fiscal quarter, and upon each issuance of bonds or notes or execution of a lease.

Time Table of FY2000 Reporting Requirements

Due Date	Description
October 20, 2000	Receipt of 1st Quarter FY2001 Grants Revenue Fund Contingency Account Report
November 1, 2000	Receipt of 3rd Quarter FY2001 Prospective Debt Service Requirements Report
November 15, 2000	Receipt of 1st Quarter FY2001 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld
January 22, 2001	Receipt of 2nd Quarter FY2001 Grants Revenue Fund Contingency Account Report
January 31, 2001	Receipt of 4th Quarter FY2001 Prospective Debt Service Requirements Report
February 15, 2001	Receipt of 2nd Quarter FY2001 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld
March 22, 2001	Submission of proposed revision to Plan and addition of FY2006
April 20, 2001	Receipt of 3rd Quarter FY2001 Grants Revenue Fund Contingency Account Report
May 2, 2001	Receipt of 1st Quarter FY2002 Prospective Debt Service Requirements Report
May 15, 2001	Receipt of 3rd Quarter FY2001 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld
July 20, 2001	Receipt of 4th Quarter FY2001 Grants Revenue Fund Contingency Account Report
August 2, 2001	Receipt of 2nd Quarter FY2002 Prospective Debt Service Requirements Report
August 15, 2001	Receipt of 4th Quarter FY2001 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld

Management Discussion of Financial Operations

General Fund

All FY00 administration expenses of the Authority were funded from Authority earnings on its General Fund and on its Debt Service Reserve Fund (established from proceeds of PICA bond issues) and residual balances of similar earnings from prior fiscal years. No City or Commonwealth tax revenues were used to pay any portion of PICA's administrative costs in FY00, nor are any expected to be used in FY01 for such purpose.

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source has never been utilized by the Authority.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates the format thereof, and information to be provided therewith to the Governor and General Assembly of the Commonwealth of Pennsylvania. PICA's annual General Fund budgets, since its inception, have all produced surpluses.

Details as to anticipated and actual fund balances as of June 30, 2000 and as to the FY01 budget are as follows:

Anticipated Residual Fund Balance:

Fund Balance at June 30, 1999	$ 421,945
Less: Fund Balance Utilized in FY00 Budget	157,853
Anticipated Fund Balance at June 30, 2000	264,092
Add: Restoration Amount Provided in FY01 Budget	66,645
Anticipated Residual Fund Balance at June 30, 2001	$ 330,737

Fund Balance at June 30, 2000 (Anticipated/Actual):

Anticipated Fund Balance at June 30, 2000	$ 264,092
Add: Net FY00 "Better than Budget" Operating Results	88,239
Actual Fund Balance at June 30, 2000	$ 352,331

General Fund Budget for FY01:

Revenues - General Fund Interest Earnings	$ 40,570
Other Financing Sources - Transfer from Bond Issue Investment Earnings ("Reserved for subsequent PICA Administration" in the Debt Service Reserve Fund at June 30, 2000)	1,916,000
Other Financing Uses – Restoration of Fund Balance Reserve	(66,645)
Total Estimated Expenditures	$1,889,925

The Authority's FY01 budget recognizes the possibility that PICA may be requested to become involved in oversight matters pertinent to the School District of Philadelphia; and provides funding to study and/or implement such a role.

The philosophy underlying the Authority's General Fund operations remains that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it, but not so large as to present an opportunity either for the City to use PICA's resources to bypass the re-creation of its own management systems or to establish a permanent PICA structure that would develop its own reason for continued existence.

Special Revenue Fund

PICA's Special Revenue Fund receives PICA taxes (collected on its behalf by the Commonwealth), interest earnings on such collections, and net interest earnings on bond issue funds other than Capital Projects Funds (the earnings on Capital Projects Funds are restricted to use for grants to the City of Philadelphia for PICA approved capital projects). The Special Revenue Fund receipts are utilized to provide, monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement on PICA bonds outstanding and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and the total required annual principal at the close of the month prior to such required date. After provision of monthly debt service requirements, the residual balances in PICA's Special Revenue Fund are paid to City of Philadelphia as grants to the City's General Fund.

The Special Revenue Fund received in excess of $280 thousand on its invested balances during FY00, and also received in excess of $5,680 thousand of net interest earnings transferred in from other bond issue provided funds. Thus, PICA grants to the City of Philadelphia's General Fund during FY00 exceeded the equation (PICA taxes minus provision for PICA Debt Service/monthly basis = PICA grants to the City) by in excess of $5,960 thousand.

Debt Service Funds

The individual funds contained in PICA's combined Debt Service Funds operate in accordance with Trust Indenture mandated procedures. At June 30, 2000, the Fund Equity of net assets held in the combined Debt Service Funds, by individual fund groups, consisted of:

Debt Service Fund -- Current assets held for interest due 12/15/00 and principal due 6/15/01	$ 9,027,180
Debt Service Reserve Fund -- Current assets held for debt service reserve purposes as required by the Trust Indenture	76,840,350
Rebate Fund -- Current assets held for future potential rebate/debt service purposes	2,928,631
Amount Reserved for Debt Service	$88,796,161
Debt Service Reserve Fund -- Current assets held for subsequent PICA administration purposes (Debt Service Reserve Fund earnings held for PICA FY01 operations – per adopted budget)	1,916,000
Fund Equity at June 30, 2000 -- Combined Debt Service Funds	$90,712,161

Expendable Trust Funds

Expendable trust funds include amounts held separately, by bond issue from which such funds were provided, for purposes of grants to the City of Philadelphia for specific PICA approved capital projects. The PICA Act restricts City use of PICA provided capital projects dollars to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by specified Commonwealth elected officials.

