

Pennsylvania Intergovernmental Cooperation Authority



**Annual Report
for
Fiscal Year 1994**

November 30, 1994

Pennsylvania Intergovernmental Cooperation Authority

14th Floor - 1429 Walnut Street — Philadelphia, PA 19102

Telephone 215-561-9160 — Facsimile 215-563-2570

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Vice Chairperson

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Authority Counsel

Reed Smith Shaw & McClay

Independent Auditors

Deloitte & Touche, LLP

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.

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

Table of Contents

	<u>Page</u>
Transmittal Letter	iv
Overview: PICA and its Role	1
Goals for PICA: Fiscal Year 1995	12
Management Discussion of Financial Operations	17
Appendix A: Financial Statements and Report of Independent Auditors	



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

November 30, 1994

Honorable Vincent J. Fumo
Honorable Richard A. Tilghman

Honorable Dwight Evans
Honorable Joseph R. Pitts

Gentlemen:

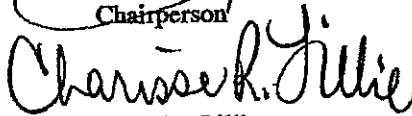
We are pleased to transmit the annual report of the Pennsylvania Intergovernmental Cooperation Authority covering the period from July 1, 1993 through June 30, 1994, as required by Act 6 of 1991, as amended (P.L. 9), §207 which provides for preparation and submission of an annual report as follows:

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*.

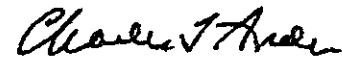
PICA has completed its third year of operations, and in its immediate future is the expiration of its new-issue bonding authority at end of the 1994 calendar year. Notwithstanding the completion of that portion of its task, however, PICA will continue to review and monitor the City's operating and capital budgets, with particular emphasis on compliance with the Five-Year Financial Plan now in effect, future amendments to the Plan and the commitment and expenditure of approximately \$300 million in capital funds which have been borrowed by PICA for the benefit of the City. As well, even with the City's report of balanced budgets for both FY93 and FY94, Philadelphia for the foreseeable future will face the necessity to make fundamental changes in all phases of its operations in order to deal with the consequences of the continuing structural imbalance between its revenues and expenditures. PICA, as the agency charged by the Commonwealth with oversight and monitoring of City finances, will continue to play a meaningful role in promoting the institutionalization of change and as a source of objective information and opinion for the benefit of the citizens of the City and Commonwealth, as well as outside observers.

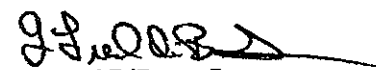
The members of the PICA Board appreciate the long-term support of the Governor and the General Assembly, and the continuing cooperation of the Mayor, City Council and the City Controller. Together we have helped Philadelphia to regain a measure of fiscal stability.


Hilary H. Holloway
Chairperson


Charisse R. Lillie
Secretary


Carol Gassert Carroll
Treasurer


Charles L. Andes
Vice Chairperson


G. Fred DiBona, Jr.
Assistant Secretary

Overview: PICA and its Role

The 1994 fiscal year was a watershed for both the Pennsylvania Intergovernmental Cooperation Authority and the City of Philadelphia. As the Rendell Administration operated for the first time with all four of its major labor agreements in place for a full fiscal year, and with the approval of its third Five-Year Financial Plan, the Administration continued to attack many of the fundamental structural operational problems besetting City government. PICA and its staff, in their assessment of the progress which the City has reported to date, frequently have commented on the difficulty in reforming a government whose basic systems still fall far short of contemporary standards. Underlying the effort is the realization, now beginning to be appreciated by other than experienced observers of the City's finances, that the long-term prospects for Philadelphia's fiscal success will be limited unless a concerted and consistent effort is made to address the reality of a structural imbalance between the rate of revenue growth and that of expenditures. Absent fundamental alterations in the manner in which the City does business, budget-balancing will be a continuous task of shuttling limited resources from one program to another on an *ad hoc* basis due to lack of an overall integrated strategic plan.

During 1991, as the Authority negotiated the Intergovernmental Cooperation Agreement and worked towards both approval of an initial Plan and issuance of its first series of bonds in 1992, its members made several "threshold" policy determinations. They have held to these policies throughout the intervening years:

Restriction of PICA general purpose deficit funding -- The Authority from the first believed that PICA's issuance of bonds for deficit reduction purposes should be very limited, done only in the amounts (and for the periods) necessary to give the City time to assess key issues, develop strategies for change and negotiate labor agreements without the threat of immediate insolvency. PICA's 1992 Bond Issue provided \$153.5 million for the City's accumulated General Fund operating deficit through the end of FY91, and additional amounts which were held in reserve for anticipated deficits in FY92 (\$95 million) and FY93 (\$7.8 million), thereby providing the budgetary order and predictability necessary to avoid budget management by year-to-year crisis. The Rendell Administration achieved significant success in its efforts to bring the costs of wages and benefits into control, and also has been able to privatize several significant functions of City agencies. As a result of those efforts, the full amount of PICA-allocated funds were not necessary for deficit funding in the amount anticipated for FY92, and none were necessary in FY93. PICA's issuance authority for deficit bonds expires on December 31, 1994.

Emphasis on structural change and long-term problem solving -- Observers of Philadelphia's government long have noted that it historically has failed to deal effectively with issues of preventive and deferred maintenance of its infrastructure, information management systems, cost accounting and allocation, vehicle management and risk management, as well as a long list of other areas of government operations and service delivery. The pressure of day-to-day

operational demands, particularly as the City slid closer to the brink of fiscal collapse during the 1989-91 period, permitted decisions to be made which further debilitated already-inadequate systems. PICA was concerned that the pressure to deal with the acute problem of an immediate threat of insolvency would discourage policymakers from giving sufficient attention to the underlying and chronic structural problems which helped to push Philadelphia to the brink.

In the Authority's reviews of the Plan and City proposals and performance it has placed a very heavy emphasis on institutionalization of change, in preference to transitory "quick fixes" which often sacrifice long-term progress for short-term gain. Proposals made by the Rendell Administration in each of its five-year financial plans have highlighted its desire (and the necessity) to work on longer-term issues. The results to date have been mixed, and it is proper to have some concern that 1995, as an election year for both the Mayor and all of City Council, could mark a period of deceleration of the drive towards effecting changes which challenge some of the "business as usual" assumptions about Philadelphia government.

Use of credible revenue estimates -- Philadelphia long had been unrealistic about estimating revenues in the construction of its budget. The inclination of budget makers and elected officials had been to assess a desired level of services and spending and approach the revenue side of the budget with a sense of creativity frequently not supported by subsequent events. Beginning with first discussions with the City in 1991 and submission of the initial FY92-FY96 Plan, the Authority has made realistic revenue estimation the first priority in its annual Plan review.

Since PICA began its initial review of the proposed FY93-FY96 Plan, it has successfully urged the City to reduce its revenue estimates by over \$519 million.

Consistent application of stated assumptions -- One feature of the City's finances that became apparent as PICA began its review process was the inconsistent application of unstated assumptions. Different scenarios were being used for ostensibly the same purposes, an action which had the immediate effect of causing different (albeit related) portions of the City's budget to move in different ways, and made credible projections and reliable assessments of its prospects impossible. Accurate projections of transfer payments from the Commonwealth and Federal governments are difficult under the best of circumstances (in part because of the mis-match between fiscal years), but Philadelphia's finances had a particular air of unreality. The tenuous linkage between the underlying assumptions to those programs with required decisions on the part of the senior elected and appointed officers tended to make the impact even more serious.

