



PICA

Pennsylvania Intergovernmental
Cooperation Authority

Fiscal Year 2025

Annual Report

October 2025

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Rob Dubow, Director of Finance

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Rob Call, Deputy Executive Director

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Deidre Morgenstern, Administrative Manager

Professional Services

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Maher Duessel, Auditing Services

Ballard Spahr, General Counsel

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Pennsylvania Intergovernmental Cooperation Authority

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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-fourth anniversary, we are pleased to provide you with this annual report for the fiscal year ended June 30, 2025. 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 2026 objectives, and includes audited financial statements for fiscal year 2025. 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

The Pennsylvania Intergovernmental Cooperation Authority (PICA) FY25 Annual Report contains an explanation of the Authority's origins and purpose, an overview of the organization's operational and financial accomplishments in the past year, and provides a summary of the plans for the coming year. PICA hopes that this annual report provides meaningful context and insights for our stakeholders – PICA's appointing authorities (the Governor and leadership in the Pennsylvania General Assembly), the Philadelphia Wage Taxpayers that fund our work, our partners with the City of Philadelphia, and all those who live, work, and/or visit Philadelphia and want to see it thrive. If you don't have time to read the whole report, it can be summarized in the following three bullets:

- PICA is 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.
- In FY25, PICA conducted ongoing evaluation of Philadelphia's finances, issued reports on emerging and evolving issues, partnered with outside experts for benchmarking and recommendations to improve the City's financial management, launched a new series of events for "data nerds" for staff development and network building, and conducted an in-depth analysis of the City's FY26-30 Plan, which received approval from the PICA Board in July 2025.
- PICA sent \$760.9 million in PICA Tax collection to the City of Philadelphia's General Fund (12 percent of General Fund revenues) and spent \$1.2 million on its operating budget, primarily for staff salaries and benefits, as well as operating costs like rent, computers and IT support (including a website upgrade), and outside experts to expand expertise and capacity.

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 in response to Philadelphia's severe fiscal crisis. The City of Philadelphia faced budget deficits, cash shortages, the looming threat of default, and the City struggled to maintain essential services and meet its financial obligations. In addition, the City 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.

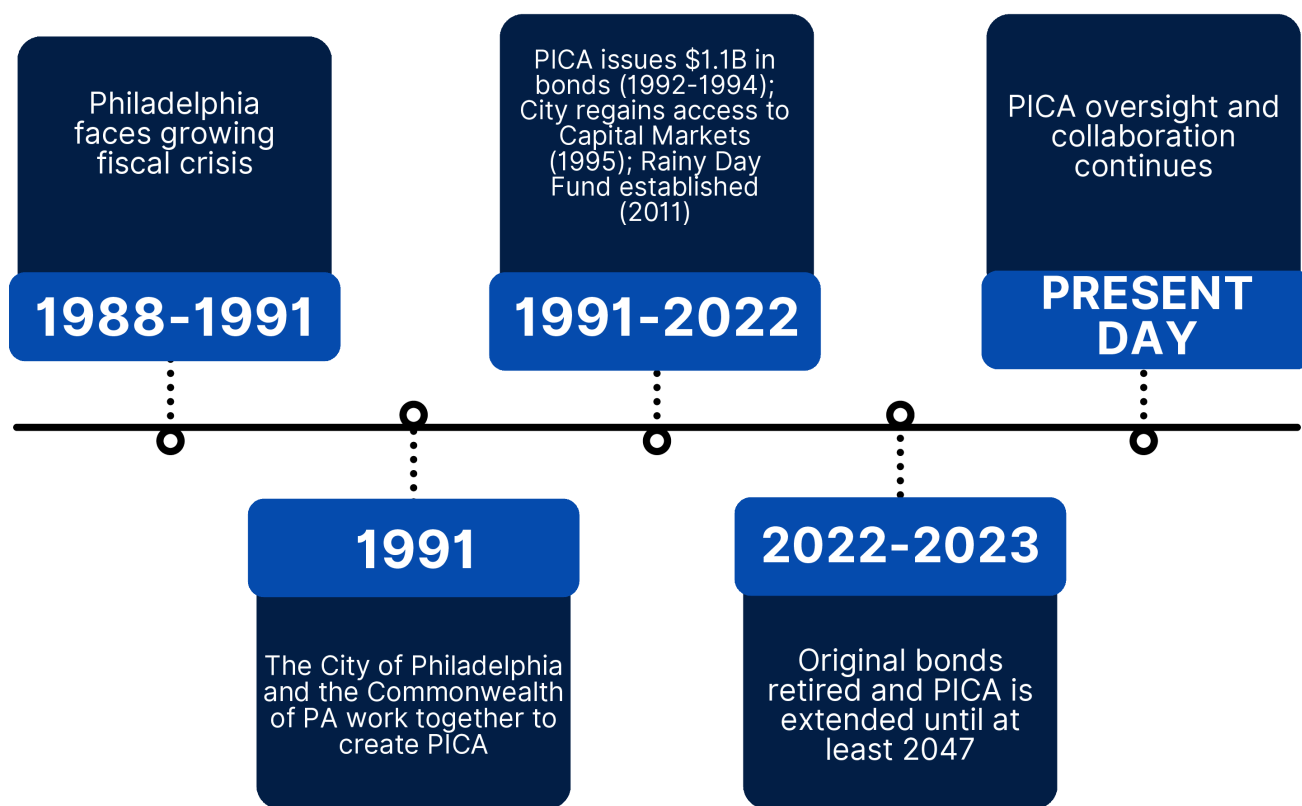
PICA was designed to address the City's short-term financing, while simultaneously overseeing a long-term financial planning process that would restore the confidence of investors, residents, and public officials in the ability of the City to maintain financial stability over the long term.

PICA's enforcement authority regarding the City's compliance allows PICA to direct 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 \$1.14 billion to directly assist the City. These funds were allocated to the following purposes: deficit elimination/indemnities, the productivity bank, 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.

PICA Annual Report for Fiscal Year 2025



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 to borrow only to relieve fiscal deficits or address emergency capital projects, as in the 1991 Act, the updated legislation allows PICA to issue a series of bonds once every ten years. PICA has historically had a higher credit rating than the City of Philadelphia due to the dedicated PICA Tax revenue stream, which allows the City access to capital financing under more favorable terms through use of PICA borrowing.

