



The Intergovernmental Cooperation Authority
for Harrisburg
2205 Forest Hills Drive #10
Harrisburg, PA 17112

December 27, 2019

The Honorable Patrick M. Browne
Chair, Appropriations Committee
Senate Box 203016
Harrisburg PA 17120-3016

The Honorable Vincent J. Hughes
Democratic Chair, Appropriations Committee
Senate Box 203007
Harrisburg PA 17120-3007

The Honorable Stan Saylor
Chair, Appropriations Committee
245 Main Capitol Building
PO Box 202094
Harrisburg PA 17120-2094

The Honorable Matthew D. Bradford
Democratic Chair, Appropriations Committee
512E Main Capitol Building
PO Box 202070
Harrisburg PA 17120-2070

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

Dear Senator Browne:

On behalf of the Intergovernmental Cooperation Authority for Harrisburg, please find enclosed the annual report of the ICA 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):

Section 207. Annual Report to be filed and annual audits

By December 31 following the end of each fiscal year of an authority, the authority shall file an annual report with the chairperson and minority chairperson of the Appropriations Committee of the Senate and chairperson and minority chairperson of the Appropriations Committee of the House of Representatives, that make provisions for the accounting of revenues and expenses. The report shall be signed by the chairperson of the board. The authority shall have its books, account and records audited annually in accordance with generally accepted auditing standards by an independent auditor who must be a certified public accountant, and a copy of the audit report shall be attached to and be made part of the authority's annual report. A concise financial statement shall be published annually in the Pennsylvania Bulletin.

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 (301) 767-6618.

Sincerely,



Audry Carter

Chairperson

c.c. Members of the Intergovernmental Cooperation Authority for Harrisburg

Enclosure



The Intergovernmental Cooperation Authority
for Harrisburg
2205 Forest Hills Drive #10
Harrisburg, PA 17112

**Annual Report
For Fiscal Year
2018-2019**

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 (the Authority) is a public authority and instrumentality of the Commonwealth of Pennsylvania. The Authority 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 Authority, 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.

A governing board composed of five appointed members exercises the powers and duties of the Authority. 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.

The governing board of the Authority retains an Authority Manager and Independent General Counsel to assist them in their mission.

Summary: From the Allegheny Institute

In fall 2018, it appeared that the City of Harrisburg was set to spend three more years under the supervision of an Act 47 coordinator until it exited distressed status in 2021. Instead, the city is now scheduled leave Act 47 and come under the supervision of an ICA patterned on the ones in Philadelphia and Pittsburgh. Once an executed cooperation agreement is agreed upon between Harrisburg and the ICA, its financial distress declaration will be rescinded. Furthermore, the city's ability to levy tax rates only afforded to municipalities under Act 47 will remain in place until the termination date of the ICA, which would be at the end of 2023 assuming the parties act on the agreement in the coming year.

This change came about from legislation introduced at the beginning of October and signed into law a few weeks later as **Act 124 of 2018**. Though the act authorizes an ICA for cities of the third class, of which there are 53, only Harrisburg meets the Act's highly specific definition of "city" as one with a population between 48,000 and 55,000 that has been released from receivership and has or had an Act 47 coordinator.

The ICA will now be steered by five members appointed by the governor and legislative leaders. They are tasked with improving the financial condition of the city. The appointees are to have a background in finance or management and either be city residents, have a business, or be employed in the city. A first year appropriation of \$100,000 from the General Assembly was included to cover 2018-2019 operations.

The ICA has general as well as specific powers (32 in all) to examine consolidations, staffing levels, shared services, pensions and collective bargaining agreements. It will hire an executive director, contract with consultants, maintain a website and must file annual reports and audits with state officials. In addition, it must approve a five-year financial plan each year that accounts for the city's revenues and expenditures, including how to phase-out the special taxes.

Normally, Harrisburg would be able to levy a 0.5 percent earned income tax on city residents and a \$52 local services tax on everyone working in the city. However, under Act 47 the city was able to seek court approval to levy an additional 1.0 percent on the earned income tax and triple the local services tax to \$156. These taxes are expected to raise \$12 million in 2018, close to 20 percent of Harrisburg's total revenue. The enabling legislation does prohibit Harrisburg from levying an earned income tax on non-residents. Unless the city adopts home rule the tax levies will revert to the normal rates upon the ICA termination date.