While it would be incorrect to say that either PICA or the Rendell Administration has been successful in making all assumptions both visible and consistent in their application, PICA believes there have been significant gains in applying stated assumptions uniformly.

The PICA Organization

The Authority, from its creation in 1991, has proceeded on the assumption that PICA should neither substitute its judgment for that of Philadelphia's elected officials, nor staff the agency in such a way as to replace or even suggest a diminution of the obligation of the City to administer and accept responsibility for its own affairs. The Board established a staff that would evaluate programs and their fiscal impact, but not step in to make policy determinations or act as a surrogate for the City. There have never been more than 6 full-time staff members at PICA, and the composition of the staff is tilted strongly towards analytical skills.

PICA believes that the primary goal of the Authority's efforts, apart from assisting the City to resolve its cash flow crisis and provide a strong fiscal underpinning to permit the Administration to make fundamental institutional changes and return to the credit markets without Authority aid, is to provide the resources and support -- and (perhaps most important) the time -- necessary to permit Philadelphia to manage its own affairs.

The Five-Year Financial Plan Process

In prior annual reports, PICA has emphasized that the City's efforts to fiscally rehabilitate itself depend upon its success in addressing both financial and managerial issues which lie at the heart of the City's operations. The Authority has noted frequently that the process is less one dealing with finance, than assessing the financial results of managerial decisions. The institutionalization of change remains the principal challenge which the City must deal with, on a day-in and day-out basis, if it is to avoid sliding back to the edge of the financial abyss. Vision and management will determine whether the formidable assets of the City of Philadelphia are applied intelligently and consistently.

The work to make Philadelphia run better as a local government has a much greater effect than merely moving piles of paper from file A to file B more efficiently. If successful in even a limited degree, the "opening up" of Philadelphia's government can play a role in many sectors which have been long-standing problems. If residents and businesses believe that their City government is serious about providing services and treating them as customers, with the courtesy, consistency and common sense that they have every right to expect, the prospects for their continued association with the City should increase.

As mandated in the PICA Act (and as further refined by the Intergovernmental 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 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 goal of the PICA process has been to base budget and Plan-making on those "building blocks" of credibility.

The Plan also is 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 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. 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 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 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.

Milestones for PICA

There have been several major events in PICA's history:

June 5, 1991	Act 6 of 1991 approved by Governor Robert P. Casey
June 25, 1991	Initial organizational meeting of the Authority
January 3, 1992	Approval by Council and Mayor W. Wilson Goode of the Cooperation Agreement ordinance
January 8, 1992	Execution of the Cooperation Agreement by PICA and Mayor Edward G. Rendell
February 20, 1992	Submission by Mayor Rendell of the proposed FY92-FY96 Plan to City Council. Public employee labor unions file legal actions in the Pennsylvania Supreme Court alleging unconstitutionality of PICA Act
March 29, 1992	Approval of FY1993 budget and initial FY92-FY95 Plan by City Council
April 6, 1992	PICA approval of initial FY92-FY96 Plan
April 13, 1992	Pennsylvania Supreme Court declares the PICA Act to be constitutional
May 18, 1992	Submission to PICA by Mayor Rendell of final amendments to the FY92-FY96 Plan and PICA approval of amended FY92-FY96 Plan
June 16, 1992	PICA issues \$474,555,000 in Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992
October 15, 1992	City completes negotiation of labor agreements with District Councils 33 and 47 of the American Federation of State, County and Municipal Employees
October 19, 1992	PICA authorizes initial transfer of Authority bond proceeds for capital projects (\$21.7 million)
November 16, 1992	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
December 9, 1992	PICA Board declares existence of "variance" in Plan, requiring monthly City reporting
January 21, 1993	Mayor Rendell proposes FY93 variance correction measures, and submits revised Plan for the FY94-FY98 period (the "FY94-FY98" Plan) and FY94 capital budget to City Council
March 18, 1993	City Council completes action on FY93 variance correction measures, the FY94-FY98 Plan and FY94 capital budget
March 19, 1993	Mayor Rendell submits the FY94-FY98 Plan to the Authority and proposes measures to correct variance
March 31, 1993	Act 111 Police arbitration panel issues award

April 14, 1993	PICA approves FY94-98 Plan and plan of correction for FY93 variance
July 29, 1993	PICA issuance of \$643,430,000 in Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993
September 14, 1993	PICA issuance of \$178,675,000 in Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A
January 13, 1994	Mayor Rendell submits proposed FY95 General Fund and capital budgets, and FY95-FY99 Five-Year Financial Plan, to City Council
March 24, 1994	City Council approves FY95 General Fund and capital budgets, and FY95-FY99 Five-Year Financial Plan
April 4, 1994	Mayor Rendell submits FY95-FY99 Plan to PICA
May 2, 1994	PICA approves FY95-FY99 Plan

The Work of PICA - Fiscal Year 1994

In addition to continuing to press for improvements in the general area of government operations and financial reporting, in FY94 PICA concentrated on several priority areas.

Approval of the FY95-FY99 Plan - Approval of the FY95-FY99 Plan was a critical element in the Authority's work during the 1994 fiscal year. The PICA Act anticipates that an additional year will be added to the Plan within 100 days of the end of each fiscal year, and Mayor Rendell submitted the Plan (as approved by City Council) to PICA on April 4, 1994. The Authority approved the Plan on May 2, 1994, and used its Plan evaluation process to again encourage the City to be more precise and consistent in its revenue estimates. The Plan evaluation process, as has been the case with respect to other Plan reviews performed since 1992, was marked by a high degree of cooperation among the participants, and PICA believes that it was able to recommend significant positive changes to the document before its formal submission to the Authority.

PICA Bond Issues - 1993 was a year of record low interest rates, and PICA took advantage of that circumstance to issue two series of its Special Tax Revenue Bonds. The Series of 1993 bonds raised \$174 million in capital funds for the City and refunded \$336 million in City general obligation bonds. Series A of 1993 refunded \$137 million in principal amount of PICA's 1992 bond issue. In addition to reducing City debt service (both directly in the case of the City's bonds and indirectly with respect to PICA), the financings also freed up a substantial portion of the City's capacity to incur general obligation indebtedness.

Strategic Planning - In its Annual Report for FY93, PICA noted that the development of a City strategic plan would be critical for the 1994 fiscal year. The results to date have not been encouraging. After an initial series of meetings and studies in the late Winter of 1993-94, there is no visible indication that the City has made a continuing commitment to the planning effort, and the absence of an articulated version has the effect of conveying all images of a government that continues to deal with the symptoms of longer-term issues through a series of short-term actions rather than the fundamentals of long-term issues themselves. While we still are optimistic that the institutionalization of fundamental change in government remains high on the list of the City's priorities, there is less reason to believe now than before that the Rendell Administration will attack the root causes on an organized and long-term strategic basis. In October of 1993, we said:

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, helps 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.

There is no present indication of a City commitment to enact and follow a comprehensive strategic plan, an omission which will have far-reaching effects on the prospects for the institutionalization of fundamental change and development of a larger sense of direction for the City.

City Capital Program - Since its evaluation of the FY92-FY96 Plan, and its 1992 bond issue, PICA has assigned a high priority to the City's capital program. For decades the City had delayed recognition of the consequences of an endemic institutional aversion to proper maintenance of the City's asset base. Oversight of the capital program has become a key element both in the Authority's work and the efforts of the City to restore long-term fiscal stability.

