



Photo Credit: Kevin Vaughan

# FY24 Annual Report

**Pennsylvania Intergovernmental Cooperation Authority**

**October 2024**

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**Alan Kessler, Esq.**, Vice Chair

**Michael A. Karp**, Secretary/Treasurer

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**Suzanne Staherski**, Research and Policy Analyst

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**J. Miller & Associates, LLC**, Accounting Services

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Pennsylvania Intergovernmental  
Cooperation Authority

1500 Walnut Street, Suite 1600, Philadelphia, PA 19102  
215-561-9160 | [www.picapa.org](http://www.picapa.org)

To:

The Governor and General Assembly of the Commonwealth of Pennsylvania  
The Chairperson and the Minority Chairperson of the Appropriations Committee of  
the Pennsylvania Senate  
The Chairperson and the Minority Chairperson of the Appropriations Committee of  
the Pennsylvania House of Representatives  
The Mayor, City Council, and Controller of the City of Philadelphia

As the Pennsylvania Intergovernmental Cooperation Authority (PICA) marks its thirty-third anniversary, we are pleased to provide you with this annual report for the fiscal year ended June 30, 2024. The report provides an overview of PICA's role in the City of Philadelphia's continuing fiscal rehabilitation, describes this past fiscal year's highlights, establishes fiscal year 2025 objectives, and includes audited financial statements for fiscal year 2024. I would like to take this opportunity to acknowledge and express the Board's sincere appreciation for the continuous support the Authority receives from the Governor and the General Assembly. This support and cooperation are vital for PICA's continuing success.

Sincerely,

Kevin Vaughan, Chairperson

# Executive Summary

This FY24 Annual Report for the Pennsylvania Intergovernmental Cooperation Authority (PICA) provides an opportunity to report back to our stakeholders – PICA’s appointing authorities (the Governor and leadership in the Pennsylvania General Assembly), the Philadelphia Wage Taxpayers that fund our work, and the people who live, work, and/or visit Philadelphia and want to see it thrive. This report covers PICA’s background, operational and financial accomplishments in the past year, and plans for FY25. If you don’t have time to read the whole report, it can be summarized in the following three bullets:

- We are a team of five board members and four staffers working to maintain and enhance Philadelphia’s fiscal condition through monitoring and oversight of the City’s budget and financial affairs.
- We have accomplished quite a bit in the past year, expanding insights into and access to information about Philadelphia’s finances by issuing reports on City fiscal topics, launching an e-newsletter, reinvigorating our social media presence, and conducting an in-depth analysis of the City’s FY25-29 Financial Plan, which received approval from the PICA Board in July 2024.
- PICA sent \$705 million from the PICA Tax (1.5% of resident wages) to the City of Philadelphia’s General Fund and spent \$1.1 million on our operating budget, primarily to cover staff salaries and benefits, as well as operating costs like rent, computers and IT support, and outside experts to enhance our capabilities.



# Annual Report Requirements

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

To make annual reports within 120 days of the close of the authority's fiscal year commencing with the fiscal year ending June 30, 1992, to the Governor and the General Assembly describing its progress with respect to restoring the financial stability of assisted cities and achieving balanced budgets for assisted cities, such reports to be filed with the Governor, with the presiding officers of the Senate and the House of Representatives, with the chairperson and the minority chairperson of the Appropriations Committee of the Senate and the chairperson and the minority chairperson of the House of Representatives and with the governing body, mayor and controller of the assisted city.

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

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

# About PICA

## Purpose

The Pennsylvania Intergovernmental Cooperation Authority (PICA) was created in 1991 by the Commonwealth of Pennsylvania legislature for the purpose of providing financial assistance to the City of Philadelphia in overcoming a severe financial crisis. At that time, the City was burdened with a growing cumulative operating deficit, lacked resources to pay mounting overdue bills, had seen its credit ratings drop below investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, and had experienced an erosion in the quality of municipal services.

PICA was designed to address the City's short-term financing, while simultaneously overseeing a long-term financial planning process that would restore the confidence of investors, residents, and public officials in the ability of the City to maintain financial stability over the long term.

PICA's enforcement authority regarding the City's compliance allows PICA to instruct the Commonwealth Secretary of the Budget to withhold substantial Commonwealth financial assistance and the net proceeds of the PICA Tax (after PICA debt service), should the City fail to adhere to the requirements of the PICA Act in maintaining compliance with the current Five-Year Plan.

The issuance of bonds, which were intended to provide the funds necessary to allow the City to avoid insolvency and continue essential capital investment, was an important initial role of PICA. Through debt issuance and capital program earnings, PICA has made available \$1.138 billion to directly assist the City. These funds were allocated to the following purposes: deficit elimination/indemnities, productivity banking, capital projects, and retirement of certain high-interest debt.

According to PICA's original enabling legislation (enacted in 1991), PICA was set to expire upon the retirement of all outstanding PICA bonds in June of 2023. However, prior to the retirement of the PICA bonds, the Pennsylvania General Assembly passed a reauthorization of the PICA Act, keeping PICA in existence until the later of January 2, 2047 or the retirement of all outstanding debts and liabilities. The new legislation reaffirmed PICA's fiscal oversight role, reauthorizing the mandate for the City of Philadelphia to create and submit Five-Year Financial Plans on an annual basis.

Aside from reauthorization of the Authority, the most notable change under the updated PICA Act is a renewed ability for PICA to issue bonds for City capital needs. Instead of being authorized only to relieve fiscal deficits, as in the 1991 Act, the updated legislation allows PICA to issue a series of bonds once every ten years. PICA has had a higher credit rating than the City of Philadelphia, which allows the City access to capital financing under more favorable terms through use of this newly enacted mechanism.

## Governance & Operations

PICA is administered by a governing board consisting of five voting members and two ex-officio, non-voting members. The Governor, the President Pro Tempore of the State Senate, the Minority Leader of the State Senate, the Speaker of the State House of Representatives, and the Minority Leader of the State House of Representatives each appoint one voting member to the Board. The ex-officio members are the Budget Secretary of the Commonwealth of Pennsylvania and the Director of Finance of the City of Philadelphia. The current Members of the Board are:

Current PICA Board Members		
Board Member	Position	Appointing Authority/Role
Kevin Vaughan	Chairperson	Governor of Pennsylvania
Alan Kessler, Esq.	Vice Chair	Minority Leader of the Pennsylvania Senate
Michael A. Karp	Secretary/Treasurer	Minority Leader of the Pennsylvania House of Representatives
Rosalind W. Sutch, CPA, MT	Assistant Secretary/Treasurer	Speaker of the Pennsylvania House of Representatives
Patrick Burns	Member	President Pro Tempore of the Pennsylvania Senate
Uri Z. Monson	Ex-Officio	Budget Secretary of the Commonwealth of Pennsylvania
Rob Dubow	Ex-Officio	Finance Director of the City of Philadelphia

Each Board member is committed to the fiscal stability and financial improvement of the City. Board members are appointed to two-year terms, must not be public officials or officers of a political party, and must have experience in finance or management. The Board appoints an Executive Director to execute the functions of PICA and manage day-to-day operations.

The Board determined at the outset that PICA should not become overburdened with staff, preferring instead to impress upon the City the necessity for Philadelphia to develop and implement its own solutions to its problems. PICA's staff, which totaled four during the past fiscal year, is organized to evaluate the progress of the City in taking actions that will maintain financial balance and address underlying problems that contribute to fiscal imbalances. PICA issues reports on the City's Five-Year Financial Plans and other topics relating to fiscal stability. The reports are designed to inform the Board on key matters and assist those properly charged with responsibility for policy development and administration within the City.



## Oversight Authority

PICA was founded to support the Commonwealth's public policy interests to "foster the fiscal integrity of cities of the first class... and provide for proper financial planning procedures and budgeting practices," as explained in the section of [the Act](#) dedicated to legislative intent.

The Act provides that PICA shall have certain oversight and financial functions. In its oversight capacity, PICA has 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 annually by the City.

Should the City fail to adhere to the requirements of the Act in maintaining compliance with the current Five-Year Plan, PICA could instruct the Budget Secretary of the Commonwealth to withhold substantial financial assistance and the net proceeds of the PICA Tax (after PICA debt service) until compliance is reestablished.

In a discussion of sound financial planning and budgetary practices, the Act "charge[s]" the City of Philadelphia with the "responsibility to exercise efficient and accountable fiscal practices." These include: managerial accountability, consolidation/elimination of inefficient City programs, recertification of tax-exempt properties, increased collection of existing taxes, privatization of services, sale of City assets, improvement of procurement and competitive bidding practices, and review of compensation and benefits of City employees.

The legislative intent includes assuring the City is prepared to manage not only the fiscal pressure Philadelphia was experiencing at the time PICA was established, but also to avert such potential situations in the future and safeguard against their consequences. Thus, the Act grants PICA the ability to "make recommendations to an assisted city concerning its budgetary and fiscal affairs."

To this end, PICA and the City entered into an agreement largely based on the provisions of the Act, known as the [Intergovernmental Cooperation Agreement](#). The Agreement provides PICA with broad access to all data pertaining to City and other corporate entities' finances (corporate entities include the School District of Philadelphia, for example). The underlying principle in both documents is that, in order to facilitate the City's "fiscal integrity," PICA was intended since its inception to have a wide purview over the City's financial data, which ultimately extends to PICA's authority to "[conduct] such independent audits, examinations or studies of the City the Authority deems appropriate." Consequently, PICA has consistently emphasized that the City's continuing fiscal rehabilitation is dependent upon its success in addressing both financial and managerial issues.

## Five-Year Financial Plan Process

PICA is required to assess the City's annual Five-Year Financial Plan (the Plan). The framework for evaluating the Plan is provided by the PICA Act. The objective is to analyze whether the Plan meets the criteria in the PICA Act, identify potential risks, evaluate spending and personnel trends, assess indicators of financial health, and make a recommendation for approval or disapproval of the Plan by PICA's Board of Directors.

As mandated in the PICA Act (and as further refined in the ICA), the Five-Year Financial Plan is required to include:

- Projected revenues and expenditures of the principal operating funds of the City based on

consistently applied reasonable and appropriate assumptions and methods of estimation for five fiscal years.

- Efforts to eliminate any projected deficit for the current fiscal year, balance current and future fiscal year budgets through sound budgetary practices, provide procedures to avoid a fiscal emergency condition in the future, and enhance the ability of the City to access short- and long-term credit markets.
- 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 accompanied by estimates of wage and benefit levels.

## **Effect of a Variance**

As provided in Section 210(e) of the PICA Act, legal consequences flow from a determination by the Authority of the existence of a variance. The City may also declare a variance. Along with additional reporting responsibilities, the City must develop plan revisions adequate to cure the variance. The remedies that PICA has available to deal with a continuing variance are to direct the withholding of specific Commonwealth funds due to the City and that portion of the PICA Tax – a tax of 1.5 percent levied on the wages, earnings, and net profits of Philadelphia residents – in excess of the amount necessary to pay PICA debt service. Any amounts withheld would be paid over to the City after correction of the variance.

The PICA Act mandates the submission of monthly reports to PICA by the City in the event of a determination by the Authority of the occurrence of a variance. That situation has occurred twice in PICA's history. In November of 1992, the City projected a variance of \$57 million (2.5%) for FY93, and the Authority agreed with that assessment on December 9, 1992. Thereafter, until May 93, the City filed required monthly reports. The City was relieved of its obligation 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. In February 2009, the City projected a variance of \$47 million, and the Authority agreed with that assessment on February 20, 2009. Thereafter, until September 2009, the City filed required monthly reports. The City was relieved of the requirement to make monthly reports when the Authority approved the City's plan of correction in conjunction with its approval of the Five-Year Financial Plan for FY10-FY14 in September of 2009.