Governance & Operations

PICA is administered by a governing Board consisting of five voting members and two ex-officio, nonvoting members. The Governor, the President Pro Tempore of the 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:

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, must reside in or have their principal place of business/employment in Philadelphia, 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 \(ICA\)](#). The ICA 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, which is a net adverse change in fund balance equal to five percent or more of revenue as defined in the ICA, until compliance with the Plan is regained or a new Plan is approved.

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). 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 \$1.14 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 million
Retirement of Certain High-Interest City Debt	\$384 million
Total	\$1.14 billion

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.

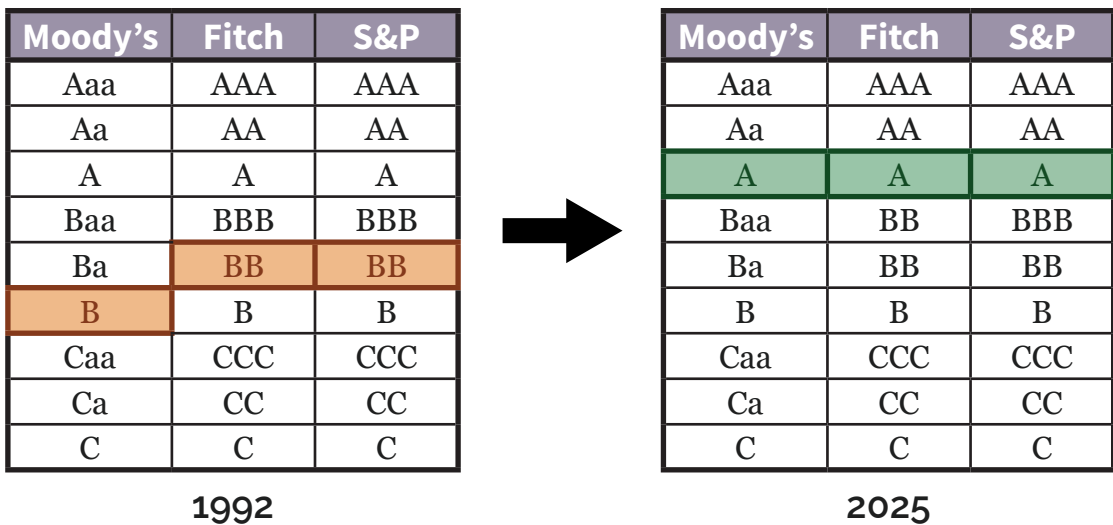
Upon enactment of the PICA Tax, the City reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the PICA Tax so that the total tax rate remained the same. The City was also authorized to levy a one percent local sales tax to help balance its budget. The PICA 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 2025, PICA returned \$760.9 million to the City.

Ongoing Goals & Impact

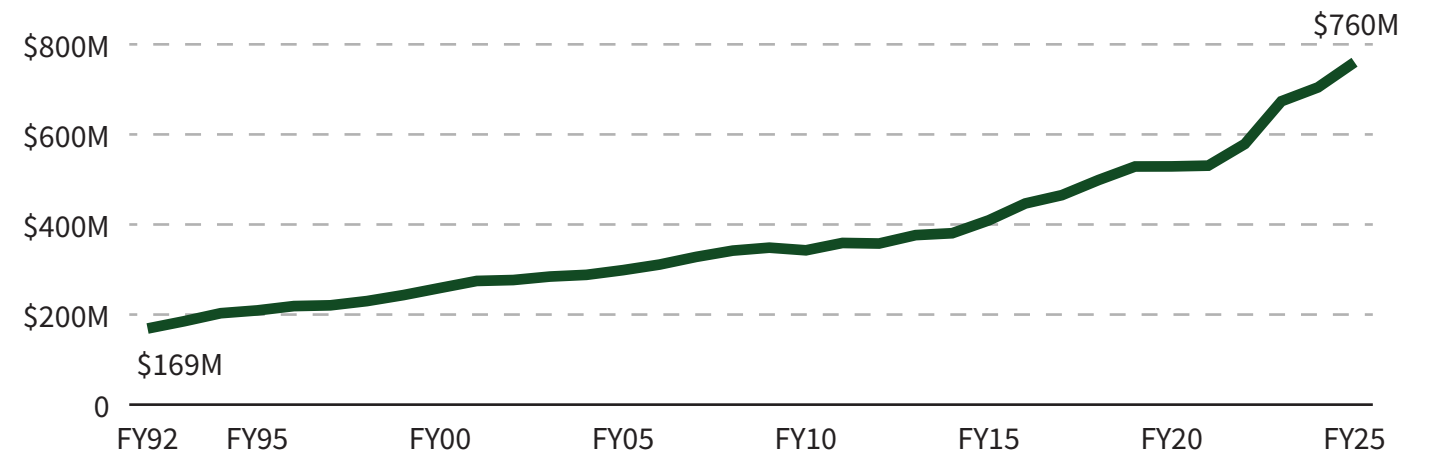
Since its inception, PICA’s oversight of the City’s financial planning process has emphasized the need to address the City’s long-term financial challenges. The PICA Act specifically lays out the importance of addressing “underlying problems”, which the Authority interprets broadly to include socioeconomic 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 implanting key reforms relating to the budgeting and long-term financial planning process.

PICA's Impact on the City of Philadelphia's Finances

City of Philadelphia's Credit Ratings



PICA Tax Revenue



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:

- **Maintain and expand requirements for best practices in budgeting and financial management.** PICA will ensure ongoing fidelity to the reforms that are requirements of the PICA Act. These include 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 but are not limited to future labor costs, a pension system with a low funded ratio, federal and economic uncertainty, changes to federal funds and policies, challenges hiring and retaining of employees, incompletely scoped budgets, 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.
- **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.

Even with the achievement of disciplined financial projections and ongoing budget monitoring, the City is still confronting challenges that pose risks to its long-term financial stability. To adequately address these foundational problems – including 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: FY25 Highlights

Fiscal Oversight & Monitoring

Following several months of research and preparation, PICA began FY25 with an [in-depth analysis](#) of the City of Philadelphia's FY25-29 Five Year Financial and Strategic Plan, aided by additional expertise from the Office of the City Controller and PICA's external economist, Professor Charles Swanson. PICA Staff found that the FY25-29 Plan met the PICA Act requirements, including balanced budgets in all years based on reasonable assumptions. While the Plan was deemed acceptable, concerns included staffing levels and labor costs, pension costs, interest rates and inflation, funding shortfalls at SEPTA and the School District, unexpected events, and unplanned expenditures and revenue reductions. PICA's Board approved the FY25-29 Plan on July 28, 2024.

