

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

June 18, 2019

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, June 18, 2019 in the PICA board room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

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

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

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

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 May 21, 2019. Mr. Cawley seconded the motion. The motion passed by a vote of 3-0.

Executive Director’s Report

Mr. Rice informed the Board that PICA staff issued the third quarter report on the QCMR and the May tax revenue update since the last Board meeting. Revenues were seven percent higher year-over-year and three percent higher than projected. Mr. Rice also informed the Board that there is steady progress in the disposition of real estate tax appeals.

PICA also analyzed overtime along with staffing levels, per Mr. Kessler’s request. Overtime was four percent lower year-over-year, but one percent higher than projected, with one month remaining in the fiscal year. There were 225 positions added year-over-year. Mr. Kessler asked why overtime has increased simultaneously with staffing. Discussion ensued about overtime and staffing levels.

Mr. Rice informed the Board that PICA staff would be receiving the Five Year Plan later today and plans to provide the Board with a draft report on July 9th. Mr. Vaughan asked those present whether

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they could make the July 16th Board meeting to vote on the Plan at the already scheduled annual meeting.

Mr. Rice explained that he and PICA's counsel have been in communication with the Harrisburg Intergovernmental Cooperation Authority, which is still in the process of forming, and have helped the ICA draft by-laws. Mr. Richter added that Harrisburg's solicitor had called him with some questions.

Mr. Rice updated the Board that the debt service reserve investment account has earned 2.4 percent in the past two years, whereas the money was not earning much interest in a money market account previously.

Treasurer's Report

Mr. Rice stated that PICA is at 77 percent of its budget, with one month remaining in the fiscal year.

Mr. Karp entered the meeting at 12:35 p.m.

Resolution No. 2019-12 – Arbitrage Rebate Services

Mr. Rice recommended a renewal of the contract with Parker Bond Consulting, totaling \$4,000, for arbitrage services. Several members inquired about the consultant, and Mr. Richter clarified that Andy Parker has provided these services to PICA for many years. The services pertain to calculating interest earnings on PICA's bonds annually.

Mr. Karp made a motion to approve. Mr. Kessler seconded the motion. The motion passed 4-0 in a voice vote.

Resolution No. 2019-13 – Financial Advisor

Mr. Rice explained that this resolution is for a financial advisor for the refunding of PICA's 2009 and 2010 bonds. There was an RFP issued, to which six firms responded, and three of them were interviewed by PICA staff and the Chair. The recommendation to the Board is to hire both PFM and Phoenix as co-advisors. Mr. Karp expressed concerns over fees associated with such firms and requested data from the 2010 bond issue, in which he himself was involved. He stated he would like to remain below \$275 per bond in fees, which was the case for the 2010 bond issue. Mr. Kessler disclosed he had taken calls regarding financial advisors for PICA after consulting with PICA's counsel.

Ultimately, the Board members agreed that Mr. Vaughan would schedule a conference call to discuss Mr. Karp's concerns once PICA staff gathers information from the 2010 bond issue. Mr. Richter emphasized that this call would have to be publicly advertised, 24 hours in advance.

Mr. Richter explained that the purpose of hiring a financial advisor is to assess the feasibility of the potential refundings, considering the unique circumstances surrounding PICA's sunset in 2024. As

such, the financial advisor would be step one in a multiple step process, and the fees to which Mr. Karp is referring would include the “all-in” cost of the transaction.

Mr. Karp stated that PICA should strive to have only one underwriter for the transaction to keep fees down and asked what the total refunding was worth. Mr. Rice responded that the total amount is approximately \$160 million. He stated that PFM had explained during meetings that the 2010 bond refunding might not be feasible because PICA may not realize significant potential savings.

New Business

None.

Public Comment

None.

Recess

Mr. Vaughan called for a motion to recess the meeting until a discussion is scheduled pertaining to Resolution 2019-13. Mr. Kessler made the motion to recess, and Mr. Karp seconded. The motion passed 4-0.