## **Comments on Pending Legislation**

In accordance with its oversight duties, PICA continues to provide comments and fiscal analysis on City legislation that impacts the City's fiscal situation. Further, PICA fulfills its responsibility to evaluate certain legislation before the General Assembly, in accordance with the PICA Act Section 203(c)(5), which empowers the Authority "to make recommendations to the Governor and the General Assembly regarding legislation or resolutions that affect Commonwealth aid or mandates to an assisted city or that concern an assisted city's taxing power or relate to an assisted city's fiscal stability."

## Corporate Entities and the School District of Philadelphia

“Corporate Entities” are defined in Section 1.01 of the ICA as “an authority or other corporate entity, now existing or hereafter created, of which one or more members of its governing board are appointed by the Mayor and which performs governmental functions for the City...” The Agreement provides that the City shall cooperate with PICA in any PICA request to examine the operations of either the Corporate Entities or the School District of Philadelphia (School District). In November 2017, the School Reform Commission voted to dissolve, ending its control over the School District on June 30, 2018, which effectively returned control to the City. The risks involved with this transition, such as the School District’s projected funding stream and budgetary deficits, have been addressed in PICA’s Staff Report on the City of Philadelphia’s Five-Year Financial Plan for Fiscal Years 2025-2029. PICA will continue to monitor the City’s commitments related to the School District.

## Financial Assistance to the City of Philadelphia

The issuance of bonds to provide the funds necessary to allow the City to avoid insolvency and continue essential capital investment was an important initial role of the Authority. That role has been successfully completed. Through debt issuance and capital program earnings, the Authority has made available \$1.138 billion to directly assist the City, allocated to the following purposes:

Financial Assistance Provided to the City of Philadelphia	
Purpose	Amount
Deficit Elimination/Indemnities	\$269 million
Productivity Bank	\$20 million
Capital Projects	\$464.4 million
Retirement of Certain High-Interest City Debt	\$384.3 million
<b>Total</b>	<b>\$1.1377 billion</b>

The Authority issued four series of bonds from 1992 to 1994. Since that time, the Authority has issued eight series of refunding bonds with the objective of lowering debt service costs. The most recent series of refunding bonds was issued in fiscal year 2020. As of the end of fiscal year 2023, PICA retired its outstanding bonds.

Initially, the Authority’s authorization to issue “new money” bonds to finance City operating deficits or capital projects expired on December 31, 1994. Authorization to issue cash flow deficit financing bonds expired on December 31, 1996. PICA’s bond issuance powers were limited to the refinancing of existing PICA debt to realize net debt service savings. However, under the PICA Act extension legislation enacted by the Commonwealth of Pennsylvania in 2022, PICA has been reauthorized to issue bonds under certain revised terms when warranted for City capital projects.

To provide a dedicated revenue source for debt service on PICA-issued bonds, the PICA Act authorized the City to impose a tax for the sole and exclusive purpose of PICA. The “PICA Tax” was enacted by an ordinance adopted by City Council and approved by residents of the City as a 1.5 percent tax on

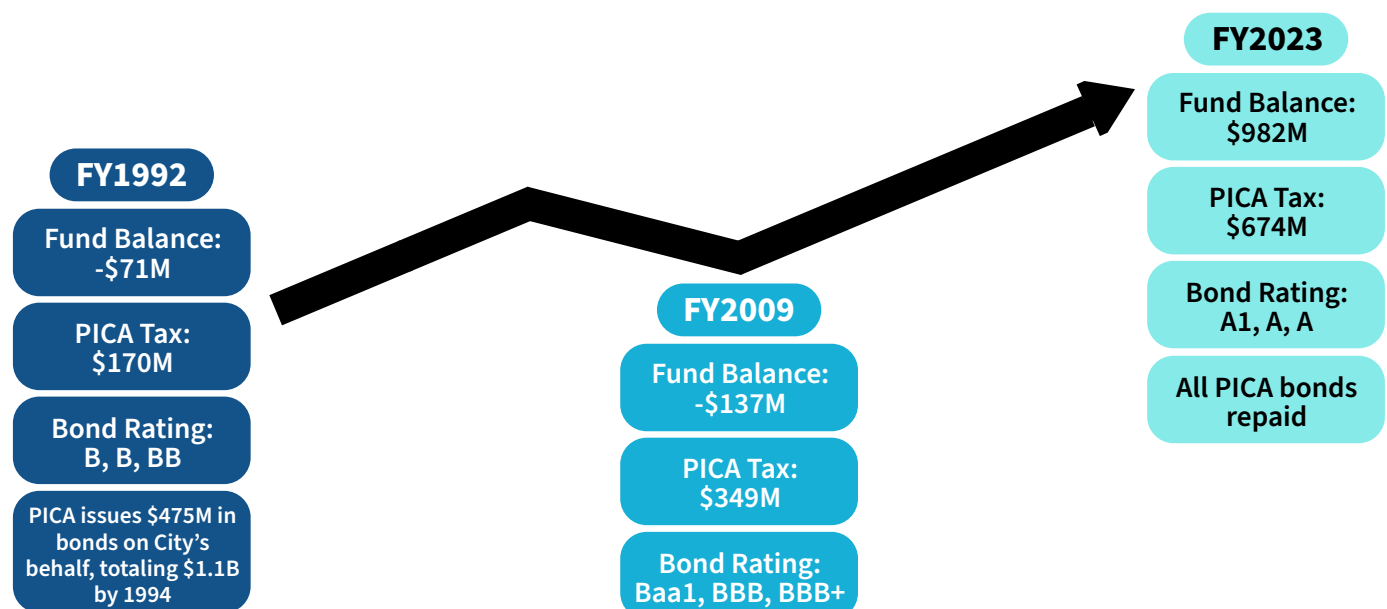
Philadelphia resident wages, earnings, and net profits. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to PICA's Trustee. The Authority does not administer the collection of the PICA Tax from taxpayers.

Upon enactment of the PICA Tax, the City reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the PICA Tax so that the total tax rate remained the same. The City was also authorized to levy a one (1.0%) percent local sales tax to help balance its budget. The PICA Act authorizes PICA to pledge the PICA Tax to secure PICA's bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing its rate while PICA bonds are outstanding. PICA returns to the City any portion of the tax not required to meet debt service and operating expenses. After the reauthorization of the Commonwealth's PICA Act in July of 2022, the City of Philadelphia reauthorized the PICA Tax on June 22, 2023 with the signing of Bill No. 230148. In fiscal year 2024, PICA returned \$705 million to the City.

# Ongoing Goals & Impact

Since inception, PICA’s oversight of the City’s financial planning process has emphasized the need to address the City’s long-term financial challenges. The PICA Act refers to the need to address such “underlying problems,” which the Authority interprets broadly to include socioeconomic trends, fiscal policy and management, and strategic planning for public sector activities to address Philadelphia’s challenges. To date, the City has been successful in implementing key reforms relating to the budgeting and long-term financial planning process.

## PICA’s Impact on Philadelphia Finances



To sustain and expand on these improvements, PICA will continue to act as a catalyst for and champion of sound financial planning and budgetary practices, as envisioned in the PICA Act. To foster those practices, PICA will continue to:

- **Encourage coordinated policy development, strategic planning, budgeting, operations implementation and management, program evaluation, and communication of performance and results.** This approach must be Citywide, encompassing central management agencies as well as agencies with responsibility for policy implementation and service delivery. Examples of progress in this area include the implementation of program-based budgeting and community engagement in the budget development process.
- **Maintain and expand requirements for best practices in budgeting and financial management.** PICA will ensure ongoing fidelity to the reforms that were requirements of the PICA Act. These included the mandate for a Five-Year Financial Plan, as well as quarterly reporting to PICA on the status of current year revenues and expenditures in relation to the Five-Year Plan. The statutory requirement to project revenues and expenditures for five years, and that these projections be based on reasonable assumptions and indicate positive fund balances for five years, have contributed to financial stability over the past two decades, as evidenced by improving credit ratings and growing fund balances. Quarterly reporting has also resulted in a much more detailed process of monitoring revenues and expenditures at the agency level, which has contributed to the City's ability to maintain budget compliance.
- **Monitor challenges facing the City of Philadelphia.** The challenges facing the City include: high taxes; high poverty; an unusual mix of taxes that may be especially damaging to the City's economic prospects; a pension system with a low funded ratio; a fragmented and expensive system of employee health benefits; a strained public school system; City financial responsibilities that are typically more broadly shared across the metropolitan region; under-maintained public facilities and infrastructure; and an underfunded Budget Stabilization Reserve and declining fund balances. In the future, PICA will continue to emphasize ways the City can address these underlying problems through its oversight of the Five-Year Financial Plan process, research publications, conferences, and advocacy.

Notwithstanding the achievement of disciplined financial projections and ongoing budget monitoring, the City is still confronting structural financial challenges that pose risks to its long-term financial stability. While Philadelphia has demonstrated strong fiscal management and navigated the operational and financial terrors wrought by the COVID-19 pandemic, the City's long-standing problems persist. To adequately address these problems – socioeconomic distress, high poverty, weak economic growth, high tax rates, high pension costs, and tax delinquencies, among others – the City requires a financial planning process that is closely linked to broader management systems capable of addressing and solving the toughest public problems.

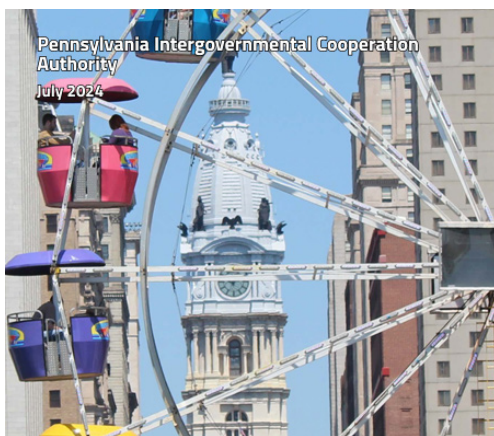


# PICA in Action: FY24 Highlights

Over the course of FY24, PICA expanded the volume and scope of its fact sheets, issue briefs, and research reports on Philadelphia’s finances to ground its oversight work. To foster an environment conducive to supporting fiscal stability, PICA intensified its efforts to communicate, educate, and engage key stakeholders. To ensure ongoing capacity for this work, PICA attended to its operational and administrative needs. Together, these efforts enabled PICA to continue its collaboration with the City of Philadelphia to maintain and enhance the City’s fiscal stability while also ensuring that PICA is a well-run government organization and a careful steward of public funds.