Given the very short life span for the authority, the city will need to be thinking ahead a few years as to whether a new plan might arise that allows the taxes and the ICA to remain in place for a longer period of time. Harrisburg could become dependent on the higher tax rates and legislators could be sympathetic and extend the ICA and accompanying extraordinary taxing privileges.

Governance 2018-2019:

Audry K. Carter

Chairperson

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

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 appointed to the governing board of the Authority by Rep. Mike Turzai, Speaker of the House of Representatives.

Tina L. Nixon

Secretary/Treasurer

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 appointed to the governing board of the Authority by Rep. Mike Turzai, Speaker of the House of Representatives.

Kathy Speaker MacNett

Authority Member

Ms. MacNett is an Attorney and Managing Partner at the law firm Skarlatos & Zonarich with offices in Harrisburg. Ms. MacNett lives in Harrisburg. Rep. Frank Dermody, Minority Leader, appointed her to the governing board of the Authority.

In February 2019, Mr. **David Schankweiler** was elected Chairperson of the Authority. He resigned in August 2019. In November 2019, Mr. **Douglas E. Hill** was appointed as a replacement member of the Authority to complete Mr. Schankweiler's term.

Mr. Schankweiler therefore served from the reorganization meeting in February to end of the first fiscal year. Mr. Hill did not serve in the first fiscal year.

Bruce Weber

Authority Member Ex-Officio

Director of Finance

City of Harrisburg

John Raymond

Authority Member Ex-Officio

Deputy Secretary of the Budget

Commonwealth of Pennsylvania

First Re-Organization Meeting:

As the Governor approved Act 124 of 2018 on October 24, 2018, most of the first fiscal year was expired before the first meeting of the Intergovernmental Cooperation Authority.

The first-ever -organizational meeting of the Authority was held on Wednesday, February 26, 2019.

At this meeting, Mr. David Schankweiler was elected Chairperson. Ms. Audry Carter was elected Vice-Chairperson, and Ms. Tina Nixon was elected Secretary/Treasurer.

Appointment of Executive Director and Independent Counsel:

On May 12, 2019, the Authority appointed Jeffrey Engle, Esq., as its independent Counsel and Jeffrey M. Stonehill, as its Executive Director. Both professionals are engaged under professional services agreements as contractual employees.

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 Authority.

Adopted and Revised First Year Budget:

The Authority adopted its final revised 2018-2019 budget on May 22, 2019, just before the expiration of Year One.

In addition, a Year Two proposed budget was adopted at the May 22 meeting. On May 29, 2019, the Year Two budget was submitted to the General Assembly.

Year One Budget as Revised:

INTERGOVERNMENTAL COOPERATION AUTHORITY FOR HARRISBURG 2019 OPERATING BUDGET Fiscal Year One As Approved May 22, 2019	
REVENUE	
Appropriation by the General Assembly Act 124 of 2018	\$ 100,000
Interest earnings	\$ -
TOTAL REVENUE	\$ 100,000
EXPENDITURES	
Authority Manager (Contractor) - MESH PA, LLC	\$ (27,300)
General Counsel (Contractor) - Shaffer & Engle, LLC	\$ (7,000)
Authority Auditor (Contractor)	\$ (1,500)
Web Master (Contractor) - Factory44.net	\$ (6,000)
Web Hosting, Web Domains, Web Editing Software Lic. Expenses	\$ (1,000)
Governing Board Public Officials Insurance	\$ (1,100)
General Liability Insurance	\$ (1,100)
Advisory Committee Meeting Expenses	\$ -
Research Expenses	\$ -
Consulting Expenses	\$ -
Governing Board Meeting Expenses	\$ (600)
Office Supplies, Photocopies, and Office Expenses	\$ (5,600)
Legal Advertisements	\$ (2,000)
Printing	\$ (1,000)
Dues and Subscriptions	\$ (500)
Miscellaneous	\$ (500)
TOTAL EXPENDITURES	\$ (55,200)
Ending Balance	\$ 44,800
Reserve for Future Needs	\$ 44,800

