

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

October 20, 2020

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, October 20, 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 12:23 p.m.

Mr. Kessler remarked that using Microsoft Teams video conferencing is problematic and time consuming. He suggested that the board consider utilizing the ZOOM platform for virtual conferencing in the future. He also stated that he participated in several confidential virtual meetings using the ZOOM program with no security issues. Mr. Karp agreed with this assessment. Mr. Rice stated that the delay in opening today’s board meeting was due to one attendee’s issues with a tablet device, rather than a Microsoft Teams matter. However, to ensure attending the virtual PICA board meetings is easy and accessible as possible, staff will utilize the ZOOM platform moving forward.

Approval of Minutes

Mr. Cawley made a motion to approve the minutes from the meeting of September 15, 2020. Mr. Karp seconded the motion. The motion passed 5-0.

Executive Director's Report

Mr. Rice stated that since the last meeting, PICA staff released the August and September tax revenue reports and the monthly obligations report.

Mr. Rice then stated that PICA's FY2020 audit is complete. PICA received a clean audit opinion and submitted its financial statements to the City before the deadline. He also stated that the Annual Report will be released today. Mr. Rice stated that PICA had many accomplishments in FY2020, despite complexities such as PICA's bond refundings, and the COVID-19 pandemic stay at home restrictions. Mr. Rice thanked the staff for their hard work and diligence, especially Deidre Morgenstern, PICA's accounts manager, the PICA board and PICA's auditors.

Mr. Rice continued stating that PICA staff released the fourth quarter overtime report, as well as the staff's review of the City's overtime reduction plan submitted in September.

Mr. Rice stated that PICA's new website launched on Friday, October 16th. He introduced Daniel Esposito of PICA who delivered a short presentation detailing the clear and concise experience the new website provides users. Ms. Williams asked how the website's public inquiries are managed. Mr. Esposito answered that inquiries are delivered to an inbound message folder. He then receives a notification and a response is sent within 24 hours.

Treasurer's Report

Mr. Rice stated that PICA is currently below budget, including payments for auditing and accounting fees.

Resolution 2021-05 – Approval of Funding for Substitute Capital Project - Fire Department

Mr. Rice stated that the City is requesting a re-allocation of previously approved capital funds in the amount of \$210,000 for the Fire Department's Engine 37 emergency needs. The funds were unused as the originally approved project, renovations to Engine 12, required a larger contract for a full facility renovation. Mr. Cawley made a motion to approve. Mr. Karp seconded the motion. The motion passed 5-0 in a roll-call vote.

Resolution 2021-06 – Approval of Funding for Substitute Capital Project - Police Department

Mr. Rice stated that the City is requesting a re-allocation of previously approved capital funds in the amount of \$862,000 to allow for Americans with Disabilities Act (ADA) improvements at Police Departments' facilities. Mr. Rice explained that the original project is complete, and the requested funds represent the remaining balance. Mr. Cawley made a motion to approve. Mr. Kessler seconded the motion. The motion passed 5-0 in a roll-call vote.

Resolution 2021-07 – Termination of Basis Caps

Mr. Rice explained that the Authority retains two basis cap accounts which were originally used as a hedge for PICA SWAP accounts. During the bond refunding process, Mr. Rice noted that the basis caps did not comply with PICA's investment policy. PICA's legal counsel also concurred and suggested that PICA terminate these basis caps. If the basis caps are terminated, PICA will be able to negotiate a termination fee. Mr. Rice suggested that a financial advisor would be able to provide further analysis to determine if the basis caps should be terminated. Mr. Rice added that PICA's financial co-advisors (on the bond transaction) both have SWAP experience and have the capability of advising PICA on how best to terminate these basis caps.

Mr. Karp inquired as to why the hedge funds remained once the SWAPS were terminated. Mr. Richter answered that the basis caps remained because they were generating income for the Authority. He stated that the basis cap accounts were a hedge on a hedge instrument. Mr. Karp inquired as to the basis cap accounts' monthly profit. Mr. Rice answered that the profit is approximately \$50,000 per month, however during this past April PICA had to pay \$148,000. A discussion ensued on the basis caps profitability and the best course of action. It was decided to give the Executive Director authority to contract with a financial advisor who would analyze the basis caps and make a recommendation on whether to terminate or keep them. Mr. Karp made a motion to approve the revised Resolution. Ms. Williams seconded the motion. The motion passed 5-0 in a roll-call vote.

New Business

Mr. Kessler stated that he would like to address the analysis of the City's overtime spending plan. He stated that he agreed with the PICA Staff analysis and that overtime is an important component of the Five Year Plan review. He added that the City's overtime spending plan is woefully short. PICA staff offered many recommendations, but more can be added.

Mr. Karp stated that PICA Staff's chart is extremely helpful. He asked if overtime is 6 percent of payroll. Mr. Rice answered that overtime is 10 percent of payroll. Mr. Karp asked if the average of the last three years of income is calculated into the City's pension plan. Mr. Rice answered that this calculation does not apply to Police, Fire, or new employees. Also, a salary cap is in place for new employees.

Mr. Kessler stated that the City should return with a detailed plan for overtime reduction. He expressed his frustration as to the City's consistent inability to accurately budget for overtime. He added that there is no level of detail in the City's report. The report is overly reliant on historical data and is lacking measurable targets. A penalty should be in place for departments exceeding their overtime budget. Mr. Rice stated that these suggestions are on point. He added that PICA's analysis was sent to the City. The action plan deadline is at the end of this month. He stated that PICA cannot monitor progress or perform quantitative analysis with the data provided. The report is a useless exercise if budgeting is inaccurate. Mr. Kessler stated that this is a first step but is not significant. He asked who is monitoring the departments' overtime budget and inquired as to the penalty the department will ensue for exceeding the overtime budget.

Pennsylvania Intergovernmental Cooperation Authority

Tuesday, October 20, 2020

Page 4

Ms. Williams stated that the City should be given the opportunity to explain the reason for exceeding their overtime budget. She added that in certain circumstances, overtime is more productive and cost beneficial.

Mr. Karp stated that the City should provide analysis as to why the department exceeded their budget. Mr. Rice replied that the City was provided with the top ten departments with the highest overtime costs. These ten departments should provide action plans to reduce overtime spending. The departments should be reviewed on a monthly basis. He added that this is not a difficult process. PICA has not received allocations as of yet. Mr. Cawley stated that Mr. Rice's plan is more aggressive, and he would like to be certain that PICA's concerns are taken seriously. He added that the Board will proceed in good faith. Mr. Dubow assured the Board that the City is taking this matter very seriously.

Mr. Kessler exited the meeting at 1:10 pm.

Ms. Waxman then presented the Board with an Overtime Action Plan Timeline Update. Mr. Vaughan thanked Ms. Waxman for the presentation.

Public Comment

None

Adjournment/Recess

Mr. Karp made a motion to adjourn. Mr. Cawley seconded the motion. The motion passed 4-0. The meeting was adjourned at 1:15 p.m.

Mr. Vaughan advised the Board that the next scheduled board meeting is December 1, 2020 using the ZOOM video conferencing platform.