The capital program is a very visible and tangible element of a city's social contract with its residents. Rehabilitation of existing facilities gives residents a "feel" that progress is being made, but carries with it a burden to maintain the infrastructure that has been restored so painstakingly and with such great expense. PICA has seen no evidence of implementation of a consistent policy on either the departmental or central administration level to fund and staff the maintenance area of the budget to meet the burden of carrying the improved infrastructure into the next century adequately.

The continuing failure of the City to adopt plans and processes that reflect a realistic and comprehensive view of what the City has become, and where it is going, over time has discouraged an efficient investment of scarce resources. The argument that the asset base had deteriorated to such a degree, and the unrest in neighborhoods was so great, as to continue to "force" a certain set of decisions is better political rhetoric than responsible governance. Real choices are necessary, based upon studies, population and housing statistics and taking into account popular sentiment. Not to come to grips with underlying reality -- which is that the City cannot do all that it says it can do with the resources it has at hand -- is to continue to raise unrealistic expectations.

The Administration has claimed, with some justification, that the pace of capital spending has increased. This may be true in some degree, and the disbursement of funds which were encumbered as much as two years ago indicates that this is the case. Nonetheless, the rate of new encumbrance is such (absent the Prisons and other areas outside the City's direct control) that the system still has huge endemic problems.

Management Information and Cost Accounting Systems - In its report for its 1993 fiscal year, the Authority stated: "...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." While the system still lags behind contemporary standards, the introduction of the on-line FAMIS system has begun to pay dividends. FY95 and FY96 will be critical in the areas of both process application and systems integration. More important than the hardware and software, however, will be the use which managers are able to make of the data that has become (and will become) available.

The Tax Base and the Local Economy - In his address introducing the FY95-FY99 Plan and FY95 operating budget to City Council in January of 1994, the Mayor made it clear that his primary emphasis in the coming years, with the passing of the "acute" stage of the City's fiscal crisis, would be on the revitalization of the City's tax and job base. As has been noted in PICA Staff reports, as well as in City-published data, the loss of jobs from Philadelphia is a major factor in the fiscal debilitation which the City has suffered. It is encouraging that the month-to-month totals of employment seem to have stabilized, but the composition of the job base continues to change to the detriment of higher wage manufacturing positions, which continue to show a precipitous decline. The City's economy has come to be supported in large degree by the service sector, which now is at its highest level ever.

The shift in emphasis will have major ripple effects throughout the City and the region. Through FY94, the Authority and its staff have continued to deal with the relationship among the job base, the tax base and the fiscal well-being of Philadelphia.

Maintenance of City Facilities - PICA has noted in the past that the City's systems have inadequately supported cost allocation and thereby have failed to make management responsible for the long-term consequences of their short-term decisions. There have been few encouraging steps. One positive aspect has been that prioritization of work to be undertaken at some facilities has introduced another "stakeholder" in the process. Another is that facility assessment efforts are providing a better understanding of key problems. Finally, the work funded by PICA presumably has replaced older systems with contemporary ones -- which should reduce operational costs.

On the negative side, however, it is clear that the City has not developed the political will necessary to deal with either questions of over-building or the "real life" budgetary questions of what it takes to preserve a multi-billion dollar asset.

Numerous studies over the years have said that there are too many City facilities, located in the wrong places and serving a population that has changed radically over the last generation. The hard fact is that the City has invested funds in an infrastructure system that in many ways is outmoded, and the continuing failure to deal with that underlying reality will only continue to encourage the spending of good money after bad and penalize necessary facilities at the price of slipshod maintenance of both those and the unnecessary ones.

Indemnities - During 1994 the City began to draw funds from the Special Indemnity Account created with \$23.5 million in available PICA bond proceeds from the Authority's

1992 bond issue that were not used to fund the FY92 deficit. In its FY95-FY99 Plan the City has indicated that it will request the use of the remaining \$7.8 million in unused 1992 bond proceeds to supplement the original indemnity deposits. Through June 30, 1994 the City had drawn \$11.3 million of the initial allocation.

Philadelphia's Return to the Credit Markets - During its 1994 fiscal year, the Authority worked with the City with the goal in mind of the City's re-acquisition of its investment grade ratings and return to the national credit markets. The City is continuing its effort in early FY95, and the Authority will continue to play the role of advocate and constructive critic, as appropriate. PICA's ratings were recently confirmed by Standard & Poor's Corporation ("A-") and Fitch Investors Services ("BBB+"). Moody's Investors Services upgraded PICA from "Baa" to Baa1" on November 7, 1994.

Goals for PICA: Fiscal Year 1995

Capital Review and Monitoring -- While it may seem redundant to again assert PICA concerns as to the structure and effectiveness of the City's capital process, it is no less true today than it was in 1991 that a serious improvement in the ability of the City to build and maintain its infrastructure is a necessary element to achieve fiscal stability. During the 1995 fiscal year, as PICA completes its funding responsibilities under the PICA Act, it will re-focus its efforts towards completion of the projects now underway and continue to use its role to encourage improvements in the manner in which capital work is done.

Addition of FY2000 to the Plan -- Under the PICA Act the Mayor is obligated to propose a new Plan not less than 100 days prior to the end of the City's June 30 fiscal year. In the past, Mayor Rendell has submitted his budget and revision to the Plan to City Council in January or February, and PICA has received the document in late April or early May. We expect the same to be the case for the FY1996-FY2000 Plan.

The expiration of labor agreements in June of 1996 adds an extra dimension to the Plan-making process. While the FY95-FY99 Plan, as proposed by Mayor Rendell and approved by City Council, anticipates no wage or benefit increases for City employees beyond those provided for under current contracts, and PICA has found that assumption to be reasonable (as it did with respect to the initial FY92-FY96 Plan), it nonetheless is clear that the participants in the process will pay greater attention to the practical effect of those Plan elements as they draw closer to meaningful negotiations. The status of the City's fiscal situation is delicate enough that wage increases of any significance could unbalance the overall Plan and accordingly would require adjustments elsewhere. For that reason, the FY1996-FY2000 Plan review process will be particularly critical as it relates to the application of underlying assumptions on a consistent basis.

Further complicating the process is the stated desire on the part of Mayor Rendell to begin to reduce the Wage Tax and the business tax burden. The Authority will examine any proposal closely in the context of both the consistency of its application and its long-term impact. There is no question that the tax burden imposed on those who live and/or work in the City is a major impediment to revitalization of the local economy. As has been noted in PICA Staff reports, however, the City also faces similar impediments in the area of service delivery.

Issuance of Series of 1994 Bonds -- The PICA Act provides that the Authority may not issue new money bonds for capital or deficit elimination purposes after December 31, 1994. The Authority expects to issue approximately \$120 million of its Special Tax Revenue Bonds to fund \$106.8 million of the capital projects listed in the FY95-FY99 Plan. The spending of those amounts, even with a vastly improved capital project management system, will take several years, and should see the City through its capital requirements even if its return to the markets as a result of the restoration of its investment grade ratings is delayed.

Preventive Maintenance -- The concern which PICA has about this issue remains constant. Review of the FY1996-FY2000 Plan will include a more serious and detailed examination of this element of the City's budget and the priority which has been assigned to it by the Rendell Administration and City Council.

