

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Special Meeting of the Board

February 19, 2019

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, February 19, 2019 in the PICA board room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

Board: Kevin Vaughan, Alan Kessler, Tina Byles Williams, Robert A. Dubow (*ex officio*), and Chelsea Guzowski (*ex officio, alt. for Jen Swails*) (*via telephone*).

Staff: Harvey M. Rice, Gus Tsakos, Daniel Esposito, and Deidre Morgenstern.

Invited Guests: S. William Richter, Esq., Reed Smith, LLP; Anna Adams, Office of Budget and Program Evaluation; Jackie Dunn, Office of the Director of Finance; Mathew Stitt, City Council; Larry Eichel, PEW Charitable Trusts; Mary Murphy, PEW Charitable Trusts; Steven Camp-Landis, PEW Charitable Trusts.

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 January 17, 2019. Ms. Williams seconded the motion. The motion passed by a vote of 3-0.

Executive Director’s Report

Mr. Rice informed the Board that PICA staff received the City’s QCMR this past Friday and will work on the report this week. PICA staff also issued the January Revenue Update.

Mr. Rice advised the Board that PICA’s conference which was held on February 12, 2019, was very informative, and despite the weather, well attended. Mr. Rice thanked Ms. Anna Adams for once again presenting the city’s revenue projections. Mr. Vaughan indicated that he had the pleasure of attending the conference and agreed that it was informative and well attended. Mr. Kessler apologized for missing the conference and requested the conference be moved to a different venue that is more accessible.

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Mr. Rice stated that the Police Overtime Study is going well with little resistance from the agencies involved in the review and credited the city liaison for her help with the study.

Mr. Rice stated that representatives from PEW are in attendance today to make a presentation on the importance of a Rainy Day Fund.

Mr. Rice stated that the January investment report indicated a 2.68 percent yield to maturity.

Mr. Rice noted that the City's overtime is currently at 71% of the budgeted amount, whereas it was 79% at the same time last year. Therefore, it appears that the city is making strides in reducing overtime. Mr. Kesler inquired as to the methods to reduce overtime costs. Mr. Dubow replied that the City is adhering to PICA's recommendations with the total costs now closer to the budget, along with no new growth. Mr. Kessler noted that there were also no major events this year as in the past years which would attribute to the lower numbers. He added that the new Board of PICA will continue to monitor overtime costs, as it is a real issue.

Mr. Rice directed the Board's attention to an article relating to the City's fund balance that was published by the Bond Buyer. The article states that the fund balance is higher than it's ever been, with improved finances, and a \$20 million commitment to the City's Rainy Day Fund. Mr. Rice added that the article is very positive.

Mr. Rice stated that the City's Bank Reconciliation Task Force meetings have ended, with the unreconciled amount of transactions reduced to \$528,000, and a final report being issued by the consultant. He added that the Treasurer's Department has hired a deputy who will be responsible for the bank reconciliation process and that PICA will meet with the City bi-weekly for updates. Mr. Kessler asked if the outstanding amount is expected to decrease. Mr. Dubow answered that the amount is expected to be reduced. Mr. Kessler inquired as to the point person communicating with the other departments. Mr. Dubow answered that the deputy is the point person and will provide updates and track progress. Mr. Kessler added that he would like PICA to be updated as well. Mr. Dubow said that PICA will be kept informed.

Treasurer's Report

Mr. Rice stated that PICA is at 72 percent of its budget.

Mary Murphy, PEW Charitable Trusts Presentation on Rainy Day Funds

Ms. Murphy, Project Director of the PEW Charitable Trusts Washington D.C. office, was invited by the PICA Board to present on Philadelphia's reserve fund. Ms. Murphy's presentation included the following points:

- Budget stabilization funds allow governments to deal with year over year economic fluctuations.
- Credit rating agencies consider the importance of reserves.

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- 48 states have Rainy Day Funds; progress has been made since the Great Recession, which served as a wake-up call.
- Of 30 large cities, 16 have Rainy Day Funds.
- Best practices for budget stabilization include identifying best timing to save, withdrawal, and amount to save.
- Before Philadelphia's 2011 state resolution, no deposits were made to the Rainy Day Fund. This fiscal year, Philadelphia deposited \$20 million in the Rainy Day Fund.
- Philadelphia's revenue fluctuations align with overall state trends.
- The City's highest general fund balance is \$368 million, a conservative approach was projected at \$228 million. Rob Dubow added that Philadelphia is dependent on the wage tax, similar to states, while other municipalities are dependent on property taxes.
- Philadelphia savings are based on procedure and year-end surplus. The structure of rule may not lead to savings.
- Clear withdrawal rules should be in place. The director of finance must certify an emergency. Mr. Rice asked what the criteria for withdrawal is for other states. Ms. Murphy replied that 18 states have measure triggers. Philadelphia has clear intentions and rules such as natural disasters and emergencies. Mr. Kessler asked if the state can require the City to utilize the Rainy Day Fund for emergencies. Mr. Dubow answered that they can.
- Policy makers should be mindful of repayment rules.
- Ensure that the City is not over-withholding and unprepared for a recession.
- Philadelphia's 5% general fund appropriation is \$236 million.
- Mr. Vaughan asked if funding is removed due to sanctuary cities, could the Rainy Day Fund be utilized. Ms. Murphy replied that this may be the state policy makers' decision and is speculative.
- Government should be clear regarding risks.

Mr. Kessler directed the Board's attention to a Wall Street Journal article that states many cities are setting aside money for the next recession. The article also states that Philadelphia if more focused on pension fund liabilities. Mr. Kessler inquired as to how this decision is made when competing interests or priorities exist. Ms. Murphy replied that Philadelphia is not alone in prioritizing multiple competing issues. Mr. Dubow replied that funds were dedicated to the Pension Fund and the Rainy Day Fund, along with capital expenditures for infrastructure projects (instead of borrowing funds through bonds).

Mr. Vaughan thanked Ms. Murphy and the members of PEW for the presentation.

New Business

None.

Public Comment

None.

Adjournment/Recess

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Mr. Vaughan called for a motion to adjourn at 1:12 p.m. and Ms. Williams seconded the motion.