



**Intergovernmental Cooperation Authority for
Harrisburg
2205 Forest Hills Drive, Suite 10
Harrisburg, PA 17112**

August 24, 2019

The Honorable Tom Wolf
Governor of the Commonwealth of Pennsylvania
508 Main Capitol Building
Harrisburg, PA 17120

The Honorable Joe Scarnati
President Pro Tempore
Senate of Pennsylvania
292 Main Capitol Building
Harrisburg, PA 17120-3025

The Honorable Jay Costa
Senate Democratic Leader
Senate of Pennsylvania
535 Main Capitol Building
Harrisburg, PA 17120-3043

The Honorable Mike Turzai
Speaker of the House
Pennsylvania House of Representatives
139 Main Capitol Building
Harrisburg, PA 17120-2028

The Honorable Frank Dermody
House Democratic Leader
Pennsylvania House of Representatives
423 Main Capitol Building
Harrisburg, PA 17120-2033

***Re: Intergovernmental Cooperation Authority for Harrisburg, Submission for General Assembly,
Pursuant to Act of October 24, 2018, P.L. 751, No. 124***

Dear Governor Wolf:

On behalf of the Intergovernmental Cooperation Authority for Harrisburg, please find enclosed the preliminary report of our recommendations as required pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the Third Class (Act of October 24, 2018, P.L. 751, No. 124):

Article II, Section 203. Powers and duties.

(c)(S) To make recommendations to the Governor and the General Assembly regarding legislation or resolutions that relate to the assisted city's fiscal stability. The authority shall submit a preliminary report of the recommendations to the Governor and the General Assembly within 180 days of the initial organizational meeting of the board in section 202(c). The report shall include, but not be limited to, recommendations as to whether or not an assisted city needs additional revenues, the best sources of those revenues and ways for the assisted city to reduce expenditures. Any recommendations for new revenue, if warranted, shall state whether the revenues should be earmarked for specific expenditures, including, but not limited to, prepayment of debt and whether the revenues should be subject to expiration provisions.

On May 29, 2019, the Intergovernmental Cooperation Authority for Harrisburg approved the enclosed Five-Year Financial Plan submitted by Mayor Eric Papenfuse to the Authority for our review. The plan includes an introduction, historical financial results, a capital improvements budget, baseline financial forecasts, and a narrative entitled "A Path Forward". In addition, a supplemental Capital Improvement Plan (enclosed) and the approved 2019 Budget (not enclosed) was provided.

While the Intergovernmental Cooperation Authority did express some misgivings, pursuant to the Act, the Five-Year Financial Plan was approved. However, it was found to be insufficient to meet the challenges of the Act and the Authority outlined additional reservations and areas of concern. We approved the Plan and the 2019 Budget in order to meet the timelines as provided for in the Act. It is a first step in a multi-year process and we believe we will have sufficient opportunity to provide additional input to the City of Harrisburg as they work further on revising and updating the Five-Year Financial Plan during future annual budget cycles.

As of July 31, 2019, the City of Harrisburg's General Fund expenditures and encumbrances of \$39.76 million exceed General Fund revenues of \$39.18 million by approximately \$586,000. This deficit, combined with a prior fiscal year ending cash balance of \$25.21 million, provides the City's General Fund an operating cash balance of approximately \$24.62 million. Current year revenue, as of July 31, 2019, of \$39.18 million exceeds prior year revenue for the same period by \$1.77 million; a 4.72% increase and represents 60.93% of the General Fund revenue budget adjusted for fund balance appropriation. The current fiscal year expenditures and encumbrances of \$39.76 million are less than the prior year expenditures and encumbrances by approximately \$972,000, a 2.39% decrease and represents 52.85% of the General Fund expenditure budget. In short, this demonstrates that the City is in line with its financial projections for the current year.

At this time the Authority sees additional value in having the City focus more energies on community and economic development, in order to attract new residents, new businesses, and increase the opportunity to generate new tax dollars. This is a focus in the upcoming Intergovernmental Cooperation Agreement that the Authority is in the process of discussing with the City.

We will shortly enter into this Intergovernmental Agreement between the Authority and the City to allow the City to exit its Act 47 status. Once approved by the Authority, the Mayor, ratified by City Council, and authorized by the Court, an agreement will provide the framework for the ongoing work of the Authority to provide the City of Harrisburg with legal tools with which they can perform essential municipal services and to foster sound financial planning and budgetary practices.

The exit of the City from Act 47 status and the essential planning necessary to provide a future for the City without the availability of the extraordinary taxing authority, granted to them on a temporary basis, which will end after the initial five-year term, remain both major focuses of the work of the Authority

On behalf of the Intergovernmental Cooperation Authority for Harrisburg, we look forward to our accomplishments in Year Two, which began on July 1, 2019, and will continue to fulfill our obligations under the Act moving forward. Should you require anything further from the Authority or any clarification on any aspect of this submission, please do not hesitate to contact me at (717) 443-7567.

Sincerely,



David A. Schankweiler
Chairperson
Intergovernmental Cooperation Authority for Harrisburg

- c.c. Members of the Intergovernmental Cooperation Authority for Harrisburg (without enclosures)
- Mayor Eric R. Papenfuse, City of Harrisburg (without enclosures)
- Council President Wanda R. D. Williams, City of Harrisburg (without enclosures)
- Ben Allatt, Council Vice-President, City of Harrisburg (without enclosures)
- Charles DeBrunner, Controller, City of Harrisburg (without enclosures)
- Daniel Miller, Treasurer, City of Harrisburg (without enclosures)
- Neil A. Grover, Solicitor, City of Harrisburg (without enclosures)
- Kim Bracey, Governors Center for Local Government Services,
Pennsylvania Department of Community & Economic Development (without enclosures)

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