



The Intergovernmental Cooperation Authority
for Harrisburg
922 N 3rd Street
Harrisburg, PA 17102

Annual Report
For Fiscal Year
2021-2022

December 21, 2022

The Intergovernmental Cooperation Authority for Harrisburg (ICA) was created by an act of the General Assembly of the Commonwealth of Pennsylvania. The Authority’s general purpose is to assist the City of Harrisburg in achieving financial stability:

The Intergovernmental Cooperation Authority for Harrisburg (“ICA”) is a public authority and instrumentality of the Commonwealth of Pennsylvania. The ICA was created for the general purpose of fostering the fiscal integrity of the City of Harrisburg, pursuant to the Intergovernmental Cooperation Authorities Act for Cities of the Third Class (Act of October 24, 2018, P.L. 751, No. 124).

The ICA Board, composed of members experienced in finance and management, advises the City of Harrisburg, the General Assembly and the Governor concerning solutions to fiscal problems the City of Harrisburg may face.

The Board is composed of five appointed members who exercise the powers and duties of the ICA. All five members are residents of the City and/or have their primary place of business or employment in the city. In addition, there are two ex officio, non-voting members of the board representing the City and the Secretary of the Budget. Currently the Board has one vacancy while it awaits the appointment of a replacement member by Senator Costa.

The governing board of the ICA retains an Authority Manager and Independent General Counsel to assist it in its mission.

Timeline:

On August 26, 2013, the Harrisburg Strong Plan was filed with the Pennsylvania Department of Community and Economic Development. This strategic planning document, unlike the preliminary recovery plan that had been confirmed by the courts in March 2012, provided a comprehensive set of initiatives and funding to allow the City of Harrisburg to address the myriad financial challenges that for many years plagued the City and impeded its growth.

In 2018, the City of Harrisburg requested additional taxing authority from the Commonwealth in order to address long-standing structural fiscal issues left over from the implementation of the Strong Plan. This negotiation resulted in the drafting of House bill 2557, a proposal to temporarily permit additional taxing authority to the City, but also create an oversight board. The proposal received the support of the Pennsylvania Local Government Commission.

Governor Wolf signed Act 124 of 2018 on October 24, 2018, the Intergovernmental Cooperation Authorities Act for Cities of the Third Class. In addition to extending temporary additional taxing authority to the City of Harrisburg, the new law created the Intergovernmental Cooperation Authority for Harrisburg.

The Intergovernmental Cooperation Authority (ICA) Board met for their first meeting on February 26, 2019.

In April 2019, the ICA Board entered into a Memorandum of Understanding (MOU) with the Pennsylvania Department of Community and Economic Development to secure funding for the ICA.

In November 2019, the ICA Board and the Pennsylvania Department of Community and Economic Development entered into an Amendment to the MOU to extend funding through Fiscal Year 2022-2023. As of today, there is no extension beyond the end of the current fiscal year to further fund ICA activities.

On November 25, 2020, Gov. Tom Wolf signed the fiscal code bill that was approved by the state legislature. Under legislation included therein, Harrisburg was able to keep both its current earned income tax (EIT) and local services tax (LST) at rates higher than typically allowed for third-class cities in Pennsylvania. Harrisburg can retain a 2% EIT indefinitely; double the typical statewide rate of 1%. In addition, the city can retain an LST of \$156 a year (\$3 per week), triple the normal, statewide rate of \$52 a year (\$1 per week), for 10 years. The City then can assess double the statewide rate (\$2 per week) for another five years, through 2035. The legislation did not otherwise modify Act 124 of 2018.

Act 124 provides that the ICA and the City shall enter into an intergovernmental cooperation agreement. An agreement will formalize key terms of the working relationship between the ICA and the City. Once approved by the ICA Board, the Mayor, ratified by City Council, and authorized by Commonwealth Court, an agreement would allow the distressed status of the City under the Municipalities Financial Recovery Act (“Act 47”) to terminate.

In 2021, the Mayor, City Council, and the ICA Board reached a significant milestone with the cooperative approval of a final intergovernmental cooperation agreement. The parties. The court must also approve the agreement because the corresponding exit from Act 47 status impacts the incinerator litigation still before Commonwealth Court.

In September 2021, Commonwealth Court removed certain parties to the incinerator litigation. In a 95-page opinion by Judge Michael H. Wojcik, the court removed Gov. Tom Wolf, the State of Pennsylvania, and the Department of Community and Economic Development as plaintiffs in the suit. The City of Harrisburg and Capital Region Water f/k/a The Harrisburg Authority, by and through the Act 47 Coordinator, remain the litigants in the lawsuit.