PICA conducted ongoing monitoring of the City's finances throughout the year. PICA Staff met weekly with City of Philadelphia financial management leadership, held meetings with 20+ individual departments during the Plan evaluation, and reviewed all financial reports issued by the City to evaluate consistency with the approved Five-Year Plan. To understand and provide feedback on the City's revenue estimates for the Five-Year Plan, PICA once again convened economists and subject matter experts at the Federal Reserve Bank of Philadelphia to discuss tax base growth rates in February 2025 ahead of the Mayor's March budget proposal. To gain insight into City operations, PICA Staff toured the new Wellness Center and other new and upgraded infrastructure. PICA also monitors economic conditions and legislation to anticipate changes that may materially affect Philadelphia's finances. There were no variances significant enough to necessitate a revision to the FY25-29 Plan during FY25.

Research & Publications

To inform PICA's monitoring and oversight work, provide resources to our Board and other stakeholders, and to develop recommendations to the City to maintain and enhance Philadelphia's fiscal stability, PICA conducted research and released publications throughout FY25.

In addition to publications, in FY25 PICA engaged outside experts to work in collaboration with the City of Philadelphia to benchmark its grants awards and administration as compared to peer jurisdictions. From this work, a series of recommendations were shared with City of Philadelphia leadership to improve grants administration. PICA will continue engaging with the City on this topic as ongoing shifts in federal grant funding are understood.

FY25 Publications Included:

Budgeting Practices



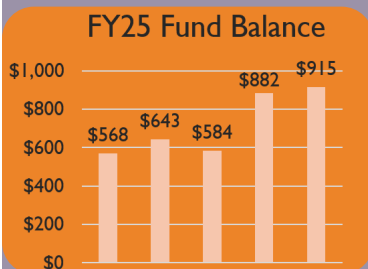
- [Budgeting for Staff Vacancies: Triangulating between Aspirations and Reality](#)
- [When Is A Budget Cut Not A Budget Cut?](#)
- [PICA Celebrates Police Court Overtime Progress](#)
- [Precision in Projections: Evaluating Philadelphia's Tax Revenue Forecasts and Volatility](#)

Spending and Debt



- Expenditures by Class Fact Sheets:
[100, 200, 300/400, 500, 700, 800, 900](#)
- [Mind the Gap: Measuring the Accuracy of Spending Projections](#)
- [PICA Fact Sheet: Bond Authorizations](#)

Fiscal Monitoring and Oversight



- Fact Sheets on Quarterly City Managers Reports:
[Q1, Q2, Q3, Q4](#)
- Fact Sheets on Quarterly Overtime Utilization:
[Q1, Q2, Q3, Q4](#)
- Fact Sheets on Philadelphia's FY24 [Annual Financial Report](#) and [Annual Comprehensive Financial Report](#)
- [Proposed FY26-30 Five-Year Plan Highlights](#)
- [PICA Staff Report on the FY25-29 Five-Year Plan](#)

City Funds Fact Sheets



- [Capital Budget](#)
- [Transportation Fund](#)
- [Grants Revenue Fund](#)
- [Housing Trust Fund](#)

In addition to publications, in FY25 PICA engaged outside experts to work in collaboration with the City of Philadelphia to benchmark its grants awards and administration as compared to peer jurisdictions. From this work, a series of recommendations were shared with City of Philadelphia leadership to improve grants administration. PICA will continue engaging with the City on this topic as ongoing shifts in federal grant funding are understood.

Communications & Engagement

To support its mission of maintaining and improving Philadelphia's fiscal condition, PICA worked to create and sustain relationships with stakeholders and persuasively communicate its research and recommendations to City leadership and others. In FY25, this included partnering with organizations including Pew, the Welcoming Center, and the Mural Arts Program's People's Budget Office to provide educational content about Philadelphia's finances and budget process. PICA also expanded its audience for the monthly newsletter and social media, exceeding its goal of 500 followers. PICA Staff and Board provided on-the-record and background insights to local and national media outlets. PICA's Fall Forum on Intergovernmental Cooperation in a Post-COVID World was well attended with panelists from academia and elected and appointed officials from local, state and federal governments. PICA also launched a series of events to bring together local data analysts working for the public good.

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. To enhance accessibility to PICA Board Meetings, AV technology and furniture was upgraded to support high-quality hybrid meetings. To address cybersecurity needs and improve user experience, PICA's website, www.picapa.org, was redesigned in FY25. To optimize management of its own finances, PICA transitioned to cloud-based accounting software in the fall of 2024. To support the professional development of PICA Staff and inform PICA's oversight of the City of Philadelphia and management of its own resources, all four staffers are members of the Government Finance Officers Association and make use of its resources and materials.

PICA in Action: FY26 Objectives

In FY26, PICA will sustain its commitment to fiscal oversight to maintain and improve the City of Philadelphia's fiscal condition. PICA will achieve this through consistent, thorough monitoring of the City's finances and the internal and external factors that shape them. PICA Staff will utilize internal expertise, outside resources, and effective communications to provide high-quality guidance to the PICA Board, City leadership, PICA's Appointing Authorities, and other stakeholders.

Fiscal Oversight

Pennsylvania Intergovernmental Cooperation Authority

Staff Report on the City of
Philadelphia's Five-Year
Financial Plan for
Fiscal Years 2026-2030

July 2025



PICA Staff review of the City's Five-Year Plans will remain the core focus of the work. In early FY26, the [PICA Staff Report on the FY26-30 Plan](#) was released, and preparations are already underway for analysis of the FY27-31 Plan, expected in March. Staff will utilize appropriate methods to evaluate the reasonableness of the City's projections and adherence to the criteria 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. 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.

Research & Publications

To encourage and support opportunities for awareness of and improvements to Philadelphia's fiscal condition, PICA will continue to produce research and publications related to the City's financial health. Fact Sheets on quarterly and annual Philadelphia financial reports will be made available and as a follow-up to the FY25 Fact Sheet series on categories of spending, FY26 will bring a series of Fact Sheets on the City's revenue streams. PICA staff will also develop issue briefs and research reports, with potential topics including pension funding, economic development, and reserve levels.

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 for economic development, a topic related to PICA's planned research in FY26. Staff will continue to connect with stakeholders and pursue learning opportunities, like participation in the Economy League's Greater Philadelphia Leadership Exchange, attending the Northeastern States Tax Officials Association annual conference, and engagement with the National Academy of Public Administration.