Management Controls and Information Reporting -- The City's new on-line FAMIS system has done much to improve its ability to obtain and track data, and the Mayor's Office of Information Services has played a major role in bringing the system to a level within sight of contemporary standards. Over FY95, however, as other pieces come on line in the Finance and Revenue Departments and in other areas, the challenge faced by the City will be to make the new systems produce information that is both useable and used by senior officials.

PICA Staff has noted in its reports that the City's data which now is available (the Monthly Managers Report, for example) has circulated too narrowly and have been of marginal utility to most of its managers. While the Managers Report has begun to circulate more widely, it nonetheless is true that it is still not in general use as either a way to "keep score" or a management tool.

Corporate Entities and the School District of Philadelphia -- PICA has long intended to look more deeply into the operations of the City's "Corporate Entities", defined in §1.01 of the Cooperation Agreement as "an authority or corporate entity ... 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." With the conclusion of the bond financing program it is likely that PICA will be able to devote more of its attention to these areas. The same is true with respect to the School District of Philadelphia. While the manner in which the Commonwealth funds local school districts, and indirectly secures their bonds, is such as to make them "financeable" almost regardless of their underlying financial integrity, it is clear that the School District of the City of Philadelphia is at a critical point. The hiring of a new superintendent, approval by City Council of a tax on sales of liquor by the drink and other factors have combined to make this a an important moment.

It is difficult to divorce the School District and its problems and opportunities from the problems and opportunities of the City itself. The District and the City share the same Real Estate Tax base, the District is a major employer within the City and the District serves as the primary source of trained individuals for jobs in the local economy. Its success, as a long-term matter, is inextricably linked with that of the City.

Reporting -- The reporting system established in the Cooperation Agreement and in the PICA Act, anticipates a regular flow of data to PICA and is key to assessing the progress of the City's efforts to regain its long-term fiscal footing. In its report on FY93, the Authority said:

While PICA is very much concerned about the content and quality of the information which such an effort will produce, it is of equal importance that the City concurrently establish a system to permit its own ongoing evaluation of financial information, apart from what is required by PICA, for the

purposes of re-asserting control over the City's fiscal systems, and giving City managers the tools they require to manage effectively.

The City's Quarterly Report for the first quarter of FY95 included, for the first time, an effort to track and quantify indicators of both financial and non-financial performance. PICA anticipates that future reports will serve to increase managerial accountability and enable tracking of both the service and financial impacts of City decisions.

Future City Reporting to PICA

Absent the occurrence of 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 is not required to submit a revised Plan until March of 1995. In the interim, the Authority will receive quarterly reports on the City's performance under the Plan, together with other data integrated by both the PICA Act and the Cooperation Agreement.

The reporting system established in the Cooperation Agreement and the PICA Act anticipates a regular flow of data to PICA, divided into several groups, which are described below and in Table 1:

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 the credible measures to balance the Plan after an extended period of intensive 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, at least 60 days prior to the beginning of a fiscal quarter, and upon each issuance of bonds or notes or execution of a lease.

TABLE 1**Description of FY95 Reporting Requirements**

Due Date	Description
October 20, 1994	Receipt of 1st Quarter FY95 Grants Revenue Fund Contingency Account report
November 1, 1994	Receipt of 3rd Quarter FY95 Debt Service Requirements report
November 15, 1994	Receipt of 1st Quarter FY95 Plan report, Supplemental Funds report and report concerning Commonwealth funds which may be withheld
January 20, 1995	Receipt of 2nd Quarter FY95 Grants Revenue Fund Contingency Account report
January 30, 1995	Receipt of 4th Quarter FY95 Debt Service Requirements report
February 16, 1995	Receipt of 2nd Quarter FY95 Plan report, Supplemental Funds report and report concerning Commonwealth funds which may be withheld
March 22, 1995	Submission of proposed revision to Plan and addition of FY2000
April 20, 1995	Receipt of 3rd Quarter FY95 Grants Revenue Fund Contingency Account report
May 1, 1995	Receipt of 1st Quarter FY96 Debt Service Requirements Report
May 15, 1995	Receipt of 3rd Quarter FY95 Plan report, Supplemental Funds report and report concerning Commonwealth funds which may be withheld
July 20, 1995	Receipt of 4th Quarter FY95 Grants Revenue Fund Contingency Account report
August 15, 1995	Receipt of 4th Quarter FY95 Plan report, Supplemental Funds report and report concerning Commonwealth funds which may be withheld

Management Discussion of Financial Operations

All operational expenses of the Authority in the 1994 fiscal year were funded from earnings on funds and accounts created under PICA's Series of 1992, Series of 1993 and Series of 1993A bond issues and residual balances of similar earnings from its prior fiscal years. No City or Commonwealth tax revenues supported any portion of PICA's operations in FY94, nor are any expected to be used in FY95 for such purposes.

The PICA Act anticipated that the Authority would have 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 bond indentures, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient to fund its operations.

PICA's budgets for FY92, FY93 and FY94 all produced operating surpluses, and FY94 was a year of relatively "normal" operations. The Authority's two new bond issues, with operational costs associated with new trustee duties, added expenses which first will be recognized in FY95, and the Authority's anticipated Series of 1994 bond issue will result in additional expenses in FY96 and beyond. The last issue of "new money" PICA bonds should remove the final major area of unpredictability in the Authority's finances, in the absence of extraordinary events. As noted earlier, the financial operations of the Authority reflect a desire on the part of the Board not to institutionalize either the agency's role or its staff beyond that which is reasonably necessary to accomplish its task.

The philosophy underlying the Authority's operations remains that the agency should (as noted in PICA's Annual Report for FY93) "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." In the end, as we have said in the past, it is the task of PICA to do its job, and then disappear.

We continue to pursue that goal.

Appendix A:
Financial Statements
and
Report of Independent Auditors

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

**General Purpose Financial Statements and
Supplemental Statements and Schedules for the
Year Ended June 30, 1994 and Independent Auditors' Report**

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS AS OF JUNE 30, 1994 AND FOR THE YEAR THEN ENDED:	
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Fund Types	3
Notes to General Purpose Financial Statements	4-19
SUPPLEMENTAL STATEMENTS AND SCHEDULES AS OF JUNE 30, 1994 AND FOR THE YEAR THEN ENDED:	
Combining Balance Sheet - All Debt Service Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - All Debt Service Funds	21
Combining Balance Sheet - All Expendable Trust Funds	22
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - All Expendable Trust Funds	23
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund	24
Statement of Cash Activity:	
General Fund	25
Special Revenue Fund	26
Schedule of Debt Service and Expendable Trust Funds and General Long-Term Debt Account Group Balance Sheet	
Components by Bond Issues:	
1992 Issue	27
1993 Issue	28
1993A Issue	29
Schedule of Debt Service and Expendable Trust Funds Revenues, Expenditures and Changes in Fund Balance Components by Bond Issues:	
1992 Issue	30
1993 Issue	31
1993A Issue	32



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, 1994 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, 1994 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 LLP

