

# **Pennsylvania Intergovernmental Cooperation Authority**



**Annual Report  
for  
Fiscal Year 1993**

**November 1, 1993**

# Pennsylvania Intergovernmental Cooperation Authority

## Chairperson

Bernard E. Anderson

## Vice Chairperson

Charles L. Andes

## Secretary

Charisse R. Lillie

## Assistant Secretary

G. Fred DiBona, Jr.

## Treasurer

Carol Gassert Carroll

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Secretary of the Budget

## Ex-Officio Representative of the City

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Director of Finance

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### Deputy Executive Director

Peter Geleta

### Senior Analyst

Robert Dubow

### Analyst

Michael W. Foster

### Administrative and Support Staff

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Kim Richardson

## **Professional Advisors**

### Authority Counsel

Reed Smith Shaw & McClay

### Independent Auditors

Deloitte & Touche

## **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 electoral 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.*

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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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## Pennsylvania Intergovernmental Cooperation Authority

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Telephone 215-561-9160 Fax 215-563-2570

November 1, 1993

Honorable Vincent J. Fumo  
Honorable Richard A. Tilghman

Honorable Dwight Evans  
Honorable Joseph R. Pitts

Gentlemen:

We are pleased to transmit to you the annual report of the Pennsylvania Intergovernmental Cooperation Authority, covering the period from July 1, 1992 through June 30, 1993, as provided in Act 6 of 1991 (P.L. 9) (the "PICA Act"). Section 207 of the PICA Act requires preparation and submission of an 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 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 statement shall be published annually in the Pennsylvania Bulletin.

In its second full year of operation, PICA's role evolved from that of its first year. While still acting as a source of funds for the City of Philadelphia, which has not yet regained its investment grade ratings and independent access to the credit markets, its primary emphasis has begun to change to emphasize its oversight function. While the Authority's role as a bond issuer is still important — having issued in excess of \$800 million in new bonds for the benefit of the City during the 1993 fiscal year and in the first months of FY94 — the focus has shifted from providing cash to meet accumulated and anticipated operating deficits to providing capital funding for specific purposes and efforts to restore the City to fiscal health. This in large degree is the result of the success which the City has had in beginning an effort to deal with the severe structural imbalance between its expenditures and revenues. Mayor Rendell and other elected officials are now settling in for the long task of making the fundamental institutional changes necessary to permit Philadelphia to regain its financial footing and once again progress as a viable and vital city.

As we have noted in the past, PICA is a facilitator of, and a catalyst for, change. As the City moves somewhat further from the edge of the fiscal abyss, more and more will depend upon the ongoing commitment of those in and out of government to continue to make the hard choices required for the City to survive into the next century as a place where people desire to live and work, and raise and educate their children. The dedication shown to that task to date gives us reason for optimism.

Bernard E. Anderson  
Chairperson

Charles L. Andes  
Vice Chairperson

Charisse R. Lillie  
Secretary

Carol Gassert Carroll  
Treasurer

G. Fred Dibona, Jr.  
Assistant Secretary

## **Overview: PICA and its Role**

The authors of the PICA Act did not intend that the Authority should substitute its judgment for that of the elected officials of the City of Philadelphia, despite the hopes and fears of those who thought that it would (or should) do so. In its work since June of 1991, PICA has steered its course between the demands of those who would have the Commonwealth (through PICA) push the City to adopt and implement particular policies, and those who would have the Authority provide funds and permit the City to conduct its fiscal affairs in large degree as it had in the past.

Both views were fundamentally flawed.

Given the strong presumption in favor of local government home rule in the Constitution of the Commonwealth, and specific provisions of the PICA Act, the "takeover" by PICA of the City was never a realistic alternative, nor was it what the legislative framers or the members of the Authority's Board had in mind. At base, the idea behind the Authority's "cooperation" role was to assist the City to meet its short-term fiscal responsibilities, and thereby give its elected and appointed decision-makers the opportunity to deal with the problems of Philadelphia without the pressure of imminent financial collapse. Equally, it was understood and acknowledged that for any solution to have a reasonable chance of success it would have to depend upon the commitment of local people, acting within the government and political systems of the City, to achieve consensus on goals and the resources that should be directed towards achieving them.

Of equal importance was the acknowledgment in the enabling legislation by the General Assembly, and later by the members of the Authority, that PICA should require the City to adopt and adhere to contemporary standards of financial management and public administration. In the end, the goal of the process was to permit Philadelphia to regain its fiscal stability and deliver services to its citizens with greater economy and efficiency. To its credit, the Rendell Administration, City Council, the City Controller and other officials have shared a commitment to that goal as well.

The PICA Act anticipated that the City would request financial assistance from the Authority, an action which would necessitate the negotiation of an intergovernmental cooperation agreement (the "Cooperation Agreement") and development of a five-year financial plan (the "Plan") by the City. The Authority evaluated and finally approved the initial Plan on May 18, 1992. The PICA Act provides for the issuance by the Authority, at the request of the City, of deficit reduction bonds, and bonds to finance a limited range of capital projects fitting within categories set out in the statute, both to occur only after the approval by PICA of the Cooperation Agreement and the Plan. PICA's issuance of \$474.5 million in

aggregate principal amount of its Special Tax Revenue Bonds in June of 1992 completed the first phase of the process, and provided the City with a means to address its cash flow problems on an interim basis. The Authority issued an additional \$822.1 million of its bonds in August and September of 1993 for capital projects and refundings of outstanding bonds of both PICA and the City. The most recent issues have committed the currently available debt service capacity of the Authority under its bond indenture. Under the PICA Act, the Authority may not issue new money bonds after December 31, 1994.

While the initial PICA bond issue - which provided over \$250 million in operating money - bought the City time to begin to put its fiscal house in order, there remained harder tasks - negotiating labor agreements, maintaining balance in the Plan, accomplishing its initiatives and fashioning a longer-term recovery plan. As a general rule, it is prudent to borrow for an operating deficit *only* if there is reasonable assurance that fundamental changes will provide adequate revenue to both pay debt service on the related bonds and continue to provide services. The fundamental changes in essence make the deficit (and the financing of it) a "one-time" occurrence. In Philadelphia's situation, the alternative to wholesale service reductions, and the related further erosion in tax base, would have been bankruptcy, and both PICA-provided cash and the legitimacy which the Authority helped to add to the process have been vital elements.

The vehicle chosen by the Legislature was the Plan and the City's agreement to frame, monitor and comply with its terms. As noted elsewhere in this report, the City in agreeing to the Cooperation Agreement committed itself to a more rigorous review and reporting regimen than had been seen before. While the process has at times been burdensome to senior officials, they have acknowledged the value of on-going reporting efforts, and frequently have imposed standards on City departments and agencies beyond those contemplated by either the PICA Act or the Cooperation Agreement. The commitment to change has begun at the top, and the task now is to spread that commitment over all of City government.