The ICA is anxious to see the approved agreement become official and for the City to exit Act 47 status. To that end, the Board has pledged to cooperate with the Pennsylvania Department of Community and Economic Development Act 47 Coordinator, the City of Harrisburg Solicitor, and other stakeholders in preparation of the execution of the approved agreement and the change in the City’s status.

A draft of the approved agreement is available on the ICA’s website and its approval was adopted by an act of City Council in 2021.

On August 1, 2022, the ICA entered into its fifth year of existence. The ICA remains in existence until “December 31 of the fourth full calendar year following the year in which an

intergovernmental cooperation agreement is entered into” with the City. The agreement, which is to contain “terms and conditions as will enable the assisted city to eliminate and avoid deficits, maintain sound budgetary practices and avoid interruption of municipal services,” was approved by the parties but they have not yet executed it. Therefore, the termination date for the ICA has not yet been established.

Governance 2021-2022:

Audry K. Carter

Chairperson

Ms. Carter runs AQuire LLC, a consulting firm specializing in helping nonprofit organizations enhance their operations and maximize fundraising potential. She is a resident of the Italian Lake neighborhood in Harrisburg. Pennsylvania Governor Tom Wolf appointed her to the governing board of the ICA.

H. Ralph Vartan

Vice-Chairperson

Mr. Vartan is Chief Executive Officer of Vartan Group, Inc., a multi-disciplinary real estate investment company. Mr. Vartan resides in midtown Harrisburg. He was recently re-appointed to the governing board of the ICA by Speaker of the Pennsylvania House of Representatives, Bryan Cutler. Mr. Vartan was re-appointed by Representative Cutler in December 2022.

Kathy Speaker MacNett

Authority Secretary/Treasurer

Ms. MacNett is an Attorney and Managing Partner at the law firm Skarlatos & Zonarich with offices in Harrisburg. Ms. MacNett lives in the City of Harrisburg. Representative Frank Dermody, Minority Leader of the Pennsylvania House of Representatives, appointed her.

Douglas Hill

Authority Member

Mr. Hill is the retired executive director of the County Commissioners Association of Pennsylvania (CCAP), a post he held for nearly 36 years, from 1984 to the end of 2019. Prior to that he was director of research and later chief lobbyist for the Pennsylvania State Association of Boroughs. Former Senator Joe Scarnati, who at the time was the President Pro Tempore of the Pennsylvania Senate, appointed him to the governing board of the ICA.

Vacant

Authority Member

On November 30, 2022, Ms. Karla Hodge, Assistant Executive Director for the American Federation of State, County, and Municipal Employees (AFSCME) Council 13, resigned from the ICA Board. She had been appointed to the governing board of the ICA by Senator Jay Costa, Democratic Leader of the Pennsylvania Senate and a replacement is being sought.

Marita Kelley

Authority Member Ex-Officio, City of Harrisburg

Marita Kelley had been a longtime employee in the state Department of Community and Economic Development as Director of Finance. Ms. Kelley had been assigned in 2017 to monitor the execution and implementation of the Harrisburg Strong fiscal recovery plan on behalf of the State for the City of Harrisburg. In January 2022, incoming Mayor Wanda R.D. Williams appointed her as Director of Finance. As a result, she transitioned from being a collaborator of the ICA Board in her role with the Commonwealth, to a member of the ICA Board.

Michael Wood

Authority Member Ex-Officio
Appointee of the Budget Secretary
Governor's Budget Office
Commonwealth Of Pennsylvania

In addition to his service to the Pennsylvania Office of the Budget, Mr. Wood is also the Director of the Bureau of Performance, Revenue, and Program Analysis.

Appointment of Executive Director and Independent Counsel:

On May 12, 2019, the ICA appointed Jeffrey Engle, Esq., as its independent Counsel and Jeffrey M. Stonehill, as its Executive Director.

Mr. Stonehill is currently the Borough Manager/Director of Utilities for the Borough of Chambersburg. As a result, the Chambersburg Town Council was required to adopt a resolution authorizing the lending of Mr. Stonehill's services to the ICA. Mr. Stonehill serves as an independent contractor to the ICA Board.

On November 19, 2020, Jeff Engle resigned as independent Counsel. He stated his departure was for personal professional reasons.

On December 14, 2020, the ICA Board released a Request for Qualifications to search for a replacement independent Counsel. Advertisements appeared online as well in the Harrisburg Patriot News.

There were responses from seven attorneys and/or law firms. A subcommittee of the ICA Board interviewed three professionals and a recommendation was delivered to the full Board for consideration in January 2021.