PICA, in connection with its three new-money bond issues, approved specific City capital projects totaling $424,632 thousand, while providing bond issue funds of $400,773 thousand for such projects. The difference, $23,859 thousand, as anticipated, has been raised from investment earnings of funds dedicated to capital projects. At June 30, 2000, sufficient PICA controlled capital projects funds were available to complete all of the PICA initially approved projects, to complete $15,000 thousand of additional projects subsequently approved by the PICA Board, and an additional $25,700 thousand of yet to be designated projects.

Capital project funds held for PICA capital project grants to the City of Philadelphia totaled $73,690 thousand at June 30, 2000.

Arbitrage Reportable Funds

In accordance with IRS regulations, certain funds already granted to the City by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such grant funds and interest earnings thereon as yet unexpended by the City. As of June 30, 2000, such PICA provided funds as yet unexpended by the City included:

	Amount (in thousands)
Indemnity Fund	$ 1,588
'95 Indemnity Fund	$10,229
'92 Capital Projects Encumbered Funds	$15,822
'93 Capital Projects Encumbered Funds	$ 5,083
'93 Criminal Justice Project Encumbered Funds	$ 1,293
'94 Capital Projects Encumbered Funds	$ 5,970

General Fixed Assets

The fixed assets of the Authority (leasehold improvements, furniture and equipment) are recorded at cost and their value totaled $154,979 at June 30, 2000. Changes in fixed assets during Fiscal Year 2000 are summarized as follows:

Balance, July 1, 1999	$142,403		
Acquired (General Fund – Capital Outlay):			
Furniture		$20,686	
Computer System Hardware		8,014	
Total Acquired		28,700	
Disposed of – Furniture		16,124	12,576
Balance, June 30, 2000			$154,979

General Long-Term Debt

PICA's General Long-Term Debt Account Group activity for the year ended June 30, 2000 is summarized as follows:

	Amount (in thousands)
Outstanding Debt at July 1, 1999	$1,014,095
Debt Retired	54,675
Outstanding Debt at June 30, 2000	$ 959,420

Appendix A:

Financial Statements
and
Report of Independent Auditors

Pennsylvania Intergovernmental Cooperation Authority

General Purpose Financial Statements and Supplemental Statements as of and for the Year Ended June 30, 2000 and Independent Auditors' Report

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of the Authority:

We have audited the accompanying general purpose financial statements of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") as of June 30, 2000 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the Pennsylvania Intergovernmental Cooperation Authority at June 30, 2000, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.
Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental statements listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. These supplemental statements are the responsibility of the Authority's management. Such supplemental statements have been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

August 25, 2000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		
ASSETS	**General**	**Special Revenue**	**Debt Service**	**Expendable Trust**	**General Fixed Assets**	**General Long-Term Debt**	**Total (Memorandum Only)**
CURRENT ASSETS:							
Cash and short-term investments	$729,754		$90,665,061	$ 73,475,292			$ 164,870,107
PICA Taxes receivable		$ 3,619,922					3,619,922
Accrued interest receivable	15,987	5,794	282,548	214,518			518,847
Interfund receivable		235,448					235,448
Total current assets	745,741	3,861,164	90,947,609	73,689,810			169,244,324
PROPERTY, PLANT AND EQUIPMENT - Office furniture and equipment					$154,979		154,979
OTHER ASSETS - Prepaid rent and security deposit	11,545						11,545
AMOUNT AVAILABLE IN DEBT SERVICE FUNDS FOR RETIREMENT OF LONG-TERM DEBT						$ 88,796,161	88,796,161
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT						870,623,839	870,623,839
TOTAL ASSETS	$757,286	$ 3,861,164	$90,947,609	$ 73,689,810	$154,979	$ 959,420,000	$1,128,830,848
LIABILITIES AND FUND EQUITY							
CURRENT LIABILITIES:							
Accounts payable	$ 71,969						$ 71,969
Accrued payroll and taxes	332,986						332,986
Due to the City of Philadelphia		$ 3,861,164					3,861,164
Bonds payable - current portion						$ 57,570,000	57,570,000
Interfund payable			$ 235,448				235,448
Total current liabilities	404,955	3,861,164	235,448			57,570,000	62,071,567
BONDS PAYABLE - Long-term portion						901,850,000	901,850,000
FUND EQUITY:							
Fund balances:							
Unreserved	352,331						352,331
Reserved for debt service			88,796,161				88,796,161
Reserved for benefit of the City of Philadelphia				$ 73,689,810			73,689,810
Reserved for subsequent PICA administration			1,916,000				1,916,000
Investment in general fixed assets					$154,979		154,979
Total fund equity	352,331		90,712,161	73,689,810	154,979		164,909,281
TOTAL LIABILITIES AND FUND EQUITY	$757,286	$ 3,861,164	$90,947,609	$ 73,689,810	$154,979	$ 959,420,000	$1,128,830,848

See notes to general purpose financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL FUND TYPES
YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
REVENUES:					
PICA Taxes		$ 259,059,205			$ 259,059,205
Interest earned on investments	$ 59,131	266,595	$ 9,549,500	$ 4,813,622	14,688,848
Total revenues	59,131	259,325,800	9,549,500	4,813,622	273,748,053
EXPENDITURES:					
Grants to the City of Philadelphia		157,923,523		17,772,862	175,696,385
Debt service:					
Principal			54,675,000		54,675,000
Interest			52,396,149		52,396,149
Administration:					
Operations	1,190,045				1,190,045
Capital outlay	28,700				28,700
Debt issuance costs				10,017	10,017
Total expenditures	1,218,745	157,923,523	107,071,149	17,782,879	283,996,296
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,159,614)	101,402,277	(97,521,649)	(12,969,257)	(10,248,243)
OTHER FINANCING SOURCES (USES) - Net operating transfers in (out)	1,090,000	(101,402,277)	100,312,277		
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(69,614)		2,790,628	(12,969,257)	(10,248,243)
BEGINNING FUND BALANCES, JULY 1, 1999	421,945		87,921,533	86,659,067	175,002,545
ENDING FUND BALANCES, JUNE 30, 2000	$ 352,331	$ -	$ 90,712,161	$ 73,689,810	$ 164,754,302

