

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

September 19, 2017

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") was held on Tuesday, September 19, 2017 in the PICA board room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

Board: Kevin Vaughan, James Cawley (*via telephone*), Tina Byles Williams, Alan Kessler, Michael Karp (*via telephone*), and Robert A. Dubow (*ex officio*).

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

Invited Guests: S. William Richter, Esq. (*via telephone*), Reed Smith, LLP; Robert Fitzmartin, Office of Budget and Program Evaluation; Jackie Dunn, Office of the Director of Finance; Sarah DeWolf, Office of Budget and Program Evaluation.

Call to Order

Mr. Vaughan called the meeting to order at 12:25 p.m.

Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of July 18th, 2017. Mr. Cawley seconded the motion. The motion passed 5-0.

Executive Director's Report

Mr. Rice explained that PICA's Staff Report on the Revised FY2018-FY2022 Five Year Financial Plan was provided to PICA Board members.

Mr. Rice gave an update on PICA's office selection. The nine properties that were toured were narrowed down to three, and proposals are being requested from them.

Since the most recent Board meeting, PICA issued its July revenue report and is preparing to issue its August revenue report this week. The Staff Report on the QCMR was also issued.

Pennsylvania Intergovernmental Cooperation Authority

Tuesday, September 19, 2017

Page 2

PICA met with the Philadelphia Police Department with regard to the Police/Court overtime study that was proposed in recent Board meetings. Mr. Rice will prepare a memo to the Board on these meetings so that members can assess the need for a commissioned study. Mr. Karp asked for more details on the meeting with Police. Mr. Rice responded that the new Arbitration Award for the FOP includes a provision for electronic court notices that will help lower overtime costs.

Mr. Rice stated that PICA will be holding its annual fall conference on October 26th, and the topic will be affordable housing.

PICA Staff met with City officials about the I-95 capital project and is gathering information for the Board.

BRT appeals data for FY2018 will be available in October. Mr. Kessler asked about the implications of the legal challenge initiated by commercial property owners that cites the uniformity clause, and he requested more details from City officials. Mr. Dubow responded that the City will provide the Board with an update on this matter.

Mr. Rice explained that PICA has received a preliminary draft report from Boston College about the DROP study and is awaiting an updated draft with PICA requested changes.

PICA's annual audit is almost complete and financial statements will be sent to the City in a timely manner, in line with the September 30th timeline.

PICA's attorney for the LIBOR litigation, Joshua Snyder of Boni & Zack, LLC, was present at the meeting to provide the Board with an update regarding the LIBOR litigation during Executive Session. PICA's counsel, William Richter, took no part in the Executive Session or any other portion of the meeting where the LIBOR litigation was discussed and disconnected his telephone connection during that period. Also, Mr. Kessler recused himself from the Executive Session as well as the vote on the matter.

The Board came out of Executive Session and accepted the recommendation to continue the current lawsuit and not join the class lawsuit by a vote of 4-0.

Mr. Rice continued his Executive Director's Report informing the Board that the Chamber of Commerce will be present at the November Board meeting, as requested. Mr. Rice proposed allowing Mr. Paul Levy to present the opposite perspective in another Board meeting, so that both sides of the Levy-Sweeney debate can present their stance. Mr. Rice is awaiting a response from OIT in order to schedule that Board inquiry.

Treasurer's Report

Mr. Rice explained that PICA's expenditures through the end of FY2018 were approximately equal to those of FY2017 and at 71 percent of the budget for FY2018.

12:40 p.m.: Mr. Vaughan requested to enter into Executive Session to consider the LIBOR litigation.

12:50 p.m.: Mr. Vaughan announced the Executive Session was concluded.

Ms. Williams made a motion to accept counsel's recommendation pertaining to the LIBOR suit that was discussed during the Executive Session. Mr. Karp seconded the motion. The motion passed 4-0, with Mr. Kessler abstaining.

Resolution No. 4: Consideration of Revised Five Year Plan

Mr. Rice explained PICA staff's recommendation to the Board to approve the Revised FY2018-FY2022 Five Year Financial Plan (the "Revised Plan"). He stated that there was not much change between the two versions of the Plan, as the labor reserve was expended to cover most of the FOP award, and the remaining \$47.2 million was drawn out of the Revised Plan's fund balances, which are now lower but still positive. He explained that PICA's report on the Revised Plan included a projection of upcoming labor costs.

Mr. Karp commented that the FOP arbitration award was not sustainable for the City and that it is "overly taxing." He suggested rejecting future similar awards or Five Year Plans for this reason. He called the arbitrators "almost reckless" and "overly generous," while adding the impact of these awards might harm the City's bond rating. In this way, the arbitrators are "playing with fire," according to Mr. Karp. He recommended that future awards should consider increasing employee contributions to healthcare. He suggested there should be a cap on defined benefit pension plans, with increased employee contributions, while amounts above the cap would become defined contribution plans. Mr. Karp further commented that PICA would ideally prefer a move to defined contribution pension plans because the pension fund is over half unfunded with a \$6 billion liability.

Mr. Kessler emphasized being in an "unfortunate and awkward position" with voting on a Revised Plan so shortly after approving a Plan in July, with the knowledge of more revisions in the near future. He explained PICA Board members needing information, while also not harming the City's negotiations, is a fine balance to strike. He expressed concern with low fund balances that would not allow the City to respond to recessions, natural disasters, federal funding cuts, or other contingencies. Mr. Kessler inquired about the City's plans to find efficiencies for future revisions, as recommended by Councilman At-Large Allan Domb.

Mr. Dubow explained that this Plan revision is akin to an "interim Plan." He explained upcoming revisions would include more substantial changes, including larger fund balances. He also explained that the City is assessing savings and efficiencies in department budgets as a way to fund the impending labor contracts. He explained that the Beverage Tax will not be used to balance the Plan because that money is dedicated to programs.

Pennsylvania Intergovernmental Cooperation Authority

Tuesday, September 19, 2017

Page 4

Mr. Karp asked why the FOP award had raises well above the rate of inflation in each of its years. Mr. Dubow responded that there are many factors involved in determining wage increases, and part of the analysis hinges on historical precedent and comparisons to other cities.

Mr. Cawley agreed with Mr. Karp on his points about pensions, stating that the trend in public and non-profit pension plans is moving towards hybrid and defined contribution models. He agreed with Mr. Kessler's frustration at approving a Plan so soon after having approved one in July, with the knowledge of future Plan revisions in the next several months.

Mr. Kessler sent a message to arbitrators that the PICA Board will not rubberstamp Plan revisions if future awards are unreasonable.

Mr. Kessler made a motion to approve the Revised Plan. Ms. Williams seconded the motion. The motion passed 5-0 in a roll call vote.

New Business

None.

Public Comment

Ms. Lisa Haver asked if the PICA Board has proposed raising money from rolling back real estate tax abatements or improving revenue collections in other ways. Mr. Rice responded that PICA held a conference on the topic of revenue recovery several years ago that addressed increasing collection rates, and that PICA issued recommendations to the City on this subject.

Adjournment/Recess

Ms. Williams made a motion to adjourn. Mr. Kessler seconded the motion. The motion passed 5-0.