

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Annual Meeting of the Board

July 25, 2023

The annual meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was held on Tuesday, July 25, 2023, in the PICA board room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

Board: Kevin Vaughan, Alan Kessler, Esq. (via Zoom), Rosalind W. Sutch, CPA, MT, Michael Karp (via telephone), Rob Dubow (*ex officio*) (via Zoom), Uri Z. Monson (*ex officio*) (via Zoom) and Natalie Krug (*alternate ex officio*) (via Zoom)

Staff: Harvey M. Rice, Rob Call, Suzanne Staherski and Deidre Morgenstern

Invited Guests: S. William Richter, Esq., Reed Smith, LLP, (via Zoom), Sabrina Maynard, Office of Budget and Program Evaluation (via Zoom), Kate McGlinchey, Chief of Staff and Deputy Director of Finance (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 June 20, 2023. Ms. Sutch seconded the motion. The motion passed 4-0.

Executive Director’s Report

Mr. Rice stated that PICA staff released the May tax revenue report, the June obligations update, and the Staffing and Overtime Report. Mr. Rice added that PICA’s FY2023 audit is underway and on-target for the City to receive the completed report by September 30th.

Treasurer’s Report

Mr. Rice stated that PICA spending for FY2023 is 70% percent of the approved budget before any accounting adjustments and is one percent higher than the previous fiscal year due to consulting and legal expenses.

Resolution 2024-01 – Consideration of FY2024-2028 Five Year Plan

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. They also thanked the City for their cooperation and PICA’s consultant, Charles Swanson, for his economic expertise and detailed analysis of revenue projections.

Mr. Kessler stated that the staff should explore measures that would provide board members with the sufficient time required to review these important documents. A discussion ensued regarding the timing for submission of future staff reports and other documents.

Mr. Rice explained PICA staff's recommendation to the Board is to approve the FY2024-FY2028 Five-Year Financial Plan ("Plan"). He stated that the 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 five years of the Plan. However, the fund balances decrease in the final two years, falling to \$97 million in FY2027 and \$87 million in FY2028. The Plan also projects contributions to the Budget Stabilization Reserve totaling \$222 million, a significant increase over previous Five-Year Plans. Also included are \$1.425 billion in American Rescue Plan Act funds, a Recession and Inflation Reserve totaling \$144 million, \$395 million for potential costs related to future labor contracts, increased funding for anti-violence programs, public safety, the School District of Philadelphia, Community College of Philadelphia, The Free Library, and expansion of the PHL Pre-K program, community schools and adult education, while committing investments for racial equity.

Although PICA is confident that the Plan is based on reasonable and appropriate assumptions, Mr. Rice stated that there are risks that are acknowledged in the report, such as slower than anticipated economic growth, the impact of gun violence and crime, low fund balance levels in the later years of the Plan, pension funding, and overtime costs.

A discussion ensued regarding the City's Five-Year Plan and PICA's Staff Report.

Mr. Kessler inquired as to the status of the ARPA funds. Mr. Dubow answered that the City projects the allocation of \$449 million as part of the FY2025 budget. Mr. Dubow added that he and Mr. Rice meet weekly and discuss the issue as it progresses.

Mr. Kessler stated that space rentals are projected to increase 10 percent and asked if all of the space is required. Mr. Dubow answered that the Department of Public Property reviews the requirement for space. Mr. Kessler stated that the City can save more money with employees engaging in hybrid work. Mr. Dubow and Mr. Rice explained that the next administration will determine the hybrid work plan.

Mr. Kessler questioned as to the impact inflation and interest rates have on City vendor contracts. Mr. Dubow explained that funds are set aside in the Recession and Inflation Reserve to address this issue.

Mr. Kessler inquired as to the City's response to the PICA staff's projection that Sheriff's Office activities will return to pre-pandemic levels may not be realized. Mr. Dubow said that the staff's evaluation was fair but that the City stands by their projection.

Mr. Kessler asked why the City cannot accurately predict and budget overtime usage. Mr. Dubow answered that the percentage of staff compared to the budgeted number is low. In FY2024, his office urged departments to restructure overtime usage based on staffing and provided additional funding for recruitment. Mr. Karp commented that overtime is sometimes less expensive than full-time staffing due to benefits costs.

Mr. Kessler asked if research is being done on the effect of COVID on small businesses. Mr. Dubow said that the Center City District does research on foot traffic. He added that businesses providing entertainment and leisure have seen recovery.

Mr. Kessler inquired as to the status of pension funding. Mr. Dubow answered that the City is on target to meet its goal by 2033 according to actuaries and a PEW study.

Ms. Sutch asked about an ongoing PA Supreme Court case that would provide taxpayers who pay taxes in other jurisdictions a credit on Philadelphia's wage tax. Mr. Dubow answered that the City's Revenue Department has this information, but it was not viewed as a significant risk.

Ms. Sutch asked about some line items that had been zeroed out. Mr. Dubow explained that it was due to policy changes.

Mr. Karp commented that the City has been responsible for its budget management, and the current system is working. Mr. Vaughan agreed.

Ms. Sutch made a motion to approve the resolution. Mr. Karp seconded. The motion passed 4-0 in a roll call vote. Mr. Dubow thanked the PICA staff and the board and committed to continuing working together.

Resolution 2024-02 – Election of Officers

Mr. Vaughan proposed reinstating the same officers to the PICA Board for the upcoming fiscal year. He also nominated Ms. Sutch as Assistant Secretary/Treasurer. Mr. Kessler made a motion to approve the resolution. Ms. Sutch seconded the motion. The motion passed 4-0 in a roll call vote.

Resolution 2024-03 – Meeting Schedule

Mr. Vaughan requested a vote on the meeting schedule for fiscal year 2024. Ms. Sutch made the motion. Mr. Karp seconded the motion. The motion passed 4-0 in a roll call vote.

Overtime Update

Mr. Rice advised the board that PICA staff does not have the final June overtime numbers but will have them in September or October. The City's overtime is \$30 million over budget allocation, but less than projected in the third quarter QCMR. Mr. Rice added that in the next fiscal year, the staff will track departments more closely.

Mr. Karp inquired as to the rate of return on investment accounts. Mr. Rice answered that the Debt Service Reserve Investment Management account is closed and the rate of return for the Swap Reserve account is 4.99 percent. He stated that US Bank is the investment manager for these investments in safe federal entities. Mr. Karp said that PICA should be able to get a higher return. Mr. Rice said he would inquire into this.

Mr. Vaughan announced an executive session at 1:15 pm to briefly discuss a personnel matter relating to the retirement of the Executive Director. The meeting resumed at 1:17 pm.

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Mr. Vaughan thanked all for their hard work and cooperation. He also thanked Mr. Rice, who is retiring from his position with PICA on August 25th. The board members each expressed their appreciation for Mr. Rice's service and dedication to the citizens of the City of Philadelphia and the Commonwealth of Pennsylvania during his tenure as Executive Director.

New Business

None

Public Comment

None

Adjournment

Ms. Sutch made a motion to adjourn. Mr. Karp seconded the motion. The motion passed 4-0.

The meeting was adjourned at 1:22 p.m.