See notes to general purpose financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Structure **-** The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic, was organized on June 5, 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6) (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class. The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio nonvoting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

The Act provides that, upon the request of the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to issue bonds and grant or lend the proceeds thereof to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Accounting Structure **-** The Authority's general purpose financial statements include all funds and account groups of the Authority. The Authority utilizes fund accounting to facilitate the orderly recording of transactions involved in conducting its financial affairs. Its accounts are organized on the basis of fund types and account groups; each fund type may consist of several discrete funds. Each fund is a separate entity accounted for by a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balances, revenues and expenditures.

Governmental Fund Types **-** The General, Special Revenue and Debt Service Funds of the Authority utilize a "modified accrual basis" of accounting. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The General Fund is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The Special Revenue Fund accounts for the proceeds of the PICA Tax (a tax levied on the wages and net profits of City of Philadelphia residents) remitted to the Authority via the Commonwealth. It is utilized to fund the debt service requirements of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (see Note 3).

Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the Authority's long-term debt. The Combined Debt Service Fund includes the following individual funds established by the Trust Indenture:

- Debt Service Fund
- Debt Service Reserve Fund
- Bond Redemption Fund
- Rebate Fund

The Bond Redemption Fund has not yet been required.

Fiduciary Fund Type - Expendable Trust - These account for assets held by the Authority for expenditure for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. These funds also utilize the modified accrual basis of accounting.

The Combined Expendable Trust Fund includes the following individual funds established by the Trust Indenture (see Note 3):

- Capital Projects Fund
- Deficit Fund
- Settlement Fund

The Deficit Fund completed its designated purpose during the fiscal year ended June 30, 1995 and is presently inactive.

Account Groups - Account groups are used to establish accounting control and accountability for the Authority's general fixed assets and its general long-term liabilities. The general fixed assets are not available for expenditure and the general long-term liabilities do not require use of financial resources during the current accounting period; therefore, neither is accounted for in the governmental or fiduciary fund types, but in self-balancing account groups, as described below:

- General Fixed Assets Account Group - General fixed assets of $154,979 and their offsetting equity account, investment in general fixed assets, include the fixed assets of the Authority, primarily leasehold improvements, furniture and equipment. General fixed assets are recorded at cost.

Changes in general fixed assets during the fiscal year ended June 30, 2000 are summarized as follows:

Balance, July 1, 1999		$ 142,403
Acquired (General Fund - capital outlay):		
Furniture	$ 20,686	
Computer system hardware	8,014	
Total acquired	28,700	
Disposed of - furniture	16,124	12,576
Balance, June 30, 2000		$ 154,979

- General Long-Term Debt Account Group - Includes the liabilities for the principal amount of debt payable. For financial statement purposes, all moneys reserved for debt service at the close of the year are considered available for debt reduction and the balance of these liabilities is offset by a deferred charge to future revenues (the PICA Tax). This procedure recognizes the legal requirement that sufficient revenue be raised in future years to cover debt service costs.

***PICA Tax* -** The "PICA Tax" was enacted by an ordinance adopted by City Council and approved by the Mayor of the City of Philadelphia on June 12, 1991 (Bill No. 1437). The tax levy is one and one-half percent (1.5%) on the wages and net profits of City residents. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law Departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to the Authority's Trustee. The PICA Tax is recorded as revenue when available and measurable.

***Compensated Absences* -** The Authority records all accrued employee benefits, including accumulated vacation, as a liability in the period benefits are earned. Accrued vacation at June 30, 2000 totaled $148,600.

***Investments* -** The Authority's investments are carried at cost (which approximates market) because of the nature of such investments.

***Total Columns on Combined Statements* -** Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America, neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

2. CASH AND SHORT-TERM INVESTMENTS

Authority funds may be deposited in any bank that is insured by federal deposit insurance. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

Investments in the Special Revenue Fund, the Debt Service Funds, and the Expendable Trust Funds must be invested in accordance with the Trust Indenture (see Note 3). The Trust Indenture restricts investments to the following types of securities:

(a) Obligations of the City of Philadelphia;

(b) government obligations;

(c) federal funds, unsecured certificates of deposits, time deposits or bankers' acceptances of any domestic bank having a combined capital and surplus of not less than $50,000,000;

(d) federally insured deposits of any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than $3,000,000;

(e) (i) direct obligations of, or (ii) obligations, the principal of and interest on which are unconditionally guaranteed by any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);

(f) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “P-1” by Moody’s and “A-1” or better by S&P;

(g) repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; and guaranteed Title XI financing of the U.S. Maritime Administration.

(h) money market mutual fund shares issued by a fund having assets not less than $100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (b) or (f) above and is rated “AAAm” or “AAAm-G” by S&P;

(i) guaranteed investment contracts (GICs) with a bank, insurance company or other financial institution that is rated in one of the three highest rating categories by Moody’s and S&P and which GICs are either insured by a municipal bond insurance company or fully collateralized at all times with securities included in (b) above.