### The PICA Organization

The Authority recognized that PICA could neither set out to become, nor permit itself to become, a shadow government or managerial surrogate for the City. Issues are too complex, and details too great, to expect that PICA should or could do so. Also, a primary goal of the Board was to establish a system to ensure that the prioritization of problems and the development of solutions would be undertaken *within* city government, and thereby force local participants in the process to take a personal stake in the outcome. It was hoped that such a process would increase materially the prospects for the institutionalization of fundamental change.

At the time PICA was created, it was obvious to even the most casual observers of Philadelphia government that there had been for too long an organizational ethic to the effect that if a problem could be made someone else's responsibility (such as the state or federal government, even another agency within the City) somehow that was good enough. Too many years of "good enough" helped push the City to the edge of fiscal calamity in 1990 and 1991. The imposition of an outside solution and outside priorities would have laid the foundation for another round of finger-pointing as government ground to a halt after interim financial assistance once again ran through the sieve. The arrival of a new administration in January of 1992 with a focus on the fiscal crisis facing the City, and the spirit of cooperation which developed with City Council aimed towards the goal of addressing problems, spelled the beginning of an effort to re-form both the City and its underlying operational psychology. PICA will continue to support that effort.

### The Five-Year Financial Plan

In its 1992 annual report, PICA noted that the success of the City's efforts to rehabilitate itself would depend upon its success in dealing with the demands of the Plan, and (quoting from an earlier Staff Report) said:

[I]t is at least in part misleading to view the Plan as a "financial plan". In reality, the "financial" part of the process is not the most critical element. Rather, the Plan is actually a *management* plan with financial effects. In the end, the success of the initiatives in the Plan will depend substantially less upon the financial aspects of the document than the ability of the Administration to manage the Plan and its initiatives in such a way as to achieve the desired effects in the time available.

That is still the case today, and as the problems under examination become more complex and the relatively easier efforts directed towards reform are completed, the requirement for continuing and tenacious attention to the details of policy implementation and quantification of results makes the observation more appropriate than ever. PICA on several occasions has noted that the significant achievements which the City has made in the area of employee compensation and in reduction of the costs of health care benefits, combined with over \$200 million in PICA deficit financing, have bought it a short period in which to address fundamental questions of organization and management, inter-governmental cooperation and allocation of responsibilities -- the complex matters which lie at the foundation of many basic decisions about what the role of a city should be and how it should apportion its resources.



The 1992 annual report of the Authority also said:

There should be no doubt that the goal of the Plan should be to re-order the manner in which the City prioritizes its actions and manages its work. Any attempt to balance the Plan and the City's budgets through purely finance-driven actions will fail. Unless changes permeate the entire structure of City government, the existence of PICA will have done nothing more than forestall for several years the fiscal collapse of City government and its inability to deliver even the most basic services to its citizens.

That also is still true.

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

- 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
- 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):

- all projections of revenues and expenditures to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;
- revenues are to be recognized in the accounting period in which they become both measurable and available; and
- cash flow projections are to be made, based upon reasonable and appropriate assumptions as to sources and uses of cash, including factors aimed at obtaining a complete picture of cash demands.

The PICA Act also mandates standards for the 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 proposed to be used by the City are to be specifically disclosed to the Authority and approved by a "qualified majority" of the Authority (four of its five appointed members), and the Board generally has required that conservative criteria be used.

The Plan also is to include a schedule of projected City capital commitments (inclusive of 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 employee groups.

As a final protection, the PICA Act requires that the Authority request an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Plan.

### Milestones for PICA

There have been many major events during PICA's existence:

June 5, 1991	Act 6 of 1991 approved by Governor Robert P. Casey.
June 25, 1991	Initial organizational meeting of the Authority.

<b>January 3, 1992</b>	Approval by Council and Mayor W. Wilson Goode of the Cooperation Agreement ordinance.
<b>January 8, 1992</b>	Execution of the Cooperation Agreement by PICA and Mayor Edward G. Rendell.
<b>February 20, 1992</b>	Submission by Mayor Rendell of proposed Five-Year Financial Plan to City Council. Public employee labor unions file legal action with the Pennsylvania Supreme Court alleging unconstitutionality of PICA Act.
<b>March 29, 1992</b>	Approval of FY1993 budget and initial Plan by City Council.
<b>April 6, 1992</b>	PICA approval of initial Plan.
<b>April 13, 1992</b>	Supreme Court declares the PICA Act to be constitutional.
<b>April 27, 1992</b>	Public employee labor unions file for reconsideration of Supreme Court decision.
<b>May 18, 1992</b>	Submission to PICA by Mayor Rendell of final amendments to the initial Plan, and PICA approval.
<b>May 29, 1992</b>	Supreme Court issues written opinion supporting the constitutionality of the PICA Act, and denying plaintiffs' request for reconsideration.
<b>June 16, 1992</b>	PICA issue of \$474,555,000 in Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992.
<b>August 16, 1992</b>	City submits initial quarterly report under the Plan for the fourth quarter of FY92.
<b>October 15, 1992</b>	City completes negotiation of labor agreements with District Councils 33 and 47 of the American Federation of State, County and Municipal Employees.
<b>October 19, 1992</b>	PICA authorizes initial transfer of Authority bond proceeds for capital projects (\$21.7 million).

<b>November 16, 1992</b>	PICA receives City quarterly Plan report for first quarter of FY93, projecting a Plan variance through June 30, 1993 of \$57 million (2.5 %) of budgeted revenues of the General Fund.
<b>December 9, 1992</b>	PICA Board declares existence of "variance" in Plan, requiring monthly City reporting.
<b>January 21, 1993</b>	Mayor Rendell proposes FY93 variance correction measures, and submits revised Plan for FY94-FY98 (the "FY94-FY98 Plan") and FY94 capital budget to City Council.
<b>March 18, 1993</b>	City Council completes action on FY93 variance correction measures, the FY94-FY98 Plan and FY94 capital budget.
<b>March 19, 1993</b>	Mayor Rendell submits the FY94-FY98 Plan to the Authority and proposes measures to correct variance.
<b>March 31, 1993</b>	Act 111 Police arbitration panel issues award.
<b>April 14, 1993</b>	PICA approves FY94-98 Plan and correction of FY93 variance.
<b>May 12, 1993</b>	PICA approves \$196.5 million in capital projects included in the City's FY94 capital budget as being eligible for PICA financing.
<b>July 29, 1993</b>	PICA issuance of \$643,430,000 in Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993.
<b>September 14, 1993</b>	PICA issuance of \$178,675,000 in Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A.

