

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

## Minutes of the Meeting of the Board

---

---

March 19, 2019

---

---

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

### Attendees

Board: Kevin Vaughan, James Cawley, Alan Kessler, Michael Karp, Tina Byles Williams (*via telephone*), 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 (*via telephone*); Anna Adams, Office of Budget and Program Evaluation; Jackie Dunn, Office of the Director of Finance

### Call to Order

Mr. Vaughan called the meeting to order at 12:17 p.m.

### Approval of Minutes

Mr. Cawley made a motion to approve the minutes from the meeting of February 19, 2019. Mr. Kessler seconded the motion. The motion passed by a vote of 4-0.

### Executive Director’s Report

Mr. Rice informed the Board that PICA staff issued the February tax revenue update. The report notes that tax collections increased by 10 percent compared to the previous fiscal year.

Mr. Rice directed the Board’s attention to the City’s overtime expenditures report. Mr. Rice stated that the City is making strides in reducing overtime expenditures. He added that overtime expenditures, which include salary increases, are lower. Although, the totals reflect the mild weather and lack of major events. Mr. Vaughan stated that of the eight departments that exceeded their FY19 overtime allocations, three departments, the Sheriff, District Attorney and City Controller, are independently controlled. Mr. Vaughan also noted the large increase in the Sheriff Department’s over time. Mr. Cawley expressed concern that the Fire Department’s over time expenditures increased \$10 million dollars compared to the last fiscal year. Mr. Rice stated that if this trend continues, overtime will

double last year's total. Mr. Rice added that on the positive side, the Police Department and Prisons overtime decreased. Mr. Dubow stated that the Prison's decrease is due to the new floating units, while the Police Department is effectively monitoring the overtime usage. Ms. Adams added that the District Attorney's increase is miniscule. Mr. Kesler stated that although some of the increases are small, there is a historical trend of increases. Ms. Adams noted that small increases may be due to specific short-term projects and that the cost of retaining a contractor would far outweigh the cost of overtime. Mr. Rice noted that to sustain lasting change, all City departments must utilize methods to reduce overtime costs. He added that seven to 10 departments drive 90 percent of costs.

Mr. Kessler stated that a recent Inquirer article revealed that several City employees received pensions over five times their actual salary rates due to overtime. He suggested that PICA should continue monitoring overtime and add this to the agenda in future Board meetings. Mr. Vaughan agreed. Mr. Dubow replied that the City is adhering to PICA's recommendations with the total overtime 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.

Mr. Rice stated that PICA released their Staff Report on the Quarterly City Manager's Report. Mr. Rice also added that PICA's February investment yield to maturity is 2.67 percent.

Mr. Rice stated that the City's bank account reconciliations are now 100% complete, with only \$528,000 in unreconciled items remaining. The unreconciled amount has been attributed to timing differences and the City Treasurer is working on reducing these items even further.

Mr. Rice informed the Board that the Police Court Overtime Study is on schedule.

### **Treasurer's Report**

Mr. Rice stated that PICA is at 73 percent of its budget, with benefit costs and legal fees impacting expenditures.

### **Resolution No. 2019-07 – PICA FY2020 Operating Budget**

Mr. Vaughan announced the annual PICA operating budget resolution for fiscal year 2020.

Mr. Kessler moved to approve the resolution. Mr. Cawley seconded the motion. In a voice vote, the Board passed the resolution 4-0.

### **Presentation of Proposed FY2020-2024 Five Year Plan**

Mr. Dubow and Ms. Adams conducted a presentation on the City's FY2020-FY2024 Five Year Financial Plan for the Board. Mr. Dubow stated that \$3.9 billion is allocated to the City's Pension Fund. He added that the Pension Fund will be 50% funded by FY2024, 80% by FY2029, and 100% by FY2033. He noted that this is the first time the fund is cash positive since the 1990s.

**Pennsylvania Intergovernmental Cooperation Authority**

**Tuesday, March 19, 2019**

**Page 3**

Mr. Dubow stated that revenues are projected to total \$4.898 billion, with more than 84% from local taxes. Expenditures are projected to total \$4.995 billion. Board discussion ensued. Mr. Kessler asked if capital funding was reduced. Mr. Dubow replied that capital funding was not reduced since the City's infrastructure needs are excessive. However, they would prefer to keep the capital budget under \$200 million.