Investments in the Debt Service Reserve Fund may only be invested in the investments included in (b) through (i) above with a maturity of 5 years or less or GICs that can be withdrawn without penalty.

At June 30, 2000, the carrying amount of the Authority’s deposits with financial institutions (including certificates of deposit and shares in U.S. Government money market funds) was $14,399,268. The bank balance of $14,449,445 was insured or collateralized as follows:

Insured	$ 100,000
Uninsured and uncollateralized, but covered under the provisions of Act 72, as amended	14,349,445
Total deposits	$ 14,449,445

The following is a schedule of investments of the Authority by type (other than certificates of deposit and shares in U.S. Government money market funds) showing the carrying value and categorization as to credit risk at June 30, 2000:

	Carrying Value			
		Credit Risk Category		
	Total	(1)	(2)	(3)
Federal Home Loan Mortgage Corp. Discount notes	$ 13,514,581			$ 13,514,581
Federal National Mortgage Association Debentures	2,912,961			2,912,961
Guaranteed investment contracts	70,718,447			70,718,447
Repurchase agreements	63,324,850			63,324,850
Total investments	$150,470,839			$150,470,839

The three credit risk categories are defined as follows:

Category

(1) Insured, registered or securities held by the entity or its agent (bank trust department) in the entity's name (name of the Authority).

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

(3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

During the year ended June 30, 2000, deposits and investments of the Authority were similar to those on hand at June 30, 2000 with respect to credit risk.

The Authority's deposits include bank certificates of deposit that have a remaining maturity at time of purchase of one year or less and shares in U.S. Government money market funds. Investments in nonparticipating interest earning investment contracts and repurchase agreements have remaining maturities at the time of purchase of less than one year. Because of the dates they were purchased, the market value of the U.S. Government Agency Investments approximates their carrying value at June 30, 2000.

3. SPECIAL TAX REVENUE BONDS

Through June 30, 2000, the Authority issued six series of Special Tax Revenue Bonds, as follows:

Series of	Amount Issued
1992	$474,555,000
1993	643,430,000
1993A	178,675,000
1994	122,020,000
1996	343,030,000
1999	610,005,000

The following summary shows the changes in bonds payable recorded in the General Long-Term Debt Account Group for the year ended June 30, 2000:

Series of	Outstanding July 1, 1999	Retirements	Outstanding June 30, 2000
1993A	$ 170,540,000	$ 735,000	$ 169,805,000
1996	234,565,000	40,680,000	193,885,000
1999	608,990,000	13,260,000	595,730,000
	$ 1,014,095,000	$ 54,675,000	959,420,000
Less current portion			57,570,000
Long-term portion			$ 901,850,000

In conjunction with its 1992, 1993 and 1993A bond issues, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was subsequently amended and supplemented as of June 22, 1992, July 15, 1993 and August 15, 1993. An Amended and Restated Indenture of Trust dated as of December 1, 1994 was entered into in conjunction with the Authority's 1994 bond issue and replaced (amended and restated) the original indenture as amended and supplemented. The 1996 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture") as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996. The 1999 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (together the "Trust Indenture") between the Authority and First Union National Bank as Trustee (the "Trustee"). The Trustee's responsibilities include ensuring that the proceeds of the PICA Tax (see Note 1) received by it are used to fund the debt service payments (bond principal and interest) required under the Trust Indenture.

Each series of bonds issued by the Authority are limited obligations of the Authority and the principal, redemption premium, if any, and interest thereon, are payable solely from a portion of the PICA Tax.

To issue additional bonds, the Trust Indenture requires that the Authority's collection of PICA Taxes in any twelve consecutive months during the fifteen-month period immediately proceeding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bonds outstanding after the issuance of the additional bonds. The PICA Taxes collected during the year ended June 30, 2000 ($255,439,284) equaled approximately 238% of the maximum annual debt service ($107,298,476) of the bonds outstanding at June 30, 2000 (the 1993A, 1996 and 1999 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2000 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2001	$ 106,998,376
2002	107,298,476
2003	79,229,826
2004	76,391,709
2005	85,979,061
2006	86,123,509
2007	86,121,324
2008	80,455,926
2009	71,836,686
2010	65,010,966
2011	61,349,791
2012	61,332,279
2013	61,320,981
2014	61,299,075
2015	61,286,038
2016	61,253,475
2017	61,231,425
2018	52,108,063
2019	43,388,863
2020	43,386,138
2021	34,001,413
2022	33,999,413
2023	20,489,100

Details as to the purpose of each of the respective series of bonds issued by the Authority to June 30, 2000 and as to bonds outstanding at that date follow.

A. **Series of 1992**

The proceeds from the sale of the Series of 1992 Bonds were to be used to (i) make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Years 1992 and 1993 General Fund deficits, (ii) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (iii) make the required deposit to the Debt Service Reserve Fund, (iv) capitalize interest on a portion of the Series of 1992 Bonds through June 15, 1993, (v) repay amounts previously advanced to the Authority by the Commonwealth to pay initial operating expenses of the Authority, (vi) fund a portion of the Authority's first fiscal year operating budget, and (vii) pay the costs of issuing the Series of 1992 Bonds.

Series of 1992 Bonds in the aggregate principal amount of $136,670,000, initially scheduled to mature June 15, 2006, 2012 and 2022 were advance refunded on September 14, 1993 (the "Refunded 1992 Bonds") through an irrevocable trust created by using a portion of the proceeds of the Series of 1993A Bonds. Series of 1992 Bonds in the aggregate principal amount of $304,160,000, initially scheduled to mature June 15, 1996, 1997, 1999, 1999, 2000 and 2002 were advance refunded on May 15, 1996 (also the "Refunded 1992 Bonds") together with the Refunded 1994 Bonds (see Series of 1994 in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1992 Bonds, monies on deposit with the Trustee on account of the Refunded 1994 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1992 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Notes 4 and 5).

