

The Intergovernmental Cooperation Agreement: Sustaining Philadelphia's Financial Stability

Why the ICA Was Created and Its Role in Incorporating the 2022 Amendments to the PICA Act

The [Intergovernmental Cooperation Agreement \(ICA\)](#) was drafted to document the financial partnership between the [Pennsylvania Intergovernmental Cooperation Authority \(PICA\)](#) and the City of Philadelphia following the passage of the PICA Act in 1991 to explain how both parties will meet the Act's requirements. Its creation was necessary to formalize financial oversight, ensuring the City maintains strong fiscal discipline. The ICA defines the roles and responsibilities of PICA and the City of Philadelphia to ensure fidelity to the aims of the PICA Act. By codifying this relationship, the ICA creates a framework for collaboration to maintain and enhance Philadelphia's financial stability and to avoid future crises. This agreement represents a long-term commitment to fiscal responsibility and strategic financial planning and was updated on June 30, 2023, to incorporate amendments made to the PICA Act in 2022.

Key Components of the ICA

At its core, the ICA lays out specific financial guidelines and oversight mechanisms to keep Philadelphia on a path toward fiscal health. One of its major provisions involves **bond issuance**, establishing the conditions under which PICA can issue bonds to support the City's financial needs. Additionally, it describes how to establish and maintain a **City Account**, a trust dedicated to managing municipal funds, with regulations on deposits, investments, and withdrawals to prevent financial mismanagement. The ICA also explains how the City will comply with the mandate in the PICA Act that Philadelphia submits a **comprehensive financial plan** for PICA's approval, ensuring the City budget remains balanced and sustainable as well as quarterly reports to track fidelity with the financial plan. Enforcement mechanisms, such as the ability to withhold funds from the Commonwealth to the City if financial plans do not meet the criteria in the PICA Act, add another layer of accountability. Finally, the ICA documents **financial reporting requirements**, reinforcing transparency and responsible governance.

The Importance of the ICA in Philadelphia's Fiscal Health

The ICA serves as an agreement between PICA and the City of Philadelphia to cooperatively follow the requirements of the PICA Act to support a positive financial future for Philadelphia. By outlining how the City will conduct sound financial planning and how PICA's monitoring will occur, the ICA supports sound budgeting practices to avoid a return to the conditions that made the PICA Act necessary. Through structured reporting and oversight, the ICA ensures City funds are used efficiently, promoting long-term financial health. As a city with a history of economic struggles, this agreement acts as a much-needed financial backbone, helping Philadelphia navigate challenges while fostering fiscal stability.

Conclusion

The Intergovernmental Cooperation Agreement is a vital framework that formalizes PICA's role in Philadelphia's fiscal management. It lays out the roles and responsibilities of the City and PICA as partners in financial oversight and accountability. With structured planning, ongoing reporting, and clear enforcement mechanisms, the ICA plays a crucial role in Philadelphia's financial future. As the City continues to evolve, the ICA remains a key tool in maintaining stability, preventing distress, and fostering long-term fiscal resilience.