## Oversight & Analysis

Through FY24, PICA worked to understand and make accessible to stakeholders Philadelphia’s current fiscal condition, the factors that led to those conditions, and what it means for the future. To place Philadelphia’s experience in context, PICA engaged subject matter experts, deepened our knowledge of best practices and standards for public finance, and performed comparative analyses with peer cities. The oversight and analysis work serves as a foundation for PICA to ensure and encourage Philadelphia’s fiscal stability and serves as a resource for PICA Board Members, City staff, PICA’s appointing authorities, researchers, the media, and other stakeholders. In addition to ongoing communications and collaboration, PICA Staff published information and insights throughout FY24, including:



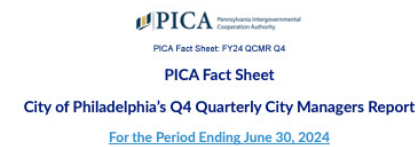
**PICA Staff Report on the City of Philadelphia’s Five-Year Financial Plan for Fiscal Years 2025-2029**



### PICA Staff Report on the Five-Year Plan

The most important action the PICA Board takes each year is to approve (or not approve) the City of Philadelphia’s Five-Year Financial Plan based on the criteria laid out in the PICA Act. PICA Staff, with support from outside experts, engage City leaders from across the government, and evaluate the Plan. This effort includes quantitative analysis, qualitative discussions with City departments, and consultation with economic experts at an event PICA convened at the Federal Reserve of Philadelphia. The [PICA Staff Report on the FY25-29 Financial Plan](#) analyzed whether the Plan meets the criteria in the PICA Act, identified potential risks, evaluated spending and personnel trends,

assessed indicators of financial health, and made a recommendation for approval or disapproval of the Plan to PICA's Board of Directors. Staff found that the Plan submitted by the City met the criteria in the PICA Act, including the use of reasonable, consistently applied assumptions to project revenues and spending, and presented balanced budgets in all five years. While stating confidence in the City's projection, PICA Staff identified certain risks to the Plan, including future labor costs, challenges in filling staff positions, pension costs, and unplanned events that may lead to revenue reductions or unexpected expenses. In July 2024, in accordance with the PICA Staff recommendation, the PICA Board voted to approve the Plan.



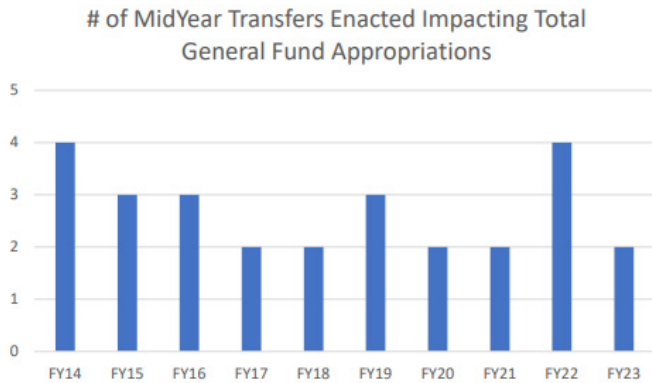
## Financial Reporting Fact Sheets

Throughout the year, the City releases updated financial information, including quarterly reports mandated by the PICA Act and financial statements. PICA Staff review this information to understand trends and identify concerns related to the City's revenue collections, spending, operational performance, fund balance, and overall financial condition. Review of these releases is essential to tracking whether the City remains in compliance with the approved Five-Year Plan and if there are any indications of heightened risk of non-compliance on the horizon. To document its review of the PICA Act-mandated Quarterly City Managers Report (QCMR), PICA publishes [QCMR Fact Sheets](#). In FY24, these reports were adjusted to make the information

more concise and accessible. Additionally, PICA looks more deeply into the City's spending on overtime each quarter, releasing [Quarterly Overtime Fact Sheets](#) that monitor trends over time, and as compared to budget. In the past year, PICA for the first time added [Annual Report Fact Sheets](#) that delve into the City's finances once its books are closed and audited.

## Issue Briefs & Research Reports

PICA research covers topics affecting Philadelphia's finances that dig deeper and explore beyond the data contained in the City's financial reports and Five-Year Plan. In FY24, PICA published eight issue briefs and research reports intended to expand understanding of current fiscal conditions in Philadelphia, illuminate existing and emerging fiscal challenges, identify achievements in improving fiscal health, and uncover options and opportunities for the future. The FY24 publications were:



### **Making MidYear Moves: What to Include & Avoid in a MidYear Budget Amendment**

This issue brief explained the City of Philadelphia’s process to amend budgets during the fiscal year. It analyzes ten years of amendments, uncovers a trend of growing amendments as a percentage of the overall budget since the onset of the COVID-19 pandemic, and makes recommendations for what to include and avoid in midyear transfer ordinances.



### **Weathering the Future: Charting a Course for Fiscal and Climate Sustainability**

A February 2024 research report looked at the nexus between fiscal stability and climate sustainability. The analysis drew upon best practices from the Government Finance Officers Association and efforts under way in Philadelphia, New York, Pittsburgh, Portland, Denver, and Miami to develop promising practices that the City of Philadelphia should continue or implement.



### **Federal Funds, Fiscal Cliffs, and the Philly Fund Balance**

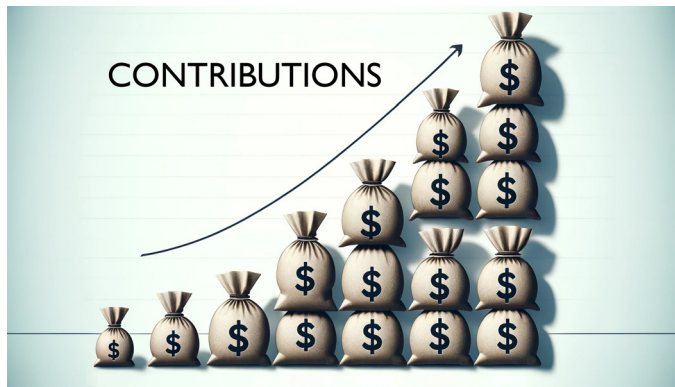
This piece detailed the end of one-time federal funds for COVID, the expected impacts, and measures Philadelphia put into place to avoid a fiscal cliff. The January 2024 issue brief outlined what PICA would be looking for in the FY25 budget to ensure a smooth transition as the funding ends.



### **Tax Reform and Fiscal Stability**

In an April 2024 issue brief, as a new Philadelphia Tax Reform Commission commenced, PICA outlined the elements of a successful tax structure (it should be effective, efficient, and equitable), recapped changes to the City’s tax structure designed to achieve a successful tax structure and called upon the members of the new Tax Reform Commission and elected officials to ensure that any changes to Philadelphia’s tax structure maintain and enhance fiscal stability.





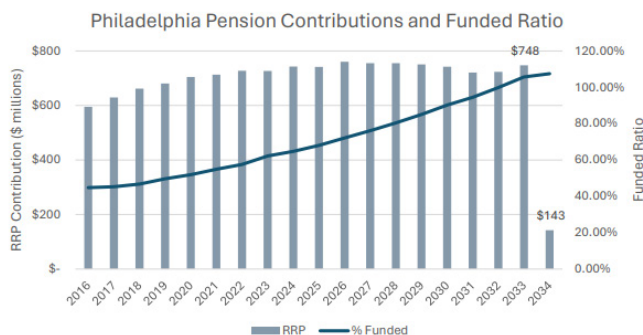
### Contributions Over a Decade

This issue brief detailed the rising share of the General Fund devoted to contributions in the past decade, driven by increased allocations to the School District of Philadelphia and Community College of Philadelphia. This document kicked off a new series of publications pulling back the curtain on different segments of General Fund spending to provide context and insights that will inform PICA's Five-Year Plan analysis.



### Philadelphia's Rainy Day Fund

With PICA's mission of enhancing Philadelphia's fiscal stability and avoiding future financial crises, this publication breaks down the structure and scale of Philadelphia's Budget Stabilization Reserve. This piece from the spring of 2024 also includes information about reserves in peer cities.



### Philadelphia's Pension Fund

Even with tremendous progress towards fully funding Philadelphia's pension, the current liabilities and annual costs to the General Fund make it a significant financial risk to the City. This report provides a look back at the achievements to improve the Pension Fund's funding level and looks forward to what opportunities open up for the City once full funding is reached.



### Hitting the Bullseye: Revenue Prediction Precision in Philadelphia and Peer Cities

Each year, PICA assesses the reasonableness of the City's revenue projections as part of the Five-Year Plan process. For the first time, PICA conducted an evaluation on the accuracy of those projections. Looking at the past 20 years, PICA found that Philadelphia's actual collections were on average within +/- 4.2 percent of original projections, better than the average for 11 peer cities.

## Communications & Engagement

To achieve PICA's objectives, PICA must establish and maintain relationships with stakeholders and persuasively communicate research and recommendations to foster shared commitments to Philadelphia's fiscal stability. To guide that work, PICA drafted a communications and engagement plan in FY24 with the following guiding principles:

- Providing accurate, understandable, and timely information about the fiscal condition of Philadelphia.
- Maintaining ongoing positive relationships with stakeholders and partners.
- Developing recommendations that are efficient, effective, and equitable.
- Employing a data-driven, evidence-based approach.
- Soliciting and incorporating feedback to improve the impact of PICA on Philadelphia's fiscal condition.

PICA deployed several tactics to develop, deepen, and sustain its communications with stakeholders aligned with those principles. This included:

- Reinvigorating PICA's social media presence with frequent, relevant postings that grew [our LinkedIn](#) followers from 12 in October 2023 to over 400 by June 2024.
- Launching [a monthly e-newsletter](#) to share PICA publications, event and meeting announcements, and other information. By the end of FY24, the e-newsletter had 600+ subscribers.
- Convening a fall conference, *The Costs of Climate Change: How Philadelphia Can Prepare*, with presenters from government, academia, and the private sector.
- Seeking and accepting speaking opportunities. PICA's Executive Director and staff have presented on Philadelphia's budget and fiscal condition, and specific topics including revenue challenges and PICA publications. Audiences in FY24 have included City Council's new member orientation, Pew's Accelerator Policy Workshop and Emerging Leadership Corps, the Forum of Executive Women, undergraduate and graduate level classes at Villanova and Penn, the Philadelphia Tax Reform Commission, and trainings for City Council staffers.
- Maintaining regular contact with key partners, including biweekly meetings with the City of Philadelphia's Finance Director and with Philadelphia City Council's Chief Financial Officer, as well as comprehensive but concise updates to PICA's Board.
- Conducting Board Meetings throughout the year. The meeting schedule is considered and approved by the Board during its annual meeting. The schedule is advertised in a newspaper of general circulation and is posted on the PICA website and at PICA's offices. FY24 meetings enabled public attendance in person and via Zoom to maintain accountability and transparency to the residents of Philadelphia, its appointing authorities, and other stakeholders.

## Operations & Administration

As stewards of public funds with a mission to support government fiscal stability, PICA is diligent about managing the Authority with integrity, efficiency, and transparency. This means safeguarding PICA's resources. In FY24, this included upgrading computer equipment and IT systems to improve cybersecurity and staff productivity. To protect and enhance PICA's financial resources, PICA's operating funds were shifted from a low-interest savings account to a money market account restricted to investments in government debt to increase interest earnings while protecting principal. Cost savings on rent for PICA's office space were negotiated in FY24, following a rigorous process with numerous options, and will result in savings starting in FY25.

PICA was conceived of as a small organization, requiring it to be strategic in developing capacity and expertise. FY24 saw the retirement of long-time Executive Director Harvey Rice, and the Board's appointment of Marisa Waxman as Executive Director. PICA has taken steps to ensure it has access to qualified professional advisors by issuing requests for proposals for auditing, accounting, and legal services in FY24. PICA's Board approved the selected firms via resolutions. In FY24, PICA invested in the professional development of its staff to expand internal expertise for its oversight of the City of Philadelphia and own management. This included joining the Government Finance Officers Association and participating in in-person and remote education sessions. PICA also developed a policy on Generative Artificial Intelligence (AI). These tools have the potential to enhance the quality and efficiency of PICA's work but also present some risks and dangers. The policy encourages responsible use of these tools while maintaining PICA's commitment to ensuring accuracy and accountability in its work.



