

# **Pennsylvania Intergovernmental Cooperation Authority**



**Annual Report  
for  
Fiscal Year 2004**

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**October, 2004**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

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Authority Counsel  
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Deloitte & Touche LLP

## The Mission of the Authority

The mission of the Authority, as stated in its enabling legislation, is as follows:

*Policy.--It is hereby declared to be a public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of Statewide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency is hereby determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.*

*Legislative intent.--*

*(1) It is the intent of the General Assembly to:*

*(i) provide cities of the first class with the legal tools with which such cities can eliminate budget deficits that render them unable to perform essential municipal services;*

*(ii) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;*

*(iii) foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits for cities of the first class, which city shall be charged with the responsibility to exercise efficient and accountable fiscal practices, such as:*

*(A) increased managerial accountability;*

*(B) consolidation or elimination of inefficient city programs;*

*(C) recertification of tax-exempt properties;*

*(D) increased collection of existing tax revenues;*

*(E) privatization of appropriate city services;*

*(F) sale of city assets as appropriate;*

*(G) improvement of procurement practices including competitive bidding procedures; and*

*(H) review of compensation and benefits of city employees; and*

*(iv) exercise its powers consistent with the rights of citizens to home rule and self government.*

*(2) The General Assembly further declares that this legislation is intended to remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of Statewide concern. To safeguard the rights of the citizens to the electoral process and home rule, the General Assembly intends to exercise its power in an appropriate manner with the elected officers of cities of the first class.*

*(3) The General Assembly further declares that this legislation is intended to authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such debt shall not be a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or city of the first class.*

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Source: Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "PICA Act") Section 102.

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October, 2004

To: The Governor and the 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, the City Council and the Controller of the City of Philadelphia  
Other Parties Concerned with the Restoration of Financial Stability of and Achieving  
Balanced Budgets for the City of Philadelphia

As the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) marks its thirteenth anniversary, we are pleased to provide you with this Annual Report for the fiscal year ended June 30, 2004 (“FY2004”). In 1991, the City of Philadelphia (“City”) faced a deficit of \$137 million, a lagging capital investment program, and lacked a coherent fiscal planning mechanism. Although the City ended FY2004 with a technical deficit, the City projects a balanced budget for the next five years, a stronger capital replacement and maintenance program, and the continued success of the annual Five-Year Financial Plan required by PICA. Though the City faces challenges, including a struggling Philadelphia Gas Works, and an underperforming Pension Fund, we remain confident in PICA’s ability to help the City maintain a positive fiscal outlook.

Even after thirteen years, PICA continues to have a significant role in the ongoing City financial recovery. FY2004 activity included (1) the approval of a Five-Year Financial Plan for Fiscal Years 2005 through 2009 which anticipates balanced budgets and tax reductions in each component year; (2) monitoring Five-Year Financial Plan compliance; (3) continuing review and monitoring of the City’s operations; (4) oversight as to utilization of remainder moneys borrowed by PICA for City capital projects, productivity enhancements and indemnity costs (deficit reduction); and (5) service as the primary independent source of objective information and opinion for the benefit of the citizens of the City and the Commonwealth as well as for the media, the financial community and other outside observers.

The PICA Board has been gratified by the recognition PICA regularly receives from the financial community and the media for its successful performance as the agency charged with the responsibility for oversight and monitoring of the City's finances. We would be remiss if we failed to acknowledge and express our sincere appreciation for the continuous support PICA receives from the Governor and the General Assembly, and also for the ongoing cooperation of Philadelphia's Mayor, City Council and City Controller. This support and cooperation are vital factors to PICA's continuing success and the City's ongoing financial recovery.

Lauri A. Kavulich, Esquire  
Chair

William J. Leonard, Esquire

Gregg R. Melinson, Esquire

Kenneth I. Trujillo, Esquire

Michael A. Karp

## **PICA Annual Report Requirements**

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of First Class, Act of 1991, P.L. 9, No. 6 at §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.

§207 of the 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.

