

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

**Minutes of the Meeting of the Board**

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**June 16, 2020**

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The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, June 16, 2020. As a result of the emergency declaration and stay at home order of the Governor of Pennsylvania due to the COVID-19 pandemic, the meeting was virtual with members of the board and the public participating.

**Attendees**

Board: Kevin Vaughan, Alan Kessler, James Cawley, Tina Byles Williams, Michael Karp, Rob Dubow (*ex officio*), and Mark Ryan (*ex officio*)

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

Invited Guests: S. William Richter, Esq., Reed Smith, LLP and Marissa Waxman, 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 special meeting of May 14, 2020. Mr. Cawley seconded the motion. The motion passed 5-0.

**Executive Director’s Report**

Mr. Rice stated that PICA staff released the third quarter overtime report, the April revenue report, as well as the staff report on the QCMR. Since the last meeting, PICA staff have been working with the City and economists on the FY2020-2024 and FY2021-2025 Five Year Plans.

Mr. Rice stated that an article in today’s newspaper, that also cited PICA, stated that the City’s BIRT and Wage taxes projections for FY2021 were reduced to reflect the lower than anticipated collections due to the impact of the global pandemic.

Mr. Rice provided some background on the FY2020-2024 Revised Plan process. The City's extension of labor contracts necessitated the submission of a revised plan. The City's submission was delayed until May 1<sup>st</sup> to coincide with the issuance of the Revised Proposed FY2021-2025 Plan. Due to significant differences between the City's and PICA's revenue projections, it was decided that the City would withdraw the FY2020-2024 Plan, rework its revenue projections, and resubmit it. Mr. Rice also stated that the Sales and Real Estate Transfer tax is now more in line with PICA's projections.

Mr. Rice stated that PICA signed an agreement with the auditors for continued services. In addition, a resolution for accounting services is on today's agenda.

Mr. Rice added that in anticipation of reopening the office, he is incorporating the appropriate safety measures, including the installation of a plexiglass barrier in the reception area, supplying masks and hand sanitizers.

PICA's investment report indicates investments are yielding a 2 percent return at this time.

### **New Business**

Mr. Kessler stated that the Prisons, Streets and Licenses & Inspections third quarter overtime costs are excessive. He added that 10 City departments spent their entire overtime allocations. He is perplexed that overtime continues to increase for City employees while working at home due to COVID-19. Mr. Rice stated that he sent inquiries to Fleet, L&I and the District Attorney for the overtime costs incurred in April and May. He has not received responses as of this date. Mr. Kessler stated that he will have difficulty voting for the Five Year Plan with so much speculation and with little to no movement in resolving the overtime costs issues. Mr. Karp added that Fire overtime costs are extreme, as high as \$18 million in one month. Mr. Rice said that PICA overtime update reports have noted that even with high staffing levels, overtime is still increasing. Mr. Rice added that he will apprise the Board of the responses he receives.

Mr. Karp inquired as to the budget revisions in the current fiscal year. Mr. Rice answered that the City sent a letter to PICA stating that FY2020 will have a year end fund balance of \$233 million, inclusive of the \$5.8 million costs for the labor extensions. The initial year end fund balance projection was \$268 million, but due to the pandemic, lost revenues and extra costs resulted in a lower projection.

Mr. Cawley stated that he would like to see monthly budget updates. Mr. Karp added that he would like to see the 2020 budget broken down by month and by department. Mr. Dubow

stated that the cash flow is given by month. He added that revenues are key and to compare budget vs. expenditures. Mr. Dubow would have to check with the Accounting Department to see if such a monthly report exists.

Mr. Kessler asked how reliable the City's non-resident wage tax projections are when it is still unclear when the Governor's stay at home order will be lifted. Ms. Waxman stated that assumptions are based on 25% of non-resident employees and carries into the rest of the Plan for the overall growth rate. Mr. Kessler asked if the City has a legal position on payment of non-resident wage tax once the Governor's order is lifted. Ms. Waxman answered that uncertainty still exists, however, the City and its consultant, IHS Markit, assumed that 25% of residents will continue to work from home. She reiterated that the law states that if the employees are required by their employer to work at home, they do not have to pay wage tax.