# PICA in Action: FY25 Objectives

In FY25, PICA will continue to act as a catalyst for and champion of sound financial planning and budgetary practices for the City of Philadelphia, as envisioned in the PICA Act. It will achieve this through rigorous monitoring and analysis of the City's finances, effective communications and engagement to our stakeholders, and efficient and transparent administration of our organization.

## Oversight & Analysis

In FY25, PICA will maintain and expand ongoing monitoring and analysis of the City of Philadelphia's finances. In addition to continuing existing oversight and research concentrated on the General Fund, there will be an explicit broadening of this work to go beyond the City's General Fund and provide more insights into and oversight of other funds of the City to provide a comprehensive understanding of Philadelphia's fiscal condition.

## PICA Staff Report on the Five-Year Plan

The staff review of the City's Five-Year Plan will remain the centerpiece of our annual oversight work. Staff will utilize appropriate methods to evaluate the reasonableness of the City's projections and adherence to the criteria laid out in the PICA Act. This will include analysis of the City's documentation and interviews with the City's leadership and departments. The demographic and economic context will be considered with compilation of economic data and input from regional economic experts through a convening at the Federal Reserve of Philadelphia, contracting with an economic consultant to develop independent revenue estimates, and continued collaboration with the City Controller's Office.

## Financial Reporting Fact Sheets

In FY25, PICA will continue quarterly monitoring and publishing fact sheets based on the City's quarterly and annual financial reports that describe the revenue, spending, staffing, overtime, and performance of the City and highlight any areas of concern. At the request of PICA, beginning in FY25, the City's Quarterly City Managers Reports will include data on the Capital, Housing Trust, and Transportation Funds. This additional information will enable PICA to perform ongoing monitoring and form the basis for future analysis.

## Issue Briefs & Research Reports

As part of PICA's efforts to widen the focus of its analysis beyond the General Fund, PICA has issued a request for proposals for expertise in grants administration. The Grants Revenue Fund received \$1.4 billion in FY23, and supports critical services delivered to Philadelphians. As part of an upcoming implementation of a new finance system, the City of Philadelphia will be better able to centrally document the grants lifecycle, from identification of an opportunity to grant closeout. PICA and the City of Philadelphia hope to leverage this moment to put in place the policies, procedures, and staff to ensure that Philadelphia's approach to grants administration enables it to more efficiently maintain and enhance its finances and service delivery. PICA also plans to issue briefs and/or research reports on the Housing Trust Fund, Capital Funds, and Transportation Fund in FY25.

The General Fund will continue to be the subject of in-depth inquiries through FY25. Already, PICA performed [a comprehensive analysis of the accuracy of Philadelphia's spending projections](#) over the past 20 years and compared it to peer jurisdictions and provided [an update to PICA's 2019 report on Police Court Overtime](#) that demonstrated that those costs have gone down since PICA's recommendations were made. PICA will continue to release publications on ongoing and emerging issues impacting Philadelphia's revenue collections, spending, and other factors affecting fiscal health.

September 2024

### Mind the Gap: Measuring the Accuracy of Spending Projections

In a [June 2024 publication](#), PICA shared that Philadelphia performed better than most of its peer cities when it comes to predicting its annual revenues. But what about the City's annual expenditures?

As it turns out, Philadelphia is even better at accurately predicting its annual General Fund expenditures than its revenues and is the second most accurate of its peer cities! Over the past 20 fiscal years, Philadelphia's actual spending was, on average, within +/- 2.0 percent of its adopted budget. This is better than the mean amongst peer cities of +/- 5.0 percent of adopted budgets.



## Communications & Engagement

In FY25, PICA will continue to create opportunities to increase awareness and understanding of the City's fiscal issues. PICA will use various channels to achieve that goal, including an in-person fall conference on intergovernmental cooperation in a post-COVID world, a topic related to PICA's planned research on grants administration. Staff will continue to seek and accept speaking engagements and has already committed to events with the National Tax Foundation, New Jersey League of Municipalities, and Philadelphia City Council, which may return to holding quarterly hearings on fiscal stability in the fall of 2024.

PICA will enhance the accessibility and effectiveness of its online presence with a redesign of its website in FY25. PICA will continue publication of its monthly e-newsletter and will seek to increase the number of subscribers. PICA's goal is to reach 500 followers on LinkedIn by the end of FY25.

## Operations & Administration

In FY25, PICA will continue sound financial and operational management practices, with the aim of maintaining and expanding our capacity to fulfill our mission, receive clean audits, and meet the administrative requirements of the PICA Act by being careful stewards of the public funds that support our operations. This may include promulgation of new financial policies and procedures that are aligned with state law and best practices. PICA will continue to invest in technology and staff professional development to ensure we provide high-quality oversight and analysis of the City of Philadelphia's finances.

# **Pennsylvania Intergovernmental Cooperation Authority**

A Blended Component Unit of the  
City of Philadelphia

Financial Statements with Required  
Supplementary Information and  
Supplementary Information

Year Ended June 30, 2024  
with Independent Auditor's Report

# MaherDuessel

A horizontal graphic element consisting of a black bar on the left and a blue bar on the right, separated by a thin white line.

# **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2024

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# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2024

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## **Independent Auditor's Report**

**Board of Directors  
Pennsylvania Intergovernmental Cooperation Authority**

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pennsylvania Intergovernmental Cooperation Authority (Authority), a blended component unit of the City of Philadelphia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
September 24, 2024

## Management's Discussion and Analysis

The Board of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority" or "PICA") offers the following narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2024 ("FY2024"). Please read it in conjunction with the Authority's financial statements, which begin on page 1.

### **Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components:

- (1) Government-wide financial statements – which provide both long-term and short-term information about the Authority's overall financial condition.
- (2) Fund financial statements – which provide a more detailed look at major individual funds.
- (3) Notes to the financial statements – which explain some information contained in the financial statements and provide more detailed data.
- (4) Supplementary information – which further explain and support the information in the financial statements.

### **Brief Description and Financial Highlights**

PICA is a blended component unit of the City of Philadelphia ("City"). PICA is a body corporate and politic, a public authority and instrumentality of the Commonwealth of Pennsylvania ("Commonwealth"). It was created in 1991 to assist the City in overcoming a severe fiscal crisis by issuing bonds to finance the accumulated operating deficit of the City, and by overseeing the creation of a long-term financial planning process. Since 1991, the City has submitted, and PICA has approved, thirty-two Five-Year Financial Plans. PICA approved the Five-Year Financial Plan for fiscal years 2025 through 2029 on July 29, 2023.

PICA is governed by a Board consisting of five voting members appointed by the following state officials: 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. The Board also includes two non-voting, *ex officio* members: The Secretary of the Budget of the Commonwealth and the Director of Finance of the City. The Authority currently employs four full-time staff.

The financial activity and statements presented in this report reflect only the financial activity of PICA. However, as a blended component unit of the City, the Authority's financial activity is included in the City's *Annual Comprehensive Financial Report*, as part of governmental activities. The following is a summary of some of the highlights of the Authority's financial activity in FY2024:

- The Authority's total net position at the close of FY2024 was \$17,724,351, representing a positive change in net position of \$611,243 from the prior year. The largest contributor to the change in net position was the reduction of the net pension liability.
- The Authority's most significant expenses in FY2024 were \$705,370,226 for grants to the City and \$251,581 for general management and support. The most significant revenue source was \$704,422,177 in PICA taxes.
- At the close of FY2024, the combined fund balance in all governmental funds was \$19,052,489. The fund balance was comprised solely of the fund balance related to the General Fund.

PICA's original enabling legislation enacted in 1991 was set to expire upon the retirement of all outstanding PICA bonds which occurred on June 15, 2023. Legislation extending PICA was enacted by the Commonwealth of Pennsylvania Legislature and signed by the Governor on July 7, 2022. Under this legislation, PICA shall be in existence until January 2, 2047, or until all outstanding debts and/or liabilities have been fully discharged. The new legislation reaffirms that PICA is authorized to review budget and fiscal affairs of the City of Philadelphia and mandates that Five-Year Plans be submitted and revised on an annual basis, mirroring the 1991 legislation.

## **Overview of Financial Statements**

*Government-Wide Financial Statements.* The government-wide financial statements provide information about the activities of the Authority as a whole. They are reported using the economic resource measurement focus and the accrual basis of accounting. In these statements, all current year revenues and expenses are considered, regardless of when cash is received or paid.

There are two government-wide financial statements: The Statement of Net Position and the Statement of Activities (pages 1 and 2). The Statement of Net Position presents information on all the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position should indicate whether the financial position of the Authority is improving or deteriorating. The Statement of Activities presents information showing how the Authority's net position changed during FY2024. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

*Fund Financial Statements.* The two governmental fund financial statements are the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance (pages 3 and 5). A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds, and information for each major fund is presented separately in the fund financial statements.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both fund financial statements provide a reconciliation to facilitate this comparison between the fund statements and government-wide statements.

*Notes to the Financial Statements.* The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 7 through 29.

*Supplementary Information.* In addition to the basic financial statements, and the accompanying notes, this report also presents additional information in two separate sections: required supplementary information, and supplementary information.

Required Supplementary Information: Certain information regarding the General Fund operating budget, the proportionate share of the collective net pension and other post-employment benefit (OPEB) liability, and the contributions to the Commonwealth's pension and OPEB system is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

Supplementary Information: The combining nonmajor governmental fund financial statements and the schedules of cash activity for both the General Fund and the PICA Tax Revenue Fund are presented in this section. The supplementary information can be found immediately following the Required Supplementary Information.

## Government-Wide Financial Statements

### Statement of Net Position

PICA's total assets as of June 30, 2024, were \$31,702,541, a decrease of 9.8 percent from the previous year. The most significant change was the decline in the PICA taxes receivable and cash and cash equivalents of (\$3,487,993).

<b>Table 1: Net Position</b>			
	<b>FY2024</b>	<b>FY2023</b>	<b>Percent Change</b>
<b>Assets</b>			
Cash and cash equivalents	\$19,128,128	\$19,463,246	-1.7%
PICA taxes receivable	12,471,887	15,624,762	-20.2%
Accrued interest receivable	80,811	59,556	35.7%
Prepaid expenses	11,638	13,054	-10.8%
Equipment, net	10,077	2,976	238.6%
<b>Total Assets</b>	<b>\$31,702,541</b>	<b>\$35,163,594</b>	<b>-9.8%</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to Pension	\$476,093	\$509,727	-6.6%
Deferred outflows related to OPEB	46,601	95,623	-51.3%
Contributions subsequent to measurement date:			
Pension	56,377	62,811	-10.2%
OPEB	20,207	18,449	9.5%
<b>Total Deferred Outflows of Resources</b>	<b>\$599,278</b>	<b>\$686,610</b>	<b>-12.7%</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$168,088	\$223,915	-24.9%
Due to the City of Philadelphia	12,471,887	15,635,340	-20.2%
Current portion of net OPEB liability	20,207	18,449	9.5%
Net pension liability	1,063,244	1,541,113	-31.0%
Noncurrent portion of net OPEB liability	334,029	521,824	-36.0%
<b>Total Liabilities</b>	<b>\$14,057,455</b>	<b>\$17,940,641</b>	<b>-21.6%</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to Pension	257,937	434,513	-40.6%
Deferred inflows related to OPEB	262,076	361,942	-27.6%
<b>Total Deferred Inflows of Resources</b>	<b>\$520,013</b>	<b>\$796,455</b>	<b>-34.7%</b>
<b>Net Position</b>			
Net investment in capital assets	\$10,077	\$2,976	238.6%
Unrestricted	17,714,274	17,110,132	3.5%
<b>Total Net Position</b>	<b>\$17,724,351</b>	<b>\$17,113,108</b>	<b>3.6%</b>



Total deferred outflows of resources as of June 30, 2024, totaled \$599,278, a decrease of (\$87,332) or 12.7 percent from the prior year. Most of the change in deferred outflows of resources was attributable to the decrease in deferred outflows related to Pension and OPEB of (\$82,656).