## **Overview - PICA and its Role**

### **PICA Act**

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created in 1991 to assist the City of Philadelphia (the "City") in overcoming a severe financial crisis. At that time, the City was burdened with a growing cumulative operating deficit, lacked resources to pay mounting overdue bills from vendors, had been pushed below the investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, was in a mode in which the quality of municipal services being provided was rapidly eroding, and verged on bankruptcy. PICA was created through the joint efforts of concerned Philadelphians and State officials who envisioned a structure which would assist the City in putting its revenue collection and spending processes in order, and at the same time reach a consensus on its future priorities, assets and limitations. The PICA Act was a compromise fashioned to meet the requirements of the Pennsylvania Constitution, the concept of local government Home Rule, and the interests of the State in the preservation of the financial integrity of its municipalities. PICA's role, a combination of cooperation, assistance and oversight was determined to be of vital importance in both a financial and political sense. It was designed to be a catalyst in the City's re-evaluation of the role and priorities of municipal government.

### **Cooperation Agreement**

The Intergovernmental Cooperation Agreement negotiated by and between PICA and the City and finalized in January of 1992 formalized the relationship contemplated by the PICA legislation. The powers and duties of the respective participants envisioned in the legislation were put into place with the execution of the Agreement. PICA was designed to be much more than a vehicle to raise otherwise unavailable funds for Philadelphia. It has the responsibility to evaluate and approve annually revised Five-Year Financial Plans, to monitor compliance by the City with such Plans, and the power to withhold both substantial Commonwealth financial assistance and the net proceeds of the PICA Tax (after PICA debt service) should the City fail to comply with its duty to balance such Plan in each of its years.

### **The PICA Organization**

The Authority 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. The Authority's staff, which totals six, is organized to evaluate the actions of the City and to issue appropriate reports thereon to assist those who are properly charged with administration of City affairs or development of underlying policies.

### **PICA Financial Assistance to the City**

The issuance of bonds to provide the funds directly required to assist the City to avoid insolvency and for essential capital programs was an important initial role of the Authority. That role has been successfully completed and the Authority's "new money" bond issuance powers have expired. Authority bond issuance is currently limited to refinancing existing Authority debt in order to realize net debt service savings to the City.

Through debt issuance and capital program earnings the Authority has provided in excess of \$1,184 million to directly assist the City, allocated to the following purposes:

<u>Purpose</u>	<u>Amount (thousands)</u>
Deficit Elimination/Indemnities Funding	\$ 269,000
Productivity Bank	20,000
Capital Projects	514,056
Retirement of Certain High Interest City Debt	<u>381,300</u>
<b>TOTAL</b>	<b><u>\$1,184,356</u></b>

### **The Five-Year Financial Plan Process**

PICA has consistently emphasized its firm belief that the City's continuing fiscal rehabilitation is dependent upon its continuing success in addressing both financial and managerial issues; that the process is less one dealing with finance than assessing the financial results of managerial decisions. Effective strategic planning and the institutionalization of change are matters which the City must continue to focus upon in order to assure that its considerable assets continue to be applied intelligently and consistently. The Plan process helps to document the City's intentions and the results of its actions.

As mandated in the PICA Act (and as further refined by the Intergovernmental Cooperation Agreement), the Plan is required to include:

- Projected revenues and expenditures of the principal operating funds of the City for five fiscal years (the current fiscal year and the next four); and
- Components to (i) eliminate any projected deficit for the current fiscal year; (ii) restore to special fund accounts money from those accounts used for purposes other than those specifically authorized; (iii) balance the current fiscal year budget and subsequent budgets in the Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

There also are statutorily mandated standards for development of the Plan (and the manner in which it is to be evaluated by PICA):

- all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;
- revenues are to be recognized in the accounting period in which they become both measurable and available; and

- cash flow projections are to be made based upon reasonable and appropriate assumptions as to sources and uses of cash, including factors intended to provide a complete picture of cash demands.