B. **Series of 1993**

The proceeds from the sale of the Series of 1993 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects (including capital improvements to the City's Criminal Justice and Correctional Facilities) to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (ii) make a grant to the City for refunding of certain of the City's General Fund Obligation Bonds, (iii) make the required deposit to the Debt Service Fund, and (iv) to pay the costs of issuing the Series of 1993 Bonds.

Series of 1993 Bonds in the aggregate principal amount of $610,730,000, initially scheduled to mature June 15, 1999 through 2009, 2015, 2016 and 2023 were advance refunded on April 1, 1999 (the "Refunded 1993 Bonds") through an irrevocable trust created by using the net proceeds of the Series of 1999 Bonds together with monies on deposit with the Trustee on account of the refunded 1993 bonds. The Refunded 1993 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 6).

C. **Series of 1993A**

The proceeds from the sale of the Series of 1993A Bonds were to be used to (i) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds Series of 1992, in the aggregate principal amount of $136,670,000, (ii) make the required deposit to the Debt Service Fund, and (iii) to pay the costs of issuing the Series of 1993A Bonds.

The details of Series of 1993A Bonds outstanding at June 30, 2000 are as follows:

Interest Rate	Maturing June 15	Amount
4.500 %	2001	$ 750,000
4.600	2002	775,000
4.750	2003	5,095,000
4.850	2004	5,335,000
4.950	2005	5,595,000
5.050	2006	5,870,000
5.150	2007	6,165,000
5.250	2008	6,480,000
5.000	2013	12,000,000
5.000	2013	25,710,000
5.000	2022	96,030,000
Total		$169,805,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1993A Bonds outstanding at June 30, 2000:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2001	$ 750,000	$ 8,488,245	$ 9,238,245
2002	775,000	8,454,495	9,229,495
2003	5,095,000	8,418,845	13,513,845
2004	5,335,000	8,176,833	13,511,833
2005	5,595,000	7,918,085	13,513,085
2006	5,870,000	7,641,133	13,511,133
2007	6,165,000	7,344,698	13,509,698
2008	6,480,000	7,027,200	13,507,200
2009	6,825,000	6,687,000	13,512,000
2010	7,165,000	6,345,750	13,510,750
2011	7,525,000	5,987,500	13,512,500
2012	7,900,000	5,611,250	13,511,250
2013	8,295,000	5,216,250	13,511,250
2014	8,710,000	4,801,500	13,511,500
2015	9,145,000	4,366,000	13,511,000
2016	9,600,000	3,908,750	13,508,750
2017	10,080,000	3,428,750	13,508,750
2018	10,585,000	2,924,750	13,509,750
2019	11,120,000	2,395,500	13,515,500
2020	11,670,000	1,839,500	13,509,500
2021	12,255,000	1,256,000	13,511,000
2022	12,865,000	643,250	13,508,250

D. **Series of 1994**

The proceeds from the sale of the Series of 1994 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City Government, (ii) make the required deposit to the Debt Service Reserve Fund, and (iii) pay the costs of issuing the Series of 1994 Bonds.

Series of 1994 Bonds in the aggregate principal amount of $120,180,000 initially scheduled to mature on and after June 15, 1996 were advance refunded on May 15, 1996 (the "Refunded 1994 Bonds") together with the Refunded 1992 Bonds (see Series of 1992 earlier in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1994 Bonds, monies on deposit with the Trustee on account of the Refunded 1992 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Notes 4 and 5).

E. **Series of 1996**

The proceeds from the sale of the Series of 1996 Bonds were to be used, together with monies available in certain of the separate accounts established under the 1994 Indenture on account of the 1992 Bonds and the 1994 Bonds to (i) provide for the advance refunding of the Authority's Special Tax Revenue Bonds Series of 1992 outstanding as of May 15, 1996 in the aggregate principal amount of $304,160,000 and the Authority's Special Tax Revenue Bonds Series of 1994 outstanding as of May 15, 1996 in the aggregate principal amount of $120,180,000, (ii) pay the premium for a Debt Service Reserve Fund Insurance Policy in the amount of $35,004,944 to satisfy the Debt Service Reserve Fund Requirements in respect of the Series of 1996 Bonds which amount is equal to ten percent (10%) of the proceeds of the Series of 1996 Bonds, and (iii) pay the costs of issuing the Series of 1996 Bonds.

The details of Series of 1996 Bonds outstanding at June 30, 2000 are as follows:

Interest Rate	Maturing June 15	Amount
6.000 %	2001	$ 43,015,000
6.000	2002	45,800,000
4.850	2003	3,430,000
6.000	2004	3,590,000
6.000	2005	3,890,000
6.000	2006	4,200,000
5.200	2007	4,450,000
5.300	2008	4,680,000
5.400	2009	4,930,000
5.500	2010	5,200,000
5.500	2011	5,480,000
5.600	2012	5,785,000
5.625	2013	6,105,000
5.500	2016	20,440,000
5.500	2020	32,890,000
Total		$193,885,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1996 Bonds outstanding at June 30, 2000.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2001	$43,015,000	$11,129,631	$54,144,631
2002	45,800,000	8,548,731	54,348,731
2003	3,430,000	5,800,731	9,230,731
2004	3,590,000	5,634,376	9,224,376
2005	3,890,000	5,418,976	9,308,976
2006	4,200,000	5,185,576	9,385,576
2007	4,450,000	4,933,576	9,383,576
2008	4,680,000	4,702,176	9,382,176
2009	4,930,000	4,454,136	9,384,136
2010	5,200,000	4,187,916	9,387,916
2011	5,480,000	3,901,916	9,381,916
2012	5,785,000	3,600,516	9,385,516
2013	6,105,000	3,276,556	9,381,556
2014	6,450,000	2,933,150	9,383,150
2015	6,810,000	2,578,400	9,388,400
2016	7,180,000	2,203,850	9,383,850
2017	7,575,000	1,808,950	9,383,950
2018	7,990,000	1,392,325	9,382,325
2019	8,430,000	952,875	9,382,875
2020	8,895,000	489,225	9,384,225

