



Pennsylvania Intergovernmental Cooperation Authority

For Immediate Release
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PICA Board Approves City of Philadelphia's FY17 to FY21 Five-Year Plan *Kevin Vaughan Elected PICA Chair*

August 31, 2016—The Board of the Pennsylvania Intergovernmental Cooperation Authority (PICA) today approved the City of Philadelphia's Five-Year Plan for FY17-21 by a vote of 4-1.

In approving the Five-Year Plan, the Board held that the projected revenue assumptions and estimates in the Plan were reasonable and appropriate and that the Plan projects balanced budgets throughout the next five years as required by the PICA Act.

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

- Revenue and expenditure projections are reasonable and appropriate.
- Preliminary revenue results for FY16 suggest another year of solid performance in revenue.
- PICA staff is encouraged by the City's efforts to move in the direction of higher fund balances, which is evidenced by its setting aside higher fund balances in this Plan than in recent years. However, PICA continues to advocate for allocating funds to the Budget Stabilization Reserve.
- This Plan includes a \$328 million reserve for future labor costs over the life of the Plan.

PICA Staff also identified some key risks to the Plan. These risks include:

- Though the Plan includes a reserve for future labor costs, PICA analysis suggests wage increases could exceed projections, as current contracts for seven of the City's eight bargaining units expire at the end of FY17.
- The City's Pension Fund continues to be well underfunded, and if actual experience deviates from key assumptions made in the Actuarial Valuation of

March 2016, actual required pension contributions could exceed the Plan projection. However, the City has committed to an annual payment of \$5 million over the mandated minimum contribution and should experience increased residual funds from the sales tax over the School District contribution—additional funds which would be paid into the Pension Fund.

- Real estate tax projections remain uncertain; the delay in conducting an annual City-wide valuation of properties as was intended under AVI complicates this projection.
- Overtime costs have continued to rise, making it difficult to successfully cut overtime, as proposed in the Plan. However, the City has developed a strategy for managing overtime costs on an ongoing basis.
- As is typically the case with any five-year fiscal projection, another risk is the possibility that slower than projected economic growth could occur resulting in tax revenues below projections, especially since economists have predicted the chance of entering a recession over the next five fiscal years at more than 50%.

In addition, election for officers of the PICA Board were conducted and Kevin Vaughan was re-elected Chair. Mr. Vaughan was appointed by Governor Wolf and spent his career working for the City of Philadelphia, his last position as the Director of the Deputy Mayor's Office for Health and Opportunity/Deputy Health Commissioner.

Michael Karp was elected Vice Chair, Joseph McColgan Treasurer/Secretary and Greg Rost Assistant Treasurer/Secretary.

The PICA Staff Report on the Plan is available [here](#).

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