Image from Lets Taco 'bout Data

**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, 2025
with Independent Auditor's Report

MaherDuessel

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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2025

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**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2025

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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, 2025, 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, 2025, 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 25, 2025

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, 2025 ("FY2025"). 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-four Five-Year Financial Plans. PICA approved the Five-Year Financial Plan for fiscal years 2026 through 2030 on July 28, 2025.

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 Fiscal Year 2025:

- The Authority's total net position at the close of FY2025 was \$17,684,848, representing a negative change in net position of (\$39,503) from the prior year. The largest contributor to the change in net position was the increase in liabilities as a result of the lease liability.
- The Authority's most significant expenses in FY2025 were \$760,963,382 for grants to the City and \$1,152,808 for general management and support. The most significant revenue source was \$760,288,215 in PICA taxes.
- At the close of FY2025, the combined fund balance in all governmental funds was \$18,810,470. 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 updated 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 FY2025. 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 31.

Supplementary Information. In addition to the basic financial statements, and the accompanying notes, this report 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, 2025, were \$31,551,628, a decrease of 0.5 percent from the previous year. The most significant change was the decrease in the PICA taxes receivable and cash and cash equivalents of (\$699,789) offset by the increase in capital assets of \$562,495.

Table 1: Net Position					
	FY2025		FY2024	Percent Change	
Assets					
Cash and cash equivalents	\$	18,988,391	\$	19,128,128	-0.7%
PICA taxes receivable		11,911,835		12,471,887	-4.5%
Accrued interest receivable		64,178		80,811	-20.6%
Prepaid expenses		14,652		11,638	25.9%
Capital assets, net		572,572		10,077	5582.0%
Total Assets	\$	31,551,628	\$	31,702,541	-0.5%
Deferred Outflows of Resources					
Deferred outflows related to Pension	\$	371,731	\$	476,093	-21.9%
Deferred outflows related to OPEB		23,135		46,601	-50.4%
Contributions subsequent to measurement date:					
Pension		55,969		56,377	-0.7%
OPEB		19,624		20,207	-2.9%
Total Deferred Outflows of Resources	\$	470,459	\$	599,278	-21.5%
Liabilities					
Accounts payable and accrued expenses	\$	256,751	\$	168,088	52.7%
Due to the City of Philadelphia		11,911,835		12,471,887	-4.5%
Current portion of net OPEB liability		19,624		20,207	-2.9%
Current portion of lease liability		67,523		-	N/A
Net pension liability		911,868		1,063,244	-14.2%
Noncurrent portion of net OPEB liability		297,437		334,029	-11.0%
Noncurrent portion of lease liability		477,698		-	N/A
Total Liabilities	\$	13,942,736	\$	14,057,455	-0.8%
Deferred Inflows of Resources					
Deferred inflows related to Pension	\$	138,075	\$	257,937	-46.5%
Deferred inflows related to OPEB		256,428		262,076	-2.2%
Total Deferred Inflows of Resources	\$	394,503	\$	520,013	-24.1%
Net Position					
Net investment in capital assets	\$	27,351	\$	10,077	171.4%
Unrestricted		17,657,497		17,714,274	-0.3%
Total Net Position	\$	17,684,848	\$	17,724,351	-0.2%

Total deferred outflows of resources as of June 30, 2025, totaled \$470,459, a decrease of (\$128,819) or 21.5 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 (\$127,828).

Total liabilities as of June 30, 2025, were \$13,942,736, a decrease of (\$114,719) or 0.8 percent from the previous year. The most significant change in liabilities included a decrease in the due to the City of Philadelphia liability (\$560,052) offset by the increase in the lease liability \$545,221.

Total deferred inflows of resources as of June 30, 2025, were \$394,503, a decrease of (\$125,510) or 24.1 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, 2025, was \$17,684,848.

Statement of Activities

As shown in Table 2, total expenses for FY2025 were \$762,119,690, an increase of \$56,494,383 or 8 percent from the previous year. The most significant change in expenses included a \$55,593,156 increase in grants to the City and an increase of \$901,227 in general management and support. Total revenues for FY2025 were \$762,080,187, an increase of \$55,843,637 or 7.9 percent over the prior year. The most significant increase in revenues was an increase of \$55,866,038 or 7.9 percent in the PICA taxes.

Expenses exceed revenues by \$39,503 in FY2025, resulting in a decrease in net position of that amount. Net position at the beginning of the year was \$17,724,351. Consequently, the year-end net position for FY2025 is \$17,684,848. The Authority's net position declined due to the increase in general management and support expenses as a result of an increase in pension and OPEB expenses.

Table 2: Activities			
	FY2025	FY2024	Percent Change
Expenses			
Grants to City of Philadelphia	\$ 760,963,382	\$ 705,370,226	7.9%
General management and support	1,152,808	251,581	358.2%
Investment expenses	3,500	3,500	0.0%
Total Expenses	\$ 762,119,690	\$ 705,625,307	8.0%
Revenues			
PICA taxes	\$ 760,288,215	\$ 704,422,177	7.9%
Investment income (loss)	1,789,518	1,814,060	-1.4%
Other income	2,454	313	684.0%
Total Revenues	\$762,080,187	\$706,236,550	7.9%
Change in Net Position	(\$39,503)	\$611,243	-106.5%
Net Position			
Beginning of fiscal year	\$17,724,351	\$17,113,108	3.6%
End of fiscal year	\$17,684,848	\$17,724,351	-0.2%

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 FY2025 administration expenses were funded from earnings from the General 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 (when such funds exist) 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 FY2025.

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, 2025. The statement also presents fund balances at the beginning and at the end of FY2025. Table 3 presents a summary of the information in this statement.

Table 3: Revenues, Expenditures, and Changes in Fund Balance					
	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance (June 30, 2025)	
Governmental Fund					
General	\$ 859,667	\$ 1,931,624	\$ 829,938	\$ 18,810,470	
PICA Tax Revenue	761,220,520	760,963,382	(257,138)	-	
Total Governmental Funds	\$ 762,080,187	\$ 762,895,006	\$ 572,800	\$ 18,810,470	

The Authority's governmental funds received \$762,080,187 in revenue in FY2025. This amount included \$761,220,520 in PICA taxes received in the PICA Tax Revenue Fund.

Expenditures in governmental funds totaled \$762,895,006 in FY2025. This amount included: \$760,963,382 in grants to the City in the PICA Tax Revenue Fund, \$1,928,124 in expenditures for Authority operations, and \$3,500 in investment expenses in the General Fund.