Anna Marie Sossong, Esq., of the firm Johnson Duffie was appointed independent Counsel by the ICA Board on January 21, 2021.

In May 2022, Anna Marie Sossong, Esq., resigned from the firm Johnson Duffie. Michael Cassidy, who is a partner in the firm, fulfilled the role of independent Counsel since that date.

In December 2022, the professional services agreement with Jeffrey Stonehill, as Authority Manager, was renewed and extended.

By-Laws of the Authority:

The Authority formally adopted their by-laws on March 26, 2019 **as attached**.

Adopted and Submitted Year Five Budget for the ICA:

A Year Two budget was adopted at the May 22, 2019 meeting. On May 29, 2019, the Year Two budget was submitted to the General Assembly.

A Year Three budget was adopted at the June 24, 2020 meeting. On June 29, 2020, the Year Three budget was submitted to the General Assembly.

A Year Four budget was adopted at the July 28, 2021 meeting. This budget is retroactive to July 1, 2021, and covers the fourth year of operations through June 30, 2022.

A Year Five budget was adopted at the July 20, 2022 meeting. This budget is retroactive to July 1, 2022, and covers the fifth year of operations through June 30, 2023.

A copy of the current budget is included on the following page for your information.

Governor’s Center for Local Government Services (GCLGS):

The ICA Board requested, and the Pennsylvania Department of Community and Economic Development remitted, the agreed-upon funding of \$100,000 for the fiscal year 2022-2023 on August 24, 2022.

The liaisons to the ICA from the GCLGS are Madra Clay and Beverly Hutzler. They are helpful participants at ICA Board meetings.

The ICA Board regularly submits narrative to the quarterly reports prepared by the GCLGS to the Court, as required by the Harrisburg Strong Plan.

Current Operating Budget:

INTERGOVERNMENTAL COOPERATION AUTHORITY FOR
HARRISBURG
2022-2023 BUDGET - FISCAL YEAR FIVE
(Approved July 20, 2022)
(Effective July 1, 2022)

REVENUE

Appropriation by the General Assembly Act 124 of 2018	\$	100,000
Interest earnings Est.	\$	30
TOTAL REVENUE	\$	100,030

EXPENSES

Authority Manager (Contract)	\$	54,600
Legal Services	\$	15,000
Insurance (Details Below):		
-General Liability Insurance	\$	6,550
-Governing Board Public Officials Insurance	\$	1,100
Legal Advertisement	\$	3,500
Office Supplies/Expenses	\$	2,500
Information Technology Expenses	\$	2,500
Memberships/Subscriptions	\$	2,000
Office Space Rental	\$	1,900
Audit Services (Contract)	\$	1,600
Contract Services	\$	500
TOTAL EXPENSES	\$	<u>91,750</u>

SURPLUS/DEFICIT **\$** **8,280**

Fund Balance From Previous Year **\$** **117,208**

Reserve for Future Year Spending **\$** **125,488**

Summary of activities:

On January 3, 2022, Mayor Wanda R. D. Williams became the 39th Mayor of Pennsylvania's Capital City. She succeeded Eric R. Papenfuse, who was Mayor from January 6, 2014 to January 3, 2022. Formerly the President of City Council, Mayor Williams started her political career in 1998 as a member of the Harrisburg school board. She had served on the Harrisburg City Council since 2006.

Mayor Williams appointed Dan Hartman as her Chief of Staff and Business Administrator. Mr. Hartman had served as Chair of her transition team. Mr. Hartman's career started with his work as a campaign staffer for officials like former U.S. Senator Arlen Specter, former U.S. Representative Tim Holden, and Governor Tom Wolf. After Wolf's election in 2014, Mr. Hartman transitioned into public policy work, most recently serving as a manager in the Pennsylvania Department of Transportation, Bureau of Innovations.

Mayor Williams appointed Marita Kelley, a longtime employee in the state Department of Community and Economic Development as Director of Finance. Ms. Kelley had been assigned in 2017 to monitor the execution and implementation of the Harrisburg Strong fiscal recovery plan on behalf of the State. In this role, Ms. Kelley will be in charge of all budget and accounting matters. Earlier in her career, Ms. Kelley had worked for a time as budget manager for the City. In her final years with the State before retirement, Ms. Kelley served as the Harrisburg Act 47 Coordinator, and was intricately involved in the financial management of the City during the Papenfuse administration.

