

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

November 16, 2021

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, November 16, 2021, in the PICA board room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

Board: Kevin Vaughan, Alan Kessler, Esq. (via Zoom), Courtney Richardson, Esq., Roderick Henkels (via Zoom), Michael Karp (via telephone), Rob Dubow (*ex officio*) (via Zoom), and Mark Ryan (*ex officio*) (via Zoom)

Staff: Harvey M. Rice, Gus Tsakos, Daniel Esposito, and Deidre Morgenstern

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (via Zoom)

Call to Order

Mr. Vaughan called the meeting to order at 12:16 p.m.

Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of October 19, 2021. Ms. Richardson seconded the motion. The motion passed 5-0.

Executive Director’s Report

Mr. Rice stated that since the last meeting, PICA staff released the annual overtime update which will be discussed later at today’s meeting.

Mr. Rice stated that PICA held the virtual fall conference on the American Rescue and Infrastructure Plan on October 28th. The conference was informative, well-received and timely as the infrastructure bill was moving simultaneously through Congress.

He stated that staff have been very busy working on the report for the Revised Five Year Plan since its submission on October 29, 2021.

Mr. Rice stated that PICA's investment report provided to the Board increased in volume to twenty pages from four pages. Moving forward, he will request a shortened, more straightforward version. He stated that the return on investment continues to be less than one percent due to the nature of investments.

Treasurer's Report

Mr. Rice stated that PICA spending is the same as FY2021 and in total is 71% percent of the approved budget.

Annual Overtime Report

Mr. Rice advised the Board that PICA Staff's annual overtime report indicates that the City's overtime spending for FY2021 is \$185.6 million, which is a \$22.5 million decrease from the previous year.

Overtime costs through October 2021 are 13 percent above last year, but \$10 million below the same period in FY2020, with Police, Fire, Streets and Prisons leading other departments.

Mr. Kessler acknowledged that it is good news that overtime spending is down. He added that FY2020 is a better measure of overtime spending than FY2021. He asked Mr. Dubow if PICA's focus on overtime spending is useful in reducing costs. Mr. Dubow answered that because of PICA, much more attention is committed to reducing overtime costs. Mr. Kessler stated that hopefully, this trend will continue.

Ms. Richardson asked if hiring will increase in order to help reduce overtime costs. Mr. Dubow answered that he would like to see the Police and Prisons Departments increase personnel. Mr. Kessler inquired as to the productivity of personnel working remotely. Mr. Dubow answered that productivity is at the same level prior to working remotely. Mr. Vaughan asked if a date is set for personnel to return to the office. Mr. Dubow answered that due to the surges in the Pandemic, he cannot speculate. Mr. Karp asked if working remotely will be ongoing. Mr. Dubow answered that if possible, staff who are able to do so will work remotely several days a week. Mr. Kessler asked if savings were attributed to working remotely. Mr. Dubow stated that savings would be realized from space consolidation.

Resolution 2022-05 – Consideration of Revised FY2022-2026 Five Year Plan

Mr. Vaughan acknowledged and thanked the PICA Staff for their efforts in issuing the Staff Report on the Revised Five Year Plan in such a timely manner. He noted that it was very comprehensive, concise, and easy to read.

Mr. Rice stated that the Revised Plan required a full and comprehensive analysis due to adjustments in revenues, expenses, fund balances and reserves. He stated that staff, along with PICA's economic consultant, have found the projections in the Revised Plan to be within range. He added that the Revised Plan projects higher year end fund balances in all five years of the Revised Plan, except for the final year, which the projected fund balance drops to \$66.9 million. The Revised Plan includes a Recession and Reopening Reserve of \$177.5 million over the Plan period, and a \$287.6 million reserve for future labor costs for the five remaining bargaining unions. In addition, a \$40.6 million contribution to the Budget Stabilization Reserve ("BSR") is projected in FY2025.

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Mr. Rice continued that although projections are reasonable and appropriate, the Revised Plan is not without risks. Risks identified include economic growth, fund balances lower than GFOA best practices, and the low funded ratio of the pension system which is only 51.9 percent funded.

Mr. Rice stated that PICA Staff's recommendation to the Board is to approve the Revised FY2022-FY2026 Five Year Financial Plan ("Plan"). Mr. Karp made a motion to approve the resolution. Mr. Kessler seconded the motion. A discussion ensued regarding the City's Revised Plan and PICA's Staff Report on the Plan.

Mr. Kessler inquired as to the labor costs of over \$618.5 million in the July Plan exceeding the labor reserve of \$200 million. He asked if there are tools in place to avoid such a large disparity moving forward. Mr. Dubow responded that the Revised Plan includes a reserve for the remaining bargaining units, with the assumption that they will receive similar wage increases as recently negotiated.

Mr. Kessler inquired about the federal infrastructure funding which could be allocated to the City. Mr. Dubow answered that the potential federal funding could reduce the demands on the capital budget. Mr. Kessler requested the City keep PICA posted on this funding.

Mr. Kessler asked that since non-residents are continuing to work remotely, how accurate is the projection of a 15% permanent loss in non-resident wage tax. Mr. Dubow answered that the City's wage tax revenue projection is still 15% lower as a precautionary measure.

Mr. Vaughan asked if Police and Fire Departments' equipment is included in the federal infrastructure funding. Mr. Dubow answered that the City will look into it once the funding is finalized.

Ms. Richardson inquired as to the funding for the remaining bargaining unions with contracts expiring in FY2022. Mr. Dubow answered that if the pattern is similar to the union contracts already negotiated, the reserve will cover the costs.

The motion passed 5-0 in a voice vote. Mr. Dubow thanked the PICA staff and the Board and committed to continue working together.

Mr. Kessler requested that the overtime updates compare the current costs with FY2020 data since that is a better barometer than FY2021 due to the Pandemic. Mr. Rice stated that those comparisons will be made in future updates.

New Business

None

Public Comment

None

Adjournment

Ms. Richardson made a motion to adjourn. Mr. Karp seconded the motion. The motion passed 5-0. The meeting was adjourned at 12:42 p.m.