

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

February 24, 2021

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, February 24, 2021. 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, Michael Karp, Courtney Richardson, 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

Call to Order

Mr. Vaughan called the meeting to order at 12:16 p.m. The entire Board welcomed the newly appointed board member, Ms. Richardson.

Approval of Minutes

Mr. Karp made a motion to approve the minutes from the meeting of January 19, 2021. Mr. Kessler seconded the motion. The motion passed 4-0.

Executive Director’s Report

Mr. Rice stated that since the last meeting, PICA staff released the staff report on the second quarter QCMR, the January tax revenue update, and the January obligations update. He added that he participated in a WURD radio interview regarding the City’s monthly revenues, obligations and the impact of COVID-19 on the City’s budget. Mr. Rice stated that he contacted the board appointees regarding reappointment letters in order to ensure a qualified majority. He is in contact with the Senator’s office regarding the remaining reappointment.

Treasurer’s Report

Mr. Rice stated that PICA spending is 67 percent of the approved budget.

Resolution No. 2021 - 11 – FY2022 PICA Operating Budget

Mr. Rice stated that the operating budget for fiscal year 2022 is \$1.6 million, primarily the same as the previous year with few minor changes. Mr. Vaughan asked if the Board had reviewed the operating budget, and they acknowledged that they had. Mr. Vaughan asked if there are any questions regarding the budget. There were no questions from the board members.

Mr. Kessler made a motion to approve the resolution, and Ms. Richardson seconded the motion. Mr. Vaughan called for a roll-call vote. The resolution passed unanimously 4-0.

Resolution No. 2021 - 12 – Recognition of Tina Byles Williams

Mr. Vaughan announced a resolution thanking Ms. Williams for her service as a PICA Board member. Mr. Rice recited the resolution for the record. Mr. Kessler stated that Ms. Williams will be missed and wishes her the best. He thanked Ms. Williams for her years of service to the board and the wealth of expertise she brought to the board meetings. He welcomed Ms. Richardson to the board and stated that he was looking forward to working with another attorney on board matters. Mr. Vaughan stated that he wishes Ms. Williams the best. He noted that Ms. Williams provided valuable insight on pension issues and thanked her for her service. Mr. Vaughan welcomed Ms. Richardson and stated that he looked forward to working with her on the City's critical financial issues. Ms. Richardson stated that she is very happy to be part of this very distinguished board and looks forward to working with them.

Mr. Kessler made a motion to approve the resolution, and Mr. Karp seconded the motion. The motion passed 4-0.

New Business

Mr. Dubow initiated a discussion on the City's potential budget deficit for FY2022. Mr. Dubow stated that the City's quarterly managers' report projects a \$29 million fund balance which is below the Five Year Plan's fund balance. The City prepared a preliminary analysis which ascertains the level of financial challenges in the coming year due to the Pandemic. A potential \$450 million budget gap is projected for FY2022 if the same level of City services are provided. With one and a half months prior to delivering the budget, painful choices may be necessary. Mr. Dubow added that the balance does not assume federal funds or FIMA reimbursements. Ms. Waxman stated there has been some revenue growth but also increasing costs. If the level of grant funding received in previous years is not renewed, the City faces service cuts. Structural issues must also be addressed.

Mr. Karp stated that a recent article noted that cities of the same size require an \$800 million fund balance. The pension fund, which has a large deficit, could be significantly impacted. Mr. Dubow stated that since the Great Recession, the fund balance has increased to the 6% to 8% target range. The City has also made contributions to the Budget Stabilization Reserve Fund. Efforts will be made to rebuild the fund balance over time to return to pre-Pandemic levels. The City has a plan for long term pension fund stability with new employees in a stacked hybrid plan. The additional sales tax money contributed to the pension fund is above the amount required by state law, therefore pension fund assets

are rising, which has brought the pension funding level to 54%, up from 49% in the previous year. The pension fund is on track to be 80% funded by 2030 and 100% funded by 2033. A PEW analysis states that the fund is more resilient in down markets. Mr. Karp asked if the analysis indicated the DROP Program has an adverse effect on the pension fund. Mr. Dubow stated that the pension calculation does not apply to Police and Fire Department overtime. Also, a salary cap is in place for new employees. A discussion ensued regarding the DROP Program.

Mr. Kessler inquired as to the impact of the trillion dollar stimulus package. Mr. Dubow answered that the impact at this point is speculative. Mr. Kessler inquired as to the impact of the wage tax refunds for employees working remotely. Ms. Waxman answered that this issue will be discussed during PICA's upcoming Regional Economists meeting. She added that the City will be looking closely at the permanent reduction built in for working remotely.

Mr. Kessler questioned the reduction of real estate values. Ms. Waxman answered that the market is stable, but uncertain until leases expire. Mr. Kessler added that tenants will be negotiating downward. Mr. Vaughan stated that higher education at home is not working and vaccinated students will prefer to be on campus.

Public Comment

None.

Adjournment/Recess

Mr. Karp made a motion to adjourn. Mr. Kessler seconded the motion. The motion passed 4-0. The meeting was adjourned at 12:44 p.m.

Mr. Vaughan advised the Board that the next scheduled board meeting is March 16, 2021.