As Director of Finance, Ms. Kelley assumed the role as Member Ex-Officio of the Board of the Intergovernmental Cooperation Authority (ICA) for Harrisburg. During her time as Act 47 Coordinator, Ms. Kelley had proven to be a valuable resource for information and analysis by the ICA Board. In her new role as a member of the City administration, she transitioned into an active member of the Board. This served in contrast to the Papenfuse Administration, which had three different ICA Board representatives in the first few years of the ICA Board's existence.

The Papenfuse administration had asked the City Council to pass what was described as a placeholder budget for 2022 on December 21, 2021. This budget was sufficient to keep the City operating, while the new Mayor and her staff took time to draft a replacement budget, as is permitted after a change in leadership.

In addition, it was determined that the City would remain in Act 47 for the time being. Specifically, the City qualifies for exit, but it has delayed application to Pennsylvania Department of Community and Economic Development based on concerns the exit will have on litigation still pending regarding insurance drawn to prevent default on bonds related to the City's former incinerator. Exit from Act 47 would happen automatically upon execution of the approved intergovernmental cooperation agreement between the City and the ICA Board.

While the parties have successfully negotiated an Intergovernmental Cooperation Agreement, the City Solicitor and the Courts have held up the document and the parties have not yet executed the agreement. In more detail, the reason has to do with the incinerator lawsuit. Once the agreement is signed and in effect, the City automatically exits Act 47, Distressed City status, and PA DCED removes the Act 47 Coordinator (currently Madra Clay) from her position. Unfortunately, the courts have ruled that the Act 47 Coordinator is the last remaining plaintiff in the incinerator lawsuit. Therefore, executing the agreement would have the unintended impact of ending the incinerator

lawsuit, which the City, the Commonwealth, and the court do not wish to occur. Therefore, for now, the agreement remains unsigned and the City's Act 47 Status remains unchanged.

On behalf of the ICA Board, Chair Audry Carter has conveyed a desire to very much work with the new Mayor and assist the City in accomplishing successful initiatives for the people of Harrisburg. Ms. Carter noted that in January 2022, there are also two new members of City Council, Ms. Rawls and Mr. Rodriguez. Danielle Bowers now serves as President of Council and Ausha Green serves as Vice-President and Chair of the Budget & Finance Committee. One of the goals in 2022, is to work cooperatively with the Mayor and Council to identify key aspects of economic development (i.e., housing, employment, tourism, small businesses, etc.), which will be the focus of the plan, and further to work to establish benchmarks, goals, and an implementation strategy to succeed on achieving those goals.

On January 20, 2022, members of the ICA Board attended a meeting of the City Audit Committee, with a presentation from the audit firm Boyer and Ritter. The ICA Board was presented with a summary of what was learned by the attendees. It was said that there was a lot less "bad" in the 2020 audit than previous years, including a clean audit opinion. Issues in the management communication letter were less significant as well. A review of the single audit, which has to do with federal funding programs, had improved. The City had a grasp of what needed to be addressed to continue improved outcomes in future audits, and noted that the single audit was given a qualified opinion.

Boyer and Ritter had reviewed the findings with the outgoing administration as well as the incoming transition team. It was noted that some identified items have been outstanding for years and these issues were known to the City. The City has made some exceptional progress according to the ICA Board. This is the second year that Boyer and Ritter have done the audit. Issues related to the IT Department computer and software upgrades were identified as a means for future audit improvements. The ICA Board had a good open channel of communication as the administration addressed the reopened 2022 budget and then the revised Mayor's Five-Year Financial Plan for 2022.

One of the first challenges for the Williams administration was the reopened 2022 budget. The February 2022 budget reauthorization was on a short track, with the development of the new budget to be re-approved by February 15, 2022. The ICA Board pledged to stay involved with this development process in order to provide thoughts and comments associated with the updated budget from Board Members and to work with the Chair to prepare correspondence to the City regarding the 2022 budget proposal prior to adoption.

On February 15, 2022, City Council reauthorized the budget. ICA Board members were able to share their thoughts so that it could be shared with the Mayor. The final document would be published in the spring of 2022. The restated budget was balanced without the use of fund balance, unlike previous City budgets. All funds revenue was \$113 million against \$111 million in expenditures. A portion of the American Rescue Plan Act (ARPA) funding was allocated to make up for lost revenue. The City is using \$8.8 million to help balance the budget, which is less of the ARPA funding than would be permitted under Federal guidelines for revenue replacement or up to \$10 million. In fact, only \$7.8 million is being attributed to revenue replacement. With respect to general obligation debt in 2023, the City had acknowledged that the G.O. debt would be paid off in 2022, but the Ambac debt would begin its payoff in 2023 according to the adopted budget plan.