The PICA Act also mandates standards for the basis for estimation of City revenues:

City Sources - current or proposed tax rates, historical collection patterns, and generally recognized econometric models;

State sources - historical patterns, currently available levels, or on levels proposed in a budget by the Governor;

Federal sources - historical patterns, currently available levels, or levels proposed in a budget by the President or in a Congressional budget resolution; and

Non-tax sources - current or proposed rates, charges or fees, historical patterns and generally recognized econometric models.

Deviations from such standards for estimation of revenues and appropriations which are proposed to be used by the City are to be disclosed specifically to the Authority and approved by a "qualified majority" of the Authority (four of its five appointed members). The Authority's Board generally has required that conservative criteria be used, and the result of the PICA process has been credible budget and Plan-making.

The Plan is also required to include a schedule of projected City capital commitments (and proposed sources of funding), 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 (filled and unfilled), inclusive of estimates of wage and benefit levels for various groups of employees.

The PICA Act requires that the Authority solicit an opinion or certification from the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Plan. The PICA Act does not, however, require that the Controller's determinations bind the Authority in its evaluation of a proposed Plan.

The PICA Act (§209) and the Cooperation Agreement (§409(b)) require submission of quarterly reports by the City concerning its compliance with the current Plan within 45 days of the end of a fiscal quarter. If a quarterly report indicates that the City is unable to project a balanced Plan and budget for its current fiscal year, the Authority may by the vote of a qualified majority declare the occurrence of a "variance", which is defined in §4.10 of the Cooperation Agreement as follows:

- (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or

(ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year.

As defined in §1.01 of the Cooperation Agreement, the City's "Covered Funds" are the General Fund, General Capital Fund, Grants Revenue Fund and any other principal operating funds of the City which become part of the City's Consolidated Cash Account.

### **The Effect of a "Variance"**

The statute mandates the submission of monthly reports to PICA by the City in the event of a determination by the Authority of the occurrence of a variance. That situation occurred once in PICA's history. In November of 1992, the City projected a variance of \$57 million (2.5%) for the 1993 fiscal year, and the Authority agreed with that assessment on December 9, 1992. Thereafter, until May of 1993, the City filed required monthly reports. The City was relieved of its burden to make monthly reports when the Authority approved the City's plan of correction in conjunction with its approval of the City's Five-Year Financial Plan for FY93-FY98 in May of 1993.

As provided in §210(e) of the PICA Act, legal consequences flow from a determination by the Authority of the existence of a variance. In addition to the City's additional reporting responsibilities, it also is required to develop revisions to the Plan necessary to cure the variance. The remedies which PICA has available to deal with a continuing variance are to direct the withholding of both specific Commonwealth funds due the City and that portion of the 1.50% tax levied on the wages and income of residents of the City in excess of the amounts necessary to pay debt service on PICA's bonds. Any amounts withheld would be paid over to the City after correction of the variance.

### **PICA "Threshold" Policies**

From its inception, PICA has held to the following policies in its evaluation of Philadelphia's Plans, initiatives, proposals and performance:

Emphasis on Structural Change - Consistent City failure to deal effectively with a long list of areas of government operations and service delivery contributed to the need for PICA. The City shall continually be encouraged to rethink existing policies and practices and to avoid sacrificing long-term progress for short-term gain.

Focus on Long-Term Progress - Meaningful strategic planning, institutionalization of appropriate change, focus on attaining long-term structural balance and on implementing pragmatic economic stimulus policies and procedures are matters of paramount importance and are to be emphasized in the PICA oversight process.

Infrastructure Programs - A meaningful capital program is a visible and tangible element of a City's social contract with its residents. The capital program, including proper maintenance of capital assets, is a key element to long-term fiscal stability. A consistent policy to adequately fund and staff infrastructure maintenance shall be continually encouraged.

Consistent Application of Stated Assumptions - Inconsistent application of unstated assumptions frequently caused pre-PICA City budgets to lack credibility, and made reliable assessment of prospects of attaining the results of such budgets impossible. PICA's Plan review process shall focus on assumptions utilized being both visible and consistent in their application.

Use of Credible Revenue Estimates - Realistic revenue estimates are a vital component of the City's budgeting and Plan preparation process and shall be a matter of primary concern in PICA's Annual Plan review process.

