

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

## Minutes of the Annual Meeting of the Board

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July 27, 2022

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The annual meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Wednesday July 27, 2022, 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. (via Zoom), Michael Karp (via telephone), Roderick Henkels, (via Zoom), 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, Marisa Waxman, Office of Budget and Program Evaluation (via Zoom)

### Call to Order

Mr. Vaughan called the meeting to order at 12:19 p.m.

### Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of May 17, 2022. Mr. Henkels seconded the motion. The motion passed 5-0.

### Executive Director’s Report

Mr. Rice advised the Board that Governor Tom Wolf signed into law legislation extending PICA until January 2047, or until all outstanding debts and/or liabilities have been fully discharged. Mr. Rice added that this legislation will take effect in 60 days.

Mr. Vaughan stated that he would like to thank everyone, especially Mr. Karp and Mr. Kessler, for their support of this legislation. Mr. Rice added that the legislation unanimously passed both the Pennsylvania House of Representatives and the State Senate, demonstrating PICA’s impact on the City’s financial standing for over thirty years. Mr. Kessler said that the unanimous support PICA received from the Administration and City Council is very gratifying. Mr. Karp added that he is thankful for the successful, bi-partisan cooperation in supporting this legislation.

Mr. Rice continued stating that PICA staff released the May and June tax revenue reports. Mr. Rice added that tax collections were higher in May than the same period in 2021 at over 17.5%. All tax collections did well in May with real estate and BIRT collections as most substantial. PICA staff also

released the May obligations update and the staff report on the third quarter QCMR. Mr. Rice stated that the June obligations update will be released tomorrow.

Mr. Rice advised the Board members that he participated in interviews with KYW and WHYY regarding PICA's extension, and with WURD on the monthly revenue reports.

Mr. Rice stated that the investment reports which were included in the Board material, continue to show volatility due to the current economic conditions and Federal Reserve interest rate increases.

Mr. Rice continued, that for the past seven to eight weeks the staff has been working on analyzing the City's Five Year Plan for FY2023-2027.

Mr. Rice stated that PICA's FY2022 audit is underway and on-target for the City to receive the completed report by September 30<sup>th</sup>.

### **Treasurer's Report**

Mr. Rice stated that PICA spending for FY2022 is 65% percent of the approved budget, before any accounting adjustments.

### **Resolution 2022-01 – Consideration of FY2023-2027 Five Year Plan**

Mr. Rice acknowledged the staff for their hard work and team effort in issuing the staff report on this year's Five Year Plan. Mr. Rice also thanked PICA's consultant, Charles Swanson, for his economic expertise and detailed analysis on revenue projections.

Mr. Rice explained PICA staff's recommendation to the Board to approve the FY2023-FY2027 Five Year Financial Plan ("Plan"). He stated that staff, along with its economic consultant, have found the projections in the Plan to be reasonable and appropriate, in accordance with the PICA Act requirements.

Mr. Rice continued stating that the Plan projects positive year end fund balances in all years of the Plan, with FY2022 ending with a fund balance of \$492.4 million. The Plan also projects annual contributions to the Budget Stabilization Reserve of over \$40 million each in FY2023 through FY2026, totaling \$166.1 million, as well as a Recession, Inflation & Reopening contingency totaling \$165 million to safeguard against potential inflation and supply chain pressures that currently exist. The Plan also includes a total of \$517 million set aside for potential costs related to future labor contracts.

Mr. Rice stated that there are some risks to the Plan that are identified in the report, such as slower than anticipated economic growth, fund balances lower than GFOA best practices, the impact of gun violence, pension funding as well as overtime costs.

Mr. Kessler made a motion to approve the resolution. Mr. Henkels seconded the motion.

A discussion ensued regarding the City's Five Year Plan and PICA's Staff Report. Mr. Rice, Mr. Dubow and Ms. Waxman responded to questions from the Board members regarding revenues, fund balances, staffing challenges, overtime spending, potential for economic downturn, and real estate assessment appeals as topics related to the City's finances.