The restated budget also included some organizational changes for the City. It included a decision to combine the Building and Housing Director and the Economic Development Director into one position. It included a decision to outsource the City Engineer position to a consultant. There also remains an ongoing issue related to the final steps to establish the OPEB Trust and the future obligations for payment of post-retirement benefits. There is a new collections attorney for the Neighborhood Services Fund. However, the updated 2022 Budget included no plans to increase the delinquent collection rate of outstanding receivables in the Neighborhood Services Fund, an ongoing concern of the ICA Board, but the City committed to exploring the proposal to switch to annual billing, which would have a fundamental impact on that issue.

In February 2022, the ICA Board learned that the Mayor would likely be asking for a deadline extension on submission of the 2022 update of the Five-Year Plan to June 30, 2022, as a result of it being a new administration.

In March 2022, the ICA Board identified members of the Administration with whom they would like to meet in 2022:

- With regard to the ongoing efforts to upgrade the information technology functions of the City, the Board suggested Steve Bortner. This may be a priority for us.
- With regard to the economic development planning process, the Board suggested Dennise Hill.
- With regard to the Neighborhood Service Fund, the Board suggested Nate Spriggs and Ms. Kelley.
- With regard to the organization of duties in the Solicitor's Office as well as the collections process, the Board suggested Neil Grover.
- With respect to the plans to end Act 47 status for the City and its impact, the Board suggested both Kim Bracey from Pennsylvania DCED and Neil Grover.
- With respect to the Minority, Women, and Economically Disadvantaged Businesses registration, certification, and directory process, the Board suggested Hillary Greene.
- With respect to the future of the Harrisburg Parking financing scheme, the Board suggested John Gass, managing director of bond administration at Trimont Real Estate Advisors, the international firm that manages Harrisburg's parking assets through its subsidiaries Standard Parking and PK Harris Advisors, LLC.
- With respect to the Harrisburg Bureau of Police and the Community Service Aides program, the Board suggested Chief Carter and program manager Chardan Huston.
- With respect to the ongoing relationship between Public Works and CRW, the Board suggested Nate Spriggs, Director of Public Works, and Charlotte Katzenmoyer, CRW CEO.
- With respect to the ongoing relationship between the Sanitation Department and LCSWMA, the Board suggested Nate Spriggs, Director of Public Works, and Bob Zorbaugh, LCSMWA CEO.

On March 23, 2022, the ICA Board received an update regarding ongoing litigation between the City of Harrisburg related to the incinerator financing, and noted the impact this litigation is having on approving the Intergovernmental Cooperation Agreement between the City and the ICA. General Counsel had spoken to attorney Shawn Smith at the Pennsylvania Department of Community and Economic Development in addition to discussing the matter with the City Solicitor, Neil Grover. ICA Counsel also related a conversation that she had with Chuck Zwally, Special Counsel to Dauphin County, on the incinerator litigation. As it stood in March 2022, the ICA Board would do anything possible to facilitate a resolution to these issues.

Mr. Matt Maisel met with the ICA Board in March 2022 to discuss City communication activities. Mr. Maisel explained that he is primarily a communicator and a storyteller. The City has found great success in the use of Facebook. The ICA Board has asked about broadcasting ICA Board meetings on Channel 20 WHBG, which Mr. Maisel agreed should be possible later in 2022.

In March 2022, the ICA Board approved a motion to extend the 2022 deadline for submission of the Mayor's Five-Year Financial Plan from April 30, 2022, to June 30, 2022.

In April 2022, Dan Hartman, Chief of Staff & Business Manager, City of Harrisburg, delivered to the ICA Board a brief update on the following:

- Ongoing budget management including update on revenues and budget reallocation;
- Cooperation with Impact Harrisburg;
- Stakeholder cooperation;
- Harrisburg Police cooperation with other law enforcement agencies;
- American Rescue Plan Act (ARPA) plan development;
- Public Works beautification projects and road repair;
- Matt Maisel and communication projects;
- Second Street and State Street road improvement projects; and
- Computer mainframe upgrade project.

In April 2022, Steve Bortner, Director of Information Technology, City of Harrisburg, explained that the City had begun a multistep multiyear process of converting all the software modules of the City to MUNIS ERP, from Tyler Technologies:

- It is a cloud-based system.
- The mainframe systems to be converted are the Paychex payroll system and the Pantimation finance management system.
- It is being called "Operation Municipal Migration."
- There is a 10-member steering committee, chaired by Mr. Hartman.
- There are 80 city employees involved in the implementation process.
- The implementation will be done in six phases. The first phase is the financial system to begin in May 2022. Then in order, the modules implemented will be payroll, tax billing, collections, code enforcement, utility billing, asset management, and GIS.
- The City anticipates a 27-month implementation schedule.
- Mainframe maintenance costs about \$550,000 this year, which will go down below \$300,000 per year.
- Challenges include resources, accuracy of data being transferred, and disruptions in City services.
- There may be future purchased upgrades or modules.
- About five to ten years of existing data would be migrated.
- Software integration with other applications.
- Data verification; how the City is obtaining email addresses and phone numbers for existing utility accounts.
- Data security.
- Training employees.
- Changing City processes because of new software.