The sum of revenues, expenditures and other financing sources for all governmental funds equals the change in fund balance for FY2025 was (\$242,019). Accordingly, the total fund balance in all governmental funds decreased from \$19,052,489 as of July 1, 2024, to \$18,810,470 as of June 30, 2025, 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, 2025. Total assets for all governmental funds are \$30,979,056. This

amount includes \$19,067,221 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 \$11,911,835 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, 2025)
Governmental Fund				
General	\$	19,067,221	\$ 256,751	\$ 18,810,470
PICA Tax Revenue		11,911,835	11,911,835	-
Total Governmental	\$	30,979,056	\$ 12,168,586	\$ 18,810,470

Total fund balance for all governmental funds is \$18,810,470. Within the General Fund, the total fund balance is \$18,810,470, of which \$14,652 is non-spendable, \$257,138 is committed for subsequent PICA administration, \$16,507,222 is committed for future swaption activity and \$2,031,458 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 accessed by the Authority in FY2025 and will be used for FY2026 expenses.

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 FY2026 General Fund operating budget totals \$1,688,000, a decrease of \$95,000 or 5.3% from FY2025. Table 5 presents a summary of the FY2026 and FY2025 General Fund budgets, as well as actual figures for FY2025.

Table 5: General Fund Budget

	FY2026 Budget	FY2025 Budget	FY2025 Actual	Percent Change FY2025 vs. FY2026 Budget
Revenues and Other Financing Sources				
Interest Earnings – General Fund	\$ 45,000	\$ -	\$ 123,469	N/A
Use of Existing General Fund Surplus	1,667,196	1,783,000	978,217	-6.5%
Other Financing Sources:				
Transfer of Funds from Amounts Available in the PICA Tax Revenue Fund	257,138	-	257,138	N/A
Total Revenues and Other Financing Sources	\$ 1,969,334	\$ 1,783,000	\$ 1,358,824	10.5%
Expenditures				
Salaries and benefits	\$ 1,050,000	\$ 1,040,000	\$ 847,088	1.0%
Professional services	215,000	240,000	147,762	-10.4%
Other expenses	213,000	228,000	120,699	-6.6%
Capital outlay	10,000	75,000	68,275	-86.7%
Additional oversight duties	200,000	200,000	175,000	0.0%
Total Expenditures	\$ 1,688,000	\$ 1,783,000	\$ 1,358,824	-5.3%

The Authority's General Fund administrative expenditures are financed through an appropriation of a portion of the existing General Fund surplus, interest earnings, and PICA Tax dollars. Total expenditures in FY2026 are budgeted at \$1,688,000. Expenditures for salaries and benefits comprise \$1,050,000. The next largest category is professional services at \$215,000. 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 \$223,000.

In FY2025, actual PICA expenditures for operations were \$1,358,824 well below (31.2 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 accounting 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 due to a decision not to move to new office space at the end of its lease; moving costs had been included in the budget before that decision was made.

Economic Factors and Next Year's Budget

PICA Tax revenues estimates for FY26 included in the City of Philadelphia's FY26-30 Plan anticipate 4.58 percent growth over FY25, mirroring expectations for its Wage Tax that incorporate economic assumptions affecting the tax bases reflect tax rate reductions adopted by City Council. As part of PICA's annual Plan review, its external economic consultant reviewed the City's projections. The external expert examined the link between past Wage Tax collections experience with U.S. aggregate income levels, finding that Philadelphia's revenue typically has fallen more than nominal U.S. GDP during downturns and that while recovery periods were similar, Philadelphia experiences some additional fluctuations. Overlaying those trends onto forecasts for future national income growth and inflation, the economist found that the City's estimates were reasonable. PICA's consultant considered national economic trends and federal policies, like increased tariffs, and their local impacts, as well as projections by large forecasting organizations, like the Congressional Budget Office, the Board of Governors of the Federal Reserve System, and the International Monetary Fund. The external consultant noted that GDP forecasts changed significantly in the first half of 2025, as U.S. economic policy changed. Current estimates for nominal GDP growth, which

include real growth plus inflation, are expected to be about 4.5 percent in 2025 and then range from 3.8 percent to 4.0 percent for each year from 2026 to 2030.

In FY2026, the Authority will continue to receive PICA Tax revenues in accordance with 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 FY2026. The budget for FY2026 anticipates the use of \$1,667,196 of the existing General Fund surplus as a revenue source. This should result in a reduction in the unassigned General Fund balance in FY2026.

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, 2025, the balance in the encumbered funds accounts was as follows:

Capital Projects Encumbered Funds	
1992 Capital Projects Encumbered Funds	\$ 689,424
1993 Capital Projects Encumbered Funds	1,812,247
1993 Criminal Justice Encumbered Funds	865,549
1994 Capital Projects Encumbered Funds	5,635,699
Total	\$9,002,919

Contacting PICA's Financial Management

This financial report is designed to present an accurate overview of the financial activities of the Authority during FY2025. 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, 2025

Assets	
Cash and cash equivalents	\$ 18,988,391
PICA taxes receivable	11,911,835
Accrued interest receivable	64,178
Prepaid expenses	14,652
Capital assets, net	572,572
Total Assets	31,551,628
Deferred Outflows of Resources	
Deferred outflows related to:	
Pension	371,731
Other post-employment benefits	23,135
Contributions subsequent to measurement date:	
Pension	55,969
Other post-employment benefits	19,624
Total Deferred Outflows of Resources	470,459
Liabilities	
Accounts payable and accrued expenses	256,751
Due to City of Philadelphia	11,911,835
Current portion of net other post-employment benefit liability	19,624
Current portion of lease liability	67,523
Net pension liability	911,868
Noncurrent portion of net other post-employment benefit liability	297,437
Noncurrent portion of lease liability	477,698
Total Liabilities	13,942,736
Deferred Inflows of Resources	
Deferred inflows related to:	
Pension	138,075
Other post-employment benefits	256,428
Total Deferred Inflows of Resources	394,503
Net Position	
Net investment in capital assets	27,351
Unrestricted	17,657,497
Total Net Position	\$ 17,684,848

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, 2025

Expenses:

Grants to City of Philadelphia	\$ 760,963,382
General management and support - general operations	1,152,808
Investment expenses	3,500
Total Expenses	<u>762,119,690</u>

Revenues:

PICA taxes	760,288,215
Investment income (loss)	1,789,518
Other income	2,454
Total Revenues	<u>762,080,187</u>

Change in Net Position	(39,503)
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Net Position:

Beginning of year	<u>17,724,351</u>
End of year	<u><u>\$ 17,684,848</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, 2025