## **The Work of PICA: Fiscal Year 1993**

In its report for the 1992 fiscal year, PICA listed several areas of concentration to which it intended to direct its primary attention during FY93. Matters were complicated to some degree by long-running labor disputes, the short strike by the City's blue- and white-collar employees in October of 1992, the Act 111 Police arbitration award issued in February of 1993 (some seven months after the expiration of the union's contract) and the still-pending arbitration proceedings involving City firefighters. Each in some degree delayed the City's efforts to effect fundamental reform, and accordingly also has delayed the Authority's efforts. On the whole, however, the 1993 fiscal year was one when the focus of the Authority began to shift from crisis-management and funding to a greater emphasis on the oversight role envisioned in the PICA Act.

Addition of fiscal years 1997 and 1998 to the Plan - The Plan as approved by PICA in May of 1992 covered the fiscal year ended June 30, 1992, as well as fiscal years 1993-96, and therefore as of July 1, 1992 covered only four fiscal years. 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 should be added to the then-existing Plan not later than 100 days prior to the end of each fiscal year. PICA's approval of the initial Plan in May of 1992 made adherence to that deadline impractical for the FY92-FY93 period, but the Mayor proposed addition of both the 1997 and 1998 fiscal years when he submitted his revisions to the initial Plan in January of 1993. PICA approved the revised Plan inclusive of the two additional fiscal years in April of 1993.

Corporate Entity Information - Anticipating the conclusion of City labor negotiations and arbitrations in the Summer of 1992, as well as completion of the work of, and delivery of the recommendations of, the Mayor's Private Sector Task Force, the Authority intended to devote additional attention in FY93 to the School District of Philadelphia and other "Corporate Entities" (defined in the Cooperation Agreement as "an authority or other corporate entity, now existing or hereafter created, of which one or more of the members of its governing board are appointed by the Mayor and which performs governmental functions for the City..."). The Cooperation Agreement and the PICA Act anticipate that information generally will be made available to PICA (the City is to provide "...all reports, documents, budgetary and financial planning data and any other information prepared by or on behalf of..." such entities).

Delays in the resolution of the City's labor situation, and the longer than expected efforts of the Task Force made it impractical to focus on the Corporate Entities during FY93. The fluidity of such basic considerations as work rules, salaries and benefits, combined with the ongoing work of the Task Force, caused the Authority to defer the largest portion of its

efforts in this area to FY94.

The ability of the City to monitor the activities of its associated entities has improved to some degree over the past year but its deficiencies in the area of cost accounting and managerial controls have deterred it from expanding its reach further. According to the Cooperation Agreement, the following agencies are Corporate Entities:

Community College of Philadelphia  
Penn's Landing Corporation  
Philadelphia Housing Development Corporation  
Philadelphia Municipal Authority  
Philadelphia Parking Authority  
Redevelopment Authority of the City of Philadelphia  
Philadelphia Industrial Development Corporation  
Philadelphia Authority for Industrial Development  
Hospitals and Higher Education Facilities Authority  
Philadelphia Housing Authority  
Pennsylvania Convention Center Authority  
Philadelphia Facilities Management Corporation  
Southeastern Pennsylvania Transportation Authority  
Philadelphia Commercial Development Corporation

Other agencies may be added to the extent they fit the definition, and there still is much to be done to integrate the Corporate Entities and their financial impact on the budget of the City into a comprehensive financial and management system.

Extraordinary Contracts - As noted in prior PICA Staff Reports, and in the Authority's 1992 annual report, the Cooperation Agreement places significant emphasis on "Extraordinary Contracts", which exclude labor contracts, and which are defined as follows:

...any contract or agreement to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will (or upon the occurrence of certain events or circumstances or the satisfaction of certain conditions may) incur a financial obligation or confer a financial benefit upon another, in either case in excess of one million (\$1,000,000) dollars during any fiscal year of the City during the term of such contract or agreement or in excess of five million (\$5,000,000) dollars in the aggregate during the term of such contract or agreement.

The City is required to file notification to PICA with respect to each such agreement, and to assess its compliance with the Plan. The goal of the process is to encourage the City to determine the impact on the Plan (both short- and long-term) of its contracts, particularly those for "open-ended" service agreements. The City's compliance with this requirement during FY93 was improved over its efforts in FY92, although there remains a significant question as to whether the City has made full use of this device to promote planning and compliance with the Plan on the departmental level.

City Capital Projects - During the City's 1990-91 cash crisis, it borrowed from its consolidated cash account for cash flow needs, and in so doing halted the City's capital and infra-structure investment program. The practical effect of such actions was to debilitate the City's already-limited capacity to design, procure and construct capital projects, to demoralize City employees who remained involved with the program, and to materially harm the physical infrastructure of the City. The Rendell Administration properly viewed the restoration of the City's capital program as a key to the rehabilitation of the City, and asked PICA to participate in the effort.

The PICA Act provides that the Authority may borrow for deficit reduction, but also may issue its bonds for a limited range of capital purposes. Specifically, PICA may borrow for emergency projects and for projects to achieve savings and balanced budgets under the current Plan.

In its Series 1992 and 1993 bond issues PICA borrowed almost \$300 million for capital projects. The Authority assisted the City by providing vitally needed cash, and PICA also began to impose a higher degree of discipline on the process. PICA-borrowed capital funds are held by the trustee for PICA's bonds -- a device designed to block use of capital funds for City operating purposes -- and the City is required to document the progress of each program element. In the view of the Authority, the process has generated a higher degree of attention to the prioritization of projects and better planning. The Task Force noted, as did PICA Staff in several of its prior reports, that the City still lacks state of the art computer software and other processes for project tracking.

During FY93, PICA's efforts to assist the City to develop a system to monitor the use of PICA bond funds for approved projects met with limited success. Our insistence that the City develop a comprehensive system to structure and monitor the progress of its capital program has had positive results but much is yet to be done, particularly in the area of project management and integration across-departmental lines, and with larger policy goals and operating requirements. We are guardedly optimistic about the prospects for significant improvement in the coming months.

**Initiative Monitoring** - Many management, productivity and revenue-raising initiatives were included in the City's initial Plan, and the Task Force offered other suggestions for improvement of government on a department-by-department basis. The FY94-FY98 Plan reflects the City's desire to broaden its efforts to reform the operations of government, and PICA has recognized that the implementation of those initiatives will have a financial and management impact. The successful completion of most of the City's collective bargaining efforts has created the opportunity for the City to incorporate the management and productivity changes necessary to begin the institutionalization of change and make corrections to the degree required to accomplish the Plan's goals on a timely basis. PICA has seen progress, but remains concerned about the City's ability to come to deliver the projected results throughout its departments and agencies, and within the limited time available.