August 31, 1994

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS JUNE 30, 1984

ASSETS	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service		General Fixed Assets	Long-Term Debt	
CURRENT ASSETS:							
Cash and short-term investments	\$1,174,228	\$4,898,449	\$133,327,958	\$130,293,401			\$ 269,694,036
Accrued interest receivable	3,016	2,686	434,666	774,523			1,214,891
Accounts receivable - PICA taxes		4,224,230					4,224,230
Interfund receivable		386,159					386,159
Total current assets	<u>1,177,244</u>	<u>9,511,524</u>	<u>133,762,624</u>	<u>131,067,924</u>			<u>275,519,316</u>
PROPERTY, PLANT AND EQUIPMENT - Office furniture and equipment					\$118,202		118,202
OTHER ASSETS - Prepaid rent and security deposit	11,940						11,940
AMOUNT AVAILABLE IN DEBT SERVICE FUNDS FOR RETIREMENT OF LONG-TERM DEBT						\$ 133,031,403	133,031,403
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT						<u>1,023,633,597</u>	<u>1,023,633,597</u>
TOTAL ASSETS	<u>\$1,189,184</u>	<u>\$9,511,524</u>	<u>\$133,762,624</u>	<u>\$131,067,924</u>	<u>\$118,202</u>	<u>\$1,156,665,000</u>	<u>\$1,432,314,458</u>
LIABILITIES AND FUND EQUITY							
CURRENT LIABILITIES:							
Accounts payable	\$ 79,128						\$ 79,128
Accrued payroll and taxes	51,538						51,538
Due to the City of Philadelphia		\$9,511,524					9,511,524
Bonds payable - current portion				\$ 30,320		\$ 39,330,000	39,330,000
Interfund payable			\$ 355,839				386,159
Total current liabilities	<u>130,666</u>	<u>9,511,524</u>	<u>355,839</u>	<u>30,320</u>		<u>39,330,000</u>	<u>49,358,349</u>
BONDS PAYABLE - Long-term portion						<u>1,117,335,000</u>	<u>1,117,335,000</u>
FUND EQUITY:							
Fund balances:							
Unreserved	1,058,518						1,058,518
Reserved for debt service			133,031,403				133,031,403
Reserved for benefit of the City of Philadelphia				131,037,604			131,037,604
Reserved for subsequent PICA administration			375,382				375,382
Investment in general fixed assets					\$118,202		118,202
Total fund equity	<u>1,058,518</u>		<u>133,406,785</u>	<u>131,037,604</u>	<u>118,202</u>		<u>265,621,109</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,189,184</u>	<u>\$9,511,524</u>	<u>\$133,762,624</u>	<u>\$131,067,924</u>	<u>\$118,202</u>	<u>\$1,156,665,000</u>	<u>\$1,432,314,458</u>

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, 1994

	Governmental Fund Types			Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
REVENUES:					
PICA Taxes	\$ 41,069	\$202,967,667			\$202,967,667
Interest earned on investments		9,421	\$ 8,162,378	\$ 7,690,463	15,903,331
Total revenues	41,069	202,977,088	8,162,378	7,690,463	218,870,998
EXPENDITURES:					
Grants to the City of Philadelphia		145,030,479		517,277,220	662,307,699
Debt service:					
Principal			3,325,000		3,325,000
Interest			59,357,193		59,357,193
Administration:					
Operations	570,986				570,986
Capital outlay	5,022				5,022
Debt issuance costs				2,558,791	2,558,791
Total expenditures	576,008	145,030,479	62,682,193	519,836,011	728,124,691
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(534,939)	57,946,609	(54,519,815)	(512,145,548)	(509,253,693)
OTHER FINANCING SOURCES (USES) -					
Proceeds from debt issuance:					
For grants to the City of Philadelphia				621,950,005	621,950,005
For PICA debt refunding				165,323,207	165,323,207
Payment to refunded debt escrow agent				(150,407,158)	(150,407,158)
Operating transfers in (out)	933,934	(57,946,609)	136,973,307	(79,960,632)	
Total other financing sources (uses)	933,934	(57,946,609)	136,973,307	556,905,422	636,866,054
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	398,995		82,453,492	44,759,874	127,612,361
BEGINNING FUND BALANCES, JULY 1, 1993	659,523		50,953,293	86,277,730	137,890,546
ENDING FUND BALANCES, JUNE 30, 1994	\$1,058,518	\$ 0	\$133,406,785	\$131,037,604	\$265,502,907

See notes to general purpose financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1994

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 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 (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 (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 latter two individual funds (Bond Redemption and Rebate) have 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 (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 \$118,202 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, 1994 totaled \$19,332.

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, 1994, the carrying amount of the Authority's deposits (including certificates of deposit and time deposit open accounts) with financial institutions was \$6,072,680. The bank balance of \$6,072,680 was insured or collateralized as follows:

Insured	\$ 274,231
Uninsured and uncollateralized, but covered under the provisions of Act 72, as amended	<u>5,798,449</u>
Total deposits	<u><u>\$6,072,680</u></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 (the lower of cost or amortized cost) and categorization as to credit risk at June 30, 1994:

	Total	Carrying Value		
		Credit Risk Category		
		(1)	(2)	(3)
U.S. Treasury notes	\$ 76,516,518			\$ 76,516,518
Repurchase agreements	<u>187,104,838</u>			<u>187,104,838</u>
Total investments	<u>\$263,621,356</u>			<u>\$263,621,356</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, 1994, deposits and investments of the Authority were similar to those on hand at June 30, 1994 with respect to credit risk. Because of the nature of the investments and the dates they were purchased the market value of the investments approximates their carrying value at June 30, 1994.

3. SPECIAL TAX REVENUE BONDS

Through June 30, 1994, the Authority issued three series of Special Tax Revenue Bonds, as follows:

Series of	Amount Issued
1992	\$474,555,000
1993	643,430,000
1993A	178,675,000

The following summary shows the changes in bonds payable recorded in the General Long-Term Debt Account Group for the year ended June 30, 1994:

Series of	July 1, 1993	Additions	Retirements	June 30, 1994
1992	\$474,555,000		\$(136,670,000)	\$ 337,885,000
1993		\$643,430,000		643,430,000
1993A		178,675,000	(3,325,000)	175,350,000
	<u>\$474,555,000</u>	<u>\$822,105,000</u>	<u>\$(139,995,000)</u>	1,156,665,000
Less current portion				<u>(39,330,000)</u>
Long-term portion				<u>\$1,117,335,000</u>

In conjunction with its bond offerings, the Authority entered into an Indenture of Trust dated as of June 1, 1992 and amended as of June 22, 1992, July 15, 1993 and August 15, 1993 (the "Trust Indenture"). The Trust Indenture was initially entered into with CoreStates Bank, N.A. as Trustee for the bondholders; however, effective July 28, 1993, Meridian Bank (successor Trustee by assignment from CoreStates Bank, N.A.) assumed the duties as Trustee for the bondholders (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, 1994 (\$205,490,662) equaled 192% of the maximum annual debt service (\$107,187,104) of the bonds outstanding at June 30, 1994 (the 1992, 1993 and 1993A Bonds).

Details as to the purpose of each of the respective Series of bonds issued by the Authority to June 30, 1994 and as to bonds outstanding at that date follow. With respect to bonds issued during fiscal 1994 an analysis of the bond proceeds and their disposition as of June 30, 1994 is also presented below.

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 of Pennsylvania 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. The Refunded 1992 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 4).

The details of Series of 1992 Bonds outstanding at June 30, 1994 are as follows:

Interest Rate	Maturing June 15	Amount
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	<u>99,395,000</u>
Total		<u><u>\$337,885,000</u></u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1992 Bonds outstanding at June 30, 1994:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
1995	\$33,725,000	\$20,488,038	\$54,213,038
1996	36,765,000	17,452,788	54,217,788
1997	38,670,000	15,541,008	54,211,008
1998	40,765,000	13,452,827	54,217,827
1999	43,045,000	11,169,987	54,214,987
2000	45,520,000	8,694,900	54,214,900
2001	48,250,000	5,963,700	54,213,700
2002	51,145,000	3,068,700	54,213,700

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.