The ICA Board asked if there could be quarterly updates on the progress of the project.

In May 2022, the ICA Board reaffirmed our three basic themes to advance the financial stability of the City of Harrisburg:

- Sound financial management and reporting;
- Community and economic development; and
- Operational excellence.

In May 2022, Denisse Hill who serves as both Director of Building & Housing Development & Director of Economic & Community Development for the City of Harrisburg briefed the ICA Board on the plans for financial vitality and growth for the City:

- Business attraction and retention; including restaurants.
- Rent, mortgage, and utility assistance; including assistance to homeowners.
- Small business loans and the Local Economic Revitalization Tax Assistance (LERTA) tax abatement program for developers.
- Older housing stock, safe, and affordable housing.
- Partnerships including working with the Harrisburg Regional Chamber & Capital Region Economic Development Corporation (CREDC).
- Tracking of previous grants for small businesses.
- Potential partnership with the PA Downtown Center. She went on to discuss the Main Street Grant program at the Pennsylvania Department of Community and Economic Development.
- A sense of urgency to create new jobs with livable wages.

In May 2022, Shelia Dow-Ford, Executive Director, Impact Harrisburg attended an ICA Board meeting, and discussed the mission of Impact Harrisburg, which is to promote economic development and infrastructure improvements within the City of Harrisburg, and which aligns with the priorities of the ICA.

- There was a discussion about stakeholders.
- The financial distributions approved by Impact Harrisburg.
- A partnership with Capital Region Water for successful infrastructure improvements.
- The Neighborhood Business Stabilization program developed to address the pandemic.
- Impact Harrisburg is a trusted advisor to businesses in every neighborhood of the City; including businesses mentorship.
- Impact Harrisburg is seeking multiple sources of additional funding to continue their mission.

In May 2022, the Mayor introduced some broad outlines for the use of the City's allocation of American Rescue Plan Act (ARPA) federal funding. The Mayor was scheduled to make a presentation to City Council on June 7 regarding her recommended uses. The funding categories from the Mayor's correspondence:

- Replacement of lost revenue, about 19%;
- Public safety, about 19%;
- Parks and recreation, about 21%; and
- Helping those in need, about 31%.

The ICA Board had a chance to review the summary document and approved a motion to permit the drafting and execution of a letter of support for the Mayor's American Rescue Plan Act Recommendations.

In May 2022, General Counsel Anna Marie Sossong announced that she would be leaving the law firm of Johnson Duffie and that a partner from the firm, Michael Cassidy, would take her place as the General Counsel of the ICA Board.

In June 2022, the City announced that the first expenses approved from the American Rescue Plan Act were allocated for the public safety building HVAC system and bonuses. This was in addition to the earlier earmark of \$8.8 million. It was further announced that the City is developing a Community and Economic Development Plan.

In June 2022, the City reviewed the use of Dawood Engineering of Harrisburg, to perform as the City's engineer, rather than hiring an employee.

In June 2022, C. Kim Bracey, Act 47 Coordinator, Pennsylvania Department of Community and Economic Development announced that she was departing as Act 47 Coordinator. She announced she would be joining the York YMCA as its next CEO. Madra Clay would be succeeding Ms. Bracey in the official role as Act 47 Coordinator for the City of Harrisburg.

In July 2022, , the ICA Board approved a motion to extend the 2022 deadline for submission of the Mayor's Five-Year Financial Plan from June 30, 2022, to August 4, 2022. The City intends to use the plan for this year and then the calendar going forward for plan updates. There is a relationship with the Controller's office for reviewing future revenue and expense forecasts. Other challenges of the 2022 plan include serious ongoing inflation, medical costs, and union wage increases, all of which need to be incorporated. There are also the positive developments in the management of debt service going forward into 2023. It had been suggested that the City use the submission of the Five-Year plan to line up with the upcoming development of the 2023 budget. A proactive look at the following years' budget going forward. The City stated that while developing at the same time a mid-year report is good, which generally comes out each August, there was some benefit from an August 2022 submission. Finally, for now, the 2023 submission might occur in April 2023.