## **Goals for PICA: Fiscal Year 1994**

PICA looks to the 1994 fiscal year mindful of its priorities, which are evolving from focus on financing to a primary emphasis on oversight. In addition to continuing to press for improvements in the general area of government operations and financial reporting, in FY94 PICA anticipates concentrating on several priority areas, and specific studies of programs and agencies:

Revision of the Plan to Include the 1999 Fiscal Year - As noted above, the PICA Act anticipates that an additional year will be added to the Plan within 100 days of the end of each fiscal year. Under that requirement, PICA is to receive a revised plan not later than March 22, 1994. Assuming that the City does not report a variance in the current Plan, and that other Plan changes are not triggered by an adverse ruling in the Fire Department Act 111 arbitration proceedings, no other revision of the FY94-FY98 Plan will be required prior to that date.

Strategic Planning - The PICA Act specifically empowers the Authority to examine the operations of Philadelphia government, and make recommendations to improve them. One area which has been of great concern to the members of the Authority has been the development a strategic plan for city government, which would highlight issues, develop priorities and provide goals as Philadelphia moves towards the next century. While the effort has begun, the City's delay since last Spring in its development of a Strategic Plan will diminish its value for FY95. While it now appears that the City's planning effort will have little impact on either the FY95-FY99 Plan or the FY95 operating and capital budgets, FY94 should be a time when the Rendell Administration begins to define the prospects for the remainder of this decade and articulate a philosophy for the delivery of City services. Demographic changes and a radically altered list of obligations which have been placed on local government over the past twenty years require that the City undertake a thorough and objective self-evaluation. PICA intends to continue to press for such to occur during the current fiscal year.

A strategic plan reflects the vision of the leaders of an institution, help to communicate that vision to constituents and provides comprehensive and coordinated guidance and direction to operating agencies as to priorities and goals. PICA believes that a strategic plan should precede development of operating and capital budgets and the Plan, and departments will go through the FY95 budget and Plan-making process following an "unwritten strategic plan" largely based upon individual perceptions of what City government should be doing.

Philadelphia has only a limited amount of time to re-orient its affairs and effect fundamental reform before a mis-match of expenditures over revenues once again drives the City to operating deficits. While it is likely that significant positive change will continue to

occur, as it has over the last two years, it is equally likely that limited financial and managerial resources will be spent in areas where a comprehensive planning effort might produce a different set of priorities. A comprehensive strategic plan, in and of itself, will not solve the City's problems, but it is a necessary component if a solution is to be found, and Philadelphia is not to once again slip back to the edge.

Capital Program Monitoring - PICA has dealt with the City's capital program as a key element both in the Authority's work and the efforts of the City to restore fiscal stability. While undertaking capital projects throughout the City has the obvious effect of improving the view of Philadelphians of the work of their local government, and there are obvious economic benefits in terms of increased employment and economic activity, it is also true that the capital program articulates the priorities of a government and its policy goals. The goal of the City's capital program since 1992 largely has been "to get back to zero" after a too-long hiatus. It is understandable that the effort of the first months after PICA-provided capital funds became available would be directed towards the restoration of the most basic of services and the most critical projects. It is equally clear, however, that going forward there must be greater sophistication in the manner in which the City undertakes its capital effort.

The absence of a comprehensive strategic plan limits the ability of the City to coordinate its capital effort. The capital program has been directed primarily towards correcting the results of years of neglect of basic maintenance. It is likely that the uncoordinated nature of inter-departmental efforts will continue to prompt the City to devote its resources unevenly and without optimizing benefits.

The Task Force was clear in its recommendation that the City should upgrade its systems to contemporary standards. If the City fails to do so, it will be impossible for it to move beyond the snail's pace of spending seen in the past three fiscal years, and which to some degree has been endemic in all City administrations.

Management Information and Cost Accounting Systems - While not the most exciting of topics to the observer, the development of management and cost accounting systems that permit senior managers, line supervisors and employees to understand the costs, benefits and results of their decisions is the single most critical element in an effort to rehabilitate the City's financial operations and management. If the City does not in short order design and implement such a system -- which could require a radical alteration in hardware, software and institutional psychology -- it is likely that many other contributions which have been made to achievement of that goal to date will have been of marginal value. PICA is encouraged by the employment of a new chief information officer with the experience necessary to understand the challenge and develop approaches to address it. The Authority will increase its attention to this area in FY94.

The Tax Base and the Local Economy - The Plan correctly notes that efforts to make Philadelphia's government more efficient and to achieve economies will be of relatively small long-term value in the absence of stabilization and expansion of the City's revenues. The "bust" which followed the rapid expansion of the national, regional and local economies -- combined with Philadelphia's fiscal problems -- have damaged the City's tax base. Real estate tax revenues have been particularly hard-hit, as have employment-based taxes. While job loss has continued over recent years at a steady rate, employment taxes have maintained slow growth primarily due to increases in employment in the high-wage medical/technology sector. During FY94, PICA will study these issues in more detail, both to ensure that revenue projections are rationally based and to assess the long-term effects of programs aimed at improving the situation.

Maintenance of City Facilities - One unfortunate side effect of the City's use of a fund accounting system unsupported by an adequate system to allocate costs is that departments and agencies have individual budgetary goals which are at best inconsistent, and at worst in conflict, with the larger fiscal goals of the City. A particularly egregious case may be found in the area of preventive maintenance of City facilities. While managers in the public area and private sector alike in times of limited resources frequently succumb to the temptation to short-change the preventive maintenance component of the budget to deal with cash flow challenges in more visibly pressing areas, in Philadelphia government the temptations have been made stronger by the realization that debt service on capital borrowing is not included in the operating budgets of City agencies. In total, and in combination with the limited resources available in recent years, the effect of the current system and capacities have been to permit neglect of the City's infrastructure.

PICA has provided in excess of \$300 million in capital funds for the City, much of which has been, and will be, devoted to work which could have been prevented by a well-managed preventive maintenance program. The City Controller in a recent report emphasized that point very forcefully, and PICA agrees with his conclusions and recommendations. As well, facilities such as the Pennsylvania Convention Center, Phase I and II of the new prisons project, the Justice Center and various components of the Avenue of the Arts project have and will come on line in the coming months. Each will create a new set of responsibilities which must be discharged prudently in order to prevent the City from bearing huge deferred maintenance costs in the future.

During FY94 the Authority will devote attention to the progress which the City and Corporate Entities must make in addressing the facilities maintenance burden, with particular emphasis on the systems necessary to assess the required level of expenditures and the means by which those expenditures are controlled.

Indemnities - The Authority approved the FY94-FY98 Plan with the express understanding that the City would request that \$23.5 million in available PICA bond proceeds from the Authority's 1992 bond issue be directed to addressing the long-standing inadequacy of the City's efforts to come to grips with its indemnities exposure. The Authority will continue its review of the indemnities process and the City's proposed reforms aimed at providing greater control and accountability by departments.