Total liabilities as of June 30, 2024, were \$14,057,455, a decrease of (\$3,883,186) or 21.6 percent from the previous year. The most significant change in liabilities included decreases of (\$665,664) in the net pension liability and the noncurrent portion of net OPEB liability and a (\$3,163,453) decrease in the due to the City of Philadelphia liability.

Total deferred inflows of resources as of June 30, 2024, were \$520,013, a decrease of (\$276,442) or 34.7 percent from the previous year. The decrease in deferred inflows of resources represents the net differences between projected and actual earnings related to its pension plan, the difference between the Authority's contributions and proportionate share of contributions related to its pension plan, and the difference between expected and actual experience in its other post-employment benefits plan.

The Authority's total net position as of June 30, 2024, was \$17,724,351.

### Statement of Activities

As shown in Table 2, total expenses for FY2024 were \$705,625,307, an increase of \$29,345,682 or 4.3 percent from the previous year. The most significant change in expenses included a \$30,644,591 increase in grants to the City which was offset by a decrease (\$736,245) in general management and support. Total revenues for FY2024 were \$706,236,550, an increase of \$28,236,242 or 4.2 percent over the prior year. The most significant increase in revenues was an increase of \$30,800,419 or 4.6 percent in the PICA taxes, which was offset by a total decrease of (\$2,724,375) in the amortization of deferred gain on refunding and amortization of bond premium.

Revenues exceed expenses by \$611,243 in FY2024, resulting in an increase in net position of that amount. Net position at the beginning of the year was \$17,113,108. Consequently, the year-end net position for FY2024 is \$17,724,351. The Authority's net position improved due to the decline in general management and support expenses as a result of a reduction in pension and OPEB expenses.

Table 2: Activities			
	FY2024	FY2023	Percent Change
<b>Expenses</b>			
Grants to City of Philadelphia	\$705,370,226	\$674,725,635	4.5%
General management and support	251,581	987,826	-74.5%
Interest on long-term debt	0	543,500	-100.0%
Investment expenses	3,500	22,664	-84.6%
<b>Total Expenses</b>	<b>\$705,625,307</b>	<b>\$676,279,625</b>	<b>4.3%</b>
<b>Revenues</b>			
PICA taxes	\$704,422,177	\$673,621,758	4.6%
Amortization of bond premium	0	818,785	-100.0%
Amortization of deferred gain on refunding	0	1,905,590	-100.0%
Investment income (loss)	1,814,060	1,653,494	9.7%
Other income	313	681	-54.0%
<b>Total Revenues</b>	<b>\$706,236,550</b>	<b>\$678,000,308</b>	<b>4.2%</b>
<b>Change in Net Position</b>	<b>\$611,243</b>	<b>\$1,720,683</b>	<b>-64.5%</b>
<b>Net Position</b>			
Beginning of fiscal year	\$17,113,108	\$15,392,425	11.2%
<b>End of fiscal year</b>	<b>\$17,724,351</b>	<b>\$17,113,108</b>	<b>3.6%</b>

## **Governmental Fund Financial Statements**

The Authority's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Both governmental fund financial statements are reconciled to the government-wide financial statements.

PICA maintains two governmental funds. They include: the General Fund and the PICA Tax Revenue Fund. A description of each fund is provided below.

*General Fund.* The General Fund accounts for all resources utilized for PICA operations. All FY2024 administration expenses were funded from earnings from the General Fund and amounts available in the PICA Tax Revenue Fund.

*PICA Tax Revenue Fund.* The PICA Tax Revenue Fund accounts for the receipts of PICA tax revenue and its allocation to other PICA funds and to the City in accordance with the PICA bond indenture. The fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Special Revenue Funds (the earnings on Special Revenue Funds are restricted to providing grants to the City for PICA-approved capital projects). These funds are utilized to provide monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement, and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and annual principal payments at the close of the month prior to each required payment. After provision of monthly debt service requirements, the residual balances in the PICA Tax Revenue Fund are paid to the City as grants to the City General Fund. PICA had no outstanding bonds or associated debt service in FY2024.

### **Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds**

The Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds, presents revenues, expenditures, other financing sources and uses, and change in fund balance for the Authority's two governmental funds for the year ended June 30, 2024. The statement also presents fund balances at the beginning and at the end of FY2024. Table 3 presents a summary of the information in this statement.

<b>Table 3: Revenues, Expenditures, and Changes in Fund Balance</b>			
	<b>Revenues</b>	<b>Expenditures</b>	<b>Fund Balance (June 30, 2024)</b>
<b>Governmental Fund</b>			
General	\$866,324	\$1,115,198	\$19,052,489
PICA Tax Revenue	705,370,226	705,370,226	0
<b>Total Governmental Funds</b>	<b>\$706,236,550</b>	<b>\$706,485,424</b>	<b>\$19,052,489</b>

The Authority's governmental funds received \$706,236,550 in revenue in FY2024. This amount included \$705,370,226 in PICA taxes received in the PICA Tax Revenue Fund.

Expenditures in governmental funds totaled \$706,485,424 in FY2024. This amount included: \$705,370,226 in grants to the City in the PICA Tax Revenue Fund, \$1,111,698 in expenditures for Authority operations, and \$3,500 in investment expenses in the General Fund.

The sum of revenues and expenditures for all governmental funds equals the change in fund balance for FY2024 was (\$248,874). Accordingly, the total fund balance in all governmental funds decreased from \$19,301,363 as of July 1, 2023, to \$19,052,489 as of June 30, 2024, or a 1.3 percent decline.

## Balance Sheet – Governmental Funds

The Balance Sheet – Governmental Funds, presents assets, liabilities, and fund balance for the Authority’s two governmental funds as of June 30, 2024. Total assets for all governmental funds are \$31,692,464. This amount includes \$19,220,577 in the General Fund, primarily consisting of cash and cash equivalents, accrued interest receivable and prepaid expenses. The total assets for the governmental funds also include \$12,471,887 in the PICA Tax Revenue Fund which consists of the PICA taxes receivable and accrued interest receivable.

Table 4: Balance Sheet			
	Assets	Liabilities	Fund Balance (June 30, 2024)
<b>Governmental Fund</b>			
General	\$19,220,577	\$168,088	\$19,052,489
PICA Tax Revenue	12,471,887	12,471,887	0
<b>Total Governmental</b>	<b>\$31,692,464</b>	<b>\$12,639,975</b>	<b>\$19,052,489</b>

Total fund balance for all governmental funds is \$19,052,489. Within the General Fund, the total fund balance is \$19,052,489, of which \$11,638 is nonspendable, \$15,766,451 is committed for future swaption activity and \$3,274,400 is unassigned. This unassigned fund balance is available for future Authority administration expenditures.

## General Fund Budget

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source was budgeted for by the Authority in FY2024.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates its format and additional information to be provided to the Governor and General Assembly of the Commonwealth.

The philosophy underlying the Authority’s General Fund budget is that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it. The FY2025 General Fund operating budget totals \$1,783,000, an increase of \$88,000 or 5.2% from FY2024. Table 5 presents a summary of the FY2024 and FY2025 General Fund budgets, as well as actual figures for FY2024.

Table 5: General Fund Budget

	FY2025 Budget	FY2024 Budget	FY2024 Actual	Percent Change FY2024 vs. FY2025 Budget
<b>Revenues and Other Financing Sources</b>				
Interest Earnings – General Fund	\$0	\$5,000	\$61,394	-100.0%
Use of Existing General Fund Surplus	1,783,000	890,000	1,053,804	100.3%
Other Financing Sources:				
Transfer of Amounts Available in the PICA Tax Revenue Fund	0	800,000	0	-100.0%
<b>Total Revenues and Other Financing Sources</b>	<b>\$1,783,000</b>	<b>\$1,695,000</b>	<b>\$1,115,198</b>	<b>5.2%</b>
<b>Expenditures</b>				
Salaries and benefits	\$1,040,000	\$1,080,000	\$726,356	-3.7%
Professional services	240,000	200,000	147,064	20.0%
Other expenses	228,000	177,500	164,183	14.4%
Capital outlay	75,000	2,500	9,595	2900.0%
Additional oversight duties	200,000	235,000	68,000	-14.9%
<b>Total Expenditures</b>	<b>\$1,783,000</b>	<b>\$1,695,000</b>	<b>\$1,115,198</b>	<b>5.2%</b>

The Authority's General Fund administrative expenditures are financed through an appropriation of a portion of the existing General Fund surplus, and interest earnings. Total expenditures in FY2025 are budgeted at \$1,783,000. Expenditures for salaries and benefits comprise \$1,040,000. The next largest category is professional services at \$240,000. Additional oversight duties expenditures are budgeted at \$200,000. This line item is reserved for special projects, commissioned research, or other needs that may arise during the fiscal year related to financial oversight of the City. Other expenses and capital outlay are budgeted at \$303,000.

In FY2024, actual PICA expenditures for operations were \$1,115,198 well below (52 percent) the budgeted amount. This reflected actual expenditures that were below budget in all major categories. Professional services, including legal, audit, and consulting, were below budgeted amounts, because PICA maintains a consistent level, year-to-year, for services pertaining to arbitrage and legal advice, which are only used to the extent they are needed in any given year. Combined actual costs for capital outlays and additional oversight duties were also below budgeted amounts.

### **Economic Factors and Next Year's Budget**

PICA Tax revenues reflect the underlying strength of the Philadelphia employment base, which had exhibited modest to strong growth prior to the COVID-19 global pandemic. In the aftermath of the pandemic, regional employment and wages increased due to a tight labor market. Increases to the Federal Reserve's federal funds rate have moderated growth in tax collections, but rate reductions are expected throughout FY2025. As a result, while sensitive to the economy, the City projects modest growth for the wage tax in FY2025, and consequently the PICA tax.

In FY2025, the Authority will continue to receive PICA Tax revenues in accordance with new agreements between the City, Commonwealth, and PICA. Because PICA no longer has any outstanding bonds, after a reduction for PICA administrative costs, these revenues will be allocated to the PICA City Account.

At this time, there are no major factors that are expected to significantly impact the Authority's operating expenditures in FY2025. The budget for FY2025 anticipates the use of \$1,783,000 of the existing General Fund surplus as a revenue source. This should result in a reduction in the unassigned General Fund balance in FY2025.

