



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 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.

The continuing support of the General Assembly in the mission of the ICA is appreciated.

Mission:

At their regular Board Meeting on Wednesday, November 20, 2019, the Intergovernmental Cooperation Authority for Harrisburg adopted a Mission and Priorities Statement, which will guide their work in assisting the City of Harrisburg in achieving financial stability. The document includes an articulation of three themes:

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

The current issues noted in the Mission and Priorities Statement include:

- Intergovernmental Cooperation Agreement with the City.
- Authority’s annual report.
- City’s Five-Year Financial Plan.
- City’s Community and Economic Development Plan.
- Financial management and reporting.
- Program management with federal funding.
- Information technology infrastructure.
- Debt load and restoring access to credit markets.
- Labor agreements.
- Privatization initiatives.
- Intergovernmental cooperation opportunities.

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	\$	91,750

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**.

**INTERGOVERNMENTAL COOPERATION AUTHORITY
FOR HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2022

INTERGOVERNMENTAL COOPERATION AUTHORITY
FOR HARRISBURG, PENNSYLVANIA
FOR THE YEAR ENDED JUNE 30, 2022

CONTENTS

	<u>Page</u>
Independent Auditor's Report on the Financial Statement	1 – 2
Statement of Cash Receipts, Cash Disbursements, and Cash Balances	3



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Intergovernmental Cooperation Authority for Harrisburg, Pennsylvania
Harrisburg, Pennsylvania

Report on the Financial Statement

Qualified Opinion on the Financial Statement

We have audited the accompanying Statement of Cash Receipts, Cash Disbursements, and Cash Balances (the "financial statement") of the Intergovernmental Cooperation Authority for Harrisburg, Pennsylvania (the "Authority"), as of and for the year ended June 30, 2022.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the Omission of the Notes to the Financial Statement, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Authority, as of June 30, 2022, and the respective changes in the cash balances for the year ended June 30, 2022 in accordance with the cash basis of accounting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion on the Omission of the Notes to the Financial Statement

Management has not included notes to the financial statement. The Cash Basis of Accounting requires that notes to the financial statement be included. This departure does not impact the Statement of Cash Receipts, Cash Disbursements, and Cash Balances.

Emphasis of Matter - Basis of Accounting

The Authority's financial statement has been prepared on the cash basis of accounting. This basis recognizes receipts and disbursements when they result from cash transactions. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in the Basis of Accounting paragraph above; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the



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design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Zelenkofske Axelrod LLC

ZELENKOFESKE AXELROD LLC

Harrisburg, Pennsylvania
November 17, 2022

INTERGOVERNMENTAL COOPERATION AUTHORITY FOR HARRISBURG, PENNSYLVANIA PAGE 3
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Cash Receipts:

Intergovernmental	\$ 100,000
Interest Income	<u>28</u>
Total Cash Receipts	<u>100,028</u>

Cash Disbursements:

Authority Manager Services	54,600
Legal Advertisement	1,440
Legal Services	13,474
Insurance	5,706
Audit	1,500
Office Supplies	2,388
Remote Office Location	1,305
Web Services	<u>858</u>
Total Cash Disbursements	<u>81,271</u>

Excess of Cash Receipts over Cash Disbursements 18,757

Cash - Beginning of Year 98,242

Cash - End of Year \$ 116,999

Correspondence Re: FY23 City of Harrisburg Budget



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

December 12, 2022

The Honorable Wanda R.D. Williams
Mayor, City of Harrisburg
Dr. Martin Luther King, Jr., Government Center
10 N. Second Street
Harrisburg, PA 17101

Re: FY23 City of Harrisburg Budget

Dear Mayor Williams:

Pursuant to the Intergovernmental Cooperation Authorities Act for Cities of the Third Class (Act 124 of 2018), the Intergovernmental Cooperation Authority for Harrisburg (the “Authority”) is tasked to review and make recommendations concerning the budgetary and fiscal affairs of the City of Harrisburg.