National Health Care - While the program that will emerge from deliberations in Congress is uncertain, it is evident that any national program will have massive impact on the City. At present Philadelphia spends in excess of \$110 million per year on health benefits for its employees, and millions more on City programs to deliver, monitor or pay for some type of health care for its citizens. The City must begin to evaluate the various alternative suggestions, make appropriate comments to elected representatives and formulate contingency plans to deal with the probable results. PICA intends to review this area as well, which is one where a pro-active approach by the City could have a beneficial impact.

Philadelphia's Return to the Long-Term Credit Markets - A major question which will come under examination in FY94 and in early FY95 will be the prospects for the City to return to the financial markets on its own. During FY93 the City was able to improve its ratings, although all three national rating agencies continue to rate the City below their lowest "investment grade" levels. It is likely that no meaningful adjustment in the City's ratings will be made until calendar 1994. The success which the City has had in securing credit support for its note issues, and in placing insured and a limited amount of uninsured debt in recent months, gives some reason for optimism for the prospects for restoration of investment grade ratings and its re-entry into the national credit long-term credit markets. Of at least equal importance to the City's adherence to the Plan, however, will be the perception rating agencies and participants in the financial markets have of the efforts of Philadelphia to rehabilitate its revenue base and expenditures, and fundamentally reform its systems of government, for the long term.

Reporting - Absent the occurrence of a variance, receipt of an arbitration award which is at variance with the Plan or a determination by the City that further revisions to the Plan are necessary, the City need not submit a revised Plan until March of 1994, although it has a continuing obligation to submit quarterly reports to PICA.

The PICA Act and the Cooperation Agreement require submission of quarterly reports by the City on its compliance with the 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 four of its five appointed members

declare the occurrence of a "variance", which is defined in 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 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 statute mandates the submission of monthly reports to PICA by the City after determination by the Authority of the occurrence of a "variance", and the City submitted post-variance monthly reports to the Authority from November of 1992 through April of 1993.

As provided in the PICA Act, there are legal consequences which arise from a determination by the Authority that a variance exists, and 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 it to deal with a continuing uncorrected 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 took no action with respect to fund withholding as a result of its declaration of the variance in December of 1992, which was cured by the Authority's approval of the City's proposed alterations in the Plan on April 14, 1993.

The reporting system established in the Cooperation Agreement and in the PICA Act is the fundamental device used for the Authority's assessment of the progress of City efforts. The reporting system mandated by the PICA Act is divided into several groups, which are described below, and in Table 1 (below):

Quarterly Plan reports. The Authority receives reports from the City on a quarterly basis (45 days after the end of each fiscal quarter) concerning the status of compliance with the Plan and achievement of initiatives. Quarterly reporting deadlines for FY94 are November 16, 1993, February 15, 1994, May 17, 1994 and August 16, 1994. The Cooperation Agreement 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, and those to be received relating to FY94 are October 20, 1993, January 20, 1994, April 20, 1994 and July 20, 1994. This report details the receipt and use of Federal and Commonwealth Funds by the City, as well as the eligibility for fund withholding by the Commonwealth at PICA's direction in the event the City cannot balance the Plan after an extended period of variance-induced monthly reporting and PICA review of proposed corrective efforts.

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. The dates for submission of such reports for FY94 are November 2, 1993, January 29, 1994 and May 3, 1994. The City also was obligated to provide such a report on August 3, 1993 but failed to do so as a result of its efforts to deal with the consequences of several refundings during late FY93 and early FY94. The debt service report dated October 14, 1993 has not yet been certified by the City Controller.

**Table 1.**

**FY94 Reporting Requirements**

<b>Due Date</b>	<b>Description</b>
November 2, 1993	3rd Quarter FY94 Debt Service Requirements report
November 16, 1993	1st Quarter FY94 Plan report, Supplemental Funds report and report concerning State funds which may be withheld
January 20, 1994	2nd Quarter FY94 Grants Revenue Fund Contingency Account report
January 29, 1994	4th Quarter FY94 Debt Service Requirements report
February 15, 1994	2nd Quarter FY94 Plan report, Supplemental Funds report and report concerning State funds which may be withheld
March 22, 1994	Annual revision to Plan and addition of FY99
April 20, 1994	3rd Quarter FY93 Grants Revenue Fund Contingency Account report
May 3, 1994	1st Quarter FY95 Debt Service Requirements Report
May 17, 1994	3rd Quarter FY94 Plan report, Supplemental Funds report and report concerning State funds which may be withheld
July 20, 1994	4th Quarter FY94 Grants Revenue Fund Contingency Account report
August 16, 1994	4th Quarter FY94 Plan report, Supplemental Funds report and report concerning State funds which may be withheld

## **Management Discussion of Financial Operations**

The PICA Act specifically provides that the Authority is permitted to draw earnings from the various funds and accounts created pursuant to its bond issues, and also directly from the proceeds of the PICA Tax to the extent such investment income is insufficient. During FY92, PICA's operations were funded directly by PICA Tax revenues and amounts provided for under the PICA Act for initial Authority expenses. The timing of the Authority's first bond issue (June, 1992) and the reimbursement from bond proceeds of bond-related PICA expenses combined to produce a larger than budgeted fund balance for FY92.

FY93 General Fund (operations) results increased PICA's fund balance. At the time of the preparation of PICA's FY93 budget in February of 1992, the prospects for the Authority were unclear. Litigation challenging its existence had been filed, but not yet resolved. The Authority had not issued its initial series of bonds, the Plan oversight process was still in its earliest stages and it was not at all certain what the labor-related provisions of the PICA Act and the Cooperation Agreement would bring. The FY93 budget took such potential problems into account. PICA is pleased that it was able to restrict its draw to 60% of the budgeted amount and further increase its fund balance primarily through enhanced interest earnings.

The Authority has operated within the parameters of its budget in each of its fiscal years and the FY94 budget, which was reduced from that for FY93, contemplates continuation of that trend. The desire not to institutionalize either the agency or its staff is reflected in the organization of PICA's financial operations.

As noted in the Authority's 1992 annual report, the PICA Board remains committed to a philosophy that the agency 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 establish a permanent PICA structure that would develop its own reason for continued existence. That philosophy is, if anything, stronger today.

The fund balance of the General Fund as of June 30, 1993 results from initial bond issue-provided funds and interest earnings. No City or Commonwealth tax revenues are included, nor is it contemplated that tax revenues will be required for future Authority operations. The FY94 budget contemplates funding from Authority interest earnings, and future budgets are expected to be similarly structured.