While it would be incorrect to claim that PICA threshold policies have resulted in all desired effects coming to fruition, they have contributed substantially to City procedural improvements.

### **Philadelphia City Controller**

An unforeseen benefit of the PICA Act's requirement that PICA solicit an opinion from the City Controller as to the reasonableness of Plan assumptions and estimates has been the extensive cooperative professional relationship which has developed between PICA Staff and the Controller's Office. The mutually beneficial professional relationship includes ongoing cooperation on matters of common concern and regular staff meetings with respect to such matters; joint reviews of Plan components including appropriate joint meetings with City department heads and chief operating personnel pertinent thereto; cooperation on capital project reviews and reviews of PICA funded special purpose grants to the City; PICA assistance for Controller special situation studies; and specific Office of the Controller personnel assigned responsibility for effective ongoing liaison with PICA Staff. The City Controller provides copies of all City audit reports and copies of special situation studies to PICA on a timely basis. The assistance provided to PICA by the City Controller is sincerely appreciated. Cooperation between its "oversight" and "watchdog" entities has substantially benefited the City.

### **Providing Comment on Pending Legislation**

In accordance with its oversight duties, PICA continues to provide comments and fiscal analysis on City legislation which impacts the City's fiscal situation. Further, PICA will uphold its responsibility to provide analysis on appropriate legislation before the General Assembly, in accordance with the PICA Act § 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 §1.01 of the Cooperation Agreement 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 look into the operations of either the Corporate Entities or the School District of Philadelphia.

To date, PICA has not devoted any substantial attention to the operations of such City related institutions, but it has offered its expertise to the School Reform Commission

as well as the CEO of the School District of Philadelphia, and has provided informal assistance where appropriate.

PICA Staff remains prepared to play any appropriate role in regards to developments at the Pennsylvania Convention Center and the Philadelphia Gas Works.

## **The Work of PICA - Fiscal Year 2004**

### **Approval of the FY2005-FY2009 Plan**

Review and recommendation for approval of the City's FY2005-FY2009 Five-Year Financial Plan was a major component of PICA Staff activities during FY2004. The City submitted the Plan on July 1, 2004; this marked the latest submission since PICA's inception, a result of the protracted dispute between the Mayor and City Council over passage of the City budget. As a result of PICA's desire to maintain the fiscal integrity of the City of Philadelphia, PICA Staff expedited its review of the proposed Plan. The approved Plan proposes continued annual cuts in wage and earnings and business privilege taxes. Estimates of the impact of the tax cuts on revenues were carefully weighed during the review process.

Although recommended for approval, the Plan contained risks to the continuing fiscal health of the City. PICA Staff noted that certain of the new Administration's proposals constitute new risks to the City's finances without providing precautionary strategies; and cited three significant risks contained in the Plan as follows:

- No funding in the Plan for any costs associated with new labor contracts for employees beginning in FY2005.
- Uncertain Pension Plan liabilities.
- Fiscal uncertainty at the Philadelphia Gas Works (PGW).

It should be noted that as a result of the completion of new labor contracts subsequent to the submission of the Plan, the City will be required to submit a revised Plan early in FY2005.

The Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Year 2005-Fiscal Year 2009, dated July 7, 2004 and comprising 36 pages, is available by contacting PICA at 215-561-9160 or at our website [www.picapa.org](http://www.picapa.org).

### **White Paper #10**

On March 9, 2004, PICA released White Paper #10: "The Crime of Inefficiency: The Cost of Policing Philadelphia." This review of the Philadelphia Police Department found that the Department suffers from poor management, an organizational structure with too little oversight, and unproductive work rules. The result is a bloated Police force with higher expenditures than other peer cities, but no correlating increase in crime prevention. A copy of the White Paper is available by contacting PICA at 215-561-9160 or at our website [www.picapa.org](http://www.picapa.org).