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.

The following is a general outline of the proposed budget as compared to the City’s current Five-Year Financial Plan:

<u>General Fund</u>	<u>Proposed 2023 Budget</u>	<u>Adopted Five-Year Plan (2023)</u>
Revenues	\$75,098,203	\$67,215,042
Expenditures	\$74,920,418	\$56,958,437
Use of ARPA Money	\$15,623,000	\$15,623,000
Fund Balance Appropriation	\$ 5,888,906	None
Capital Expenditures	\$ 3,439,936	\$1,961,902
<u>Neighborhood Services Fund</u>		
Revenues	\$20,255,483	\$17,027,040
Expenditures	\$19,015,758	\$17,132,964
Fund Balance Appropriation	\$ 1,677,258	\$ 105,924
Capital Expenditures	\$ 1,469,251	\$ 746,000
<u>Capital Projects Fund</u>		
Revenues	\$ 5,496,040	\$18,278,070
Expenditures	\$ 5,416,214	\$ 6,858,939
Fund Balance Appropriation	None	\$11,419,131
Capital Expenditures	\$ 5,416,214	\$ 6,858,939

We have had the opportunity to review the proposed budget with you and members of your Administration. With regard to the General Fund budget, we offer the following comments and observations:

- Actual revenues for 2022 have outpaced the projections in the Five-Year Plan. This is largely due to robust Earned Income Tax receipts (Resident and Non-Resident), improved Local Services Tax, Mercantile Tax, and Parking Revenue. Your Administration has worked hard to avoid overestimating revenues in the past, and continues to monitor closely receipts and conditions affecting the City’s revenue sources.
- Proposed expenditures for 2023 show significant increases due in part to the operational impacts of inflation and supply-chain constraints, including higher expenses for utilities, fuel, supplies, and other costs.
- Additional significant expenditures are not reflected in the Five-Year Plan for 2023. These costs are to be covered by a one-time general fund balance transfer. The City has incurred a significant, unanticipated cost which is associated with the Harrisburg Incinerator litigation;

it is further noted the City intends to petition the Court to recover this cost. The proposed budget also includes final payoff to Ambac, an important initiative which was included in the Five-Year Plan for 2022, and is now to be completed in 2023.

The Neighborhood Services Fund remains an area of concern for the Authority. With regard to the 2023 budget, we offer the following comments and observations:

- Actual revenues have exceeded the projections in the Five-Year Plan. The City has improved both regular and delinquent trash bill collections. The City anticipates the same success in 2023. The significance of this uptick after years of languishing is well noted, and the Authority wishes to applaud you and your Administration for your efforts which are quickly bearing fruit.
- Projected expenses significantly exceed those of the Five-Year Plan as the City contends with the expense of replacing major equipment as well as inflation, particularly in fuel costs.
- The Authority is very concerned by the continued reliance on fund balance for the Neighborhood Services Fund. We look forward to working with you and your Administration early in 2023 on solutions to stabilizing this major fund.

The Capital Projects Fund budget differs significantly from the FY23 figures in the Five-Year Financial Plan. We offer the following comments and observations:

- Revenue differences from the Five-Year Plan are largely explained by the timing of grants. The City applied for and anticipated award of Federal Transportation Grants and PennDOT Transportation Grants in 2023, but actually received them in 2022. In addition, a DEP Grant to replace a recycling truck was received in 2022, rather than 2023.
- The City is planning significant capital expenses for ADA upgrades and emergency vehicle purchases.

The anticipated ARPA funds to be disbursed equal the funds explained within the Five-Year Plan document.

