

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

## Minutes of the Special Meeting of the Board

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August 26, 2019

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The special meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Monday, August 26, 2019 in the PICA board room located at 1500 Walnut Street, 16<sup>th</sup> Floor, Philadelphia, Pennsylvania.

### Attendees

Board: Kevin Vaughan, Alan Kessler, Tina Byles Williams (*via telephone*), James Cawley (*via telephone*), Robert A. Dubow (*ex officio*), Mark Ryan (*ex officio, alt. for Jen Swails*) (*via telephone*).

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

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (*via telephone*); Christian Dunbar, Office of the City Treasurer (*via telephone*), Kathy Clupper, Public Financial Management (PFM); Trina Smith, Public Financial Management (PFM); and Andre Allen, Phoenix Capital Partners.

### Call to Order

Mr. Vaughan called the meeting to order at 12:30 pm.

### Resolution 2020-04 – Professional Services: 2019 Bond Refunding

Mr. Vaughan introduced the resolution, stating that the Board would have a discussion today without a vote. A vote will take place on September 6, 2019 at 11:30 am.

Kathy Clupper from PFM gave a synopsis of the status of the potential bond refunding for the Board members. She explained that the financial advisors solicited bond counsel and bond underwriting firms with City bond issuance experience.

Mr. Kessler asked for a summary of the average take-downs. Ms. Clupper explained that they are calculated as price per bond, multiplied by the principal. Due to different maturities, a weighted average is used. Mr. Kessler asked for the advisors’ overall assessment of the firms which responded to the RFP. Mr. Allen stated that there is a wide fee range between the firms, which is typical. The firms with the widest ranges are: Wells Fargo, Jeffries, UBS, and JP Morgan.

Ms. Williams inquired as to the number of underwriters the financial advisors are recommending for the bond transaction. Ms. Clupper explained that the recommendation is to hire one bond underwriter,

along with two co-manager underwriters. Her reasoning was that this is not a large transaction and it gives diversity. Mr. Allen added that it would also provide security in the event of a bad market.

After more questions of clarification from board members, Mr. Allen explained that there are four minority firms in the pool of underwriters. Mr. Dunbar stated that firms with City experience have an understanding of the documentation that would be involved in the transaction.

After some discussion of a reasonable time to review the proposals, Mr. Vaughan stated, the Board will reconvene in a public meeting in order to vote on their selection, and the Board agreed to recess the meeting.

### **Adjournment/Recess**

Mr. Cawley made a motion to recess until Friday, September 6, 2019 at 11:30 am, when the board will take a public vote on the resolution. Mr. Kessler seconded the motion. The motion passed 4-0. The meeting was adjourned at 1:00 pm.

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**September 6, 2019**

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The reconvened special meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") was held on Friday, September 6, 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 (*via telephone*), Tina Byles Williams (*via telephone*), and Robert A. Dubow (*ex officio*) (*via telephone*).

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

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (*via telephone*) and Kathy Clupper, Public Financial Management (PFM).

### **Call to Order**

Mr. Vaughan called the meeting to order at 11:35 pm.

### **Resolution 2020-04 – Professional Services: 2019 Bond Refunding**

Ms. Clupper explained to the Board that they should choose one or two firms for bond counsel and one lead firm and two co-managers for underwriters.

Ms. Williams asked if there is an objective or policy for minority inclusion for the bond transaction. Ms. Clupper responded that there are minority firms on the list.

Mr. Vaughan proposed Citigroup as lead underwriter along with Siebert and RBC as co-managers. Mr. Cawley proposed RBC as lead underwriter because it was picked by three out of five Board members with Citigroup and Siebert as co-managers. Mr. Kessler agreed to this proposition. Ms. Williams asked if the candidates were equally qualified, and Mr. Dubow responded that all candidates are qualified to do the work.

Mr. Cawley made a motion for RBC as lead underwriter with PNC and Siebert as co-managers. Mr. Vaughan said each candidate should be considered as a separate motion because Mr. Kessler must recuse himself from voting regarding PNC. Mr. Kessler explained that his recusal from a PNC vote should not be interpreted as a lack of support for hiring them. RBC discussion ensued.

Ms. Williams asked if lead underwriter could be joint between Siebert and RBC. Ms. Clupper responded that this could be done, and it is done often, although this is a small transaction (\$90 million). She explained one of the firms would have to be designated senior or lead. Mr. Cawley proposed RBC as senior and Siebert as co-manager. Ms. Clupper clarified that a senior and co-manager construct is fine, and that the Board would allocate their designations.

