

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

May 17, 2016

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") was held on Tuesday, May 17, 2016 in the PICA Board Room located at 1500 Walnut Street, 16th Floor, and Philadelphia, Pennsylvania.

Attendees

Board: Kevin Vaughan , Gregory S. Rost, *(via telephone)*, Alan Kessler, *(via telephone)*, Joseph M. McColgan, Michael A. Karp *(via telephone)*, and Robert A. Dubow *(ex officio)*.

Staff: Harvey M. Rice, Stephen Camp-Landis, Dora Ward, Daniel Esposito, and Deidre Morgenstern.

Invited Guests: S. William Richter, Esq., Reed Smith, LLP *(via telephone)*, Anna Adams , Budget Director.

Call to Order

Mr. Vaughan called the meeting to order at 12:15 p.m.

Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of April 19, 2016. Mr. Rost seconded the motion. The motion passed 4-0.

Executive Director's Report

Mr. Rice stated that PICA staff is continuing the Five Year Plan review process and began departmental meetings last week. Mr. Rice also stated that he met with the administrators of the McArthur Grant. The administrators explained that their goal is to reduce the prison population.

Mr. Rice continued that he made a presentation to a local group of government accountants. His presentation focused on PICA's pension report and resolution. The presentation was very well received.

Mr. Rice provided the Board with the City's overtime report and PICA's report on the status of the Office of Property Assessment's appeal hearings.

Treasurer's Report

Mr. Rice stated that PICA operating expenditures for FY16 through April are 5 percent higher than the previous year due to increased rent, salary and benefits expenditures.

New Business

Mr. Vaughan expressed his interest in engaging the Boston College researchers to perform an updated analysis of their previous report on the City's DROP program.

Mr. Karp inquired as to the cost for these services and the purpose of the updated analysis. Mr. Rice answered that the cost for the original study was approximately \$80,000, and this study should cost less as it is an update to the original study.

Mr. Karp stated that PICA should reach out to the Mayor and City Council prior to authorizing this analysis and that there is no urgency to move on this issue. Mr. Vaughan stated that the analysis would be helpful in forming an informed opinion of where DROP stands since the original report was completed.

Mr. Kessler stated that it may be helpful to advise the Administration before moving forward. Mr. Rost stated that at the last board meeting, Mr. Dubow mentioned that the Administration is open to discussing DROP with PICA. Mr. Dubow explained that City Council had recently made changes to DROP benefits for DC 33 and DC 47, and that these changes are being litigated. There is a legal question as to whether changes to DROP must go through the collective bargaining process, since DROP is viewed as an employee benefit.

Mr. Karp asked if pending litigation will delay further action regarding DROP. Mr. Dubow answered that it would. Mr. Karp suggested that PICA should then delay authorizing the study.

Mr. Vaughan stated that the analysis will take time to complete and that there was a sense of urgency expressed at the last board meeting regarding DROP.

Mr. Kessler stated that PICA should inquire as to the scope of the engagement and its cost. Mr. Kessler also requested that Mr. Richter review the status of the DROP cases brought by DC 33 and 47 and ensure that there would not be a conflict with PICA authorizing an amended review and analysis of the cost of DROP to the Pension Fund. In addition, Mr. Kessler requested that Mr. Rice contact the City Solicitor to ensure an amended review and analysis would not impact the ongoing litigation.

Mr. Rice stated that with respect to the issue of competitive bidding, PICA would most likely receive an exception to the requirement for competitive bidding under the Commonwealth's procurement policy. He noted that under these requirements, PICA would complete the form provided by the Department of General Services, and outline the circumstances for a sole source contract. This will then be

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submitted to DGS for approval. Mr. Richter stated that if the analysis were a continuation of work already performed, then there would be an exception to the competitive bidding requirement.

Mr. Vaughan asked if there was a motion to authorize the staff to work with the Administration and City Council to analyze DROP, assuming there are no legal problems related to the fact that the City is involved in litigation related to the program. Mr. McColgan made the motion and Mr. Rost seconded it. The motion passed 4-1.

Mr. McColgan inquired as to the collection process for the proposed sugary drink tax. Mr. Dubow stated that the tax would be levied on the distributor. Dealers will be required to obtain a certificate to sell the beverages. Ms. Adams stated that the retailer would not be liable for the tax.

Mr. McColgan stated that the City's projections indicate that the tax would be passed on to the consumer, but based on the research, it will not be passed on.

Mr. McColgan inquired as to the cost of enforcement. Mr. Dubow replied that it would be \$1.8 million.

Mr. McColgan noted that the Mayor suggested that the tax will provide an additional \$25 million to the pension fund over four years. He asked Mr. Dubow to provide the actual amount. Mr. Dubow answered that the amount of money is not the issue, but rather that the Mayor was making a public statement that when additional funds are available, they will be utilized to support the Pension Fund.

Mr. McColgan asked who would be overseeing the proposed new Pre-Kindergarten Program. Ms. Adams answered that the new Office of Pre-K will have that duty. Mr. McColgan inquired as to the additional cost of this oversight. Mr. Dubow answered that since the staff is small, the cost would be minimal.

Mr. McColgan stated that there would be a reduction in soda consumption over time resulting from the tax. He asked whether there is a plan to compensate for the lost revenue that would result. Mr. Dubow replied that the assumption of declining consumption is built into the Five-Year Plan.

Mr. McColgan asked about the reason for the \$25 million reduction between City Council's FY16 budget and the current estimated spending. Mr. Dubow stated that those funds were transferred to the School District.

Public Comment

There was no public comment.

Adjournment

Mr. Vaughan asked for a motion to adjourn. Mr. McColgan made the motion. Mr. Karp seconded the motion. The motion passed 5-0.