As we move forward into 2023 and in summary:

- The Authority remains worried about the City's use of fund balance in both the General Fund and the Neighborhood Services fund. We acknowledge that the City supports and maintains a Fund Balance Policy and continue to urge the City to continue to take steps to maintain a structurally balanced budget across all funds at all times.
- We find that the significantly increased expenditures proposed for FY23 warrant further review especially as we move into future year projections. To that end, the Authority Board is requesting that the Administration submit, at a minimum, a supplemental update to the City's Five-Year Financial Plan, or in fact a revised annual submission, on or before the agreed-upon deadline of April 30, 2023. The Authority Board is happy to continue conversations as to amending the official annual date for final submission of an updated and revised Five-Year Financial Plan.

- As we have communicated in the past, the Authority applauds the City's efforts to pay off its Ambac debt as soon as possible. Please keep the Authority informed of all payments made in 2022 and plans for payments in 2023 as soon as they are contemplated.
- In your budget narrative, there is significant weight given to the importance of performance measurements. We believe implementing an effective system of performance measurement will enhance the efficient management and fiscal performance of the City.
- As previously stated, the Authority is interested in your approach to a comprehensive Community and Economic Development Plan, which we understand, is nearly complete. We look forward to reviewing it with members of your administration as soon as possible.

As a whole, the City's proposed 2023 budget meets the Authority's expectations for the proper financial management of the City of Harrisburg. We congratulate you and your Finance Department team on your efforts to build a foundation of stability for the City's financial future.

We look forward to working with you as we move forward in collaboration for the benefit of the citizens of Harrisburg.

Sincerely,

A handwritten signature in blue ink that reads "Audry Carter". The signature is fluid and cursive, with the first name "Audry" being more prominent than the last name "Carter".

Audry Carter
Chair

cc: Authority Members
Honorable Danielle Bowers
Honorable Ausha Green
Honorable Charles DeBrunner
Honorable Dan Miller

BYLAWS OF THE
INTERGOVERNMENTAL COOPERATION AUTHORITY FOR HARRISBURG

**BYLAWS OF THE
INTERGOVERNMENTAL COOPERATION AUTHORITY FOR HARRISBURG**

ARTICLE I

GENERAL POWERS: INTERPRETATION OF BYLAWS

1.01 General Powers. The general powers of the Intergovernmental Cooperation Authority for Harrisburg (the "Authority") shall be as set forth in the Pennsylvania Intergovernmental Authority Act for Cities of the Third Class as set forth in House Bill No. 2557, Session of 2018.

1.02 Interpretation of Bylaws. All words, terms and provisions of these bylaws of the Authority (the "Bylaws") shall be interpreted and defined by and in accordance with the Act, as amended from time to time hereafter. All references in these Bylaws to statutory provisions shall be deemed to incorporate amendments to such provisions and to corresponding provisions of any subsequent law.

ARTICLE II

OFFICES

2.01 Principal Office. The principal office of the Authority shall be located at such place as the governing board of the Authority (the "Board") may designate. The Board may establish such other office or offices as may be necessary for the purpose of performing the Authority's duties and functions.

2.02 Books and Records. Except as otherwise provided for by resolution or as the business of the Authority may require, the corporate seal and all books and records of the Authority shall be kept in the principal office designated in 2.01.

ARTICLE III

GOVERNING BODY

3.01 Membership. The powers of the Authority shall be exercised by the Board which shall be composed of five (5) appointed members, who shall not be elected public officials, and two (2) ex officio members. The members of the Board shall be as follows:

- (a) One member appointed by the Governor of the Commonwealth of Pennsylvania;
- (b) One member appointed by the President pro tempore of the Senate of the Commonwealth of Pennsylvania;
- (c) One member appointed by the Minority Leader of the Senate of the Commonwealth of Pennsylvania;

(d) One member appointed by the Speaker of the House of Representatives of the Commonwealth of Pennsylvania;

(e) One member appointed by the Minority Leader of the House of Representatives of the Commonwealth of Pennsylvania;

(f) The Secretary of the Budget of the Commonwealth of Pennsylvania as an ex officio member; and

(g) The Director of Finance of the City of Harrisburg as an ex officio member.