The details of Series of 1993 Bonds outstanding at June 30, 1994 are as follows:

Interest Rate	Maturing June 15	Amount
3.300 %	1995	\$ 4,225,000
3.750	1996	8,605,000
4.000	1997	9,785,000
4.200	1998	10,085,000
4.400	1999	10,530,000
4.550	2000	11,005,000
4.700	2001	11,455,000
4.800	2002	12,095,000
4.900	2003	25,440,000
5.050	2004	23,860,000
5.150	2005	36,615,000
5.250	2006	47,920,000
5.350	2007	50,460,000
5.450	2008	36,075,000
5.500	2009	29,415,000
5.600	2015	92,365,000
5.750	2015	54,380,000
5.600	2016	10,000,000
5.625	2023	119,115,000
5.875	2023	<u>40,000,000</u>
Total		<u><u>\$643,430,000</u></u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1993 Bonds outstanding at June 30, 1994:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
1995	\$ 4,225,000	\$34,406,069	\$38,631,069
1996	8,605,000	34,266,644	42,871,644
1997	9,785,000	33,943,956	43,728,956
1998	10,085,000	33,552,556	43,637,556
1999	10,530,000	33,128,986	43,658,986
2000	11,005,000	32,665,666	43,670,666
2001	11,455,000	32,164,939	43,619,939
2002	12,095,000	31,626,554	43,721,554
2003	25,440,000	31,045,994	56,485,994
2004	23,860,000	29,799,434	53,659,434
2005	36,615,000	28,594,504	65,209,504
2006	47,920,000	26,708,831	74,628,831
2007	50,460,000	24,193,031	74,653,031
2008	36,075,000	21,493,421	57,568,421
2009	29,415,000	19,527,334	48,942,334
2010	24,205,000	17,909,509	42,114,509
2011	21,920,000	16,540,439	38,460,439
2012	23,140,000	15,299,329	38,439,329
2013	24,440,000	13,989,891	38,429,891
2014	25,800,000	12,607,654	38,407,654
2015	27,240,000	11,149,256	38,389,256
2016	28,755,000	9,610,219	38,365,219
2017	30,360,000	7,982,750	38,342,750
2018	22,955,000	6,262,500	29,217,500
2019	15,535,000	4,958,781	20,493,781
2020	16,420,000	4,072,438	20,492,438
2021	17,355,000	3,136,313	20,491,313
2022	18,345,000	2,147,594	20,492,594
2023	19,390,000	1,103,188	20,493,188

The following is an analysis of the Series of 1993 bond proceeds and their disposition at June 30, 1994:

Net proceeds from issuance of Series of 1993 Bonds:	
Principal amount of Series of 1993 Bonds	\$643,430,000
Accrued interest to settlement	1,338,014
Original issue discount	(10,181,503)
Underwriters' discount	(5,006,986)
Insurance premiums	<u>(7,629,520)</u>
Total	<u>\$621,950,005</u>

Disposition of net proceeds from issuance of Series of 1993 Bonds:

Deposit to Debt Service Fund for:	
Accrued interest	\$ 1,338,014
Balance of Settlement Fund	1,362
Deposit to Debt Service Reserve Fund	63,324,850
Deposit to Capital Projects Fund	174,000,000
Grant to City of Philadelphia for Refunding of certain of the City's General Obligation Bonds	381,329,579
Issuance costs	<u>1,956,200</u>
 Total	 <u><u>\$621,950,005</u></u>

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, 1994 are as follows:

Interest Rate	Maturing June 15	Amount
3.400 %	1995	\$ 1,380,000
3.800	1996	1,425,000
4.000	1997	645,000
4.050	1998	665,000
4.200	1999	695,000
4.350	2000	735,000
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	<u>96,030,000</u>
 Total		 <u><u>\$175,350,000</u></u>

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, 1994:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
1995	\$ 1,380,000	\$ 8,703,210	\$10,083,210
1996	1,425,000	8,656,290	10,081,290
1997	645,000	8,602,140	9,247,140
1998	665,000	8,576,340	9,241,340
1999	695,000	8,549,408	9,244,408
2000	735,000	8,520,218	9,255,218
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	8,176,832	13,511,832
2005	5,595,000	7,918,085	13,513,085
2006	5,870,000	7,641,132	13,511,132
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

The following is an analysis of the Series of 1993A bond proceeds and their disposition at June 30, 1994:

Net proceeds from issuance of Series of 1993A Bonds:	
Principal amount of Series of 1993A Bonds	\$178,675,000
Accrued interest to settlement	708,592
Original issue discount	(10,420,896)
Underwriters' discount	(1,336,489)
Insurance premiums	<u>(2,303,000)</u>
Total	<u><u>\$165,323,207</u></u>

Disposition of net proceeds from issuance of Series of 1993A Bonds:

Deposit to Debt Service Fund for accrued interest	\$ 708,592
Deposit to Debt Service Reserve Fund	13,515,500
Deposit to 1992 Bonds Escrow Fund	150,407,158
Issuance costs:	
Expended	602,591
Reserved (held in Settlement Fund)	<u>89,366</u>
Total	<u>\$165,323,207</u>

4. REFUNDED 1992 BONDS - 1992 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1993A Bonds (\$150,407,158.16) was deposited into an irrevocable trust fund (the "1992 Bonds Escrow Fund") established and held by Meridian Bank, as escrow agent (the "Escrow Agent"), 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 the Escrow Agent. The 1992 Bonds Escrow Fund is required to be invested in Government Obligations (as defined in the 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	Par
June 15	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.

The Authority's refunding of a portion of the Series of 1992 Bonds reduced its future aggregate debt service payments by approximately \$396,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4,995,000.

At June 30, 1994, the 1992 Bonds Escrow Fund held cash and United States Treasury securities (at cost) in the amount of \$143,200,064 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. 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 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 1994 total and annual covered payroll was \$305,364.

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 1994 total contribution to the System was \$23,763.

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, 1992. 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, 1992 (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	\$ 4,739,326
Current employees:	
Accumulated employee contributions	1,999,511
Employer-financed, vested	4,033,101
Employer-financed, nonvested	<u>373,891</u>
Total pension benefit obligation	11,145,829
Net assets available for benefits, at fair value	<u>12,453,359</u>
Net assets in excess of pension benefit obligation	<u>\$ 1,307,530</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 1993 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.

6. 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:

1995	\$ 74,678
1996	73,612
1997	<u>36,558</u>
	<u>\$184,848</u>

Rental expense for the year ended June 30, 1994 was \$75,628.