### **Additional Information**

In accordance with IRS regulations, certain funds already granted to the City by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such funds and interest earnings thereon until they are spent by the City. When the City encumbers funds for PICA-funded capital projects, the funds are transferred from the special revenue funds (nonmajor funds) to encumbered funds accounts also maintained by PICA's Trustee. Subsequent to incurring the capital expenditure, the City requests reimbursement from the encumbered funds accounts. As of June 30, 2024, the balance in the encumbered funds accounts was as follows:

Capital Projects Encumbered Funds	
1992 Capital Projects Encumbered Funds	\$663,688
1993 Capital Projects Encumbered Funds	1,821,555
1993 Criminal Justice Encumbered Funds	827,210
1994 Capital Projects Encumbered Funds	9,381,282
<b>Total</b>	<b>\$12,693,735</b>

### **Contacting PICA's Financial Management**

This financial report is designed to present an accurate overview of the financial activities of the Authority during FY2024. If you have questions about this report or require additional information about the Authority's finances, please contact PICA staff at Pennsylvania Intergovernmental Cooperation Authority, 1500 Walnut Street, Suite 1600, Philadelphia, PA 19102.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

JUNE 30, 2024

<b>Assets</b>	
Cash and cash equivalents	\$ 19,128,128
PICA taxes receivable	12,471,887
Accrued interest receivable	80,811
Prepaid expenses	11,638
Equipment, net	10,077
<b>Total Assets</b>	<b>31,702,541</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to:	
Pension	476,093
Other post-employment benefits	46,601
Contributions subsequent to measurement date:	
Pension	56,377
Other post-employment benefits	20,207
<b>Total Deferred Outflows of Resources</b>	<b>599,278</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	168,088
Due to City of Philadelphia	12,471,887
Current portion of net other post-employment benefit liability	20,207
Net pension liability	1,063,244
Noncurrent portion of net other post-employment benefit liability	334,029
<b>Total Liabilities</b>	<b>14,057,455</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to:	
Pension	257,937
Other post-employment benefits	262,076
<b>Total Deferred Inflows of Resources</b>	<b>520,013</b>
<b>Net Position</b>	
Net investment in capital assets	10,077
Unrestricted	17,714,274
<b>Total Net Position</b>	<b>\$ 17,724,351</b>

The accompanying notes are an integral part of these financial statements.

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

YEAR ENDED JUNE 30, 2024

**Expenses:**

Grants to City of Philadelphia	\$ 705,370,226
General management and support - general operations	251,581
Investment expenses	3,500
Total Expenses	<u>705,625,307</u>

**Revenues:**

PICA taxes	704,422,177
Investment income (loss)	1,814,060
Other income	313
Total Revenues	<u>706,236,550</u>

<b>Change in Net Position</b>	611,243
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**Net Position:**

Beginning of year	<u>17,113,108</u>
End of year	<u><u>\$ 17,724,351</u></u>

The accompanying notes are an integral part of these financial statements.



# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2024

	General	PICA Tax Revenue	Total Governmental Funds
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ 19,128,128	\$ -	\$ 19,128,128
PICA taxes receivable	-	12,471,887	12,471,887
Accrued interest receivable	80,811	-	80,811
Prepaid expenses	11,638	-	11,638
<b>Total Assets</b>	<b>\$ 19,220,577</b>	<b>\$ 12,471,887</b>	<b>\$ 31,692,464</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 76,550	\$ -	\$ 76,550
Due to the City of Philadelphia	-	12,471,887	12,471,887
Accrued payroll and taxes	91,538	-	91,538
Total liabilities	168,088	12,471,887	12,639,975
Fund Balance:			
Nonspendable	11,638	-	11,638
Committed:			
For future swaption activity	15,766,451	-	15,766,451
Unassigned	3,274,400	-	3,274,400
Total fund balance	19,052,489	-	19,052,489
<b>Total Liabilities and Fund Balance</b>	<b>\$ 19,220,577</b>	<b>\$ 12,471,887</b>	<b>\$ 31,692,464</b>

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2024

<b>Total Fund Balance - Governmental Funds</b>			\$ 19,052,489
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$27,159 and the accumulated depreciation is \$17,082.

10,077

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Net pension liability, net of related deferred inflows and outflows of resources

\$ (788,711)

Net OPEB liability, net of related deferred inflows and outflows of resources

(549,504)

(1,338,215)

**Net position - governmental activities**

\$ 17,724,351

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	General	PICA Tax Revenue	Total Governmental Funds
<b>Revenues:</b>			
PICA taxes	\$ -	\$ 704,422,177	\$ 704,422,177
Investment income	866,011	948,049	1,814,060
Other	313	-	313
Total revenues	<u>866,324</u>	<u>705,370,226</u>	<u>706,236,550</u>
<b>Expenditures:</b>			
Grants to the City of Philadelphia	-	705,370,226	705,370,226
Administration:			
Investment expenses	3,500	-	3,500
Operations	1,111,698	-	1,111,698
Total expenditures	<u>1,115,198</u>	<u>705,370,226</u>	<u>706,485,424</u>
<b>Net Change in Fund Balance</b>	(248,874)	-	(248,874)
<b>Fund Balance:</b>			
Beginning of year	19,301,363	-	19,301,363
End of year	<u>\$ 19,052,489</u>	<u>\$ -</u>	<u>\$ 19,052,489</u>

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

<b>Net Change in Fund Balance - Governmental Fund</b>	<b>\$ (248,874)</b>
Cost of capital outlays is allocated over their estimated useful lives as depreciation in the government-wide statements.	
Capital outlays	9,595
Depreciation expense	(2,493)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in net pension liability, net of related deferred outflows and inflows of resources	\$ 614,377
Change in other post-employment benefit obligations, net of related deferred outflows and inflows of resources	238,638
	853,015
<b>Change in net position - Governmental Activities</b>	<b>\$ 611,243</b>

The accompanying notes are an integral part of these financial statements.

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**  
(A BLENDED COMPONENT UNIT OF THE CITY OF PHILADELPHIA)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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**1. Summary of Significant Accounting Policies and Organization**

Organization

The Pennsylvania Intergovernmental Cooperation Authority (Authority) was created on June 5, 1991 by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (Act) for the purpose of providing financial assistance to the City of Philadelphia (City) in overcoming a severe financial crisis. Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex-officio nonvoting members. The ex-officio members are presently the Director of Finance of the City and the Budget Secretary of the Commonwealth of Pennsylvania (Commonwealth). 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 was to expire no later than one year after the maturity of all outstanding special tax revenue bonds issued by the Authority. In July, 2022, the Commonwealth enacted legislation extending the Act. The extended Act continues the existence of the Authority until the later of January 2, 2047 or one year after all of the Authority's liabilities, including any outstanding bonds, as provided in the applicable bond indenture, have been fully paid or discharged. Upon termination of the Authority, all rights and property, including funds remaining in the debt service reserve fund, will be paid to the Commonwealth to the extent the Commonwealth has contributed such rights or property, or otherwise such rights and property will pass to or be vested in the City. Future operations of the Authority may be subject to legislative action.

All outstanding bonds of the Authority were paid off as of June 15, 2023. Any remaining funds held by the Authority pursuant to the original Act, other than those maintained for the operations of the Authority, were disbursed to the City as of June 30, 2023.

The Act provides that the Authority shall have certain financial and oversight functions. The Authority had the power to issue bonds to grant or lend the proceeds thereof to the City. Under the Act, the Authority also has 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.

**PENNSYLVANIA INTERGOVERNMENTAL  
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The Authority is considered a blended component unit of the City.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to municipalities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority prepares an annual budget in accordance with GAAP but does not include investment income due to its variability.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the activities of the primary government. All material interfund accounts and transactions have been eliminated in the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

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

The **PICA Tax Revenue (Special Revenue) Fund** accounts for the proceeds of the PICA Tax 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 Trustees by the Trust Indentures.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from the PICA Tax (a tax levied by the City on the wages and net profits of Philadelphia residents and businesses) are recorded when the Authority is advised by the Commonwealth of the amounts to be remitted and expenses are recorded when a liability is incurred, regardless of the timing of



**PENNSYLVANIA INTERGOVERNMENTAL  
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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2024**

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related cash flows. The Authority cannot and does not account for any PICA Tax due to, but not yet collected, by the City.

Governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both “measurable” and “available to finance expenditures of the current period.” The Authority considers amounts collected within 60 days after year-end on all governmental funds to be available and recognizes them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt services funds for payments to be made early the following year.

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Management has classified all fund balance in the special revenue funds and debt service funds as restricted (except as noted below).
- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors (Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same course of action that was employed when the funds were initially committed. Management has classified any fund balance that is related to the budget or that has been designated for future swaption activity as committed.
- **Assigned:** This classification includes amounts that are constrained by management’s intent to be used for a specific purpose but are neither restricted nor committed. This

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**YEAR ENDED JUNE 30, 2024**

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intent should be expressed by the Board or an official, such as the Executive Director. The Authority did not have any fund balance classified as assigned at June 30, 2024.

- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed, restricted, or nonspendable. Management has classified the remaining portion of the General Fund fund balance as unassigned.

When fund balance resources are available for a specific purpose from multiple classifications, the Authority will generally use the most restrictive funds in the following order: restricted, committed, and assigned as needed.

PICA Tax

The “PICA Tax” was enacted by an ordinance adopted by the City Council and approved by the Mayor of the City 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 and businesses. 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 Authority does not administer the collection of the PICA Tax from taxpayers.

Cash and Cash Equivalents

The Authority considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments

All investments are stated at fair value. Investment income is recorded on the Statement of Activities and includes any unrealized gains or losses earned during the period.

Capital Assets

Capital assets, which include equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The Authority does not possess any infrastructure.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the Authority are depreciated using the straight-line method over the useful lives of the assets. The estimated useful life of the equipment is five years.

Compensated Absences

Accrued expenses include an accrual for vacation pay earned but not taken as of June 30, 2024 of \$63,593.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and additions to/deductions from SERS' fiduciary net position have been determined on the same basis as reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined under a separate payment arrangement based on the Retired Employees Health Program (REHP) sponsored by the Commonwealth. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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Adopted Pronouncements

The following GASB Statement was adopted for the year ended June 30, 2024: Statement No. 100 (Accounting Changes and Error Corrections). This statement had no significant impact on the financial statements for the year ended June 30, 2024.

Pending GASB Pronouncement

GASB has issued statements that will become effective in future years including Statement Nos. 101 (Compensated Absences), 102 (Certain Risk Disclosures) and 103 (Financial Reporting Model Improvements). Management has not yet determined the impact of these statements on the financial statements.

## **2. Deposits and Investments**

Deposits

Authority funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. 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, or any political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Act 72 of 1971 Session of the Pennsylvania General Assembly (Act 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

At June 30, 2024, the Authority's deposits consist of the following:

Cash	<u>\$ 3,361,677</u>
Total deposits	<u>\$ 3,361,677</u>

Money market funds with a remaining maturity of one year or less are classified as cash equivalents.

**PENNSYLVANIA INTERGOVERNMENTAL  
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**YEAR ENDED JUNE 30, 2024**

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*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2024, the Authority's book balance was \$3,361,677 and the bank balance was \$3,362,641. Of the bank balance, \$250,000 was covered by federal depository insurance.

Investments

As of June 30, 2024, the Authority had the following investments:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money market funds	<u>\$ 15,766,451</u>	<u>\$ 15,766,451</u>	Less than 1 year

The Authority complies with Pennsylvania statutes (72 P.S. Section 301.1 and Section 3603) which enumerate the permissible investments for funds of the Commonwealth. These statutes are applicable to the Authority as a result of Section 311(b) of the Act. Specifically, all funds of the Authority, including the proceeds of bonds, which are not required for immediate use may be invested in other obligations of an assisted city, or in obligations of the Federal Government or of the Commonwealth, or obligations which are legal investments of Commonwealth funds, including certain types of commercial paper.

Investments in the PICA Tax Revenue Fund must be invested in accordance with the various Trust Indentures.

The Trust Indentures restrict investments to the following types of securities:

- (a) Obligations to the City;
- (b) Other government obligations;
- (c) Federal funds, unsecured certificates of deposit, 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;

**PENNSYLVANIA INTERGOVERNMENTAL  
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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- (e) (i) Direct obligations of, or (ii) obligations, the principal of and interest of which are unconditionally guaranteed by any state of the United States of America, the District of Columbia, or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);
- (f) Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase "P-1" by Moody's and "A-1" or better by S&P;
- (g) Repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letters of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; and guaranteed Title XI financing of the U.S. Maritime Administration;
- (h) Money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the type specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-g" by S&P.

