

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

July 21, 2020

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, July 21, 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 12:28 p.m.

Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of June 16, 2020. Ms. Williams seconded the motion. The motion passed 5-0.

Executive Director’s Report

Mr. Rice stated that since the last meeting, PICA staff has primarily worked on the FY2021-2025 Five Year Plan staff report. Staff also issued the May revenue report. Mr. Rice provided an overtime update for June 2020 with projected overtime costs.

Mr. Rice added that he received a request to testify at City Council’s Fiscal Stability and Intergovernmental Cooperation Committee on July 28th at 2:00 pm.

Mr. Karp asked if the overtime numbers are projections as of the end of May. Mr. Rice answered that the numbers are June projections. Mr. Karp asked if the full year projection is \$213 million. Ms. Waxman answered that the final numbers are not available. However, costs can be reimbursed through the CARES Act, State or FEMA grants. Mr. Karp requested that Marisa provide the total reimbursable overtime costs. Mr. Kessler inquired as to the amount of overtime due to COVID-19. Ms. Waxman answered that she will get back to him with the compiled data. Mr. Dubow added that he is confident

that the City will receive a \$276 million reimbursement from the CARES Act and that some overtime costs will also be reimbursed by FEMA.

Treasurer's Report

Mr. Rice stated that PICA will end the fiscal year at 76 percent of the budget.

FY2021-2025 Five Year Plan Discussion

Mr. Vaughan thanked the staff for this year's Staff Report on the Five Year Plan. He added that the report is outstanding and was provided to the Board in a very short period of time. Mr. Rice thanked the staff for their hard work, long hours and team effort.

Mr. Rice provided an overview of the staff's analysis, stating that PICA staff recommends approval of the Plan with Addendum. In addition, the City agrees to provide monthly obligations similar to monthly revenue collections which are already provided. Mr. Rice stated that total projected revenues only differed by less than one percent or \$170 million over the life of the Plan. The biggest discrepancy was in the BIRT revenue projections, primarily in the first two years of the Plan, which would have caused fund balance deficits. In order to mitigate this concern, PICA requested that the City submit an Addendum to the Plan showing what actions would be taken by the City if projected BIRT revenues were not realized. The City agreed and submitted the Addendum and as such PICA Staff recommends approval.

Mr. Rice stated that as always, PICA will monitor the City's finances for any variance throughout the year and if necessary, the City will have to submit a revised plan in accordance with the PICA Act.

Mr. Rice added that although projections are reasonable and appropriate, there are some risks to the Plan that are identified in the report, such as, the impact of COVID-19, the economic growth, fund balances lower than GFOA best practices, future labor costs, employee health benefits costs, and the lack of a budgetary stabilization reserve fund.

Mr. Dubow stated that the City is fully committed to providing monthly reports. Mr. Karp requested that the costs be broken down monthly by department. Mr. Dubow agreed.

Ms. Williams asked if a table exists that stipulates the delta or difference between economists and the City's revenue projections. Mr. Rice offered to provide the information.

Mr. Vaughan asked if the increased layoffs of library and arts & culture workers is temporary. Ms. Waxman answered that part-time and temporary employees were released along with two dozen full time employees. She will provide the specifics. Mr. Vaughan stated that right sizing personnel in branches is more viable as opposed to building overtime into branches. Ms. Waxman stated that overtime related to COVID-19 is approximately \$12.8 million.

Mr. Karp inquired as to the BIRT collections and the amount of advanced collections based on prior years' profit. Mr. Dubow answered that as of this time, he does not have this information. Mr. Karp

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stated that there were slight reductions in the real estate tax in FY2019 through FY2021 and a large increase in FY2022. A discussion ensued on commercial and residential real estate tax.

Ms. Williams inquired as to the Controller's mention of PICA's dissolution and the impact on the wage and earnings tax. Mr. Dubow answered that the City wants PICA to continue past its termination. However, if necessary, the tax rate can be increased by City Council.

Ms. Williams inquired as to the BSR and federal funding cuts reserve. Mr. Dubow explained that \$55 million was moved to the Reopening and Recession Reserve provision as the risks of recession are larger than federal funding cuts.

Ms. Williams inquired about the FY2021 reduction in the pension obligation payment of \$110 million and if it would affect the City's bond rating. Mr. Dubow answered that the payment was shifted to future years and he did not think it would affect the rating, although they will be having rating agency interviews today.

