For Immediate Release
September 19, 2017

PICA Board Approves City’s Revised FY2018-FY2022 Five Year Plan
Board Voices Concerns Over Arbitration Award Costs

September 19, 2017—The Board of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) today unanimously approved the City of Philadelphia’s Revised Five Year Financial Plan for Fiscal Years 2018-2022 (the “Revised Plan”), submitted to PICA on September 5, 2017. A Fraternal Order of Police arbitration award, resulting in $247.2 million in labor costs to the General Fund over the life of the Plan, prompted the submission of a Revised Plan in accordance with the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”).

In approving the Revised Plan, the PICA Board voiced concerns that the City must be mindful of the impact arbitration awards and collective bargaining agreements may have on the financial stability of the City. Furthermore, the Board is troubled that the Revised Plan does not include reserves for future labor costs, and that it will be necessary to repeat this process relatively soon. In the event new labor contracts are awarded, the City must submit another revised Plan for consideration by the Board.

PICA Staff recommended approval of the Revised Plan, based on the following:

- Revenue projections, as presented in the Revised Plan, are unchanged from the Plan approved in July. PICA’s consultant reviewed those projections and determined that they are reasonable. Furthermore, the City and its consultant are monitoring tax performance in a way that will allow adjustment to changes in economic conditions.
- Both revenue and obligation projections, as presented in the Revised Plan, are “based on reasonable and appropriate assumptions and methods of estimation,” which are “consistently applied,” as required by the PICA Act.

Although PICA is confident that the Revised Plan is based on reasonable assumptions—which will ultimately result in positive fund balances over each of the five fiscal years presented—PICA continues to be concerned about potential risks to the Revised Plan, as well as other financial concerns, as listed in our Staff Report on the Revised Plan.

For the full report click here.