

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

September 22, 2015

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") was held on Tuesday, September 22, 2015 in the PICA Board Room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

Board: Suzanne Biemiller, Joseph McColgon, Gregory S. Rost, Alan Kessler, Michael A. Karp (*via telephone*), Robert A. Dubow (*ex officio*) and Sharon Ward, Director, Governor's Budget Office (*via telephone, ex officio*).

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

Invited Guests: S. William Richter, Esq., Reed Smith, LLP; Rebecca Rhyhart, Budget Director; Anna Adams, Chief of Staff, Director of Finance.

Call to Order

Ms. Biemiller called the meeting to order at 12:15 p.m.

Approval of Minutes

Mr. McColgon made a motion to approve the minutes from the meeting of July 16, 2015. Mr. Rost seconded the motion. The motion passed 4-0.

Executive Director's Report

Mr. Rice reported that PICA staff has issued two monthly reports and one quarterly report since the previous Board meeting. Staff is currently working on its performance report on City agencies, to be issued in October.

PICA is in discussions with the City concerning overtime and expects to report overtime costs to the Board on a monthly basis.

Mr. Rice stated that PICA investments are currently at two basis points and are on track for a yield of 1.39 percent for the year.

Mr. Rice has requested an electronic version of the Special Pension Commission report, to be circulated to the Board and posted on PICA's website.

Treasurer's Report

Mr. Rice stated that year-to-date expenditures are below the current budget and are below last year's budget as well.

Adoption of Meeting Schedule

Mr. Kessler made a motion to approve the meeting schedule for FY16. Mr. McColgon seconded the motion. The motion passed 4-0.

Board of Revision of Taxes (BRT)

Mr. Rice explained that PICA staff met with the BRT and requested detailed data about the current status of real estate appeals. BRT provided their meeting calendar for September and October and the number of appeals remaining to be scheduled for November and December. Mr. Rice explained that the BRT is only capable of providing limited data, and thus, PICA will not have the full picture of the outstanding appeals until it meets with the Office of Property Assessment (OPA), which is scheduled to occur next week.

Mr. Rost asked for the impact of the delayed appeals on revenues. Mr. Rice explained that the data will have to come from OPA.

Ms. Biemiller asked for the level of confidence that the BRT will meet its December 31, 2015 deadline for resolving all outstanding appeals. Mr. Dubow responded that there is not a high level of confidence that the deadline will be met.

Mr. Kessler noted the decades old database used by BRT and inquired whether there was sufficient planning done before the inception of AVI – he speculated if there had been, the delays would not have occurred. Mr. Dubow explained that Finance has provided the BRT with all the resources it has requested in order to facilitate the timely resolution of appeals.

Mr. Dubow explained that there are two types of revenue impacts resulting from the delays. First, the effect of the delays represents \$27 million less in real estate taxes for FY15. This money will now be collected in FY16. Second, the losses on assessment values is the long-term effect of the appeals. The current rate of losses on valuations is 15 percent. These losses have been built into the Five Year Plan. Mr. Dubow explained that ideally the appeals should be completed in late October in order for bills to be sent out with the most recent assessment amounts – bills will now have to be revised.

Ms. Biemiller asked what PICA can do to address the delayed appeals. Mr. Rice said PICA staff will meet with OPA and report to the Board next week to get further information. Mr. Rost suggested PICA should write a public letter to the BRT expressing concern over the pace of progress.

Overtime

Ms. Biemiller asked for an update on overtime costs. Mr. Dubow said overtime costs are higher than projected. Some departments have good explanations for this, and for others, the cause is unclear.

Mr. Rost asked why overtime consistently comes in over projections. Mr. Dubow explained that projections are based on staffing and that the City could project several different scenarios to build in more costs. Ms. Rhynhart stated that delays in hiring because of hiring rules create understaffing, which leads to overtime. Mr. Rost stated that hiring is not an issue in the Police Department, yet it historically has among the highest costs for overtime.

Ms. Biemiller said that aside from budget projections, the extensive use of overtime is an additional concern. Mr. Dubow agreed that there is a management component to overtime costs. Ms. Biemiller asked whether department managers look to the budget when approving overtime. Ms. Rhynhart explained that departments need to exercise more accountability over these costs; the year-over-year trends for overtime show a lack of accountability.

Pope Visit

Ms. Biemiller asked how the City can ensure that it does not exceed costs. Ms. Rhynhart explained that individual departments submitted budgets for the event and names of the employees who will be using overtime for the duration of the event. Purchases/rentals cost between \$3 to \$4 million, some of which will be reimbursed by the Vatican. Full estimates of costs incurred are due from each department by the end of November.

New Business

Mr. McColgon asked Mr. Dubow about the state of the pension fund and the recent audit conducted by state Auditor General DePasquale. Mr. Dubow responded that the Auditor General's report commented on the need to lower the investment earnings assumption and adjust the mortality rate.

Mr. McColgon asked for a long-term plan to fix the pension liability. Mr. Dubow responded that this is a problem that arose over decades of time and will take time to fix. He listed the following measures currently being taken: increased employee contributions, the increase in the sales tax, and a new amortization schedule (24 years remaining). He explained that market underperformance will have the effect of increasing the City's MMO contributions.

Public Comment

No public comment.

Adjournment

Mr. Rost made the motion to adjourn, Mr. McColgon seconded, and the motion passed 5-0.