

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

February 16, 2016

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

Attendees

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

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

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (*via telephone*); Anna Adams, Budget Director, City of Philadelphia; Jacqueline Dunn, Chief of Staff, Office of the Director of Finance, City of Philadelphia; Ralph E. Jones, Vice President, U. S. Bank; Dennis S. Mullins, Senior Portfolio Manager, U. S. Bank.

Call to Order

Ms. Biemiller called the meeting to order at 12:16 p.m.

Approval of Minutes

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

Executive Director's Report

Mr. Rice stated that PICA's first staff report on the performance of City government had been released last week. He noted that this topic had been covered previously as part of the annual staff report on the City's Five-Year Financial Plan, but that this year it was decided to issue a separate report on City performance to highlight the importance of the issue.

Mr. Rice also stated that reports on City tax revenues for the months of December and January had been issued.

Mr. Rost joined the meeting.

Mr. Rice noted that last week the annual meeting to review the City's five-year economic projections was held at the Federal Reserve Bank of Philadelphia. The meeting was organized by PICA and attended by City officials and economic experts. Attendance at the meeting was larger than in the past.

Concerning the status of real estate assessment appeals, Mr. Rice noted that there were some discrepancies in the numbers reported by the Board of Revision of Taxes and the Office of Property Assessment. Mr. Dubow stated that the BRT data include cases at the time they are scheduled for a BRT hearing, while OPA data reflect cases only after the hearing takes place. Mr. Kessler asked for the status of the outstanding 2014 appeals. Mr. Rice indicated he would provide this information.

Mr. Dubow stated that the appeals process has reached a stage where the number of appeals is at a normal level. Processing appeals should be less of a problem for BRT going forward.

Treasurer's Report

Mr. Rice stated that PICA operating expenditures for FY16 are below budget and 6 percent below the same period in FY15.

FY17 Operating Budget

Mr. Rice noted that the proposed PICA operating budget for FY17 is \$63,000 higher than the FY16 budget because of increases in rent and employee benefits. There are also other offsetting increases and decreases. Mr. Rice also noted that as usual the budget is financed in part by a transfer of \$600,000 from the Debt Service Reserve Fund to the General Fund.

Ms. Biemiller asked for a motion on the resolution to adopt the FY17 PICA operating budget. Mr. Kessler made the motion. Mr. McColgan seconded the motion. The vote was as follows: Ms. Biemiller, yes; Mr. Karp, yes; Mr. Kessler, yes; Mr. McColgan, yes; and Mr. Rost, yes.

Investments

Mr. Mullins gave a report on the investment of a portion of the PICA Debt Service Reserve Fund in government agency bonds. He noted that the booklet provided to the Board contained a market overview. For the portfolio, the effective duration is 2.51 years and the average credit quality is AA+. The portfolio does have interest rate risk, but this is being mitigated by laddering the securities.

Mr. Mullins stated that U. S. Bank's management of the portfolio ensures that the funds remain invested and provides institutional execution, which results in lower commissions.

Mr. McColgan asked about the portfolio's management fees. Mr. Mullins stated that the fee was 10 basis points, charged monthly.

Mr. Kessler asked for the duration of the agreement. Mr. Mullins stated that the agreement could be terminated at any time.

Mr. Mullins stated that the return since inception is 1.2 percent, and 1.1 percent net of fees.

Mr. Rice introduced Mr. Jones. Mr. Jones stated that he is the trustee for PICA at U. S. Bank. He asked that Board members let him know if they have any questions regarding the management of PICA funds.

Pension Resolution

Ms. Biemiller stated that a resolution had been prepared to encourage the Administration and City Council to adopt solutions to the City's employee pension problem. She asked for a motion to adopt the resolution. Mr. Karp made a motion. Mr. McColgan seconded the motion.

Mr. Kessler noted that the first paragraph of the resolution discussed the funded ratio of the City's pension system. He asked how Philadelphia's funded ratio compares to other cities. Mr. Dubow stated that the ratio is low in comparison to other cities.

Mr. Kessler asked why Plan 10 is mandatory for correctional officers and Register of Wills employees, but not other City employees. Mr. Dubow indicated that this is the result of arbitration.

Mr. Kessler asked whether there was any movement in City Council to change the Pension Adjustment Fund. Mr. Dubow indicated that he was not aware of any movement.

Mr. Karp stated that the solution is either higher City or worker contributions. The concern is that currently the economy is strong, but what will happen when the economy slows down. He asked, will the trend be toward a 10 percent or less funded plan? He also noted that the problem is evident now, and the City needed to address it.

Mr. Rost stated that another way to think of the impact of the pension problem is to imagine that another half billion dollars was available in the General Fund, and the services that could be provided with that money.

Mr. McColgan asked whether part of the problem is the composition of the Board of Pensions and Retirement and the Board's oversight of investments. Mr. Dubow stated that pension system investments are driven by outside advisors.

Mr. McColgan asked whether the Board of Pensions and Retirement had confidence in its investment staff. Mr. Dubow indicated that it did.

Mr. Rost stated that the Pension Adjustment Fund also impacts returns.

Pennsylvania Intergovernmental Cooperation Authority

Tuesday, February 16, 2016

Page 4

Mr. Kessler asked whether the final paragraph of the resolution needed to specify that actions to resolve pension issues could include legislation, administrative measures, or collective bargaining or arbitration.

Mr. Karp stated that he felt it was important to specify that the issue was a labor-management issue.

Mr. Kessler stated that he did not want to intervene in the collective bargaining process.

Mr. Karp stated that he felt the resolution as written would be helpful to the City in collective bargaining. He also stated that it was important to address the issue directly.

Ms. Biemiller asked for a vote on the resolution. The vote was as follows: Ms. Biemiller, yes; Mr. Karp, yes; Mr. Kessler, yes; Mr. McColgan, yes; and Mr. Rost, yes.

Mr. Rost left the meeting.

New Business

Mr. Kessler asked Mr. Dubow whether he had an answer to his question about the anticipated City cost related to the Democratic National Convention. Mr. Dubow stated that he would provide that information.

Public Comment

There was no public comment.

Adjournment

Mr. Karp made a motion to adjourn at 1:03 p.m. Mr. Kessler seconded the motion. The motion passed 4-0.