## **Appendix A:**

### **Financial Statements and Report of Auditors**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

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**General Purpose Financial Statements and  
Supplemental Statements and Schedules for the  
Year Ended June 30, 1993 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, 1993 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 and results of operations of the various fund types and account groups of the Pennsylvania Intergovernmental Cooperation Authority at June 30, 1993 and for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental statements and schedules listed in the foregoing table of contents, which are also the responsibility of the Authority's management, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such supplemental statements and schedules 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.

*Deloitte + Touche*

August 27, 1993, except for Note 6.B  
as to which the date is September 14, 1993

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
 CONTINGENTIAL ANCE SHEET 1 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1993

ASSETS	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debit Service		General Fixed Assets	Long-Term Debt	
CURRENT ASSETS							
Cash and short term investments	\$ 748,083	\$ 50,954,466		\$ 86,041,865			\$ 137,744,414
Accrued interest receivable	934	147,136		235,865			383,935
Accounts receivable - PICA taxes		\$ 6,747,225					6,747,225
Interfund receivable		148,309					148,309
Total current assets	749,017	6,895,534	51,101,602	86,277,730			145,023,883
PROPERTY, PLANT AND EQUIPMENT - Office furniture and equipment					\$ 113,180		113,180
OTHER ASSETS - Prepaid rent and security deposit	11,940						11,940
AMOUNT AVAILABLE IN DEBT SERVICE FUNDS FOR RETIREMENT OF LONG-TERM DEBT						\$ 50,019,359	50,019,359
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT						424,535,641	424,535,641
TOTAL ASSETS	\$ 760,957	\$ 6,895,534	\$ 51,101,602	\$ 86,277,730	\$ 113,180	\$ 474,555,000	\$ 619,704,003
LIABILITIES AND FUND EQUITY							
CURRENT LIABILITIES:							
Accounts payable	\$ 67,041						\$ 67,041
Accrued payroll and taxes	34,393						34,393
Due to the City of Philadelphia		\$ 6,895,534					6,895,534
Interfund payable			\$ 148,309				148,309
Total current liabilities	101,434	6,895,534	148,309				7,145,277
BONDS PAYABLE						\$ 474,555,000	474,555,000
FUND EQUITY:							
Fund balances							
Unreserved	659,523		50,019,359	\$ 86,277,730			659,523
Reserved for debt service							50,019,359
Reserved for benefit of the City of Philadelphia							86,277,730
Reserved for subsequent PICA operations			933,934				933,934
Investment in general fixed assets					\$ 113,180		113,180
Total fund equity	659,523		50,953,293	86,277,730	113,180		138,003,726
TOTAL LIABILITIES AND FUND EQUITY	\$ 760,957	\$ 6,895,534	\$ 51,101,602	\$ 86,277,730	\$ 113,180	\$ 474,555,000	\$ 619,704,003

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, 1993

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Debt Service	Fund Type Expendable Trust	(Memorandum Only)
REVENUES:					
PICA Taxes	\$ 32,348	\$ 185,146,038	\$ 3,953,853	\$ 6,187,649	\$ 185,146,038
Interest earned on investments		676			10,174,526
Total revenues	32,348	185,146,714	3,953,853	6,187,649	195,320,564
EXPENDITURES:					
Grants to the City of Philadelphia		177,537,384	30,912,245	140,816,813	318,354,197
Interest due on PICA bonds					30,912,245
Administration:					
Operating expenditures	591,291				591,291
Capital expenditures	3,165				3,165
Bond issuance costs				184,621	184,621
Total expenditures	594,456	177,537,384	30,912,245	141,001,434	350,045,519
EXCESS OF REVENUES OVER (UNDER)	(562,108)	7,609,330	(26,958,392)	(134,813,785)	(154,724,955)
EXPENDITURES					
OTHER FINANCING SOURCES (USES):					
Operating transfers in (out)	600,000	(7,609,330)	9,073,556	(2,064,226)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	37,892		(17,884,836)	(136,878,011)	(154,724,955)
BEGINNING FUND BALANCES, JULY 1, 1992	621,631		68,838,129	223,155,741	292,615,501
ENDING FUND BALANCES, JUNE 30, 1993	\$ 659,523	\$ 0	\$ 50,953,293	\$ 86,277,730	\$ 137,890,546

See notes to general purpose financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1993

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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 non-voting 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 Authority's approval of a request of the City to the Authority for financial assistance, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power 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 (the tax on the wages and net profits of the City of Philadelphia residents) remitted to the Authority via the Commonwealth. It is utilized to finance the operations of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (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

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 (Note 3):

- Capital Projects Fund
- Deficit Fund
- Settlement Fund

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 \$113,180 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.
- 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.

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 generally accepted accounting principles, neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

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, 1993 totaled \$17,123.



## 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 & Poors (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; mortgaged-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 mortgaged-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 & 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 Guaranteed Investment Contracts that can be withdrawn without penalty.

At June 30, 1993, the carrying amount of the Authority's deposits (including certificates of deposit and time deposit open accounts) with financial institutions was \$750,295. The bank balance of \$796,639 was insured or collateralized as follows:

Insured	\$ 171,639
Uninsured and uncollateralized, but covered under the provisions of Act 72, as amended	<u>625,000</u>
Total deposits	<u>\$ 796,639</u>

The following is a schedule of investments of the Authority by type (other than certificates of deposit and time deposit open accounts) showing the carrying value (cost) and categorization as to credit risk at June 30, 1993:

	Total	Carrying Value		
		Credit Risk Category		
		(1)	(2)	(3)
U.S. Treasury notes	\$ 7,362,000			7,362,000
Repurchase agreements	<u>129,632,119</u>			<u>129,632,119</u>
Total investments	<u>\$136,994,119</u>			<u>\$136,994,119</u>

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, 1993, deposits and investments of the Authority were similar to those on hand at June 30, 1993 with respect to credit risk. Because of the nature of the investments and the date they were purchased the market value of the investments approximates their carrying value at June 30, 1993.

### 3. SPECIAL TAX REVENUE BONDS, SERIES OF 1992

The Authority issued \$474,555,000 of Special Tax Revenue Bonds in June of 1992 (the "1992 Bonds") to assist the City in funding its deficit and for other purposes.

In conjunction with the bond offering the Authority entered into an Indenture of Trust dated June 1, 1992 and amended June 22, 1992 (the "Trust Indenture") with CoreStates Bank, N.A., as Trustee for the Bondholders. The Trustee's responsibilities include ensuring that the proceeds of the PICA Tax are used to fund the debt service payments (Bond principal and interest) required under the Indenture.

The proceeds from the sale of the 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 1992 Bonds through June 15, 1993, (v) repay amounts previously advanced to the Authority by the Commonwealth of 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 1992 Bonds.