F. Series of 1999

The net proceeds from the sale of the Series of 1999 Bonds were to be used, together with other monies available in the Debt Service Fund of the 1993 Bonds, to (i) provide for the advance refunding of all of the Authority's Special Tax Revenue Bonds Series of 1993 outstanding as of April 1, 1999 and maturing June 15 of the years 1999 through 2009, 2015, 2016 and 2023, in the aggregate principal amount of $610,730,000 (the "Refunded 1993 Bonds"), (ii) pay the premium for a Debt Service Reserve Fund Insurance Policy to help satisfy the Debt Service Reserve Requirements in respect of the 1993A, 1996 and 1999 bonds outstanding under the Indenture, equally and ratably, as per the amended provisions of the Trust Indenture with respect to "Debt Service Reserve Requirements," and (iii) pay the costs of issuing the Series of 1999 Bonds.

The details of Series of 1999 Bonds outstanding at June 30, 2000 are as follows:

Interest Rate	Maturing June 15	Amount
5.00 %	2001	$ 13,805,000
5.00	2002	14,600,000
5.00	2003	28,095,000
5.00	2004	26,670,000
4.00	2005	37,505,000
5.00	2006	39,075,000
5.00	2007	41,030,000
5.00	2008	37,420,000
5.00	2009	30,665,000
5.25	2010	25,370,000
5.25	2011	23,045,000
5.25	2012	24,235,000
5.25	2013	25,500,000
5.25	2014	26,815,000
5.25	2015	28,205,000
5.25	2016	29,660,000
5.25	2017	31,195,000
5.00	2018	23,710,000
4.75	2019	16,170,000
5.00	2021	34,725,000
4.75	2023	38,235,000
Total		$595,730,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1999 Bonds outstanding at June 30, 2000.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2001	$13,805,000	$29,810,500	$43,615,500
2002	14,600,000	29,120,250	43,720,250
2003	28,095,000	28,390,250	56,485,250
2004	26,670,000	26,985,500	53,655,500
2005	37,505,000	25,652,000	63,157,000
2006	39,075,000	24,151,800	63,226,800
2007	41,030,000	22,198,050	63,228,050
2008	37,420,000	20,146,550	57,566,550
2009	30,665,000	18,275,550	48,940,550
2010	25,370,000	16,742,300	42,112,300
2011	23,045,000	15,410,375	38,455,375
2012	24,235,000	14,200,513	38,435,513
2013	25,500,000	12,928,175	38,428,175
2014	26,815,000	11,589,425	38,404,425
2015	28,205,000	10,181,638	38,386,638
2016	29,660,000	8,700,875	38,360,875
2017	31,195,000	7,143,725	38,338,725
2018	23,710,000	5,505,988	29,215,988
2019	16,170,000	4,320,488	20,490,488
2020	16,940,000	3,552,413	20,492,413
2021	17,785,000	2,705,413	20,490,413
2022	18,675,000	1,816,163	20,491,163
2023	19,560,000	929,100	20,489,100

4. REFUNDED 1992 BONDS - 1992 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1993A Bonds was deposited into an irrevocable trust fund (the “1992 Bonds Escrow Fund”) under and pursuant to the terms of an escrow deposit agreement, dated as of August 15, 1993 (the “Escrow Deposit Agreement”) between the Authority and its “Escrow Agent.” First Union National Bank became the Escrow Agent during the fiscal year ended June 30, 1997. The 1992 Bonds Escrow Fund is required to be invested in Government Obligations (as defined in the Trust Indenture). Moneys in the 1992 Bonds Escrow Fund shall be used to provide for the advance refunding of the Series of 1992 Bonds of the maturities set forth in the following table in the aggregate principal amount of $136,670,000 (the “Refunded 1992 Bonds”):

Maturities June 15	Par Amount
2006	$15,140,000
2012	31,535,000
2022	89,995,000

The Escrow Agent shall use the moneys in the 1992 Bonds Escrow Fund to pay interest on the Refunded 1992 Bonds to June 15, 2002 and to redeem and pay on June 15, 2002, at a redemption price of 100%, the principal of the Refunded 1992 Bonds then outstanding.

At June 30, 2000, the 1992 Bonds Escrow Fund held cash and United States Treasury securities (at market) in the amount of $138,691,211 for the previously stated purpose. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the interest and redemption prices of the Refunded 1992 Bonds on their scheduled redemption dates through June 15, 2002.