* * * * *

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS JUNE 30, 1994

ASSETS	Debt Service Fund			Debt Service Reserve Fund			Total
	1992	1993	1993A	1992	1993	1993A	
Current assets:							
Cash and short-term investments	\$4,517,753	\$3,219,327	\$840,268	\$47,910,260	\$63,324,850	\$13,515,500	\$124,750,610
Accrued interest receivable	26,948	36,092	15,787	146,621	162,398	46,820	355,839
TOTAL ASSETS	<u>\$4,544,701</u>	<u>\$3,255,419</u>	<u>\$856,055</u>	<u>\$48,056,881</u>	<u>\$63,487,248</u>	<u>\$13,562,320</u>	<u>\$125,106,449</u>
LIABILITIES AND FUND EQUITY							
Current liabilities - interfund payable - due to Special Revenue Fund				\$ 146,621	\$ 162,398	\$ 46,820	\$ 355,839
Fund equity:							
Fund balances reserved for:							
Debt service	\$4,544,701	\$3,255,419	\$856,055	47,534,878	63,324,850	13,515,500	124,375,228
Subsequent PICA administration				375,382			375,382
TOTAL LIABILITIES AND FUND EQUITY	<u>\$4,544,701</u>	<u>\$3,255,419</u>	<u>\$856,055</u>	<u>\$48,056,881</u>	<u>\$63,487,248</u>	<u>\$13,562,320</u>	<u>\$125,106,449</u>
							\$ 355,839
							133,031,403
							375,382
							\$133,762,624

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 1984

- 21 -

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET - ALL EXPENDABLE TRUST FUNDS JUNE 30, 1994

ASSETS	Capital Projects Fund		Deficit Fund 1992	Settlement Fund 1993A	Total
	1992	1993			
Current assets:					
Cash and short-term investments	\$41,113,730	\$81,287,600	\$7,800,000	\$92,071	\$130,293,401
Accrued interest receivable	<u>77,156</u>	<u>666,728</u>	<u>30,320</u>	<u>319</u>	<u>774,523</u>
TOTAL ASSETS	<u>\$41,190,886</u>	<u>\$81,954,328</u>	<u>\$7,830,320</u>	<u>\$92,390</u>	<u>\$131,067,924</u>
LIABILITIES					
Interfund payable to Special Revenue Fund			\$ 30,320		\$ 30,320
FUND BALANCES					
Reserved for City of Philadelphia	<u>\$41,190,886</u>	<u>\$81,954,328</u>	<u>7,800,000</u>	<u>\$92,390</u>	<u>131,037,604</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$41,190,886</u>	<u>\$81,954,328</u>	<u>\$7,830,320</u>	<u>\$92,390</u>	<u>\$131,067,924</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL EXPENDABLE TRUST FUNDS YEAR ENDED JUNE 30, 1994

	Capital Projects Fund		Deficit Fund	Settlement Fund		Total
	1992	1993	1992	1993	1993A	Total
Revenues - interest earned on investments	\$ 2,064,905	\$ 4,785,059	\$ 834,431	\$ 3,044	\$ 3,024	\$ 7,690,463
Expenditures:						
Grants to the City of Philadelphia:						
Approved capital projects	15,627,130	96,830,731		381,329,579	381,329,579	112,457,861
To refund certain City general obligation bonds			23,489,780			381,329,579
To create indemnity account						23,489,780
Total grants to the City	15,627,130	96,830,731	23,489,780	381,329,579	381,329,579	517,277,220
Debt insurance costs				1,956,200	602,591	2,558,791
Total expenditures	15,627,130	96,830,731	23,489,780	383,285,779	602,591	519,836,011
Excess of revenues under expenditures	(13,562,225)	(92,045,672)	(22,655,349)	(383,282,735)	(599,567)	(512,145,548)
Other financing sources (uses):						
Proceeds from debt issuance:						
For grants to the City of Philadelphia				621,950,005	621,950,005	621,950,005
For PICA debt refunding				165,323,207	165,323,207	165,323,207
Payment to refunded debt escrow agent				(150,407,158)	(150,407,158)	(150,407,158)
Operating transfers in (out)		174,000,000	(1,069,270)	(238,667,270)	(14,224,092)	(79,960,632)
Total other financing sources (uses)		174,000,000	(1,069,270)	383,282,735	691,957	556,905,422
Excess of revenues and other sources over (under) expenditures and other uses	(13,562,225)	81,954,328	(23,724,619)	92,390	92,390	44,759,874
BEGINNING FUND BALANCES, JULY 1, 1993	54,753,111		31,524,619			86,277,730
ENDING FUND BALANCES, JUNE 30, 1994	\$ 41,190,886	\$ 81,954,328	\$ 7,800,000	\$ 0	\$ 92,390	\$ 131,037,604

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, 1994

	Budget	Actual	Over (Under) Budget
Revenues - interest earnings	\$ 3,934	\$ 41,069	\$ 37,135
Expenditures:			
Personnel - salaries and benefits	479,934	388,822	(91,112)
Professional services:			
Legal	100,000	8,919	(91,081)
Financial advisor	25,000		(25,000)
Audit	31,500	31,500	
Consulting/research	60,000		(60,000)
Interagency services	22,500	300	(22,200)
Trustee and miscellaneous	61,000	14,211	(46,789)
Other:			
Rent	84,000	73,977	(10,023)
Computer software and minor hardware	10,000	3,962	(6,038)
Office supplies	7,500	4,341	(3,159)
Telephone	10,000	6,560	(3,440)
Subscriptions and reference services	4,000	3,875	(125)
Postage and express	10,000	9,794	(206)
Conferences and dues	5,000	2,532	(2,468)
Travel	3,500	4,431	931
General and administrative	5,000	10,674	5,674
Miscellaneous	5,000	7,088	2,088
Capital outlay - furniture, fixtures and equipment	10,000	5,022	(4,978)
Total - administration	933,934	576,008	(357,926)
Excess of expenditures over revenues	(930,000)	(534,939)	395,061
Other financing sources - transfers in - PICA draw for operations	930,000	933,934	3,934
Excess of revenues and other financing sources over expenditures		398,995	398,995
BEGINNING FUND BALANCE JULY 1, 1993	659,523	659,523	
ENDING FUND BALANCE, JUNE 30, 1994	\$659,523	\$1,058,518	\$ 398,995

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL STATEMENT OF CASH ACTIVITY YEAR ENDED JUNE 30, 1994

Cash receipts:	
Revenues collected - interest	\$ 38,053
Other financing sources - operating transfers in from interest earnings on Debt Service Funds	<u>933,934</u>
Total cash receipts	971,987
Cash disbursements - expenditures paid - administration	<u>545,842</u>
Excess of cash receipts over cash disbursements	426,145
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 1993	<u>748,083</u>
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 1994	<u><u>\$1,174,228</u></u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL REVENUE FUND

SUPPLEMENTAL STATEMENT OF CASH ACTIVITY YEAR ENDED JUNE 30, 1994

Cash receipts:

Revenues collected:

PICA taxes

\$205,490,662

Interest

6,735

Other financing sources - operating transfers in from interest earnings
on Debt Service Funds

9,108,559

Total cash receipts

214,605,956

Cash disbursements:

Expenditures paid - grants to the City of Philadelphia

142,414,490

Other financing uses - operating transfers out for debt service requirements

67,293,017

Total cash disbursements

209,707,507

EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS -
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 1994

\$ 4,898,449

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF DEBT SERVICE AND EXPENDABLE TRUST FUNDS AND GENERAL LONG-TERM DEBT ACCOUNT GROUP BALANCE SHEET COMPONENTS BY BOND ISSUES - 1992 ISSUE JUNE 30, 1994