*Custodial Credit Risk* - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has no policy, other than as noted above, that further limits its custodial credit risk.

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YEAR ENDED JUNE 30, 2024

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*Concentration of Credit Risk* - The Authority places no limit on the amount the Authority may invest in any one issuer.

The Authority's investment in money market funds are not exposed to custodial credit risk or concentration of credit risk because those investments are not evidenced by securities in book entry or paper form.

*Credit Risk* - The Authority investments had the following level of exposure to credit risk at June 30, 2024:

Investment	Fair Value	Rating
Money market funds	<u>\$ 15,766,451</u>	AAA

*Interest Rate Risk* – The Authority does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Fair Value of Investments* – Investments and derivatives are recorded at fair value as of June 30, 2024. GASB Statement No. 72, "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of value inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest, and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.



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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset (or liability), either directly or indirectly.
- Level 3 - Investments with unobservable inputs for an asset (or liability) and may require a degree of professional judgement.

The Authority's investment in money market funds are Level 1 investments and fair value is based on active market quotes.

### 3. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Deletions	Additions	Balance June 30, 2024
Equipment	\$ 17,565	\$ -	\$ 9,595	\$ 27,160
Less: Accumulated depreciation	(14,589)	-	(2,493)	(17,082)
Equipment, net	<u>\$ 2,976</u>	<u>\$ -</u>	<u>\$ 7,102</u>	<u>\$ 10,078</u>

Depreciation for the year ended June 30, 2024 was \$2,493 and is reflected in the Statement of Activities.

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**4. Defined Benefit Pension Plan**

Plan Description

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

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

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense, information about the fiduciary net position of SERS, as well as additions to and deductions from SERS fiduciary net position have been determined on the same basis as they are reported in the financial statements of SERS. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

Benefits Provided

SERS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire with three years of service at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. For employees hired prior to January 1, 2011, the general annual benefit provided by statute is 2.5% of the member's highest three-year average salary times years of service. Effective January 1, 2011, the general annual benefit required by statute was reduced to 2.0% of the member's highest three-year annual average salary times years of service times class of

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service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2024 was \$396,204.

**Contributions Required**

Covered employees are required by statute to contribute to SERS at a rate of 6.25% (Class AA employees), 7.50% (DC-Only Plan), and 8.25% (Class A-5 Hybrid - 3.25% - defined contribution plan and 5.00% - defined benefit plan) of their gross pay. Act 2017-5 requires employers to make contributions to the defined benefit fund or all employees, including those who choose the defined contribution-only plan. The portion of the contributions earmarked for the defined benefit plan for those employees who choose the defined contribution-only plan go directly to the pension fund unfunded liability. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

The employer contribution rate for each fiscal year is certified by the SERS Board based on the annual actuarial valuation conducted by the SERS actuary. The Authority actuarially determined contribution rate was 41.09% (Class AA), 19.60% (DC-Only Plan – 3.50% defined contribution plan and 16.10% - defined benefit plan), and 19.65% (Class A5 Hybrid – 2.25% - defined contribution plan and 17.40% - defined benefit plan) of the gross pay of its employees during the fiscal year ended June 30, 2024. The Authority contributed \$113,988 and \$145,142 to SERS during the fiscal years 2024 and 2023, respectively.

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At June 30, 2024, the Authority reported a liability of \$1,063,244 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental

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entities, actuarially determined. At December 31, 2023, the Authority's proportion was .0055%, which represents a .0018% decrease on its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the Authority recognized pension expense of \$(614,377).

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,321	\$ 11,848
Changes of assumptions	121,071	-
Net difference between projected and actual earnings on pension plan investments	220,730	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	54,971	246,089
Authority contributions subsequent to the measurement date	56,377	-
Total	<u>\$ 532,470</u>	<u>\$ 257,937</u>

Deferred outflows of resources totaling \$56,377 related to pensions, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2025	\$ 29,329
2026	57,126
2027	104,305
2028	32,476
2029	(5,081)
	<u>\$ 218,155</u>

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*Actuarial Methods and Assumptions*

The following methods and assumptions were used in the December 31, 2023 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement period.

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	6.875% net of manager fees including inflation
Projected salary increases	Average of 4.55% with range of 3.30% - 6.95%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members
Cost-of-living adjustments	Ad hoc

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *19th Investigation of Actuarial Experience* covering the period 2015-2019 was released and approved by the SERS Board in July 2020, and the recommended assumption changes were

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effective with the December 31, 2020 valuation. SERS experience studies can be viewed at [www.SERS.pa.gov](http://www.SERS.pa.gov).

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. In June 2023, the SERS Board deliberated and decided to maintain the 6.875% Defined Benefit Plan investment rate of return assumption for the December 31, 2023 valuation.

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the Defined Benefit Plan's target asset allocation as of December 31, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Private equity	16.00%	6.00%
Real estate	7.00%	4.80%
U.S. equity	31.00%	4.85%
International developed markets equity	14.00%	4.75%
Emerging markets equity	5.00%	4.95%
Fixed income	22.00%	1.75%
Inflation protection (TIPS)	3.00%	1.50%
Cash	2.00%	0.25%
Total	100.00%	

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Discount Rate

The discount rate used to measure the total pension liability was 6.875% for 2023. The projection of cash flow used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at actuarially determined rates as set by statute. Based on those assumptions, the Defined Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected investment rate of return on Defined Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1-percentage-point higher (7.875%) than the current rate:

	1% 1% Decrease (5.875%)	Current Current Discount Rate (6.875%)	1% 1% Increase (7.875%)
Authority's proportionate share of the net pension liability	\$ 1,395,323	\$ 1,063,244	\$ 782,814

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Payables to the Pension Plan

There were no amounts payable to the pension plan as of June 30, 2024.



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**5. Other Post-Employment Benefits (OPEB)**

Plan Description

The Authority provides post-employment benefits to all full-time employees through the Retired Employees Health Program (REHP) sponsored by the Commonwealth. The REHP is a single-employer, defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an administrative agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board, and the Secretary of Administration. The REHP does not have a governing board. The REHP does not issue a stand-alone financial statement; however, detail of the REHP is included in the Commonwealth's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

The Authority does not participate in the REHP trust and, as such, does not contribute to the trust, but instead contributes under a separate payment arrangement.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth's REHP and additions to/deductions from REHP's fiduciary net position have been determined on the same basis as they are reported by REHP. Employer benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The Commonwealth sponsors the REHP for eligible retirees and their dependents to receive subsidized health coverage for the retiree's lifetime.

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Eligible employees who retire from the state and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service
- 20 or more years of service and superannuation age – 60 for general employees (age 55 or 65 for employees subject to Act 120 of 2010)
- Disability retirement – requires five years of service

Spouses and dependents are eligible for subsidized post-employment medical coverage while the retiree is alive. The Patient Protection and Affordable Care Act (PPACA), signed into law on March 23, 2010, increased the dependent child age limit to age 26 and applied to the Commonwealth effective January 1, 2011.

Contributions

The Authority's contribution rate to the REHP is determined by annual agreement with the Commonwealth of Pennsylvania and the Philadelphia Regional Port Authority (PRPA).

The Authority does not participate in the trust and, as such, contributes the actual fiscal year benefit payments attributable to its retirees. The Authority contributed \$202.50 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2024 to the REHP Trust. The Authority's contributions to the REHP for the years ended June 30, 2024 and 2023 were \$20,207 and \$18,449, respectively.

Health Care Reform

PPACA was signed into law in 2010 with the purpose of increasing the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. In future years, there may continue to be increased cost impact to the extent the health and welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

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OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2024, the Authority reported a liability of \$354,236 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's portion of the net OPEB liability was allocated based on projections of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2023, the Authority's proportion of the net OPEB liability was approximately 0.0046%, which is a decrease of .0008% from its proportion measured at June 30, 2022.

For the year ended June 30, 2024, the Authority recognized OPEB expense of \$(238,638).

At June 30, 2024, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Authority contributions subsequent to the measurement date	\$ 20,207	\$ -
Changes in proportion and differences between Authority contributions and proportionate share of contributions	8,068	61,346
Difference between expected and actual experience	13,493	107,181
Net difference between projected and actual earnings on OPEB plan investments	348	-
Changes of assumptions	24,692	93,549
Total	<u>\$ 66,808</u>	<u>\$ 262,076</u>

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Deferred inflows of resources totaling \$20,207 related to OPEB, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2024	\$	(76,022)
2025		(48,061)
2026		(51,817)
2027		(25,596)
2028		(13,979)
	\$	<u>(215,475)</u>

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Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2023 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	6.75%
Projected salary increases	Average of 2.8% with range of 0.50% - 4.15%, including inflation
Inflation	2.50%
Mortality rate	Pre-Retirement: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, and adjusted for mortality improvements using projection scale MP-2021.  Post-Retirement: Healthy participants: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021.  Post-Retirement: Disabled Participants: Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements using projection scale MP-2021.
Healthcare trend increases:	
Initial rate for medical benefits	9.00% for Medicare and 8.90% for Non-Medicare
Ultimate rate for medical benefits	3.90% for both Medicare and non-Medicare
Year ultimate trend rate reached	2075

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The Commonwealth's SERS performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for valuing the defined benefit pension plan. The inflation assumption selected by the SERS Board during a July 2020 meeting are also used for the retiree health benefit valuation.

One significant assumption where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet future years' projected benefit payments, as prescribed by GASB Statements No. 74 and 75, the discount rate was based on the 20-year Bond Buyer General Obligation Index municipal bond rate as of the measurement date. The discount rate was 5.65% as of June 30, 2023 and 4.67% as of June 30, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.65% as of June 30, 2023 and 4.67% as of June 30, 2022. The single discount rate of 5.65% as of June 30, 2023 was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.65% (based on the 20-year Bond Buyer GO Index as of the end of June 2023). Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance all future benefit payments of the current plan members. Therefore, the long-term expected rate of return on the OPEB investment pool was applied to projected benefit payments through the year 2055 (the last year in which the Plan's Fiduciary Net Position is projected to be sufficient to meet projected benefit payments) and the municipal bond rate was applied to all remaining future years to determine the Total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year end assumed that employer contribution were made based on the current funding policy for all future years.

