

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Minutes of the Meeting of the Board

July 25, 2024

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority (PICA) was held on Thursday, July 25, 2024, in the PICA board room located at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania.

Attendees

Board: Kevin Vaughan, Alan Kessler, Esq., Michael Karp (via telephone), Rosalind W. Sutch, CPA, MT, (via Zoom), Patrick Burns (via telephone), Rob Dubow (*ex officio*) (via Zoom)

Staff: Marisa Waxman, Rob Call, Suzanne Staherski, and Deidre Morgenstern

Invited Guests: Sabrina Maynard, Deputy Finance Director for Policy, Analysis and Grants (via Zoom), Robert McDermott, Budget Director (via Zoom), Kate McGlinchey (via Zoom), Helen Loughead (via Zoom), Peter Kim, Esq., Ballard Spahr, Natalie Krug (via Zoom), Andrew Armagost (via Zoom)

Members of the Public: Anna Orso, Philadelphia Inquirer (via Zoom), Leif Erickson, City Controller's Office, Maddie Griffin, City Controller's Office, Joanna Maxwell (via Zoom), Jemille Duncan (via Zoom), Chelsea (last name unknown, via Zoom)

Call to Order

Mr. Vaughan called the meeting to order at 12:01 p.m.

Approval of Minutes

Mr. Kessler made a motion to approve the minutes from the meeting of June 18, 2024. Mr. Karp seconded the motion. The motion passed 5-0

Executive Director's Report

Ms. Waxman stated that today's agenda includes a resolution for the approval of the City's FY25-29 Five-Year Plan. Ms. Waxman added that the PICA staff, along with its economic consultant, through their thorough analysis, have found the projections in the Plan to be reasonable and appropriate, in accordance with the PICA Act requirements. While PICA recommends approval, Ms. Waxman noted that there are some risks to the Plan that are identified in the report, such as filling vacant staffing positions, future labor and pension costs, potential funding shortfalls at SEPTA and the School District, and generally low fund balances and other reserves. Ms. Waxman advised the Board that the second resolution calls for the election of Board Officers. The third resolution calls for the

approval of the FY25 Board Meeting Calendar. Ms. Waxman noted that Board meetings are not scheduled in August and December and meetings are scheduled avoiding holidays.

Ms. Waxman said that in the past month, PICA staff have concentrated on preparation of the FY25-29 Five-Year Plan Staff Report.

Ms. Waxman advised the Board of PICA's publications produced since the last meeting, as well as upcoming publications and events.

The PICA staff published the June eNewsletter, and also released an analysis of the City's revenue projection accuracy over 20 years, compared with peer cities.

Ms. Waxman advised the Board that the eNewsletter now has 635 subscribers and PICA's LinkedIn followers has increased to 444.

Ms. Waxman advised the Board that Ms. Staherski completed her participation in Pew's Emerging Leaders Corps.

Ms. Waxman stated that the staff, excluding the Executive Director, received annual cost of living increases effective July 1, 2024.

Ms. Waxman advised the Board that new flooring throughout the office is scheduled for installation beginning August 5th. New office furniture was selected as well.

Ms. Waxman continued stating that in the coming months, PICA's website will be refreshed and updated.

Ms. Waxman stated that PICA will publish the Quarterly City Manager's Report and Overtime Report for the fourth quarter of FY24 Fact Sheets in August. Ms. Waxman added that with more grants coming in, starting in the fall the staff will seek outside expertise to work with the City on an analysis of the City's grants administration.

Ms. Waxman added that PICA's audit is in progress, and staff will be working on the FY24 Annual Report.

Treasurer's Report

PICA's spending through June is 69 percent of the FY24 operating budget, \$1.2 million of the budgeted \$1.695 million. The current Operating Account balance is \$3.36 million. PICA's FY25 budget is \$1.783 million, with a cushion of 47% due to prior year underspending and interest earnings. PICA's FY25 operations are fully funded and will not require utilizing PICA Tax collections.

Updates from the City of Philadelphia

Mr. Dubow stated that the City submitted the FY25-29 Five Year Plan to PICA. The ending general fund balance is approximately \$66 million with additional funds set aside in the City's Budget Stabilization Reserve. PICA staff, PICA's outside economist, and the Office of the City Controller found the Plan's assumptions to be reasonable.

Mr. Kessler stated that the Staff Report is very well done. However, he suggested consolidating topics to reduce redundancy and provide a more condensed report. Mr. Vaughan added that the report is clear and concise, and the report's layout is exceptional.

Mr. Kessler inquired as to the impact to revenues or services with the end of the American Rescue Plan funds. Mr. Dubow replied that the end of the American Rescue Plan funding is a big hit to revenues but the City prepared for it. It will be hard, but City services will expand while maintaining positive fund balances. The Plan also provides increased funding to the Budget Stabilization Reserve while the funds are available. Ms. Sutch asked why the City did not allocate more operating funds for the Clean and Green Program. Mr. Dubow replied that many operating costs are detailed throughout the Plan.

Mr. Kessler asked if all American Rescue Plan funds will be spent by December 31st. Mr. Dubow replied in the affirmative. Ms. Maynard added that funds are utilized for revenue replacement and will be spent well in advance of the year's end.

Mr. Kessler inquired as to the revenue savings due to understaffing and if funds are available to expand staffing levels. Mr. Dubow answered that each department has a vacancy allowance, and he will provide this information. He added that additional funding is provided in later years of the Plan to allow expanded hiring over time, particularly in the Streets Department.