	General	PICA Tax Revenue	Total Governmental Funds
ASSETS			
Assets:			
Cash and cash equivalents	\$ 18,988,391	\$ -	\$ 18,988,391
PICA taxes receivable	-	11,911,835	11,911,835
Accrued interest receivable	64,178	-	64,178
Prepaid expenses	14,652	-	14,652
Total Assets	\$ 19,067,221	\$ 11,911,835	\$ 30,979,056
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 64,336	\$ -	\$ 64,336
Due to the City of Philadelphia	-	11,911,835	11,911,835
Accrued payroll and taxes	192,415	-	192,415
Total liabilities	256,751	11,911,835	12,168,586
Fund Balance:			
Nonspendable	14,652	-	14,652
Committed:			
For subsequent PICA administration	257,138	-	257,138
For future swaption activity	16,507,222	-	16,507,222
Unassigned	2,031,458	-	2,031,458
Total fund balance	18,810,470	-	18,810,470
Total Liabilities and Fund Balance	\$ 19,067,221	\$ 11,911,835	\$ 30,979,056

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, 2025

Total Fund Balance - Governmental Funds

\$ 18,810,470

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. Those assets consist of:

Furniture and equipment, net of \$27,473 accumulated depreciation

\$ 67,962

Right to use asset, net of \$68,190 accumulated amortization

504,610

572,572

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.

Lease liability

(545,221)

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

(622,243)

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

(530,730)

(1,698,194)

Net position - governmental activities

\$ 17,684,848

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, 2025

	General	PICA Tax Revenue	Total Governmental Funds
Revenues:			
PICA taxes	\$ -	\$ 760,288,215	\$ 760,288,215
Investment income	857,213	932,305	1,789,518
Other	2,454	-	2,454
Total revenues	<u>859,667</u>	<u>761,220,520</u>	<u>762,080,187</u>
Expenditures:			
Grants to the City of Philadelphia	-	760,963,382	760,963,382
Administration:			
Investment expenses	3,500	-	3,500
Operations	1,928,124	-	1,928,124
Total expenditures	<u>1,931,624</u>	<u>760,963,382</u>	<u>762,895,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,071,957)	257,138	(814,819)
Other Financing Sources (Uses):			
Lease proceeds	572,800	-	572,800
Transfers in (out)	257,138	(257,138)	-
Total Other Financing Sources (Uses)	<u>829,938</u>	<u>(257,138)</u>	<u>572,800</u>
Net Change in Fund Balance	(242,019)	-	(242,019)
Fund Balance:			
Beginning of year	19,052,489	-	19,052,489
End of year	<u>\$ 18,810,470</u>	<u>\$ -</u>	<u>\$ 18,810,470</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, 2025

Net Change in Fund Balance - Governmental Fund	\$	(242,019)
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Cost of capital outlays is allocated over their estimated useful lives as depreciation in the government-wide statements.

Capital outlays	\$ 641,075	
Amortization and depreciation expense	(78,581)	562,494

Issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position in the government-wide statements. This amount is the net effect of these differences in the treatment of long-term debt:

Proceeds of lease	(572,800)	
Repayment of lease liability	27,580	(545,220)

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	166,468	
Change in other post-employment benefit obligations, net of related deferred outflows and inflows of resources	18,774	185,242

Change in net position - Governmental Activities	\$	(39,503)
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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, 2025

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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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 Special Revenue Fund does not adopt an annual budget. Therefore, no budgetary comparison schedule is included for this fund.

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

remitted and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority cannot and does not account for any PICA Tax due to, but not yet collected, by the City.

In the government-wide financial statements, net position is categorized as follows:

- Net Investment in Capital Assets: This category groups all capital assets, including right-to-use assets, into one component of net position. Accumulated depreciation and the outstanding balances of related debt, such as lease liabilities, reduces this category.
- Unrestricted: This category represents the net position of the Authority that is not restricted for any other purpose.

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.

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 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
-

**PENNSYLVANIA INTERGOVERNMENTAL
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YEAR ENDED JUNE 30, 2025

(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 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, 2025.
- 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 highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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 furniture, equipment, and right to use assets, 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. 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 furniture is seven years, and the estimated useful life of the equipment is five years.

Compensated Absences

Accrued expenses include an accrual for vacation and other leave earned but not taken as of June 30, 2025 of \$160,175. Vacation and other leave are accrued based upon amounts paid upon retirement as well as amounts expected to be used prior to leaving the Authority.

Leases

The Authority is a lessee for a non-cancellable lease of office space. At lease commencement, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments at or before the lease commencement date, plus any initial direct cost ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. The lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Authority is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

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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.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended June 30, 2025: Statement Nos. 101 (Compensated Absences) and 102 (Certain Risk Disclosures). These statements had no significant impact on the Authority's financial statements for the year ended June 30, 2025.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 103 (Financial Reporting Model Improvements) and 104 (Disclosure of Certain Capital

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

Assets). 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, 2025, the Authority's deposits consist of the following:

Cash	<u>\$ 2,481,169</u>
Total deposits	<u><u>\$ 2,481,169</u></u>

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

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, 2025, the Authority's book balance was \$2,481,169 and the bank balance was \$2,481,169. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,231,169 was collateralized under Act 72.

**PENNSYLVANIA INTERGOVERNMENTAL
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

Investments

As of June 30, 2025, the Authority had the following investments:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money market funds	<u>\$ 16,507,222</u>	<u>\$ 16,507,222</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;
- (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);

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YEAR ENDED JUNE 30, 2025

- (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.

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.

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YEAR ENDED JUNE 30, 2025

Credit Risk - The Authority investments had the following level of exposure to credit risk at June 30, 2025:

Investment	Fair Value	Rating
Money market funds	<u>\$ 16,507,222</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, 2025. 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.

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.

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YEAR ENDED JUNE 30, 2025

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

3. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2025 is as follows:

	Transfers In	Transfers Out	Net Transfers In (Out)
General Fund	\$ 257,138	\$ -	\$ 257,138
PICA Tax Revenue Fund	-	257,138	(257,138)
Total	<u>\$ 257,138</u>	<u>\$ 257,138</u>	<u>\$ -</u>

An interfund transfer was made to record the transfer of the portion of the PICA tax revenue withheld for subsequent fiscal year operations as permitted under the Trust Indenture.

4. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance <u>July 1, 2024</u>	<u>Deletions</u>	<u>Additions</u>	Balance <u>June 30, 2025</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 27,160	\$ -	\$ 68,275	\$ 95,435
Right-to-use leased asset	-	-	572,800	572,800
Total capital assets, being depreciated	<u>27,160</u>	<u>-</u>	<u>641,075</u>	<u>668,235</u>
Less accumulated depreciation:				
Furniture and equipment	(17,082)	-	(10,391)	(27,473)
Right-to-use leased asset	-	-	(68,190)	(68,190)
Total accumulated depreciation	<u>(17,082)</u>	<u>-</u>	<u>(78,581)</u>	<u>(95,663)</u>
Total capital assets, being depreciated, net	<u>\$ 10,078</u>	<u>\$ -</u>	<u>\$ 562,494</u>	<u>\$ 572,572</u>

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Depreciation for the year ended June 30, 2025 was \$78,581 and is reflected in the Statement of Activities.

5. Leases

On September 1, 2024, the Authority entered into a non-cancellable lease agreement for office space. The lease requires monthly payments ranging from \$9,112 to \$10,881 through August 31, 2031. The value of the right-to-use asset as of June 30, 2025 was \$572,800 and had accumulated amortization of \$68,190. At June 30, 2025, the future minimum lease payments for the lease liability are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 67,523	\$ 25,789	\$ 93,312
2027	73,513	22,595	96,108
2028	79,872	19,118	98,990
2029	86,622	15,340	101,962
2030	93,781	11,243	105,024
2031-2032	143,910	7,790	151,700
	<u>\$ 545,221</u>	<u>\$ 101,875</u>	<u>\$ 647,096</u>

6. 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

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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 service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2025 was \$495,125.

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,

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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 40.33% (Class AA), 19.04% (DC-Only Plan – 3.50% defined contribution plan and 15.54% - defined benefit plan), and 19.09% (Class A5 Hybrid – 2.25% - defined contribution plan and 16.84% - defined benefit plan) of the gross pay of its employees during the fiscal year ended June 30, 2025. The Authority contributed \$112,498 and \$113,988 to SERS during the fiscal years 2025 and 2024, 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, 2025, the Authority reported a liability of \$911,868 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, 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 entities, actuarially determined. At December 31, 2024, the Authority's proportion was .0049%, which represents a .0006% decrease on its proportion measured as of December 31, 2023.

For the year ended June 30, 2025, the Authority recognized pension expense of \$(166,468).

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At June 30, 2025, 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	\$ 158,871	\$ 3,736
Changes of assumptions	61,734	-
Net difference between projected and actual earnings on pension plan investments	102,908	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	48,218	134,339
Authority contributions subsequent to the measurement date	55,969	-
Total	<u>\$ 427,700</u>	<u>\$ 138,075</u>

Deferred outflows of resources totaling \$55,969 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, 2026. 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
2026	\$ 67,791
2027	114,970
2028	43,141
2029	12,791
2030	(5,037)
	<u>\$ 233,656</u>

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Actuarial Methods and Assumptions

The following methods and assumptions were used in the December 31, 2024 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 4.58% 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.

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 2024, the SERS Board deliberated and decided to maintain the 6.875% Defined Benefit Plan investment rate of return assumption for the December 31, 2024 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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Private equity	16.00%	6.25%
Real estate	7.00%	5.15%
U.S. equity	37.00%	5.15%
International developed markets equity	14.00%	5.00%
Emerging markets equity	2.00%	5.20%
Fixed income	19.00%	2.85%
Inflation protection (TIPS)	3.00%	2.55%
Cash	2.00%	0.50%
Total	100.00%	

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Discount Rate

The discount rate used to measure the total pension liability was 6.875% for 2024. 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:

	<u>1% Decrease</u> <u>(5.875%)</u>	<u>Current Discount</u> <u>Rate (6.875%)</u>	<u>1% Increase</u> <u>(7.875%)</u>
Authority's proportionate share of the net pension liability	\$ 1,218,583	\$ 911,868	\$ 652,914

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, 2025.

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7. 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, 2024.

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 \$191.81 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2025 to the REHP Trust. The Authority's contributions to the REHP for the years ended June 30, 2025 and 2024 were \$19,624 and \$20,207, 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, 2025, the Authority reported a liability of \$317,061 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the Authority's proportion of the net OPEB liability was approximately 0.0046%, which is a decrease of 0.000005% from its proportion measured at June 30, 2023.

For the year ended June 30, 2025, the Authority recognized OPEB expense of \$(18,774).

At June 30, 2025, 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	\$ 19,624	\$ -
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,726	96,578
Difference between expected and actual experience	9,937	76,237
Net difference between projected and actual earnings on OPEB plan investments	-	1,786
Changes of assumptions	9,472	81,827
Total	<u>\$ 42,759</u>	<u>\$ 256,428</u>

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Deferred inflows of resources totaling \$19,624 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, 2026. 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,		
2026	\$	(69,483)
2027		(73,210)
2028		(45,494)
2029		(33,694)
2030		(11,412)
	\$	<u>(233,293)</u>

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YEAR ENDED JUNE 30, 2025

Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2024 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	8.20% for both Medicare and 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 6.09% as of June 30, 2024 and 5.65% as of June 30, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.09% as of June 30, 2024 and 5.65% as of June 30, 2023. The single discount rate of 6.09% as of June 30, 2024 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 3.93% (based on the 20-year Bond Buyer GO Index as of the end of June 2024). 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 2060 (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 6.09%, 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 (5.09%) or 1-percentage-point higher (7.09%) than the current rate:

	1% Decrease (5.09%)	Current Trend (6.09%)	1% Increase (7.09%)
Authority's proportionate share of the net OPEB liability	\$ 355,490	\$ 317,061	\$ 283,988

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 8.2% / 8.2% grading down 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 (7.2% / 7.2% grading down to 2.9%) or 1-percentage-point higher (9.2% / 9.2% grading down to 4.9%) than the current rate:

	1% Decrease (7.2%)	Current Trend (8.2%)	1% Increase (9.2%)
Authority's proportionate share of the net OPEB liability	\$ 276,458	\$ 317,061	\$ 365,738