July 2, 2019

Attendees

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

Staff: Harvey M. Rice, Gus Tsakos, Dora Ward, and Daniel Esposito.

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (*via telephone*); Jackie Dunn, Office of the Director of Finance (*via telephone*); Rasheia Johnson, City Treasurer (*via telephone*).

Resume Order

Mr. Vaughan called the meeting to order at 1:05 p.m.

Resolution No. 2019-13 – Financial Advisor

Mr. Karp requested to review the materials for another week and negotiate directly with the parties to continue to drive costs down. Ms. Williams proposed that the memo put together by Mr. Rice for the

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services be summarized on the call, rather than deferring the decision on the financial advisor for another week.

Mr. Richter began summarizing the issue: he has been PICA's general counsel since inception (28 years), and the last bond issue was the only occasion where PICA did not use a financial advisor. As bond counsel, he advises that it is prudent to have an advisor. With respect to the selection process and compensation of the financial advisor, Mr. Richter stated that the Board can be involved in this process. Dodd-Frank changed the SEC rules pertaining to municipal advisors. If a government agency works with an investment bank, it should have a financial advisor, although this is not a binding requirement. The advisor's purpose would be to advise the Board whether a bond refunding issue is feasible, after which the Board will vote on whether to do a bond refunding issue; thus, hiring a financial advisor would be a preliminary step. A bond refunding issuance in this instance would involve the unique circumstance of PICA facing sunset in 2023. The financial advisor would be hired for the entire transaction. The Board's involvement in negotiating the cost could be valuable.

Ms. Johnson added to the summary of events by explaining that she forwarded Mr. Rice proposals for financial advisors at his request. The City had undergone a similar selection process recently. Ms. Johnson acknowledged this is not the City's transaction. Mr. Rice explained that a bank had approached him to refund bonds two months ago, which prompted him to ask the City for recommendations.

Mr. Kessler asked why selecting a financial advisor is urgent and requires today's meeting. Mr. Rice responded that he was advised that the later we wait, the savings that can be realized through a potential refunding decrease. Mr. Cawley stated that the reverse could also be true due to changing interest rates. Mr. Kessler inquired as to why this issue was not brought up earlier. Mr. Rice responded that as soon as we received notice that a potential refunding could lead to debt service savings in March, the issue was brought up in the April meeting. Further, Mr. Rice stated that the call date was June 15, 2019. Mr. Kessler had some reservations as to the length of time this process has taken. He suggested that PICA should have a standing committee to deal with such matters on an ongoing basis.

Ms. Williams summarized that the Board has established as a basis that PICA needs a financial advisor. Mr. Vaughan explained that the Board voted in April to conduct the RFP process. Mr. Richter asked, as a point of clarification, whether Mr. Karp was requesting to interview candidates or whether he is proposing a new RFP process. Mr. Karp responded that he would like to review all proposals and personally talk with the candidates to lower prices. Ms. Williams asked whether private negotiations between members and candidates is appropriate. Mr. Richter responded that Board members' involvement must be consistent with the RFP process rules, otherwise the Board should issue a new RFP. The current rules state that candidates respond to questions from the executive director.

Mr. Kessler proposed that the Board members funnel questions through the office and send any questions to all candidates, rather than issuing a new RFP – with a deadline for asking questions. With the understanding that any responses received from the candidates be forwarded to the Board. Mr. Richter reminded Board members that if a quorum is present, a meeting must be publicly announced.

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Mr. Karp requested all financial advisor proposals to be sent to the Board members for review. The members agreed to a deadline of July 11th for questions to be sent to Mr. Rice for the candidates.

Adjournment

Mr. Vaughan called for a motion to adjourn the meeting. Mr. Karp also made the motion, and Ms. Williams seconded. The motion passed 5-0. The meeting was adjourned at 1:55 p.m.