ASSETS	Debt Service	Expendable Trust	General Long-term Debt
Current assets:			
Cash and short-term investments	\$52,428,013	\$48,913,730	
Accrued interest receivable	<u>173,569</u>	<u>107,476</u>	
Total current assets	52,601,582	49,021,206	
Amount available in Debt Service Fund for retirement of long-term debt			\$ 52,079,579
Amount to be provided for retirement of long-term debt			285,805,421
TOTAL ASSETS	<u>\$52,601,582</u>	<u>\$49,021,206</u>	<u>\$337,885,000</u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Interfund payable - due to Special Revenue Fund	\$ 146,621	\$ 30,320	
Bonds payable - current portion			\$ 33,725,000
Bonds payable - long-term portion			304,160,000
Fund equity:			
Fund balances reserved for:			
Debt service	52,079,579		
Benefit of the City of Philadelphia		48,990,886	
Subsequent PICA administration	<u>375,382</u>	<u></u>	
Total fund equity	<u>52,454,961</u>	<u>48,990,886</u>	
TOTAL LIABILITIES AND FUND EQUITY	<u>\$52,601,582</u>	<u>\$49,021,206</u>	<u>\$337,885,000</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF DEBT SERVICE AND EXPENDABLE TRUST FUNDS AND GENERAL LONG-TERM DEBT ACCOUNT GROUP BALANCE SHEET COMPONENTS BY BOND ISSUES - 1993 ISSUE JUNE 30, 1994

ASSETS	Debt Service	Expendable Trust	General Long-term Debt
Current assets:			
Cash and short-term investments	\$66,544,177	\$81,287,600	
Accrued interest receivable	<u>198,490</u>	<u>666,728</u>	
Total current assets	66,742,667	81,954,328	
Amount available in Debt Service Fund for retirement of long-term debt			\$ 66,580,268
Amount to be provided for retirement of long-term debt	<u> </u>	<u> </u>	<u>576,849,732</u>
TOTAL ASSETS	<u><u>\$66,742,667</u></u>	<u><u>\$81,954,328</u></u>	<u><u>\$643,430,000</u></u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Interfund payable - due to Special Revenue Fund	\$ 162,398		
Bonds payable - current portion			\$ 4,225,000
Bonds payable - long-term portion			639,205,000
Fund equity:			
Fund balances reserved for:			
Debt service	66,580,269		
Benefit of the City of Philadelphia	<u> </u>	<u>\$81,954,328</u>	
Total fund equity	<u>66,580,269</u>	<u>81,954,328</u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$66,742,667</u></u>	<u><u>\$81,954,328</u></u>	<u><u>\$643,430,000</u></u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF DEBT SERVICE AND EXPENDABLE TRUST FUNDS AND GENERAL LONG-TERM DEBT ACCOUNT GROUP BALANCE SHEET COMPONENTS BY BOND ISSUES - 1993A ISSUE JUNE 30, 1994

ASSETS	Debt Service	Expendable Trust	General Long-term Debt
Current assets:			
Cash and short-term investments	\$14,355,768	\$92,071	
Accrued interest receivable	<u>62,607</u>	<u>319</u>	
Total current assets	14,418,375	92,390	
Amount available in Debt Service Fund for retirement of long-term debt			\$ 14,371,555
Amount to be provided for retirement of long-term debt			<u>160,978,445</u>
TOTAL ASSETS	<u><u>\$14,418,375</u></u>	<u><u>\$92,390</u></u>	<u><u>\$175,350,000</u></u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Interfund payable - due to Special Revenue Fund	\$ 46,820		
Bonds payable - current portion			\$ 1,380,000
Bonds payable - long-term portion			173,970,000
Fund equity:			
Fund balances reserved for:			
Debt service	14,371,555		
Benefit of the City of Philadelphia		<u>\$92,390</u>	
Total fund equity	<u>14,371,555</u>	<u>92,390</u>	
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$14,418,375</u></u>	<u><u>\$92,390</u></u>	<u><u>\$175,350,000</u></u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF DEBT SERVICE AND EXPENDABLE TRUST FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENTS BY BOND ISSUES - 1992 ISSUE YEAR ENDED JUNE 30, 1994

	Debt Service	Expendable Trust	Total
Revenues - interest earned on investments	<u>\$ 3,753,170</u>	<u>\$ 2,899,336</u>	<u>\$ 6,652,506</u>
Expenditures:			
Grants to the City of Philadelphia:			
Approved capital projects		15,627,130	15,627,130
To create indemnity account		23,489,780	23,489,780
Debt service - interest	<u>20,488,038</u>		<u>20,488,038</u>
Total expenditures	<u>20,488,038</u>	<u>39,116,910</u>	<u>59,604,948</u>
Excess of revenues over (under) expenditures	(16,734,868)	(36,217,574)	(52,952,442)
Other financing sources (uses) - operating transfers in (out)	<u>18,236,536</u>	<u>(1,069,270)</u>	<u>17,167,266</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,501,668	(37,286,844)	(35,785,176)
BEGINNING FUND BALANCES, JULY 1, 1993	<u>50,953,293</u>	<u>86,277,730</u>	<u>137,231,023</u>
ENDING FUND BALANCES, JUNE 30, 1994	<u><u>\$ 52,454,961</u></u>	<u><u>\$ 48,990,886</u></u>	<u><u>\$101,445,847</u></u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF DEBT SERVICE AND EXPENDABLE TRUST FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENTS BY BOND ISSUES - 1993 ISSUE YEAR ENDED JUNE 30, 1994

	Debt Service	Expendable Trust	Total
Revenues - interest earned on investments	<u>\$ 3,793,915</u>	<u>\$ 4,788,103</u>	<u>\$ 8,582,018</u>
Expenditures:			
Grants to the City of Philadelphia:			
Approved capital projects		96,830,731	96,830,731
To refund certain City general obligation bonds		381,329,579	381,329,579
Debt issuance costs		1,956,200	1,956,200
Debt service - interest	<u>31,538,896</u>		<u>31,538,896</u>
Total expenditures	<u>31,538,896</u>	<u>480,116,510</u>	<u>511,655,406</u>
Excess of revenues under expenditures	<u>(27,744,981)</u>	<u>(475,328,407)</u>	<u>(503,073,388)</u>
Other financing sources (uses):			
Proceeds from debt issuance - for grants to the City of Philadelphia		621,950,005	621,950,005
Operating transfers in (out)	<u>94,325,250</u>	<u>(64,667,270)</u>	<u>29,657,980</u>
Total other financing sources	<u>94,325,250</u>	<u>557,282,735</u>	<u>651,607,985</u>
Excess of revenues and other sources over expenditures and other uses	<u>66,580,269</u>	<u>81,954,328</u>	<u>148,534,597</u>
ENDING FUND BALANCES, JUNE 30, 1994	<u>\$ 66,580,269</u>	<u>\$ 81,954,328</u>	<u>\$ 148,534,597</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SUPPLEMENTAL SCHEDULE OF DEBT SERVICE AND EXPENDABLE TRUST FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENTS BY BOND ISSUES - 1993A ISSUE YEAR ENDED JUNE 30, 1994

	Debt Service	Expendable Trust	Total
Revenues - interest earned on investments	\$ 615,293	\$ 3,024	\$ 618,317
Expenditures:			
Debt issuance costs		602,591	602,591
Debt service:			
Principal	3,325,000		3,325,000
Interest	7,330,259		7,330,259
Total expenditures	10,655,259	602,591	11,257,850
Excess of revenues under expenditures	(10,039,966)	(599,567)	(10,639,533)
Other financing sources (uses):			
Proceeds from debt issuance - for			
PICA debt refunding		165,323,207	165,323,207
Payment to refunded debt escrow agent		(150,407,158)	(150,407,158)
Operating transfers in (out)	24,411,521	(14,224,092)	10,187,429
Total other financing sources	24,411,521	691,957	25,103,478
Excess of revenues and other sources over expenditures and other uses	14,371,555	92,390	14,463,945
ENDING FUND BALANCES, JUNE 30, 1994	\$ 14,371,555	\$ 92,390	\$ 14,463,945