Ms. Williams asked if the wage tax can be broken down by business type. Ms. Waxman answered that the tax is currently broken down by industry. She will look into a break down by resident and non-resident. Mr. Cawley asked how the City arrived at these percentages. Ms. Waxman answered that economists based the projections on industries, with Philadelphia having a higher concentration in health care.

Mr. Karp asked which areas will impact revenue the most. Mr. Dubow stated that the BIRT tax filing and payment deadline was pushed back to July 15<sup>th</sup>. It was originally due in April. Mr. Karp asked if the total is a projection. Mr. Dubow answered that it is a combination of last year's revenue and a projection. Mr. Karp stated that people do not have the same level of income as the previous year. Ms. Waxman said that there is safe harbor room for taxpayers to make an informed judgement. She added that they will have six months of data and will have more data in July. Ms. Waxman stated that the City recently conducted a survey on BIRT whereby they received 800 responses, which was very helpful in formulating the BIRT projections. Mr. Karp asked if BIRT payments in July will accrue back to fiscal year 2020. Mr. Dubow answered that accruals in July and August will be on the expenses and revenue side. Sales tax money is accrued back. This will affect the first couple of months of the fiscal year. Mr. Karp inquired as to the real fund balance total at the end of June for the new fiscal year. Mr. Dubow answered that receiving the exact numbers will take a few months, possibly in October. They can narrow the variable as close as possible.

### **Treasurer's Report**

Mr. Rice stated that PICA is currently at 80% of the budget and will likely end the year below budget.

**Resolution 2020-11 - Accounting Services**

Mr. Rice stated that PICA issued an RFP for accounting services. PICA received proposals from several firms, including J. Miller & Associates, LLC, who currently performs accounting services for PICA. After careful review of the proposals, it was determined that J. Miller & Associates, LLC, is the lowest bidder and best qualified to provide accounting services for the Authority beginning with the fiscal year ending June 30, 2021. Mr. Cawley made a motion to approve, Mr. Karp seconded the motion, and the motion passed 5-0 in a roll call vote.

**Resolution 2020-12 – Arbitrage Services**

Mr. Rice explained that this resolution is for the continuation of Parker Bond Consulting’s contract for another year of arbitrage rebate calculations. The cost is \$4,500, including a \$500 fee for closing out the Series 2010 Bond, as it was refunded. Mr. Cawley made a motion to approve, Mr. Karp seconded the motion, and the motion passed 5-0 in a roll call vote.

**Resolution 2020-13 – Settlement of Libor Litigation**

Mr. Rice stated that another defendant in the LIBOR litigation has made an offer to settle, and based on special litigation counsel’s recommendation, PICA chose to accept the offer. Mr. Cawley made a motion to approve the resolution and Ms. Williams seconded the motion. The motion passed 4-0 in a voice vote with Mr. Kessler recusing himself.

**Resolution 2020-14 – Consent to Deferred Submission of Required Revision of 2020-2024 Five-Year Plan**

Mr. Rice stated that the City submitted a letter with a revised projected year end fund balance of \$233 million, which includes the FY2020 costs of \$5.8 million for the May and June costs of the labor extensions. This revised year end fund balance is lower than the previously projected fund balance of \$268 million, reflecting the lost revenue and additional expenses from the pandemic. The City’s letter also requested that due to City Council’s one-week extension of their budget hearings, PICA authorized the City to submit the remaining FY2021-2024 projected revenue, obligations, and fund balance as part of their submission of the FY2021-2025 Five Year Plan, on June 29, 2020.

After some discussion, Mr. Karp noted that he is only approving the resolution to make things easy and that he is only approving the revised year end fund balance which incorporates the additional FY2020 labor contract costs. Mr. Kessler made a motion to approve, Ms. Williams seconded the motion, and the motion passed 5-0 in a roll call vote.

Mr. Kessler exited the meeting due to a prior engagement.

Mr. Vaughan stated that an executive session took place prior to the board meeting to discuss personnel and litigation issues.

**Public Comment**

None.

**Adjournment**

Mr. Rice stated that the next board meeting is scheduled for July 21<sup>st</sup>. If additional time is required to complete the staff report of the Five Year Plan, he will notify the Board and advertise the new meeting date.

Mr. Karp made a motion to adjourn at 1:48 p.m. Mr. Cawley seconded the motion. The motion passed 4-0.