The 1992 Bonds 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 (see Note 1). The details of bonds outstanding at June 30, 1993 are as follows:

<u>Interest Rate</u>	<u>Maturing June 15</u>	<u>Amount</u>
9.000%	1995	\$ 33,725,000
5.200	1996	36,765,000
5.400	1997	38,670,000
5.600	1998	40,765,000
5.750	1999	43,045,000
6.000	2000	45,520,000
6.000	2002	99,395,000
6.625	2006	15,140,000
6.800	2012	31,535,000
6.800	2022	89,995,000
Total		<u>\$474,555,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements under the 1992 Bonds.

<u>Fiscal Year Ending</u>	<u>Principal or Sinking Fund Requirements</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
1994		\$ 29,755,103	\$ 29,755,103
1995	\$ 33,725,000	29,755,103	63,480,103
1996	36,765,000	26,719,853	63,484,853
1997	38,670,000	24,808,073	63,478,073
1998	40,765,000	22,719,893	63,484,893
1999	43,045,000	20,437,053	63,482,053
2000	45,520,000	17,961,965	63,481,965
2001	48,250,000	15,230,765	63,480,765
2002	51,145,000	12,335,765	63,480,765
2003	3,430,000	9,267,065	12,697,065
2004	3,655,000	9,039,828	12,694,828
2005	3,900,000	8,797,684	12,697,684
2006	4,155,000	8,539,309	12,694,309
2007	4,430,000	8,264,040	12,694,040
2008	4,730,000	7,962,800	12,692,800
2009	5,055,000	7,641,160	12,696,160
2010	5,400,000	7,297,420	12,697,420
2011	5,765,000	6,930,220	12,695,220
2012	6,155,000	6,538,200	12,693,200
2013	6,575,000	6,119,660	12,694,660
2014	7,025,000	5,672,560	12,697,560
2015	7,500,000	5,194,860	12,694,860
2016	8,010,000	4,684,860	12,694,860
2017	8,555,000	4,140,180	12,695,180
2018	9,135,000	3,558,440	12,693,440
2019	9,760,000	2,937,260	12,697,260
2020	10,420,000	2,273,580	12,693,580
2021	11,130,000	1,565,020	12,695,020
2022	11,885,000	808,180	12,693,180

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 preceding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bond outstanding after the issuance of the additional bonds.

The PICA Taxes collected for the year ended June 30, 1993 were 292% of the maximum annual debt service of the currently outstanding bonds (the 1992 Bonds).

#### 4. DEFINED BENEFIT PENSION PLAN

Plan Description - The Authority covers all full-time employees in the State Employees' Retirement System (the "System"), which is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits for employees of state government and certain independent agencies. 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 legislature and certain law enforcement officers can retire with full benefits at age 50.

The general annual benefit is 2% of the member's highest three-year annual average salary times years of service. Members of the legislature who were members of the System before March 1, 1974 are entitled to a benefit of 7.5% of average salary for each year of legislative service.

The Authority's 1993 total and annual covered payroll was \$282,637.

Contributions Required - Covered employees are required to contribute to the System at a rate of 5% of their gross pay, except for employees hired on or after July 22, 1983, who contribute at a rate of 6.25% of their gross pay. Higher contributions are required of legislators and judges (18.75% and 7.5% to 10.0% of gross pay, respectively) who are entitled to increased benefits. 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.

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 members.

The Authority's 1993 total contribution to the system was \$44,203.

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

Funding Status and Progress - The amount of the total pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of the System's funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparison of this data among public employee retirement systems. The pension benefit obligation is calculated based on GASB Statement No. 5 and is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1991. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 9.25% per year compounded annually, (b) projected salary increases of 4% per year compounded annually, attributable to inflation, (c) additional projected salary increases of approximately 2.5%, attributable to merit/promotion, and (d) no post-retirement benefit increases.

The pension benefit obligation of the System at December 31, 1991 (the latest available pension information) was as follows:

(\$000's omitted)

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 4,621,861
Current employees:	
Accumulated employee contributions	1,973,197
Employer-financed, vested	3,532,144
Employer-financed, nonvested	<u>337,681</u>
Total pension benefit obligation	10,464,883
Net assets available for benefits, at fair value	<u>11,940,082</u>
Net assets in excess of pension benefit obligation	<u>\$ 1,475,199</u>

A comparative ten-year summary of the pension benefit obligation, which has been calculated in conformance with the requirements of GASB Statement No. 5, is presented in the System's 1992 financial statements. The ten-year summary is presented for purposes of additional analysis of System progress in accumulating sufficient assets to pay benefits when due.

5. LEASE OBLIGATIONS

The Authority is obligated under various operating leases, including a five-year lease for office space commencing 1992. The following is a schedule of all minimum lease payments:

1994	\$ 76,261
1995	75,482
1996	73,276
1997	<u>35,820</u>
	<u>\$ 260,839</u>

Rental expense for the year ended June 30, 1993 was \$78,560.

6. BONDS ISSUED SUBSEQUENT TO JUNE 30, 1993 - TRUSTEE CHANGE

A. The Authority issued the following bonds on July 27, 1993:

	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>
Special Tax Revenue Bonds, Series of 1993, dated July 15, 1993	2023	3.30 - 5.875%	<u>\$643,430,000</u>

The proceeds of such bonds were to be applied as follows:

Grants to the City of Philadelphia for fiscal year 1994 capital projects and for capital improvements to the City's criminal justice and correctional facilities	\$ 174,000,000
Grant to the City of Philadelphia for the refunding of certain of the City's General Fund Obligations	381,329,579
Debt Service Reserve Fund deposit	63,324,850
Financing costs	<u>24,775,571</u>
	<u>\$ 643,430,000</u>

B. The Authority issued the following bonds on September 14, 1993 :

	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>
Special Tax Revenue Refunding Bonds, Series of 1993 A, dated August 15, 1993	2022	2.80 - 5.25%	<u>\$ 178,675,000</u>

The proceeds of such bonds were to be applied as follows:

Refunding of 1992 Bonds*	\$ 150,407,158
Debt Service Reserve Fund deposit	13,515,500
Financing costs	<u>14,752,342</u>
	<u>\$ 178,675,000</u>

\* Deposited to the 1992 Bonds Escrow Fund, to be used to pay interest on certain 1992 Bonds, as set forth below (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. The Refunded 1992 Bonds include all of those listed in the following table:

<u>Maturities (June 15)</u>	<u>Par Amount</u>
2006	\$ 15,140,000
2012	31,535,000
2022	<u>89,995,000</u>
Aggregate principal	<u>\$ 136,670,000</u>

C. Effective July 28, 1993, Meridian Bank succeeded CoreStates Bank, N.A. as Trustee.

\* \* \* \* \*

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS  
JUNE 30, 1993

<u>ASSETS</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Bond Redemption Fund*</u>	<u>Rebate Fund*</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>					
Cash and short-term investments	\$ 2,484,481	\$ 48,469,985			\$ 50,954,466
Accrued interest receivable		147,136			147,136
<b>TOTAL</b>	<u>\$ 2,484,481</u>	<u>\$ 48,617,121</u>			<u>\$ 51,101,602</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Due to Special Revenue Fund		\$ 148,309			\$ 148,309
<b>FUND EQUITY</b>					
<b>FUND BALANCES:</b>					
Reserved for debt service	\$ 2,484,481	47,534,878			50,019,359
Reserved for subsequent PICA operations		933,934			933,934
<b>TOTAL</b>	<u>\$ 2,484,481</u>	<u>\$ 48,617,121</u>	<u>\$</u>	<u>\$</u>	<u>\$ 51,101,602</u>

\* Fund established as required by the Trust Indenture. The fund had no activity during the year ended June 30, 1993.



