

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

December 1, 2020

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, December 1, 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; Marissa Waxman, Office of Budget and Program Evaluation; Andre Allen, Phoenix Capital Partners.

Call to Order

Mr. Vaughan called the meeting to order at 12:23 p.m.

Approval of Minutes

Mr. Vaughan stated that Mr. Richter requests an amendment to the October 20th minutes. Mr. Richter requests striking the comment on page three, “basis caps are relatively profitable and can remain.” Mr. Richter does not recall making this statement. The Board agreed to strike the comment.

Mr. Cawley made a motion to approve the minutes, as amended, from the meeting of October 20, 2020. Mr. Kessler seconded the motion. The motion passed 5-0.

Executive Director’s Report

Mr. Rice stated that since the last meeting, PICA staff received the first quarter City Manager’s Report. The fund balance decreased from \$51.2 million to \$22.8 million. Consequently, PICA sent a letter to the Finance Director regarding implementing the contingencies, contained in the FY21-25 Five Year Plan Addendum. The City responded that personnel costs of over \$75 million are covered by the CARES Act, which would increase the fund balance to \$95 million. Mr. Rice stated that this increase to the fund balance is significant and addressed PICA’s concerns.

Mr. Rice stated that PICA’s monthly revenue report issued recently, indicated that the City collected \$84 million less than the total collected the previous year, a decrease of 9 percent. PICA’s monthly

obligations report indicated that the City spent 34.9 percent of the budget, which is slightly higher than budgeted.

Mr. Rice continued, that the Fall Conference held via ZOOM was well attended and received positive feedback. The conference was very informational and generated significant discussion.

Mr. Rice stated that PICA will issue the First Quarter Overtime Update tomorrow. The update will indicate that overtime for the first quarter decreased by 23 percent from the previous year.

Mr. Rice stated that PICA issued a request for proposals to engage a consulting firm regarding the termination of the basis caps. Phoenix Capital Partners was chosen as they were the most price competitive and in the best interest of the Authority.

Mr. Rice stated that PICA's investment yields are at 1.5 percent to 2 percent at this time.

Treasurer's Report

Mr. Rice stated that PICA is currently at 70 percent of the budget.

Resolution 2021-08 – Termination of Basis Caps

Mr. Vaughan introduced Mr. Andre Allen of Phoenix Capital Partners, to discuss the termination of the basis caps. Mr. Allen stated that holding derivatives as investments does not comply with PICA's investment policy, which might raise audit issues, also the elimination of the LIBOR rate, and the actual fluctuation of the LIBOR rate, may impact the profitability of the basis caps. As a result, Mr. Allen concluded that it is in PICA's best interest to terminate the basis caps. PICA will receive an estimated termination payment of \$404,000 if terminated now, versus a potential total \$498,000 installment payment through maturity, therefore yielding 80 percent of the total. The \$498,000 payment is based on presumed positive cash flows with no PICA payments to the counterparty occurring through maturity. Mr. Karp inquired as to how a determination of an 80 percent positive cash flow was reached. Mr. Allen answered that the 80 percent termination value is a best case scenario and was computed by taking the \$404,000 lump sum payment divided by the \$498,000 payment through maturity. The total was derived from the mark to market value of trade at that time. Mr. Karp thanked Mr. Allen and the staff for the five year, month to month breakdown chart.

Mr. Cawley made a motion to approve the Resolution. Mr. Karp seconded the motion. The motion passed 5-0 in a roll-call vote.

City of Philadelphia Overtime Spending Analysis, Origins and Action Plans

PICA's overtime costs chart "FY2020 vs. FY2021 through October" was shared with the meeting participants. A discussion of the City departments' overtime spending ensued. Mr. Kessler stated that with four months into the fiscal year, Public Health and the City Commissioner's Department have spent approximately 50 percent of their overtime budget, the Police and Fire Departments' are near 50 percent, while Property Assessment is at 80 percent. Mr. Dubow stated that several departments' overtime costs were election as well as pandemic related. Mr. Kessler pointed out that the Streets

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Department is at 53 percent (while staffed at 99 percent), and the Procurement Department's overtime at 117 percent also seem excessive. Mr. Kessler, continued stating that the Library's overtime costs also seem excessive. Ms. Waxman answered that overtime costs for departments reassigned to election work will even out by year end. The staff detailed to the City Commissioner's Department will be paid from their original department's funds, but the costs will transfer to the City Commissioner's Department. Mr. Kessler stated that he would like more information behind the numbers. Ms. Waxman answered that she will provide the information when available. Mr. Vaughan added that libraries were used for the election and voting machines. Mr. Vaughan added that much is unknown of the election's impact on the budget.

Mr. Kessler stated that the District Attorney's Office and the City Controller's Office have extremely high overtime costs. The City Controller used 76 percent of their overtime allocation with 88 percent staffing. Mr. Kessler added that the District Attorney's Office has 107 percent overtime costs with 111 percent staffing. Although they are independent, they must answer to PICA for these extreme costs. Ms. Waxman stated that the District Attorney's Office received dramatic cuts from City Council last year. In FY2021, \$4 million will be restored to their budget and they will receive Class 100 funds. Ms. Waxman added that the totals also reflect the reduction in the prison population and other pandemic related costs. Mr. Kessler stated that overtime should be used in an appropriate matter. With only four months into the year, the total could be as high as 300 percent by year end. He inquired as to why overtime usage is so high for lawyers. Ms. Waxman answered that they are looking into this and other management decisions. Mr. Kessler added that the City Controller's Office used three quarters of their overtime allocation in four months. Mr. Rice stated that he will send a letter to the Controller requesting an explanation for the significant overtime costs as for the past several months, employees are working from home. Ms. Williams stated that staffing levels do not reflect the impact of the pandemic.

Mr. Dubow left the meeting at 1:00 pm.

Mr. Rice stated that the Fire Department is now 81 percent staffed. However, it was 95 percent staffed last year. Mr. Rice explained that in FY2020, the total number of fire department employees was 2,700. In the FY2021 budget, its positions increased to 3,368, therefore artificially reducing their staffing level percentage.

Ms. Waxman stated that the pandemic is having a strong impact on sick time usage, therefore the totals are not comparable to the past or future. She added that the pandemic impacted the Prisons, Streets and Fire Departments more due to sickness. She added that Employee benefit costs are down. This information is included in the City Manager's Report.

Mr. Kessler asked where the City's overtime reduction action plan stands as well as who is responsible for the departments' overtime. Mr. Rice state that he followed up with the City and was informed that action plans should be available soon. Mr. Kessler stated that although the Board understands that the City is dealing with a lot, this conversation began in the July meeting. Six months have passed, and the City should be fair with PICA's requests.

New Business

None

Public Comment

None

Adjournment/Recess

Mr. Cawley made a motion to adjourn. Mr. Kessler seconded the motion. The motion passed 5-0. The meeting was adjourned at 1:08 p.m.

Mr. Vaughan advised the Board that the next scheduled board meeting is January 19, 2021.