5. REFUNDED 1992 AND 1994 BONDS - 1996 REFUNDED BONDS ESCROW FUND

Proceeds of the Series of 1996 Bonds, together with certain funds held by the Trustee on account of the Series of 1992 Bonds and the Series of 1994 Bonds and the proceeds of certain forward supply agreements entered into utilizing portions of the proceeding funds (the 1992, 1994 and 1996 proceeds supply agreements) were deposited into an irrevocable trust fund (the "1996 Refunded Bonds Escrow Fund") under and pursuant to the terms of an escrow deposit agreement, dated as of May 15, 1996 (the "Escrow Deposit Agreement") between the Authority and its "Escrow Agent." First Union National Bank became the Escrow Agent during the fiscal year ended June 30, 1997. The 1996 Refunded Bonds Escrow Fund is required to be invested in Government Obligations (as defined in the Trust Indenture). Moneys in the 1996 Refunded Bonds Escrow Fund shall be used to pay when due (a) the principal of and interest on the 1992 Refunded Bonds as the same become due and payable from the date of the Escrow Deposit Agreement to and including June 15, 2002, and (b) the principal of and interest on the 1994 Refunded Bonds as the same shall become due and payable from the date of the Escrow Deposit Agreement to and including June 15, 2005 (the "1994 Bonds Redemption Date") and to pay on the 1994 Bonds Redemption Date the Redemption Price (100% of principal amount) of the outstanding 1994 Refunded Bonds maturing after that date plus accrued interest on that date.

The following sets forth the 1992 Refunded Bonds ($99,395,000 aggregate amount) and the 1994 Refunded Bonds ($109,405,000 aggregate amount) which remain advance refunded through establishment of the 1996 Refunded Bonds Escrow Fund:

	Par Amount	
Maturing June 15	**Series of 1992**	**Series of 1994**
2001	$ 48,250,000	$ 2,535,000
2002	51,145,000	2,685,000
2003		2,850,000
2004		3,025,000
2005 and thereafter		98,310,000*

* Includes redemption of all Bonds maturing 2005 through 2021.

At June 30, 2000, the 1996 Refunded Bonds Escrow Fund held cash and United States Treasury Securities (at market) in the amount of $232,077,893 for payment of its obligations after that date. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the principal of, interest on and redemption price of the Refunded Bonds on their scheduled maturity and redemption dates.

6. REFUNDED 1993 BONDS – 1993 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1999 Bonds ($616,677,050), together with moneys on deposit with the Trustee on account of the Refunded 1993 Bonds ($19,817,995), were deposited into an irrevocable trust fund (the "1993 Bonds Escrow Fund") established and held by First Union National Bank, an escrow agent (the "Escrow Agent"), under and pursuant to the terms of an escrow deposit agreement dated as of April 1, 1999 (the "Escrow Deposit Agreement"). The 1993 Bonds Escrow Fund is required to be invested in Government Obligations, as defined in the Trust Indenture. Moneys in the 1993 Bonds Escrow Fund shall be used to pay interest on and principal of the Refunded 1993 Bonds, as and when due to and including June 15, 2003 and to redeem and pay on June 15, 2003, at a redemption price of 100%, the principal of the Refunded 1993 Bonds then outstanding plus accrued interest to the redemption date.

The following sets forth the refunded 1993 Bonds ($589,195,000 aggregate amount) which remain advance refunded through the 1993 Bonds Escrow Fund:

Maturing June 15,	Par Amount
2001	$ 11,455,000
2002	12,095,000
2003 and thereafter	565,645,000*

* Includes redemption of all bonds maturing 2003 through 2023.

At June 30, 2000, the 1993 Bonds Escrow Fund held cash and United States Treasury securities (at market) in the amount of $602,052,029 for the previously stated purpose. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the interest and redemption prices of the Refunded 1993 Bonds on their scheduled redemption dates.

7. DEFINED BENEFIT PENSION PLAN

Plan Description **-** The Authority covers all full-time employees in the State Employees' Retirement System (the "System") which was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. The System is the administrator of a cost-sharing, multiple-employer defined benefit retirement system established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies.

The System is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. The System also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108.

The System provides retirement, death and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. The general annual benefit is 2% of the member's highest three-year annual average salary times years of service. The Authority's total and annual covered payroll for the year ended June 30, 2000 was $740,967.

***Contributions Required* -** Covered employees are required to contribute to the System at a rate of 5% of their gross pay. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System participants.

The Authority's contributions to the System for the years ended June 30, 2000, 1999 and 1998 were $23,745, $29,017 and $28,064, respectively, and equal the required contribution for each year.

According to the retirement code, all obligations of the System will be assumed by the Commonwealth should the System terminate.

8. LEASE OBLIGATIONS

The Authority is obligated under various operating leases, including a lease for office space through December 31, 2007. The following is a schedule of all minimum lease payments:

Fiscal Year Ending June 30,	Amount
2001	$ 70,552
2002	72,922
2003	72,922
2004	72,922
2005	72,922
2006	71,640
2007	71,640
2008	35,020
	$ 540,540

Rental expense for the year ended June 30, 2000 was $69,270.

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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS
JUNE 30, 2000

	Debt Service Fund			Debt Service	Rebate	
ASSETS	**1993A**	**1996**	**1999**	**Reserve Fund**	**Fund**	**Total**
Current assets:						
Cash and short-term investments	$ 780,384	$ 4,567,305	$ 3,648,061	$ 78,756,350	$ 2,912,961	$ 90,665,061
Accrued interest receivable	3,174	20,101	8,155	235,448	15,670	282,548
TOTAL ASSETS	$ 783,558	$ 4,587,406	$ 3,656,216	$ 78,991,798	$ 2,928,631	$ 90,947,609
LIABILITIES AND FUND EQUITY						
Current liabilities - interfund payable - due to Special Revenue Fund				$ 235,448		$ 235,448
Fund equity -						
Fund balances reserved for:						
Debt service	$ 783,558	$ 4,587,406	$ 3,656,216	76,840,350	$ 2,928,631	88,796,161
Subsequent PICA administration				1,916,000		1,916,000
TOTAL LIABILITIES AND FUND EQUITY	$ 783,558	$ 4,587,406	$ 3,656,216	$ 78,991,798	$ 2,928,631	$ 90,947,609