All members of the Board shall be residents of the Commonwealth of Pennsylvania and, except for the Secretary of the Budget, shall either be residents of Harrisburg or have their primary places of business or employment in Harrisburg.

3.02 Terms. The term of a Board member shall begin on the date of appointment for a period of five (5) years. A member's term shall be coterminous with that of the appointing authority.

3.03 Vacancies. A vacancy shall occur upon the death, resignation, disqualification, removal or expiration of the term of a member. Whenever such vacancy occurs on the Board, whether prior to or on the expiration date of a term, the appointing authority designated in Section 3.01 which originally appointed the Board member whose seat has become vacant is required, pursuant to Section 2 of the Act, to appoint a successor member within thirty (30) days of the occurrence of the vacancy. A member appointed to fill a vacancy occurring prior to the expiration of a term shall serve the unexpired term.

3.04 Removal. A member shall serve at the pleasure of his or her appointing authority.

3.05 Ex Officio Members. The ex officio members of the Board may not vote and shall not be counted for purposes of establishing a quorum. The ex officio members may designate in writing a representative of their respective offices to attend meetings of the Board on their behalf and such representatives shall retain such authority until the authority is expressly revoked by the appropriate ex officio member.

3.06 Majority. A majority of the Board shall constitute a quorum for the purposes of conducting the business of the Board and for all other purposes.

3.07 Compensation. The members of the Board shall serve without compensation or remuneration for their services but shall be entitled to reimbursement of all reasonable and necessary actual expenses.

3.08 Liability. The rights of creditors of the Authority shall be solely against the Authority and no member of the Board shall be liable personally on any obligations of the Authority. Any and all rights granted pursuant to this Section 3.08 shall be in addition to any rights granted to members of the Board pursuant to the sovereign immunity provisions of Section 9.01.

3.09 Committees. The Board shall establish such Committees as it deems necessary. No committee is authorized to take any official action on behalf of the Board or the Authority.

ARTICLE IV

MEETINGS

4.01 Place of Meeting. The Board may hold its publicly advertised meetings at the principal office of the Authority or at such other place as may be determined by the Board, provided that all meetings shall be held at a location accessible by the public.

4.02 Regular Meetings. The Board shall meet as frequently as it deems appropriate, but at least once during each quarter of the Authority's fiscal year.

4.03 Annual Meeting. The annual meeting of the Authority shall be the first regular meeting of each fiscal year of the Authority.

4.04 Special Meetings. Special meetings of the Board shall be held if a request for such a meeting is submitted to the Chairperson by at least two (2) members of the Board. Such a request shall state the general nature of the business to be transacted at such special meeting.

4.05 Notice of Meeting. At its first regular meeting of each fiscal year, the Board shall establish a schedule of its remaining regular meetings for the fiscal year. No further notice of such regularly scheduled meetings need be given to any member of the Board, except that any member not in attendance of the meeting at which the schedule was adopted shall be notified in writing or by email of such schedule at least three (3) days prior to the next regular meeting. Written or emailed notice of any special meeting shall be given to each member of the Board at least twenty-four (24) hours prior to the day named for the special meeting.

4.06 Participation in Meetings by Telephone. To the extent permitted by law, any member may participate in any meetings of the Board, may be counted for the purpose of determining a quorum thereof, and may exercise all rights and privileges to which he or she might be entitled were he or she personally in attendance (including the right to vote) by means of telephone or similar communication equipment by which all persons attending the meeting can hear each other.