Mr. Kessler commended the PICA Staff for preparing a comprehensive staff report in a short period of time. He continued by thanking Rob Dubow on the excellent job maintaining the City's finances in these uncertain times. Mr. Kessler inquired about the roughly 35% spike in BIRT revenue growth over previous projections and how this growth rate was derived. Ms. Waxman answered that the projected growth rate resulted from meetings with IHS, the City's consultants. They also analyzed commuter patterns, impact on various industries, and small businesses, and the affect of BIRT tax rate reduction freezes.

Mr. Kessler inquired about the potential reductions outlined in the Plan Addendum such as the debt service savings and recession reserve. Mr. Dubow indicated that savings would be realized from certain bond refundings, as interest rates are trending lower, and that some TRANS issuance costs would be reimbursed by the CARES Act. Mr. Dubow added that the Reopening and Recession Reserve provision was set up for just this type of contingency and would be used if necessary.

Mr. Kessler inquired about the revenue growth rates for Property Taxes, Wages and Beverage taxes, and requested that Mr. Dubow keep PICA informed of whether these growth rates are being realized throughout the year. Mr. Kessler also noted that there are concerns related to future labor costs and only \$200 million was set aside for contract negotiations. Mr. Dubow stated that due to the confidential nature of this topic, he would rather not discuss this issue in a public meeting, and he could contact Mr. Kessler at another time to discuss this matter.

Mr. Kessler noted that the City would not be contributing to the BSR until FY2025 and inquired if this is in compliance with the law. Mr. Dubow replied in the affirmative.

Mr. Kessler inquired as to the large increase in the Agency Function of Governance and Administration. Mr. Dubow will provide an explanation as to the increase in MDO costs.

Mr. Kessler expressed his frustration with the excessive costs of overtime. He stated that overtime spending has been a priority since 2016 and is increasing each year. He requested that the Board call for approval of the Plan contingent on the City developing a strategy within thirty to sixty days to reduce overtime costs. Mr. Rice stated that PICA requested this information from the City. He added that this should be handled by department and the departments must be held to the projections. Mr. Karp asked Mr. Dubow to provide a written overtime reduction plan to the PICA Board. Mr. Dubow answered that he will provide a reduction plan at the September Board meeting. Mr. Rice added that the Fire Department is a big driver in overtime costs. A discussion ensued on overtime costs causes and remedies. Mr. Cawley expressed his frustration with the excessive overtime costs particularly with the City assuring PICA each year that the matter will be resolved. Mr. Rice mentioned that the City had previously provided a quarterly overtime reduction plan for certain departments. Mr. Dubow stated that he will put together a plan to provide a resolution and monitor overtime closely.

Mr. Vaughan suggested shifting the November board meeting to December 1st in order to provide sufficient time to review the QCMR.

Resolution 2021-01 – Consideration of FY2021-2025 Five Year Plan

Mr. Vaughan introduced the resolution to approve the Plan with the City providing monthly obligations and an overtime reduction plan by September 15, 2020. Ms. Williams made a motion to approve the Plan. Mr. Cawley seconded the motion. The motion passed unanimously. Mr. Dubow thanked the PICA staff and the board and committed to continue working together.

Resolution 2021-02 – Election of Officers

Mr. Vaughan proposed reinstating the same officers to the PICA Board for the upcoming fiscal year. Ms. Williams made a motion to approve the resolution. Mr. Cawley seconded the motion. The motion passed unanimously.

Resolution 2020-03 – Meeting Schedule as Amended

Mr. Vaughan requested a vote on the meeting schedule for fiscal year 2021. Mr. Cawley made the motion. Mr. Karp seconded the motion. The motion passed 5-0.

New Business

None.

Public Comment

None.

Mr. Rice thanked the PICA staff for their dedication in completing this project within the strict timelines of less than three weeks. Mr. Karp, Ms. Williams, Mr. Cawley, Mr. Vaughan, and Mr. Kessler reiterated Mr. Rice's comments and said they did a terrific job.

Adjournment/Recess

Mr. Karp made a motion to adjourn. Mr. Cawley seconded the motion. The motion passed 5-0. The meeting was adjourned at 2:35 p.m.