

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

## Minutes of the Meeting of the Board

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June 21, 2016

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The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") was held on Tuesday, June 21, 2016 in the PICA Board Room located at 1500 Walnut Street, 16<sup>th</sup> Floor, and Philadelphia, Pennsylvania.

### Attendees

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

Staff: Harvey M. Rice, Dora Ward, Daniel Esposito, and Deidre Morgenstern.

Invited Guests: S. William Richter, Esq., Reed Smith, LLP; Anna Adams, Budget Director.

### Call to Order

Mr. Vaughan called the meeting to order at 12:15 p.m. He welcomed 9 interns from the Committee of Seventy, who came to observe the Board meeting.

### Approval of Minutes

Mr. Rost made a motion to approve the minutes from the meeting of May 17, 2016, as amended to correct Anna Adams' name. Mr. Kessler seconded the motion. The motion passed 4-0, as amended.

### Executive Director's Report

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. He commented that the overtime report revealed that four City operating departments are exceeding projections, namely Police, Fire, Parks & Recreation, and Public Property. Mr. Rice noted that all four of these departments are among the seven that the current administration has committed to substantial decreases in overtime in the currently proposed Five Year Financial Plan.

PICA Chair Kevin Vaughan met with auditors for PICA's annual audit report. A timeline has been established, and there is a draft of the report. The final version will be adopted in October.

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PICA is seeking to supplement the original Boston College study on DROP, conducted in 2010. PICA counsel, Mr. Richter, and the City Solicitor both concluded there would be no likely impact of updating the study on pending litigation involving DROP. Boston College has provided PICA with a proposal, and Mr. Rice is currently in discussions over the cost of services.

Mr. Rice noted there are two additional resolutions for consideration by the Board during this meeting, one for arbitrage services and the other for an analysis of the revenue assumptions in the Five Year Plan.

US Bank has submitted a report on PICA's investments, which are 1.09 percent up, year-to-date. Mr. Rost asked to be reminded of the fees associated with these investments. Mr. Richter responded that they are comparatively low.

Mr. Rice stated that PICA staff is continuing the Five Year Plan review process and is conducting preliminary work before official submission of the Plan to PICA.

Mr. Rost inquired about plans to fill Steve Camp-Landis' position. Mr. Rice responded that after the Five Year Plan review process is completed, he will post the vacancy and conduct a series of three interviews.

Mr. Kessler asked the City for overtime estimates for the Democratic National Convention (DNC) that is to take place in Philadelphia in July. Mr. Vaughan requested to hold this question for New Business later in the meeting.

**Treasurer's Report**

Mr. Rice stated that PICA operating expenditures for FY16 through May are 2 percent higher than the previous year due to increased rent, salary and benefits expenditures. Expenditures overall are currently at 80 percent of the budget.

**Resolution – Swanson**

Mr. Swanson is an economist and professor at Temple University. The proposal is for \$8,000 to conduct a review of the revenue assumptions in the proposed Five Year Plan. Mr. Kessler inquired whether a competitive bidding process is required. Mr. Rice and Mr. Richter explained that this is a small bid contract and does not trigger formal procurement procedures. Mr. Karp made a motion to approve the resolution. Mr. Rost seconded the motion. The motion passed 5-0.

**Resolution – Arbitrage**

Mr. Richter explained that this resolution is for a standard service that has been performed since 1992. Mr. Kessler made a motion to approve the resolution. Mr. Rost seconded the motion. The motion passed 5-0.

**New Business**

Mr. Kessler's question about DNC overtime spending was discussed. Ms. Adams explained that there is a grant for \$43 million from the Department of Justice (DOJ) for security purposes. The grant will be provided on a reimbursement basis, through a transfer ordinance, and is founded on City estimates of overtime costs for the event. She stated that there will probably be some flexibility in the amount of the grant for unforeseen costs, although she explained that part of the \$43 million accounts for contingencies already. Mr. Kessler asked how the DOJ is defining unforeseen contingencies and questioned whether the grant could ultimately include more than the originally allocated \$43 million. Mr. Dubow stated that the people who worked with the DOJ on formulating the grant will be available to brief the Board on details.

Mr. Rost asked for an explanation of the impact of the sugary drinks tax on the fund balance. He summarized that there are three initiatives that the tax would fund: bonds for Parks & Recreation facilities, community schools, and pre-kindergarten. Mr. Dubow explained that most costs will begin to be incurred in FY21, although there are some costs that will begin to ramp up in the second half of FY17 (\$27 million for both pre-kindergarten and community schools). Revenue in FY18 will go towards the fund balance in the interim – the City will provide this detail. Mr. Karp asked whether the City would have to defer expenditures in light of legal challenges and whether the City would have to refund money if the Supreme Court were to invalidate the tax. Mr. Rost asked how the City plans to manage this risk. Mr. Dubow responded that the City Solicitor expects a quick Court of Common Pleas ruling that will serve as an indication of how to proceed thereafter with expenditures. He explained that the net impact from the tax on the fund balance is approximately \$13 million at the end of five years. Mr. Rost said PICA would like to see a contingency plan for the costs that will already be incurred before a potential adverse court ruling.

Mr. Rost thanked Steve Camp-Landis for his valuable contribution and service to PICA. Mr. Vaughan also thanked Mr. Camp-Landis and congratulated him on his next step at the Pew Charitable Trusts.

**Public Comment**

There was no public comment.

**Adjournment**

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