Mr. Karp asked if the budget is based on the current number of employees, and the difference if all vacancies were filled. Mr. Dubow answered that vacancies were taken into consideration and each department's allocation is reduced on this basis and with the assumption that more positions are filled each year. Mr. Karp inquired as to these assumptions. Mr. Dubow answered that the assumptions vary by department, but approximately 5 to 15. He added that he will provide more specific information.

Mr. Kessler stated that there is no mention of overtime usage in the Plan aside from staffing. He asked, considering the staffing shortage, what overtime looks like from year to year. Mr. Dubow answered that overtime has been increasing due to cost per hour increases with labor contracts and a slight increase due to the expansion of services. The tightening of the labor market should result in attracting and retaining more people moving forward, potentially reducing reliance on overtime. Mr. Kessler expressed his concern regarding the inability to budget for increased overtime. Mr. Dubow answered that the City is under budget for the entire Class 100. Overall, savings are realized for personnel costs. Mr. Kessler stated that he would like to follow up on staffing concerns.

Mr. Karp inquired as to when the Pension Fund is expected to be eighty-five percent funded. Mr. Dubow answered that the Pension Fund was 45% funded in FY18 and is now 62% funded, a 17% increase within six years. He added that it will be 80% funded by the end of the decade and 100% funded by 2032. Mr. Dubow continued stating that the measures implemented are working. Approximately \$500 million in additional resources and increased employee contributions were added. Mr. Karp asked why pension costs have increased from FY28 to FY29. Mr. Dubow responded that the increase is due to the City's Pension Obligation Bonds balloon payment. The City is taking steps to lower other debt service costs in that year to mitigate the impact of that payment. The Pension Obligation Bonds were a temporary help, however, due to the market, there was a large loss. Mr. Dubow added that the bond provided many assets and funding percentages would have been much lower without the bond.

Mr. Kessler inquired as to the Plan's ending fund balance of \$66 million with no Budget Stabilization Reserve contributions in FY28 and FY29. Mr. Dubow replied that is correct but there are contributions in FY25 through FY27. Mr. Dubow stated that he would rather see higher fund balances but having a Budget Stabilization Reserve is helpful. Once the balloon payment is paid, the state of the fund balance should improve. Ms. Sutch added that she is very concerned with the fund balance and Budget Stabilization Reserve. The balance doesn't meet the City's goals or GFOA recommendations. Ms. Sutch stated that the fund balance amount in FY27 through FY29, even with the Budget Stabilization Reserve funds, is still alarming. She added that, according to statements by the Mayor to the press, the Parker administration has not fully budgeted for some of its key initiatives, including the new wellness centers. Given the precarious situation of the fund balance, a black swan event could deplete the City's reserves. Mr. Kessler concurred. Mr. Dubow agreed that the low fund balance is a legitimate concern, but that the decline in reserve funds over the course of the Five-Year Plan is in line with past projections.

Mr. Kessler inquired as to the decline in Philadelphia's population by over 16,000 since 2020 and the effect on services. Mr. Dubow answered that the loss is reflected in this year's revenues and obligations. Mr. Dubow added that a loss of 16,000 residents does not have a significant impact on services, though a continuation at this level would be a concern to monitor.

Mr. Kessler asked if the Office of Property Assessment is monitoring commercial lease losses within the next five years. Mr. Dubow answered that the Office of Property Assessment understands the markets, but an outside consultant could be beneficial.

Mr. Karp added that his biggest concern is remote work and the effect on the Wage Tax. Mr. Dubow stated that approximately 25% of non-resident wage tax from before the pandemic will not return, so the Wage Tax totals in the Plan are the expected collections.

Mr. Kessler inquired as to the Transportation Fund and if there is an opportunity to review these funds. Ms. Waxman replied that there will be an opportunity to review these funds as PICA received a five-year schedule for the Transportation Fund for the first time.

Mr. Kessler asked if the Commerce Department plans to end job creation incentives in FY25. Mr. Dubow answered that it is more of a reallocation. Mr. Dubow added that \$10 million through economic stimulus may be provided.

Mr. Kessler inquired as to the Sheriff Department property sales. Mr. Vaughan stated that PICA should receive updates on the volume and revenue from these sales.

Mr. Kessler inquired as to the economic impact of the City's return to work policy. Is the impact of return to work for City employees factored into the Plan? Mr. Dubow answered that he believes that the Center City District will provide some analysis. Mr. Kessler requested that PICA receive reports on this issue.

Resolution 2025-01 – Consideration and Vote - FY2025-2029 Five-Year Plan

Mr. Kessler made a motion to approve the resolution. Ms. Sutch seconded. The motion passed 5-0 in a roll call vote. Mr. Dubow thanked the PICA staff and the Board and committed to continuing working together.

Resolution 2025-02 – Consideration and Vote - Election of Board Officers

Mr. Vaughan proposed reappointing the current officers to the PICA Board for the upcoming fiscal year. Ms. Sutch made a motion to approve the resolution. Mr. Kessler seconded the motion. The motion passed 5-0 in a roll call vote.

Resolution 2025-03 – Consideration and Vote - FY25 Board Meeting Schedule

Mr. Vaughan requested a vote on the meeting schedule for Fiscal Year 2025. A discussion ensued regarding the Board meeting dates. Mr. Vaughan made a motion to approve the resolution. Mr. Kessler seconded the motion. The motion passed 5-0 in a roll call vote.

Public Comment

None

New Business

None

Adjournment

Mr. Karp made a motion to adjourn. Mr. Kessler seconded the motion.

The meeting was adjourned at 1:05 p.m.