Mr. Karp entered the meeting at approximately 12:37pm.

Mr. Dubow stated that the City increased its contribution to the School District by \$76.1 million in FY2019 and by \$108.7 million in FY2020. Mr. Karp asked if the City is required to provide the same level of funding it provided in the previous year. Ms. Adams replied that since the School District is no longer under distress and is under local control, the City does not have to follow the distressed school district laws which mandated that funding methodology.

Mr. Cawley asked if outside investments are provided for PreK and if the City is meeting community needs. Ms. Adams answered that they exercise caution regarding outside investments however, they are studying the issue. Mr. Cawley added that high quality elementary schools must be a priority as well. Mr. Kessler inquired as to the teachers' credentials. Ms. Adams answered that lead teachers are required to hold a bachelor's degree. She added that the City is mindful of incentives and barriers such as low salaries. Ms. Williams asked if there are outcome measures behind the allocations. Ms. Adams replied that the City does look at programmatic results. Mr. Karp stated that to be successful, the City must take into consideration the children's income levels and family backgrounds.

Mr. Dubow stated that the Plan continues the reductions in the Wage and Business Tax rates at a cost of \$136 million. Mr. Kessler commented that the wage tax places Philadelphia at a competitive disadvantage. He added that the small reductions, 3.88% to 3.83%, have little impact on individuals. Mr. Dubow stated that over time the reductions have made a significant difference.

Mr. Dubow stated that the Plan includes \$31.5 million in additional funding for strategies included in the Roadmap to Safer Communities. Mr. Cawley inquired as to the totals for demolition across the City. Ms. Adams answered that funding was added for demolition. She added that imminently dangerous properties have priority, followed by unsafe properties and lastly, maintenance needs. Mr. Kessler asked if funding was received from the state. Ms. Adams answered that any state funding received is built into the Plan.

Mr. Dubow continued stating that the Plan provides \$28.4 million, combined with a \$16.6 million SAFER grant, for 120 additional firefighters and the reopening of five engines and two ladders. Mr. Karp asked if the grant has conditions attached. Ms. Adams answered that the grant covers the cost of the additional firefighters for one year with the City incurring costs for future years. Mr. Vaughan asked if the closed engines' equipment is still in working condition. Ms. Adams answered that the equipment is old and obsolete. Mr. Karp asked if the need is greater for medics or firefighters. Ms. Adams replied that the number of medics was increased as the demand continues to grow. Mr. Karp inquired as to the medics' salaries. Ms. Adams replied that she will provide this data.

**Pennsylvania Intergovernmental Cooperation Authority**

**Tuesday, March 19, 2019**

**Page 4**

Mr. Dubow stated that the Plan provides funding for the resurfacing and paving of 131 miles annually by FY2023 so that the City could be in a condition of "good repair." Mr. Vaughan stated that the Streets Department will increase from one to three crews. Mr. Cawley asked if the City should commission a contractor to assist with repaving. Ms. Adams answered that the work is currently performed by both City and contracted crews.

Mr. Dubow stated that the Capital budget includes \$22 million in FY2020 for new voting machines. Mr. Cawley asked if the current systems are malfunctioning. Ms. Adams answered that new machines are being mandated by the State. Therefore, they must be in place by November. Otherwise, the State will decertify the existing voting machines. Mr. Kessler added that the existing machines are so old that the city is having a difficult time finding replacement parts.

Following the presentation, Mr. Vaughan stated that he attended a meeting with Fleet Management and was informed that a shortage of mechanics is contributing to high overtime costs. Mr. Vaughan suggested that a mechanic training program within the Prisons System could assist in alleviating this problem. He added that if an inmate acquires such skills, it could result in future employment with the City and consequently, a successful reentry to society. Mr. Dubow and Ms. Adams agreed that this is an excellent concept and will explore the possibility of implementing this program.

Mr. Karp inquired as to the funding status of the Pension Fund and its inability to achieve the assumed rate of return. Mr. Dubow responded that the Pension Fund met its 10-year average assumed rate of return and should continue to do so in the future. Mr. Karp asked Mr. Dubow to provide this information. Mr. Dubow answered that he will forward the data to him.

**New Business**

None.

**Public Comment**

None.

**Adjournment/Recess**

Mr. Vaughan called for a motion to adjourn at 1:30 p.m. Mr. Cawley moved the motion and Mr. Karp seconded.