### **City Capital Program**

Oversight of the capital program continued to be a key element of PICA's work in FY2004. The City continues to make progress in its scheduling and monitoring of capital project activities. Improved City monitoring of budget, encumbrance and expenditure information by project is encouraging.

PICA Staff has continually noted the need for the City's capital program to be guided by an overall strategic plan. Progress in this area has been limited by the fact that the strategic planning process remains incomplete. PICA Staff continues to monitor the relationship of the capital program and capital budgets to other Citywide programs.

PICA Staff notes that the City has yet to complete all of the projects originally approved at the time of the various bond issuances. PICA Staff will continue to press the City to complete these projects.

### **The Tax Base and the Local Economy**

The City's high tax burden for individuals and businesses remains a major obstacle to economic development. The continuing tax cuts proposed in the FY2005-FY2009 Plan are a positive step toward addressing this problem. However, even with the implementation of the tax reductions, significant tax differentials will remain between the City and competing locations in the suburbs and elsewhere. While State and Federal policies drive some of the tax differential, the City government can still do much to promote a more competitive tax structure. The City can further increase productivity, cut costs, improve tax enforcement and make appropriate changes in the levels and mix of City services provided, consistent with a strategic plan.

During FY2004, PICA Staff provided testimony and technical support to the Administration and City Council in their efforts to review and reform the tax structure.

### **Indemnities**

During FY2003, the City began its effort to draw down the outstanding funds from the Special Indemnity Accounts that were created with PICA bond proceeds that were not needed to finance initially projected deficits. As of June 30, 2004, less than \$123,000 remained in such accounts, including proceeds from the 1992 bond issue granted to the City by PICA and subsequent interest earnings. These funds continue to be available for indemnity payments associated with cases resolved under the Court of Common Pleas Day Backward/Day Forward backlog reduction program.

## **Goals for PICA - Fiscal Year 2005**

### **Ongoing Goals**

During the next fiscal year, PICA Staff will continue to:

- Focus on the need for City departments and agencies to produce strategic plans which delineate specific actions to be undertaken and measurable goals to be achieved that assist in attaining the goals of the Citywide Plan, particularly in light of staff reductions resulting from the DROP.
- Promote the further development and use of departmental performance measures that contribute to a better understanding of and capacity to manage departmental activities.
- Oversee PICA-funded City capital projects, stressing essential improvements to the City's capital project management and the benefits derivable from coordinated strategic and capital planning.
- Encourage identification of additional City capital funds available for reprogramming and utilize these funds for projects meeting PICA's statutory criteria.
- Provide technical assistance to help inform the ongoing debate about reforming Philadelphia's tax and regulatory structures.

### **Plan Review and Approvals**

PICA Staff anticipates a review of a revised Five-Year Financial Plan, Fiscal Year 2005-Fiscal Year 2009 (including Fiscal Year 2004) due to the completion of new labor contracts subsequent to the approval of the existing Plan. The revision of the Plan will need to demonstrate the City's ability to pay for the costs of the new labor agreements.

PICA Staff also looks forward to the FY2005 review of the City's Five-Year Financial Plan, Fiscal Year 2006-Fiscal Year 2010 (including Fiscal Year 2005) with the input of the professional staff of the City Controller. The Plan will need to produce reasonable revenue and expenditure projections and reasonable prospects for continued General Fund balance.

### **Achieving Balanced Annual Budgets**

Four of the five years of the current Plan assume an annual operating deficit, ranging from \$1 million to over \$42 million. PICA Staff believes the City needs to begin striving for projected annual Operating Fund balanced budgets in order to achieve true fiscal stability.

### **The School District of Philadelphia**

The possibility of PICA being of substantial assistance to both the Commonwealth of Pennsylvania and the City of Philadelphia in the matter of School District financial oversight was originally proposed by the Courts, has twice been a matter of legislative discussions, and has been endorsed by the Mayor and several members of City Council. That opportunity and the challenges it would present would be welcomed by PICA Staff and would immediately become a top priority item. PICA's budget includes reserve funding for such an event.

PICA Staff will continue to provide informal assistance to the School District.