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Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 5.65%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.65%) or 1-percentage-point higher (6.65%) than the current rate:

	1% Decrease (4.65%)	Current Trend (5.65%)	1% Increase (6.65%)
Authority's proportionate share of the net OPEB liability	\$ 398,194	\$ 354,236	\$ 316,747

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the medical trend rate of 8.9% / 9.0% grading to 3.9%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (7.9% / 8.0% grading to 2.9%) or 1-percentage-point higher (9.9% / 10.0% grading to 4.9%) than the current rate:

	1% Decrease (7.9%)	Current Trend (8.9%)	1% Increase (9.9%)
Authority's proportionate share of the net OPEB liability	\$ 308,539	\$ 354,236	\$ 409,323

## **REQUIRED SUPPLEMENTARY INFORMATION**



# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - OPERATIONS

YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
<b>Revenues - administration:</b>				
Interest and short-term investment earnings	\$ 5,000	\$ 5,000	\$ 61,394	\$ 56,394
<b>Expenditures - administration:</b>				
Personnel - salaries and benefits	1,080,000	1,080,000	726,356	353,644
Professional services:				
Legal	30,000	30,000	27,073	2,927
Audit	75,000	75,000	79,249	(4,249)
Consulting/research	60,000	60,000	30,567	29,433
Trustee	35,000	35,000	6,675	28,325
Investment management fees	-	-	3,500	(3,500)
Rent	130,000	130,000	126,708	3,292
Computer software and minor hardware	10,000	10,000	8,744	1,256
Office supplies	2,000	2,000	824	1,176
Telephone	7,500	7,500	2,425	5,075
Subscription and reference services	1,000	1,000	908	92
Postage and express	1,000	1,000	1,080	(80)
Dues and professional education	2,000	2,000	1,518	482
Travel	1,000	1,000	12,732	(11,732)
General and administrative	14,000	14,000	3,497	10,503
Printing	8,000	8,000	4,034	3,966
Miscellaneous	1,000	1,000	1,713	(713)
	1,457,500	1,457,500	1,037,603	419,897
Capital outlays - furniture/fixtures and equipment	2,500	2,500	9,595	(7,095)
Addition oversight duties - studies/implementation	235,000	235,000	68,000	167,000
Total expenditures - administration	1,695,000	1,695,000	1,115,198	579,802
<b>Excess of Expenditures over Revenues</b>	(1,690,000)	(1,690,000)	(1,053,804)	636,196
<b>Other Financing Sources:</b>				
Transfers in for PICA draw for operations	800,000	800,000	-	(800,000)
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures</b>	(890,000)	(890,000)	(1,053,804)	(163,804)
<b>Fund Balance, June 30, 2023</b>	890,000	890,000	4,265,696	3,375,696
<b>Fund Balance, June 30, 2024</b>	\$ -	\$ -	\$ 3,211,892	\$ 3,211,892

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

### COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2024

	2023*	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the collective net pension liability	0.0055%	0.0073%	0.0079%	0.0079%	0.0078%	0.0075%	0.0080%	0.0072%	0.0068%	0.0078%
Authority's proportionate share of the collective net pension liability	\$1,063,244	\$1,541,113	\$1,033,553	\$1,367,695	\$1,413,033	\$1,553,260	\$1,383,379	\$1,386,907	\$1,235,584	\$1,074,154
Authority's covered payroll	\$ 396,204	\$ 463,846	\$ 470,342	\$ 532,681	\$ 547,258	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647	\$ 428,514
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	268.36%	332.25%	219.73%	256.76%	258.20%	324.24%	278.75%	319.59%	301.62%	250.67%
Plan fiduciary net position as a percentage of the total pension liability	65.30%	61.50%	76.00%	67.00%	63.10%	56.40%	63.00%	57.80%	58.90%	64.80%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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## SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS

### COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2024

	<u>2023*</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 121,131	\$ 150,269	\$ 150,815	\$ 166,386	\$ 158,497	\$ 157,074	\$ 153,554	\$ 110,642	\$ 94,374	\$ 73,598
Contributions in relation to the contractually required contribution	<u>120,422</u>	<u>153,385</u>	<u>151,550</u>	<u>165,535</u>	<u>167,704</u>	<u>159,720</u>	<u>151,901</u>	<u>112,913</u>	<u>102,102</u>	<u>72,530</u>
Contribution deficiency (excess)	<u>\$ 709</u>	<u>\$ (3,116)</u>	<u>\$ (735)</u>	<u>\$ 851</u>	<u>\$ (9,207)</u>	<u>\$ (2,646)</u>	<u>\$ 1,653</u>	<u>\$ (2,271)</u>	<u>\$ (7,728)</u>	<u>\$ 1,068</u>
Authority's covered payroll	\$ 396,204	\$ 463,846	\$ 470,342	\$ 532,681	\$ 547,258	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647	\$ 428,514
Contributions as a percentage of covered payroll	30.39%	33.07%	32.22%	31.08%	30.64%	33.34%	30.61%	26.02%	24.92%	16.93%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year.

# **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

(A Component Unit of the City of Philadelphia)

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION**

YEAR ENDED JUNE 30, 2024

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### **1. Changes of Assumptions**

The actuarial valuation uses assumptions regarding future rates of investment return (discount rate) and rates of retirement, withdrawal, death, and disability among State Employees' Retirement Board (SERS) members and their beneficiaries. The current set of assumptions used in the December 31, 2023 actuarial valuation was adopted by the SERS Board based upon actual experience of SERS during the years 2015 through 2019. As a result of the review undertaken in June 2022, the SERS Board approved a reduction in the annual discount rate assumption from 7.00% to 6.875%. These changes became effective with the December 31, 2021 actuarial valuation. SERS will continue to closely monitor these assumptions and will recommend changing them if conditions warrant such change.

The actuary and the SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. As a result of the review undertaken in June 2023, the SERS Board deliberated and decided to maintain the Defined Benefit Plan investment rate of return of 6.875% for 2023.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED JUNE 30, 2024

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### 2. Factors and Trends Used in the Actuarial Valuation for Pension Benefits

The actuarially determined contributions are calculated as the Authority's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

Valuation date	December 31, 2023
Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	6.875% net of expense, including inflation
Projected salary increases	Average of 4.55% with range of 3.30% - 6.95%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members

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**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

(A Component Unit of the City of Philadelphia)

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION INFORMATION**

**YEAR ENDED JUNE 30, 2024**

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There were no changes in factors and trends used in the December 31, 2023 actuarial valuation.

The following was updated in the December 31, 2022 actuarial valuation: investment rate of return decreased from 7.0% for December 31, 2020 to 6.875% for December 31, 2022.

The following was updated in the December 31, 2020 actuarial valuation: investment rate of return decreased from 7.125% for December 31, 2019 to 7.0% for December 31, 2020, and the assumed rate of inflation decreased from 2.60% for December 31, 2019 to 2.50% for December 31, 2020.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

### COMMONWEALTH OF PENNSYLVANIA RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2024

	2023*	2022	2021	2020	2019	2018	2017
Authority's proportion of the collective net OPEB liability	0.0046%	0.0055%	0.0054%	0.0078%	0.0080%	0.0078%	0.0054%
Authority's proportionate share of the collective net OPEB liability	\$ 354,236	\$ 540,273	\$ 548,428	\$ 955,192	\$ 836,266	\$1,151,809	\$1,077,493
Authority's covered payroll	\$ 266,668	\$ 313,125	\$ 306,171	\$ 401,447	\$ 433,238	\$ 413,710	\$ 315,915
Authority's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	132.84%	172.54%	179.12%	237.94%	193.03%	278.41%	341.07%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\* The amount presented for this fiscal year was determined as of the prior fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS

### COMMONWEALTH OF PENNSYLVANIA RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2024

	2023*	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 15,510	\$ 18,705	\$ 14,212	\$ 22,243	\$ 23,001	\$ 32,787	\$ 10,193
Contributions in relation to the contractually required contributions	<u>18,449</u>	<u>20,807</u>	<u>17,406</u>	<u>27,002</u>	<u>32,654</u>	<u>32,829</u>	<u>14,330</u>
Contribution deficiency (excess)	<u>\$ (2,939)</u>	<u>\$ (2,102)</u>	<u>\$ (3,194)</u>	<u>\$ (4,759)</u>	<u>\$ (9,653)</u>	<u>\$ (42)</u>	<u>\$ (4,137)</u>
Authority's covered payroll	\$ 266,668	\$ 313,125	\$ 306,171	\$ 401,447	\$ 433,238	\$ 413,710	\$ 315,915
Contributions as a percentage of covered payroll	6.92%	6.64%	5.69%	6.73%	7.54%	7.94%	4.54%

\* The amount presented for this fiscal year was determined as of the prior fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.



# **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

(A Component Unit of the City of Philadelphia)

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB INFORMATION**

YEAR ENDED JUNE 30, 2024

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### **1. Changes of Assumptions**

Since REHP has insufficient assets to meet future year's projected benefit payments, as prescribed by GASB Nos. 74 and 75, a single discount rate of 5.65% was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.65% (based on the 20-year Bond Buyer GO Index as of the end of June 2023). The discount rate was 5.65% as of June 30, 2023, 4.67% as of June 30, 2022, and 3.63% as of June 30, 2021. The mortality improvement assumption was also updated from Scale MP-2020 to Scale MP-2021. The discount rate of 3.63% as of June 30, 2021 was based on the 20-year municipal bond rate and did not include the long-term expected rate of return on assets held in the OPEB investment pool.

### **2. Factors and Trends Used in the Actuarial Valuation for OPEB Benefits**

The actuarially determined contributions are calculated as the Authority's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB INFORMATION

YEAR ENDED JUNE 30, 2024

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Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	6.75%
Projected salary increases	Average of 2.8% with range of 0.50% - 4.15%, including inflation
Inflation	2.50%
Mortality rate	Pre-Retirement: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, and adjusted for mortality improvements using projection scale MP-2021.  Post-Retirement: Healthy participants: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021.  Post-Retirement: Disabled Participants: Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements
Healthcare trend increases:	
Initial rate for medical benefits	9.00% for Medicare and 8.90% for Non-Medicare
Ultimate rate for medical benefits	3.90% for both Medicare and non-Medicare
Year ultimate trend rate reached	2075

The following was updated in the June 30, 2023 actuarial valuation: the initial rate for medical benefits changed from 6.3% for Medicare and 7.3% for non-Medicare for June 30, 2022 to 9.0% for Medicare and 8.9% for non-Medicare for June 30, 2023. The following was updated in the June 30, 2022 actuarial valuation: the initial rate for medical benefits changed from 6.7% for Medicare and 6.9% for non-Medicare for June 30, 2021 to 6.3% for Medicare and 7.3% for non-Medicare for June 30, 2022. The following was updated in the

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

(A Component Unit of the City of Philadelphia)

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
OPEB INFORMATION**

**YEAR ENDED JUNE 30, 2024**

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June 30, 2021 actuarial valuation: the initial rate for medical benefits changed from 6.1% for Medicare and 6.6% for non-Medicare for June 30, 2020 to 6.7% for Medicare and 6.9% for non-Medicare for June 30, 2021. The investment rate of return increased from 5.00% for June 30, 2020 to 6.75% for June 30, 2021 and the assumed rate of inflation decreased from 2.60% for June 30, 2020 to 2.5% for June 30, 2021.

## **SUPPLEMENTARY INFORMATION**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)

**SCHEDULE OF CASH ACTIVITY - GENERAL FUND**

YEAR ENDED JUNE 30, 2024

Cash receipts:

Revenues collected - other income	\$ 834,491
Total cash receipts	<u>834,491</u>

Cash disbursements:

Administration	<u>1,169,609</u>
Total cash disbursements	<u>1,169,609</u>

Excess cash receipts over cash disbursements	(335,118)
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Cash, cash equivalents, and short-term investments - beginning of year	<u>19,463,246</u>
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Cash, cash equivalents, and short-term investments - end of year	<u><u>\$ 19,128,128</u></u>
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**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**  
(A Blended Component Unit of the City of Philadelphia)  
**SCHEDULE OF CASH ACTIVITY - PICA TAX REVENUE FUND**  
YEAR ENDED JUNE 30, 2024

Cash receipts:	
PICA taxes	\$ 707,575,052
Investment income	958,627
Total cash receipts	<u>708,533,679</u>
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	<u>708,533,679</u>
Total cash disbursements	<u>708,533,679</u>
Excess cash receipts over cash disbursements	-
Cash, cash equivalents, and short-term investments - beginning of year	<u>-</u>
Cash, cash equivalents, and short-term investments - end of year	<u><u>\$ -</u></u>