**REQUIRED SUPPLEMENTARY
INFORMATION**

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - OPERATIONS

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues - administration:				
Interest and short-term investment earnings	\$ -	\$ -	\$ 123,469	\$ 123,469
Expenditures - administration:				
Personnel - salaries and benefits	1,040,000	1,040,000	847,088	192,912
Professional services:				
Legal	60,000	60,000	21,482	38,518
Audit	75,000	75,000	61,275	13,725
Consulting/research	25,000	25,000	9,000	16,000
IT Support	65,000	65,000	46,505	18,495
Trustee	15,000	15,000	6,000	9,000
Investment management fees	-	-	3,500	(3,500)
Rent	100,000	100,000	50,588	49,412
Moving expenses	25,000	25,000	1,853	23,147
Computer software and minor hardware	24,000	24,000	12,486	11,514
Office supplies	2,000	2,000	285	1,715
Telephone	6,000	6,000	1,880	4,120
Subscription and reference services	2,000	2,000	1,208	792
Postage and express	1,000	1,000	270	730
Dues and professional education	30,000	30,000	1,519	28,481
Travel	1,000	1,000	18,490	(17,490)
General and administrative	37,000	37,000	28,635	8,365
Printing	-	-	3,346	(3,346)
Miscellaneous	-	-	139	(139)
	1,508,000	1,508,000	1,115,549	392,451
Capital outlays - furniture/fixtures and equipment	75,000	75,000	68,275	6,725
Addition oversight duties - studies/implementation	200,000	200,000	175,000	25,000
Total expenditures - administration	1,783,000	1,783,000	1,358,824	424,176
Excess of Expenditures over Revenues	(1,783,000)	(1,783,000)	(1,235,355)	547,645
Other Financing Sources:				
Transfers in for PICA draw for operations	-	-	257,138	257,138
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	(1,783,000)	(1,783,000)	(978,217)	804,783
Fund Balance, June 30, 2024	1,783,000	1,783,000	3,211,892	1,428,892
Fund Balance, June 30, 2025	\$ -	\$ -	\$ 2,233,675	\$ 2,233,675

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

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, 2025

	2024*	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the collective net pension liability	0.0049%	0.0055%	0.0073%	0.0079%	0.0079%	0.0078%	0.0075%	0.0080%	0.0072%	0.0068%
Authority's proportionate share of the collective net pension liability	\$ 911,868	\$ 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
Authority's covered payroll	\$ 495,125	\$ 396,204	\$ 463,846	\$ 470,342	\$ 532,681	\$ 547,258	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	184.17%	268.36%	332.25%	219.73%	256.76%	258.20%	324.24%	278.75%	319.59%	301.62%
Plan fiduciary net position as a percentage of the total pension liability	67.70%	65.30%	61.50%	76.00%	67.00%	63.10%	56.40%	63.00%	57.80%	58.90%

* 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 Blended Component Unit of the City of Philadelphia) SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2025

	2024*	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 112,995	\$ 121,131	\$ 150,269	\$ 150,815	\$ 166,386	\$ 158,497	\$ 157,074	\$ 153,554	\$ 110,642	\$ 94,374
Contributions in relation to the contractually required contribution	112,905	120,422	153,385	151,550	165,535	167,704	159,720	151,901	112,913	102,102
Contribution deficiency (excess)	\$ 90	\$ 709	\$ (3,116)	\$ (735)	\$ 851	\$ (9,207)	\$ (2,646)	\$ 1,653	\$ (2,271)	\$ (7,728)
Authority's covered payroll	\$ 495,125	\$ 396,204	\$ 463,846	\$ 470,342	\$ 532,681	\$ 547,258	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647
Contributions as a percentage of covered payroll	22.80%	30.39%	33.07%	32.22%	31.08%	30.64%	33.34%	30.61%	26.02%	24.92%

* 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, 2025

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, 2024 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 2024, the SERS Board deliberated and decided to maintain the Defined Benefit Plan investment rate of return of 6.875% assumption for the December 31, 2024 valuation.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED JUNE 30, 2025

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, 2024
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 4.58% 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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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION INFORMATION**

YEAR ENDED JUNE 30, 2025

There were no changes in factors and trends used in the December 31, 2024 actuarial valuation.

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

COMMONWEALTH OF PENNSYLVANIA
RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2025

	2024*	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the collective net OPEB liability	0.0046%	0.0046%	0.0055%	0.0054%	0.0078%	0.0080%	0.0078%	0.0054%
Authority's proportionate share of the collective net OPEB liability	\$ 317,061	\$ 354,236	\$ 540,273	\$ 548,428	\$ 955,192	\$ 836,266	\$ 1,151,809	\$ 1,077,493
Authority's covered payroll	\$ 336,780	\$ 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	94.14%	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%	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
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(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, 2025

	2024*	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 15,605	\$ 15,510	\$ 18,705	\$ 14,212	\$ 22,243	\$ 23,001	\$ 32,787	\$ 10,193
Contributions in relation to the contractually required contributions	20,207	18,449	20,807	17,406	27,002	32,654	32,829	14,330
Contribution deficiency (excess)	<u>\$ (4,602)</u>	<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	\$ 336,780	\$ 266,668	\$ 313,125	\$ 306,171	\$ 401,447	\$ 433,238	\$ 413,710	\$ 315,915
Contributions as a percentage of covered payroll	6.00%	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, 2025

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 6.09% 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 3.93% (based on the 20-year Bond Buyer GO Index as of the end of June 2024). The discount rate was 6.09% as of June 30, 2024, 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:

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB INFORMATION

YEAR ENDED JUNE 30, 2025

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	8.20% for both Medicare and 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, 2024 actuarial valuation: the initial rate for medical benefits changed from 9.0% for Medicare and 8.9% for non-Medicare for June 30, 2023 to 8.2% for both Medicare and non-Medicare for June 30, 2024. 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

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

YEAR ENDED JUNE 30, 2025

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 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
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(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF CASH ACTIVITY - GENERAL FUND

YEAR ENDED JUNE 30, 2025

Cash receipts:	
Revenues collected - other income	\$ 876,300
Transfers in	<u>257,138</u>
Total cash receipts	<u>1,133,438</u>
 Cash disbursements:	
Administration	<u>1,273,175</u>
Total cash disbursements	<u>1,273,175</u>
 Excess cash receipts over cash disbursements	(139,737)
 Cash, cash equivalents, and short-term investments - beginning of year	 <u>19,128,128</u>
 Cash, cash equivalents, and short-term investments - end of year	 <u><u>\$ 18,988,391</u></u>

**PENNSYLVANIA INTERGOVERNMENTAL
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SCHEDULE OF CASH ACTIVITY - PICA TAX REVENUE FUND

YEAR ENDED JUNE 30, 2025

Cash receipts:	
PICA taxes	\$ 760,848,267
Investment income	932,305
Total cash receipts	<u>761,780,572</u>
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	761,523,434
Other financing uses - net transfers out for operations	257,138
Total cash disbursements	<u>761,780,572</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>