### **Improving Philadelphia's Tax Structure**

PICA will continue to publish papers, provide testimony, and provide technical assistance regarding the ongoing efforts to make Philadelphia's tax structure more efficient and effective while maintaining the integrity of the City's Five-Year budget planning process.

### **Overall Goal**

PICA's overall goal continues to be assisting the City to become more proactive in serving its citizens; to define its service delivery philosophy; and then to consistently deliver such services within the constraints of available resources. No less will be acceptable.

## **Future City Reporting to PICA**

### **Regular Reporting Required**

The reporting system established in the Cooperation Agreement and in the PICA Act requires a regular flow of data from the City to PICA. This system is the fundamental device used by PICA Staff in its ongoing evaluation of City progress in its fiscal rehabilitation. PICA is generally satisfied as to the information being provided to it. PICA Staff anticipates working closely with the Administration to ensure that there is no lapse in the flow of information PICA requires to fulfill its mission.

### **Data to be Received by PICA Includes:**

**Revised Plan.** The PICA Act and the Cooperation Agreement contemplate the continuous existence of a Plan encompassing the current fiscal year and the four fiscal years thereafter, and require that a new year be added to the then-existing Plan not later than 100 days prior to the end of each fiscal year. The City's Five-Year Financial Plan, Fiscal Year 2006-Fiscal Year 2010 (including Fiscal Year 2005) is thus anticipated to be received by PICA by March 23, 2005.

**Quarterly Plan Reports.** Under the Cooperation Agreement (§409(b)), the Authority receives reports from the City on a quarterly basis (within 45 days after the end of each fiscal quarter) concerning the status of compliance with the Plan and associated achievement of initiatives. The Cooperation Agreement (§409(e)) also requires that the City provide reports to PICA concerning Supplemental Funds (i.e., the Water and Aviation Funds) on a quarterly basis.

**Grants Revenue Fund Contingency Account Report.** The Cooperation Agreement provides that a report on the Grants Revenue Fund Contingency Account be prepared and submitted, by department, not later than 20 days after the close of each fiscal quarter. This report details the receipt and use of Federal and Commonwealth Funds by the City. A separate report details the eligibility for fund withholding by the Commonwealth (at PICA's direction) in the event the City cannot propose credible measures to balance a Plan which has been declared at "variance" by PICA.

**Prospective Debt Service Requirements Report.** The Cooperation Agreement requires submission of a report detailing prospective debt service payments by the City, as well as lease payments, 60 days prior to the beginning of a fiscal quarter, and upon each issuance of bonds or notes or execution of a lease.

## Time Table of FY2004 Reporting Requirements

<b>Due Date</b>	<b>Description</b>
October 20, 2004	Receipt of 1st Quarter FY2005 Grants Revenue Fund Contingency Account Report
November 1, 2004	Receipt of 3rd Quarter FY2005 Prospective Debt Service Requirements Report
November 15, 2004	Receipt of 1st Quarter FY2005 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld
January 20, 2005	Receipt of 2nd Quarter FY2005 Grants Revenue Fund Contingency Account Report
January 31, 2005	Receipt of 4th Quarter FY2005 Prospective Debt Service Requirements Report
February 15, 2005	Receipt of 2nd Quarter FY2005 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld
March 23, 2005	Submission of proposed revision to Plan and addition of FY2010
April 20, 2005	Receipt of 3rd Quarter FY2005 Grants Revenue Fund Contingency Account Report
May 2, 2005	Receipt of 1st Quarter FY2006 Prospective Debt Service Requirements Report
May 15, 2005	Receipt of 3rd Quarter FY2005 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld
July 20, 2005	Receipt of 4th Quarter FY2005 Grants Revenue Fund Contingency Account Report
August 2, 2005	Receipt of 2nd Quarter FY2005 Prospective Debt Service Requirements Report
August 15, 2005	Receipt of 4th Quarter FY2005 Plan Report, Supplemental Funds Report and report concerning Commonwealth funds which may be withheld

**Appendix A:**  
**Financial Statements**  
**and**  
**Report of Independent Auditors**