July 1, 2022, was the beginning of the fifth year of the ICA and this would be the last year of the 2019 Memorandum of Understanding with the Pennsylvania Department of Community and Economic Development. It is understood by the ICA Board that under definitions, the "Expiration Date," for the ICA would be December 31 of the fourth full calendar year following year in which an Intergovernmental Cooperation Agreement is entered into. As it was envisioned in the Act, it was assumed that the ICA and the City could get an agreement signed within the first year of existence. No one envisioned the current circumstance, and therefore technically the ICA Board has not even started. While the ICA Board and the City have an agreement that is approved by the ICA and approved by City Council, the parties do not have final signatures on that; and, it has not gotten to the judge yet. Mr. Grover, City Solicitor, regarding this delay, confirmed it has to do with the ongoing incinerator litigation. The preservation of the Act 47 Coordinator position is important. The City is working with the State on a solution to this issue. If the court assigns the litigation to another representative of the Commonwealth other than the Act 47 Coordinator, the execution of the agreement can move forward, and the "official" term of the ICA can begin.

In July 2022, it was suggested that this would be the right time for the members of the ICA Board to meet with their respective appointing officials to deliver an update. It was recommended that it would be best to go in twos to such meetings.

On August 4, 2022, the ICA Board received an updated draft financial plan from the City. The work being undertaken by the finance team under the leadership of Marita Kelley was commendable. On August 11, the Board received a letter from Controller Charlie DeBrunner stating that all the historical data presented in report, along with the assumptions contained in the revenue and expenditure sections projected, were appropriate. The ICA Board was delighted to see the City's intention to pay off all the Ambac debt before the end of 2022, as well as make the final payment on the General Obligation debt in August 2022. The ICA Board spent the prior 3-4 weeks reviewing the documents submitted on August 4th, and observed that it was well constructed, follows the formal outline as to what is required, and is very similar to what has been submitted in the past. Recommendations were made by the ICA and as suggested a motion to offer the City of a 14-day window in order to address as many of these issues as possible, which would result in an updated submission of the financial plan. The City would then give the ICA Board a re-submission by September 20, 2022.

In August 2022, the ICA Board took action to extend the deadline for the final submission of the City's updated five-year financial plan, which the City submitted on September 20, 2022, meeting the timeline extension. In a statement from the City, it was noted that the City's Five-Year Financial Plan report was truly the work of many for the collective good. The City's finance department staff and members of the ICA board provided valuable input into the review process. As we forward into the 2023 budget season and begin to prepare for the future years of the five-year plan that was submitted herein, such a plan permits the City a chance to observe future expectations and to monitor and manage the future of the city's finances. On a motion by the ICA Board, the 2022 update to the Mayor's Five-Year Plan was approved on September 28, 2022.

In September 2022, the ICA Board offered some suggestions for financial oversight going forward:

- The ICA Board would like to stay informed in the planning for the use of the ARPA spending.
- Real estate taxes.
- Parking ground lease payments.
- Collection rates in the Neighborhood Services Fund.
- Headcount of city employees.
- OPEB Trust.
- Economic Development Plan.

In September 2022, the ICA Board adopted goals for itself, subject to revision, for the Board's activities going forward:

1. Work cooperatively with the Mayor and administration to identify key aspects of economic development (i.e., housing, employment, tourism, small businesses, etc.), which will be the focus of the plan, and further to work to establish benchmarks, goals, and an implementation strategy to succeed on achieving those goals.
2. Continue efforts to quantify and address the outstanding receivables in the Neighborhood Services Fund, address collections, using both the American Rescue Plan Act funding as well as legal action to recover money owed, and to work cooperatively with the Treasurer and others to develop alternative ways to invoice for trash collection.

3. Schedule meetings with the various appointing officials; update them on “Board Talking Points.” Those points workshopped by the Board can include the delay in the execution of the approved Intergovernmental Cooperation Agreement, the potential need to extend the term of the ICA, and the benefits that can be afforded to the COH (such as entry back into the debt marketplace) because of ongoing cooperation and the resulting success.
4. Work cooperatively with the Mayor and administration to identify alternatives and remove obstacles to the final execution of the approved Intergovernmental Cooperation Agreement, and manage the implementation of the agreement, the end of Act 47 status, and ongoing projects with the ICA.
5. Continue work with the COH Audit Committee and administration to eliminate all remaining “material weaknesses” identified by the City’s auditor, and further to attain an unqualified opinion on the Single Audit.
6. Continue to work with the Mayor and administration on both the development of American Rescue Plan Act funding proposals to the City Council, and further the development and implementation of programs and measurement of benefits from implementation.
7. Seek details on COH efforts to prepare for the potential of reentry into municipal credit marketplace, and to participate in proposals to establish new credit rating, and the selected uses of newly available debt.
8. Arrange presentation on the COH’s MUNIS Software system to gain a thorough understanding of the implementation of and the breadth of advantages for the City and the Finance Office, specifically.
9. Continue to work with COH staff to complete the proper implementation of the OPEB Trust Fund and to discuss ongoing OPEB liability funding goals.