*Mr. Cawley amended his motion to select RBC as senior and Siebert as co-manager. Ms. Williams seconded the motion. The motion passed 4-0, with Mr. Karp absent.*

*Mr. Vaughan asked for a motion for PNC. Mr. Cawley made the motion. Ms. Williams seconded the motion. The vote was 3-0 with Mr. Kessler recusing from the vote and Mr. Karp absent, thus the motion failed the qualified majority requirement and was tabled.*

Mr. Vaughan opened discussion for bond counsel and proposed Ahmad Zaffarese. Mr. Vaughan explained that this firm knows PICA and has worked with the City. Mr. Kessler acknowledged the firm's reputation and its diversity. Mr. Kessler proposed Ahmad Zaffarese along with Saul Ewing. Mr. Cawley agreed, stated that he used to work at Saul Ewing but no longer has any contact with them.

*Mr. Kessler made the motion. Mr. Cawley seconded the motion. The motion passed 4-0 vote, with Mr. Karp absent.*

*There was an 8-minute pause at 12:00 pm to contact Mr. Karp to join the meeting; Mr. Karp was unavailable to join the meeting.*

### **Adjournment/Recess**

Mr. Vaughan requested a motion to recess the meeting until Monday, September 9, 2019 at 2:30 pm. Mr. Cawley made the motion. Ms. Williams seconded the motion. The motion passed 4-0.

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September 9, 2019

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The reconvened special meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Monday, September 9, 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 (*via telephone*), Tina Byles Williams (*via telephone*), Michael Karp (*via telephone*), and Robert A. Dubow (*ex officio*) (*via telephone*).

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

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (*via telephone*); Kathy Clupper, Public Financial Management (PFM) (*via telephone*); and Andre Allen, Phoenix Capital Partners (*via telephone*).

#### **Call to Order**

Mr. Vaughan called the meeting to order at 12:35 pm.

#### **Resolution 2020-04 – Professional Services: 2019 Bond Refunding**

*Mr. Cawley made a motion for PNC as underwriter co-manager. Ms. Williams seconded the motion. Mr. Kessler again clarified he is recusing himself.*

Mr. Karp commenced discussion about making sure the fees for this bond issue are no greater than the fees were for the 2010 bond issue, which was \$50,000. Mr. Vaughan asked the financial advisors to summarize the cost of the bond issue. Ms. Clupper stated that Saul Ewing proposed \$65,000; Ahmad Zaffarese, \$55,000; RBC \$2/bond for all underwriters; and the financial advisors are \$50,000 each. These prices do not include out of pocket expenses. Mr. Vaughan stated that the \$50,000 figure from 2010 is the cost of a transaction from ten years ago. Mr. Karp asked the financial advisors what the rating is on the bond issue. Ms. Clupper responded that two of them are AAA and one is AA1.

*Mr. Richter entered the meeting at 2:45 pm.*

Mr. Karp asked why two bond counsels are needed for a simple bond issue with high ratings. Mr. Vaughan responded that the firms provide diversity and were the lowest bidders. Mr. Karp asked for the cost of the most recent bond issues. The 2010 bond issue cost PICA \$50,000 and the 2009 bond issue cost \$77,500; but the 2010 issue used some of the work done in 2009 as a basis. Mr. Richter clarified that PICA’s various bond issues have not been identical, especially with regard to certain complex tax matters related to swap terminations, which impacted bond yields. He explained that the bond issues

and their costs are not directly comparable. During discussion to cap legal fees, Mr. Richter responded that the Resolution the Board is voting on delegates negotiation authority to the Executive Director, but that the Board can put restrictions on the Director's negotiating authority.

Mr. Karp suggested that PICA only retain one bond counsel. Mr. Kessler agreed that it is important not to pay more than in the past. Mr. Cawley noted that the rate of inflation from 2010 and calculated that \$50,000 would be equivalent to \$57,500 today.

*Mr. Dubow exited the meeting at 3:00 pm.*

Mr. Kessler proposed that the Board should agree on an overall cost, rather than discussing the number of counsels

*After this discussion, the Board voted on PNC, which passed 4-0, with Mr. Kessler recused.*

#### **New Business**

*After prior discussion of fees, Mr. Cawley proposed capping legal fees at \$65,000 for Saul Ewing and Ahmad Zaffarese, which would result in either both firms agreeing to split the fee, or \$55,000 if just one firm serves as bond counsel. Mr. Karp seconded the motion. The motion passed 5-0.*

#### **Adjournment/Recess**

Mr. Karp made a motion to adjourn the meeting at 3:10 pm. Mr. Cawley seconded the motion. The motion passed 5-0.