Mr. Kessler started the discussion. He asked that since workers are returning to the workplace, how accurate is the projection of permanent loss in wage tax and does it reflect the losses incurred by restaurants, retailers and other sources of revenue. Mr. Dubow answered that the City has determined that 25% of workers will continue to work remotely. Ms. Waxman added that the City worked with IHS Markit on the wage tax revenue projections. They analyzed different sectors of the economy such as utilizing consumer price index information, both city and regional, as well as building entry card swipe data, among other sources. Ms. Waxman stated that the two factors impacting the wage tax are wage refunds and change in withholding with the non-resident portion declining from \$800 million pre-Pandemic to less than \$200 million.

Mr. Kessler inquired as to the total of real estate tax appeals and the process of assumptions. Mr. Dubow answered that the appeal deadline is October 3rd and the City utilized the prior appeal process as a model. Mr. Rice added that BRT is estimating to receive between 15,000-18,000 appeal filings.

Mr. Kessler asked if a study could be produced on the effects of gun violence and suggested that perhaps PEW could perform a study (as Larry Eichel from PEW was present in the audience).

Mr. Kessler inquired as to the fund balance impact once American Rescue Plan Act funding ends. Mr. Dubow answered that tax revenue will have sufficient time to recover.

Mr. Kessler asked if the 2033 pension plan's funding goal is still viable. Mr. Dubow responded that pensions are 55% funded and the City's latest analysis indicates that the 2033 goal is on-target. Mr. Karp asked if this analysis is accurate despite the economy's downturn. Mr. Dubow answered in the affirmative.

Mr. Kessler stated that excessive overtime usage is a significant risk as this is the 12<sup>h</sup> consecutive year that overtime spending is over budget. He added that overtime usage pushed Class 100 over budget. Ms. Waxman responded that funding shifted to the labor reserve will cover Class 100. Records Department and Licenses & Inspections overtime usage will be recouped from real estate fees. Ms. Waxman continued stating that management decisions, special events, staffing attrition and leave usage impact overtime usage. Mr. Kessler requested information on Ms. Waxman's reasoning for the excessive usage as well as follow-up questions.

Mr. Kessler stated his concerns over School District funding and Employee Health Benefits costs. In addition, he inquired as to the impact of the Federal Infrastructure Bill, if passed, and requested that the Board be apprised of any future funding.

Mr. Kessler inquired as to the increase in the City Commissioner's staffing. Ms. Waxman answered that three elections, an increase in mail-in ballots, technology and the changes in administering elections had an impact on staffing levels.

Ms. Richardson requested the number of real estate appeals to be provided at the November Board meeting. Mr. Dubow and Mr. Rice stated that they will provide this information.

Mr. Karp stated that he would like to see the reserve balances rise to the national levels.

Mr. Vaughan called for a roll-call vote. The resolution passed unanimously 5-0.

Mr. Dubow thanked the PICA staff and the Board and committed to continue working together.

**Resolution 2022-02 – Election of Officers**

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

**Resolution 2022-03 – Meeting Schedule as Amended**

Mr. Vaughan requested a vote on the meeting schedule for fiscal year 2023. Mr. Rice advised the Board that the annual meeting is scheduled for the last week in July since next year's calendar is similar to this year's calendar. Mr. Karp suggested scheduling the October meeting for the 25<sup>th</sup> instead of the 18<sup>th</sup> as not to conflict with a Jewish holiday. Ms. Richardson made the motion. Mr. Henkels seconded the motion. The motion passed 5-0.

**New Business**

None

**Public Comment**

None

**Adjournment**

Mr. Vaughan and Mr. Rice thanked the PICA Board and staff for their long hours and hard work in completing the staff report in a timely manner.

Ms. Richardson made a motion to adjourn. Mr. Henkels seconded the motion. The motion passed 5-0.

The meeting was adjourned at 1:33 p.m.