

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

April 20, 2021

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, April 20, 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, Roderick Henkels, 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 12:17 p.m.

Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of March 16, 2021. Mr. Henkels seconded the motion. The motion passed 5-0.

Executive Director’s Report

Mr. Rice stated that since the last meeting, PICA staff released the monthly tax revenue and obligations reports. He stated that the monthly overtime report was also distributed to the Board. Mr. Rice added that he testified at the City Council Fiscal Stability and Intergovernmental Cooperation Committee hearing regarding opportunities for the City’s Rescue Plan funds.

Mr. Rice continued, stating that the Economists Meeting held via ZOOM was well attended and received positive feedback. The conference was very informative, generated significant discussion and was helpful to the City as they prepared the projected revenues in the Five Year Plan.

Mr. Rice added that PICA’s investments are currently yielding less than 1 percent due to the nature of the current interest rate environment.

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Mr. Rice stated that he is in the process of scheduling the overtime briefing with City officials and will forward an email advising board members of the date and time. He added that the staff has started the five year plan report process and are revising the City department questionnaires. The meetings will be scheduled after the City Council meetings. Mr. Kessler asked when the Board will receive the staff report. Mr. Rice answered that if the Plan is approved by the last session of City Council, they will receive the report at least seven days prior to the scheduled board meeting in July. Mr. Kessler requested a hard copy of the report. Mr. Vaughan requested hard copies of the report be sent to all board members. Mr. Rice agreed to send hard copies to all.

Treasurer's Report

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

Mr. Kessler asked if PICA would renegotiate the office lease to include concessions due to the current rental environment. Mr. Rice answered that he will look into this matter.

Resolution 2021-13: FY2022-2026 FYP Revenue Analysis

Mr. Rice explained that this is the second amendment to the contract with Mr. Charles Swanson, PhD, for consulting services as part of the review of the City's FY2022-2026 Five Year Plan. Mr. Rice added that the cost for this contract has remained the same for the past five years, approximately \$9,000. Mr. Rice explained that Mr. Swanson's economic expertise and detailed analysis on revenue projections assures that the Authority is fulfilling its role in providing independent oversight, as well as performing its due diligence.

Mr. Karp made a motion to approve the resolution. Mr. Henkels seconded the motion. The motion passed 5-0 in a voice vote.

New Business

A slide presentation detailing the City's FY2022-FY2026 Five Year Plan and budget was presented by Mr. Dubow and Ms. Waxman. A discussion regarding the City's presentation ensued. Mr. Kessler asked if borrowing for infrastructure and paving should be delayed in light of possible funding from the federal infrastructure bill. Ms. Waxman answered that the bill would most likely focus on large scale projects. Mr. Karp stated that critical needs such as the replacement of gas and water lines should be addressed prior to repaving plans. Mr. Dubow answered that the City does meet with the utilities staff on a regular basis and are updated on these issues. Mr. Karp requested maps of critical infrastructure needs. Mr. Dubow stated that he will contact the City's infrastructure team to provide this information.

Ms. Waxman stated that the Plan includes \$75 million in recession reserve funds in FY2022, \$225 million over the course of the Plan and \$25 million in labor reserves. Mr. Kessler asked if the reserve total is 6% to 8% of the fund balance. Ms. Waxman answered that the total is \$300 million if the City doesn't spend over this percentage. Mr. Kessler asked if projections take in to account 10% to 15% of non-residents not returning to the work-place and continuing to work remotely. Ms. Waxman answered that the projections include a permanent loss of 15% non-resident wage tax. Mr. Kessler inquired as to the total amount in dollars. Ms. Waxman answered \$100 million with \$125 million set aside for

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requested reimbursements. So far in FY2021, \$22 million in refund requests have been granted, while another \$41 million in requested refunds are being reviewed, for a total of \$63 million.

Mr. Kessler inquired as to the economic impact of the \$1,400 stimulus distributions to individuals. Ms. Waxman answered that although not City specific, studies have shown that the first round of stimulus payments were utilized for bills and savings.

Mr. Kessler asked for the number of additional employees required for new programs, which adds \$8 to \$16 million already budgeted for programs in the Plan. He also asked what will happen when the federal funds are depleted, and the City has these additional employees, programs and debt service payments? Ms. Waxman answered that the funds are not depleted in year one of the Plan and the economy should rebound. She added that a labor reserve of \$200 million is built into the Plan. Ms. Waxman also stated that she will provide documentation to answer these questions. Mr. Dubow added that the federal funds will be utilized over multiple years as the economy slowly rebounds.

Mr. Kessler inquired as to the comparison of Philadelphia to other cities, considering wage tax reductions. The wage tax is a heavy detriment to doing business in the City. Mr. Dubow stated that the City is facing a budget gap and can't afford further wage tax reductions at this time.

Mr. Henkels asked who provided the data stating 15% of non-residents will not return to the work-place. Ms. Waxman answered that the percentage was drawn from several sources including data from the City's consultant, IHS Markets, SEPTA, studies performed by Drexel and Penn State Universities, as well as tracking building entry swipes. She added that providing more specifics will take additional time. Mr. Henkels requested this information as the percentage seems low.

Mr. Kessler asked if the wage tax reimbursement is applicable for employees who choose to work remotely. Ms. Waxman replied that if the employees are directed back to the work-place and choose to work remotely, the tax is due.

Ms. Richardson asked if bond refundings are possible. Mr. Dubow answered that the City has completed a number of refundings and will continue to do so if appropriate.

Mr. Karp asked if PICA should take a position regarding the reserve fund. He stated that a \$107 million reserve is woefully inadequate if a recession occurs. A plan should be put in place to set aside approximately \$350 million in funds. Mr. Dubow answered that the amount would depend on realistic revenue projections. Mr. Rice added that the need for reserves and higher fund balances are a significant part of PICA's Five Year Plan analysis. Mr. Karp stated that it may be prudent for PICA to give an expected ending fund balance. Mr. Kessler answered that in previous years PICA consistently recommends 6% to 8% in reserve funding, which is below the recommended amount. PICA should hold off until the report is issued in two months. Mr. Karp stated that it is advantageous to be proactive instead of reactive and provide City Council with advance feedback. Mr. Vaughan stated that taking a position at this time is premature. PICA Staff and consultants will perform the necessary analysis. Mr. Karp asked Ms. Richardson and Mr. Henkels their views on this issue. Ms. Richardson replied that a vast amount of information was provided to digest and time will be needed to form an opinion. Mr. Henkels replied that the information should be thoroughly reviewed first.

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Mr. Vaughan thanked Mr. Dubow and Ms. Waxman for their presentation.

Public Comment

None

Adjournment/Recess

Mr. Karp made a motion to adjourn. Mr. Kessler seconded the motion. The motion passed 5-0. The meeting was adjourned at 1:45 p.m.