4.07 Public Notice of Meeting. All meetings of the Board shall be open to the public. As soon as practical following the first regular meeting of each fiscal year, but in no event later than three (3) days prior to the next regularly scheduled meeting, the Secretary of the Board or designee shall give public notice, in the manner hereinafter provided, of the remaining regularly scheduled meetings of the Board for the fiscal year. The Secretary or designee shall also give public notice of each special meeting and rescheduled regular or special meeting at least twenty-four (24) hours prior to the time thereof, showing the date, time and place thereof. Public notice shall consist of the following: (a) publishing such notice in a newspaper of general circulation in the political subdivision where the meeting will be held, and (b) posting a copy of

such notice prominently at the main municipal building and at the actual place of meeting (at the time of the meeting). The Secretary or designee shall provide a copy of all public notices to any newspaper, radio station and/or television station which may request the same. Nothing herein, however, shall prevent the Board from holding executive sessions to which the public is not admitted, but no official act shall be taken or official policy adopted at any such executive session, except as otherwise permitted by law.

4.08 Quorum. A majority of the Board shall constitute a quorum for the purpose of conducting business of the Board and for all other purposes. The ex officio members of the Board shall not be counted for purposes of establishing a quorum. All actions of the Board shall be taken by a majority of the Board.

4.09 Computing Time Periods. In computing the number of days during any period for purposes of these Bylaws, such period shall be computed so as to exclude the first and include the last day of such period. All days shall be counted including Saturday, Sunday, or any day made a legal holiday by the laws of the Commonwealth of Pennsylvania or of the United States (a "Holiday"); provided, however, that if the final day of any time period falls on a Saturday, Sunday or Holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or Holiday. In computing the number of days for the purpose of giving notice of any meeting, the date upon which the notice is given shall not be counted but the day set for the meeting shall be counted. Notice given twenty-four (24) hours before the time set for a meeting shall be deemed one day's notice.

ARTICLE V

OFFICERS

5.01 Officers. The Officers of the Authority shall be the Chairperson, the Vice Chairperson, the Secretary/Treasurer, and such other officers as the Board may determine. The members of the Board shall elect these Officers from among themselves. A majority of the Board shall appoint and may remove the Executive Director. The Board may elect or appoint such other officers, assistant officers, agents, and employees as the needs of the Authority may require, who need not be members of the Board. A member of the Board may hold more than one office of the Board at any time.

5.02 Tenure of Office. Except for the Executive Director, all officers who are members of the Board shall be elected to a (2) year term and until their respective successor shall have been duly elected or until they have ceased to be members of the Board. Members may be re-elected to a subsequent two year term.

5.03 Chairperson. The Chairperson shall have a general management role over the affairs of the Authority, shall conduct all meetings of the Board, and shall, in general, perform all duties incident to the office of the Chairperson and such other duties as assigned by the Board.

5.04 Vice Chairperson. The Vice Chairperson shall have all powers and duties of the Chairperson in the absence of the Chairperson and shall perform such other duties as may be assigned by the Board. Should both the Chairperson and Vice Chairperson be absent from any meeting of the Board, the members present shall appoint a Chairperson pro tempore.

5.05 Secretary/Treasurer. The Secretary/Treasurer shall act as clerk of all meetings of the Board, shall record all the proceedings of such meetings in a book for that purpose, shall give such notice as may be required of all meetings, shall record all votes and have custody of all books and records including financial, provide for the custody of the funds of the Authority and shall perform all other duties incident to the office and such other duties as may be assigned by the Board.

5.06 Other Officers. In addition to the Chairperson and Vice Chairperson, the members shall elect other officers as they may determine.

5.07 Executive Director. The Executive Director, who shall be appointed by a majority of the Board, shall be the chief operating officer of the Authority and, subject to the supervision and control of the Board, shall have the general supervision and direction of the business affairs of the Authority. He or she may execute on behalf of the Authority contracts entered into in the ordinary course of business and any other duly authorized contracts, and shall have such other powers and perform such other duties as may be delegated to him or her by a majority of the Board.

5.08 Removal of Officers. Any officer of the Authority may be removed by a majority of the Board. If an officer who is a member of the Board loses his or her membership on the Board for any reason, such officer shall cease to hold his or her office; provided, however, that the Board shall not be precluded from reappointing such officer provided that the office held is not one for which membership on the Board is a prerequisite.