In October 2022, City Council has asked the City to demonstrate how the proposed programs will function under the American Rescue Plan Act (ARPA) allocations. City staff continues work on that subject.

In October 2022, the City has completed negotiations with the Fraternal Order of Police on a revised labor agreement and holds out hope for a full contract with the International Association of Firefighters by the end of the fiscal year.

In October 2022, an award of \$13 million towards City capital needs, mostly in parks through a CARES Act Mad Dash Program Award was announced for the City of Harrisburg. Staff says that this award addresses deferred maintenance throughout the park system.

The Mayor announced in October 2022, her intention to retire the entire Ambac balance by the end of 2022; thereby saving of \$4 million in future interest payments compared to if the debt were paid off over the next decade. This required Council approval. Discussions have been ongoing with the Controller and the Treasurer on this subject. The Controller estimates that sufficient cash balances exist to retire the entire debt by the end of 2022. It would have a dramatic impact on the 2023 budget, which is still in development, by eliminating all debt payments next fiscal year. Staff concluded that the fiscal priority is to pay off all outstanding debt and run “lean” budgets for the next few years, with revenues outpacing expenditures, so that when the City is able to reenter the municipal debt marketplace in the right way. The ICA Board asked to take time to analyze properly the proposal to completely payoff the Ambac debt.

It was announced that the FY2023 budget would be presented to City Council on November 22, 2022, with an expectation that Council would approve the final budget by December 13, 2022.

On November 23, 2022, the ICA Board received a copy of the 2023 budget proposal.

The ICA Board issued a statement noting that the Ambac debt could be paid off entirely in 2022 or with much of it in the fourth quarter of 2022 and the balance paid off in the first quarter of 2023, once uncertainty in the current state of the economy is better understood. City Council agreed with the ICA Board recommendation and approved the payoff of \$12 million of the approximately \$20 million in outstanding Ambac debt in December 2022.

City Council held four FY 2023 Budget hearings, which members of the ICA observed. The proposed 2023 budget contains no tax increase but does include continuing use of fund balance. The ICA Board observed that there was a significant variance between the 2022 update to the Mayor's Five-Year financial plan and the proposed 2023 budget. Staff explained much of that. A revised five-year plan or a plan update in April 2023 is necessary to address the inconsistencies.

In November 2022, the ICA Board approved a motion to authorize the completion, execution, and submission of the Section 207 Report of the ICA Board.

On December 12, 2022, the Chair of the ICA Board submitted to the Mayor a summary document regarding the proposed 2023 budget. The document stated in part that The Authority received and reviewed the proposed 2023 budget and additional information provided by the City for conformance with the criteria set forth in Act 124. Additionally we have observed the City Council's budget hearings and workshops. Three broad observations follow:

- The proposed 2023 budget includes significant differences from the City's Five-Year Financial Plan, as approved by the Authority on September 28, 2022. Please note that pursuant to Act 124, after the budget is adopted, the City should submit the enacted budget to the Authority as a proposed revision to the Plan.
- The proposed 2023 budget funds several important initiatives which the Authority applauds and which are a credit to your Administration:
 - The final payoff of the Ambac forbearance liability;
 - Utilization of American Rescue Plan Act (ARPA) funding; and
 - A recent award of supplemental CARES Act funding for capital projects.
- The proposed 2023 budget includes a fund balance transfer for both the General Fund and for the Neighborhood Services Fund. The financial viability of the Neighborhood Services fund remains a major concern for the Authority.

City Council approved the final 2023 budget on Tuesday, December 13, 2023. A complete copy of the ICA Board's response to the 2023 budget is enclosed.

On Wednesday, December 14, the ICA Board entered into a revised agreement for professional services with their Authority Manager, Jeffrey Stonehill, who serves the Board under a professional services agreement. He has served in this role as since 2019 and his new agreement will be in effect until December 31, 2028, unless terminated by mutual consent of the parties.

Submission of the Authority's Year Four Concise Financial Statement:

The accounting firm Zeleofske and Axelrod has prepared the attached financial statement summarizing Year-Four financial activities for the Authority, **as attached**.