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2000

	Debt Service Fund			Debt Service Reserve Fund	Rebate Fund	Total
	1993A	1996	1999			
Revenues - interest earned on investments	$ 158,535	$ 1,388,751	$ 811,937	$ 7,127,845	$ 62,432	$ 9,549,500
Expenditures:						
Principal	735,000	40,680,000	13,260,000			54,675,000
Interest	8,520,218	13,468,731	30,407,200			52,396,149
Total expenditures	9,255,218	54,148,731	43,667,200			107,071,149
Excess of revenues over (under) expenditures	(9,096,683)	(52,759,980)	(42,855,263)	7,127,845	62,432	(97,521,649)
Other financing sources (uses) - operating transfers in (out)	9,098,870	52,775,798	42,869,454	(6,301,845)	1,870,000	100,312,277
Excess of revenues and other sources over expenditures and other uses	2,187	15,818	14,191	826,000	1,932,432	2,790,628
BEGINNING FUND BALANCES, JULY 1, 1999	781,371	4,571,588	3,642,025	77,930,350	996,199	87,921,533
ENDING FUND BALANCES, JUNE 30, 2000	$ 783,558	$ 4,587,406	$ 3,656,216	$ 78,756,350	$ 2,928,631	$ 90,712,161

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET - ALL EXPENDABLE TRUST FUNDS
JUNE 30, 2000

	Capital Projects Fund			
ASSETS	**1992**	**1993**	**1994**	**Total**
Current assets:				
Cash and short-term investments	$24,491,459	$15,888,162	$33,095,671	$ 73,475,292
Accrued interest receivable	93,531	34,939	86,048	214,518
TOTAL ASSETS	$24,584,990	$15,923,101	$33,181,719	$ 73,689,810
FUND BALANCES				
Reserved for benefit of the City of Philadelphia	$24,584,990	$15,923,101	$33,181,719	$ 73,689,810
TOTAL FUND EQUITY	$24,584,990	$15,923,101	$33,181,719	$ 73,689,810

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2000

	Capital Projects Fund				Settlement Fund	
	1992	1993	1994	Total	1999	Total
Revenues - interest earned on investments	$ 2,070,545	$ 776,800	$ 1,966,173	$ 4,813,518	$ 104	$ 4,813,622
Expenditures:						
Grants to the City of Philadelphia for approved capital projects	14,475,616		3,297,246	17,772,862		17,772,862
Debt issuance costs					10,017	10,017
Total expenditures	14,475,616		3,297,246	17,772,862	10,017	17,782,879
Excess of revenues over (under) expenditures	(12,405,071)	776,800	(1,331,073)	(12,959,344)	(9,913)	(12,969,257)
BEGINNING FUND BALANCES, JULY 1, 1999	36,990,061	15,146,301	34,512,792	86,649,154	9,913	86,659,067
ENDING FUND BALANCES, JUNE 30, 2000	$24,584,990	$15,923,101	$ 33,181,719	$ 73,689,810	$	$ 73,689,810

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2000

	Budget	Actual	Over (Under) Budget
Revenues - interest earnings	$ 34,547	$ 59,131	$ 24,584
Expenditures:			
Personnel - salaries and benefits	893,400	891,537	(1,863)
Professional services:			
Legal	40,000	1,078	(38,922)
Audit	40,000	40,000	
Consulting/research	20,000	33,369	13,369
Interagency services	1,500		(1,500)
Trustee bond issuance and miscellaneous	100,000	90,506	(9,494)
Other:			
Rent	74,000	67,295	(6,705)
Computer software and minor hardware	6,500	13,896	7,396
Office supplies	6,500	5,293	(1,207)
Telephone	12,000	10,937	(1,063)
Subscriptions and reference services	5,000	5,267	267
Postage and express	7,500	5,907	(1,593)
Dues and professional education	10,000	7,794	(2,206)
Travel	7,500	8,070	570
General and administrative	13,500	9,096	(4,404)
Miscellaneous	15,000		(15,000)
Administration - operations	1,252,400	1,190,045	(62,355)
Capital outlay - furniture, fixtures and equipment	30,000	28,700	(1,300)
Total - administration	1,282,400	1,218,745	(63,655)
Excess of expenditures over revenues	(1,247,853)	(1,159,614)	(88,239)
Other financing sources - transfers in - PICA draw for operations	1,090,000	1,090,000	
Excess of expenditures over revenues and other financing sources	(157,853)	(69,614)	(88,239)
BEGINNING FUND BALANCE, JULY 1, 1999	421,945	421,945	
ENDING FUND BALANCE, JUNE 30, 2000	$ 264,092	$ 352,331	$ (88,239)

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL STATEMENT OF CASH ACTIVITY
YEAR ENDED JUNE 30, 2000

Cash receipts:	
Revenues collected - interest	$ 51,867
Other financing sources - operating transfers in from interest earnings on Debt Service Funds	1,090,000
Total cash receipts	1,141,867
Cash disbursements - expenditures paid - administration	1,041,811
Excess of cash receipts over cash disbursements	100,056
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 1999	629,698
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2000	$ 729,754

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL REVENUE FUND

SUPPLEMENTAL STATEMENT OF CASH ACTIVITY
YEAR ENDED JUNE 30, 2000

Cash receipts:	
Revenues collected:	
PICA Taxes	$255,439,284
Interest	280,807
Other financing sources - operating transfers in from interest earnings on Debt Service Funds	5,680,006
Total cash receipts	261,400,097
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	154,333,147
Other financing uses - operating transfers out for debt service requirements	107,066,950
Total cash disbursements	261,400,097
Excess of cash receipts over cash disbursements	0
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 1999	0
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2000	$ 0