5.09 Vacancies. A vacancy in any office shall occur upon the death, resignation, disqualification, removal or expiration of the term of an officer. A majority of the Board shall have the power to fill any vacancies occurring for whatever reason in any office including the Executive Director. All vacancies shall be filled as soon as practicable.

ARTICLE VI

EMPLOYEES

6.01 Other Employees and Professional Services. The Board may employ such other agents, contractors, employees, technical experts, legal counsel and consultants as it may from time to time determine, to serve at the will of the Board and for such compensation as the Board may direct and as approved by a majority of the Board.

ARTICLE VII

AUDITS, FISCAL YEAR, MONIES OF THE AUTHORITY

7.01 Audit. The Authority shall file an annual report with the Chairperson and Minority Chairperson of the Appropriation Committee of the Senate of the Commonwealth of Pennsylvania and the Chairperson and Minority Chairperson the Appropriations Committee of the House of Representatives of the Commonwealth of Pennsylvania, in which annual report shall make provisions for the accounting of revenue and expenses of the Authority. The Authority shall have its books, accounts, and all records audited annually in accordance with generally accepted accounting standards by an independent auditor who shall be a certified public accountant, and a copy of the audit report shall be attached to and made a part of the Authority's annual report. A concise financial statement shall be published annually in the *Pennsylvania Bulletin*. The Chairperson and Minority Chairperson of the Appropriation Committee of the Senate of the Commonwealth of Pennsylvania and the Chairperson and Minority Chairperson of the Appropriation Committee of the House of Representatives of the Commonwealth of Pennsylvania shall have the right to examine, from time to time and at any time, the books, accounts and records of the Authority.

7.02 Fiscal Year. The fiscal year of the Authority shall end on June 30 of each year.

7.03 Monies of the Authority. All monies from the Authority, from whatever source derived, shall be paid to the Secretary/Treasurer of the Authority. The Board shall invest the funds of the Authority in a manner consistent with sound business practice, subject to the restrictions contained in the Act and any other applicable statute or regulation.

ARTICLE VIII

CORPORATE SEAL

8.01 Corporate Seal. A seal with the words "Intergovernmental Cooperation Authority for Harrisburg, Pennsylvania Corporate Seal – 2019" upon it shall be the common and corporate seal of the Authority. Such seal may be used by causing it to be impressed upon, affixed to, or reproduced in fact similarly or otherwise to any documents or other writing.

ARTICLE IX

SOVEREIGN IMMUNITY: INDEMNIFICATION

9.01 Sovereign Immunity. The Authority and its members, officers, officials, contractors and employees shall enjoy sovereign and official immunity, as provided in 1 Pa. Cons. Stat. Ann. §2310 (relating to sovereign immunity reaffirmed; specific waiver), and shall remain immune from suit except as provided by and subject to the provisions of 42 Pa. Cons. Stat. Ann. §8501 (relating to definitions) through §8528 (relating to limitations on damages). Notwithstanding the provisions of 42 Pa. Cons. Stat. Ann. §8525, the Authority, through its legal counsel, shall defend actions brought against the Authority or its members, officers, officials, contractors and employees when acting within the scope of their official duties.

9.02 Indemnity. The Authority shall indemnify any member or officer of the Authority who was or is an “Authorized Representative” of the Authority (which shall mean, for purposes of this Article IX, a member or officer of the Authority, including the Executive Director, or such person serving at the request of the Authority as a director, officer, partner, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise) and who was or is a “party” (which shall include for purposes of this Article IX the giving of testimony or similar involvement) or is threatened to be made a party to an “proceeding” (which shall mean for purposes of this Article IX any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the authority or otherwise) by reason of the fact that such person was or is an Authorized Representative of the Authority to the fullest extent permitted by Law, including without limitation indemnification against expenses (which shall include for purposes of this Article IX attorneys’ fees and disbursements), damages, punitive damages, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such proceeding, unless the act or failure to act giving rise to the claim is finally determined by a court to have constituted willful misconduct or recklessness. If an Authorized Representative is not entitled to indemnification in respect of a portion of any liabilities to which such person may be subject, the Authority shall nonetheless indemnify such person to the maximum extent permitted by law for the remaining portion of the liabilities.