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - ALL DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 1993

	Debt Service Fund	Debt Service Reserve Fund	Bond Redemption Fund*	Rebate Fund*	Total
Revenues - net interest earned on investments	\$ 583,695	\$ 3,370,158			\$ 3,953,853
Expenditures - interest due on PICA bonds	30,912,245				30,912,245
Excess of Revenues over (under) Expenditures	(30,328,550)	3,370,158			(26,958,392)
Other Financing Sources (Uses):					
Operating transfers in (out)	11,574,612	(2,501,056)			9,073,556
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing uses	(18,753,938)	869,102			(17,884,836)
BEGINNING FUND BALANCES, JULY 1, 1992	21,238,419	47,599,710			68,838,129
ENDING FUND BALANCES, JUNE 30, 1993	\$ 2,484,481	\$48,468,812			\$50,953,293

\* Fund established as required by the Trust Indenture. The fund had no activity during the year ended June 30, 1993.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET - ALL EXPENDABLE TRUST FUNDS  
JUNE 30, 1993

<u>ASSETS</u>	<u>Capital Projects Fund</u>	<u>Deficit Fund</u>	<u>Settlement Fund</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and short-term investments	\$ 54,630,154	\$ 31,411,711	\$ 0	\$ 86,041,865
Accrued interest receivable	122,957	112,908		235,865
TOTAL	<u>\$ 54,753,111</u>	<u>\$ 31,524,619</u>	<u>\$ 0</u>	<u>\$ 86,277,730</u>
FUND BALANCE:				
FUND BALANCE - Reserved for the benefit of the City of Philadelphia	<u>\$ 54,753,111</u>	<u>\$ 31,524,619</u>	<u>\$ 0</u>	<u>\$ 86,277,730</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - ALL EXPENDABLE TRUST FUNDS  
YEAR ENDED JUNE 30, 1993

	<u>Capital Projects Fund</u>	<u>Deficit Fund</u>	<u>Settlement Fund</u>	<u>Total</u>
Revenues - net interest earned on investments	\$ 4,077,855	\$ 2,101,642	\$ 8,152	\$ 6,187,649
Expenditures:				
Grants to the City of Philadelphia:				
Approved capital projects	69,406,593			69,406,593
Fiscal Year 1992 deficit elimination		71,410,220		71,410,220
Bond issuance costs			184,621	184,621
Total expenditures	<u>69,406,593</u>	<u>71,410,220</u>	<u>184,621</u>	<u>141,001,434</u>
Excess of revenues over (under) expenditures	(65,328,738)	(69,308,578)	(176,469)	(134,813,785)
Other financing uses:				
Operating transfers out - net		<u>(1,872,454)</u>	<u>(191,772)</u>	<u>(2,064,226)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(65,328,738)	(71,181,032)	(368,241)	(136,878,011)
BEGINNING FUND BALANCES, JULY 1, 1992	<u>120,081,849</u>	<u>102,705,651</u>	<u>368,241</u>	<u>223,155,741</u>
ENDING FUND BALANCE, JUNE 30, 1993	<u>\$ 54,753,111</u>	<u>\$ 31,524,619</u>	<u>\$ 0</u>	<u>\$ 86,277,730</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 1993

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues - Interest earnings	\$ 1,750	\$ 32,348	\$ 30,598
Expenditures:			
Personnel - Salaries and benefits	468,450	365,284	(103,166)
Professional services:			
Legal	100,000	46,303	(53,697)
Financial advisor	25,000		(25,000)
Audit	30,000	30,000	0
Consulting/research	85,000		(85,000)
Interagency services	35,000	590	(34,410)
Trustee and miscellaneous	70,000	28,000	(42,000)
Other:			
Insurance	25,000		(25,000)
Rent	72,000	71,640	(360)
Utilities	4,000		(4,000)
Computer software and minor hardware	10,000	1,645	(8,355)
Office supplies	7,500	2,246	(5,254)
Computer time	4,800		(4,800)
Telephone	8,500	5,867	(2,633)
Subscriptions and reference services	2,500	3,612	1,112
Postage and express	6,500	8,396	1,896
Conferences and dues	6,500	4,931	(1,569)
Travel	6,000	3,271	(2,729)
General and administrative	5,000	8,748	3,748
Miscellaneous	10,000	10,758	758
Capital outlay - furniture, fixtures and equipment	15,000	3,165	(11,835)
Total	<u>996,750</u>	<u>594,456</u>	<u>(402,294)</u>
Excess of expenditures over revenues	(995,000)	(562,108)	432,892
Other financing sources:			
Transfers in - PICA draw for operations	<u>995,000</u>	<u>600,000</u>	<u>(395,000)</u>
Excess of revenues and other financing sources over expenditures	0	37,892	37,892
BEGINNING FUND BALANCE, JULY 1, 1992	<u>621,631</u>	<u>621,631</u>	<u>0</u>
ENDING FUND BALANCE, JUNE 30, 1993	<u>\$621,631</u>	<u>\$ 659,523</u>	<u>\$ 37,892</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF PICA TAX REVENUES  
YEAR ENDED JUNE 30, 1993

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TOTAL REVENUES	<u>\$ 185,146,714</u>
EXPENDITURES AND OTHER USES:	
Transfers to the General Fund for operating budget	\$ 600,000
Transfers to the Debt Service Fund for Debt Service Requirements	7,009,330
Grants to the City of Philadelphia	<u>177,537,384</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 185,146,714</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL STATEMENT OF CASH ACTIVITY  
YEAR ENDED JUNE 30, 1993

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CASH RECEIPTS:

Revenues collected	\$ 32,109
Other financing sources - from PICA tax revenues	<u>600,000</u>

Total cash receipts	<u>632,109</u>
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CASH DISBURSEMENTS - EXPENDITURES PAID	<u>607,672</u>
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EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS	24,437
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CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 1992	<u>723,646</u>
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CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 1993	<u><u>\$ 748,083</u></u>
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