9.03 Advancement of Expenses. The Authority shall pay the expenses (including attorneys’ fees and disbursements) actually and reasonably incurred in defending a proceeding on behalf of any person entitled to indemnification under Section 9.02 in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Authority as authorized in this Article IX. The financial ability of such Authorized Representative to make such repayment shall not be a prerequisite to the making of an advance.

9.04 Employee Benefit Plan. For purposes of this Article IX, the Authority shall be deemed to request a member or officer to serve as fiduciary with respect to an employee benefit plan where the performance by such person of duties to the Authority also imposes duties on, or otherwise involves services by, such person as a fiduciary with respect to the plan; excise taxes assessed on an Authorized Representative with respect to any transaction with an employee benefit plan shall be deemed “fines”; and action taken or omitted by such person with respect to an employee benefit plan in the performance of duties for a purpose reasonably believed to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of Authority.

9.05 Security for Indemnification Obligations. To further effect, satisfy, or secure the indemnification obligations provided herein or otherwise, the Authority may maintain insurances, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the Authority, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board shall deem appropriate.

9.06 Reliance Upon Provisions. Each person who shall act as an Authorized Representative of the Authority shall be deemed to be doing so in reliance upon the rights to indemnification provided in this Article IX.

9.07 Amendment or Repeal. All rights to indemnification under this Article IX shall be deemed a contract between the Authority and the person entitled to indemnification under this Article IX pursuant to which the Authority and each such person intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not limit, but may expand, any rights of obligation in respect of any proceeding whether commenced prior to or after such change to the extent such proceedings pertains to actions or failures to act occurring prior to such change.

9.08 Scope of Article. The indemnification, as authorized by this Article IX, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, agreement or otherwise, both as to action in any official capacity and as to action in any other capacity while holding such office. The indemnification and advancement of expense may be provided under any statute, agreement or otherwise, both as to action in an official capacity and as to action in any other capacity while holding office. The indemnification and advancement of expenses provided in, or granted pursuant to, this Article IX shall continue as to a person who has ceased to be a member or an officer in respect of proceedings pertaining to actions or failures to act occurring while such person was serving as a member or an officer, and shall inure to the benefit of such person’s heirs, executors and administrators.

ARTICLE X

CONFLICTS OF INTEREST

10.01 Conflicts of Interest. All members, officers and employees of the Authority shall be subject to the provisions of the Act of October 4, 1978, P.L. 83, No. 170, referred to as the Public Official And Employee Ethics Law, 65 Pa. C.S. chapter 11 (relating to ethics and financial disclosure), and the Act of July 19, 1957, P.L. 1017, No. 451, known as the State Adverse Interest Act. For the purposes of application of such acts, employees of the Authority (including, but without limitation, the Executive Director) shall be regarded as public employees of the Commonwealth of Pennsylvania, and members and officers of the Authority shall be regarded as public officials of the Commonwealth of Pennsylvania, whether or not they receive compensation.

ARTICLE XI

WAIVER OF NOTICE

11.01 Waiver of Notice. Any notice required to be given under these Bylaws may be effectively waived by the person entitled to such notice by written waiver signed before or after the meeting to which such notice related or by attendance at such meeting otherwise than for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE XII

AMENDMENTS OF BYLAWS

12.01 Amendments. These Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted by a Majority of the Board, at any meeting after fifteen (15) days' prior written notice of such an intention has been provided by the Secretary to each member of the Board; provided further, that no amendment may be made in contravention of the Act or any other applicable statute or regulation.