By-Laws of the Authority:

The Authority formally adopted their by-laws on March 26, 2019:

**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.

Preparation of Mayor Papenfuse’s First Five-Year Financial Plan:

On May 1, 2019, Mayor Papenfuse shared a draft of his proposed Five-Year Financial Plan with the Authority. On May 26, 2019, the Authority reviewed a preliminary draft of the Mayor’s Plan and offered the following comments:

Authority’s Observations Regarding Mayor’s Proposed Five-Year Plan as Submitted 05/01/19

1. The Authority Members noted that the Five Year plan does not have a balanced budget in every fiscal year 2019-2023, using available projected revenues without use of fund balance or debt to balance expenditures, which conflicts with the mandate of the legislative act.
2. The Authority Members noted that the Five Year plan details \$64 million to \$65 million in expenses, but the total Harrisburg operating budget is over \$100 million including other Funds; all of which impact overall City finances and believe these details and projections should be included in the final plan.
3. The Authority Members are interested in ongoing renegotiations with AMBAC, their potential benefit, rationale for future debt utilization, with a strong preference for seeing a plan to reduce debt.
4. The Authority Members are interested in the City’s approach to a comprehensive economic development strategy, including staffing.
5. The Authority Members took note of Payments in Lieu of Taxes from potentially additional tax-exempt entities, the State Subsidy for Fire Service, and other efforts to overcome tax-exemption and historic under-assessment of real estate; and, would appreciate ideas for growth in these revenue streams.
6. The Authority Members were interested in evaluation of service delivery options including independent authorities or outsourcing of services to third party providers.
7. The Authority Members would like more information about the Workforce Stabilization Program, its potential for cost savings, and encourage the inclusion of a staffing audit.
8. The Authority Members would like you to expand upon the concept of Home Rule and your goals for such a process.

Submission of Mayor Papenfuse's First Five-Year Financial Plan:

On May 29, 2019, the City of Harrisburg submitted to the Authority the Mayor's Five Year Financial Plan.



Office of Mayor Eric Papenfuse
MLK Government Center
10 N. Second St.
Harrisburg, PA 17101

Via Electronic Mail & Hand Delivery

May 29, 2019

David Schankweiler, Chair
Intergovernmental Cooperation Authority for the City of Harrisburg
Harrisburg, PA
Email: ica.schankweiler@gmail.com

Re: *Initial Five-Year Financial Plan of the City of Harrisburg*

Dear Mr. Schankweiler:

In accordance with Section 209 (e) of the *Intergovernmental Cooperation Authorities Act for Cities of the Third Class*, 53 P.S. § 42101, et seq. (Act 124 - 2018), I hereby submit on behalf of the City of Harrisburg the proposed Initial Five-Year Financial Plan for the City of Harrisburg, along with a complete copy of Harrisburg's 2019 Approved Budget.

In accordance with Section 209 (e) (3) (ii) of the Act, I confirm that I understand the 2019 Approved Budget for the City of Harrisburg to include therein a capital budget and otherwise satisfies the requirements of Act 124. In my official capacity of Mayor and acting as the chief fiscal officer for the City, I hereby do now state as follows:

- (a) The 2019 Approved Budget is consistent with the proposed financial plan;
- (b) The 2019 Approved Budget includes funding that would be adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies;
- (c) The 2019 Approved Budget is based upon prudent, reasonable and appropriate assumptions and methods of estimation; and
- (d) The 2019 Approved Budget is compliant with the governing law and ordinances of the City or applicable State law regarding balanced budgets.

I also enclose for the Board's convenient reference a Legal Opinion issued by the City Law Bureau on the general provisions of Act 124 - 2018 and the process for review of financial plans and budgets, which I have relied upon in provision of this statement and requirements documents.

An initial digital copy of this packet is being transmitted to yourself and the Jeffrey Stonehill, Authority Manager for the ICA. An original executed hard copy will be delivered at the Board's public meeting later today.

Please do not hesitate to contact me should the Board require additional information on the matter.

Sincerely,



Eric Papenfuse
Mayor

Encs.

CC: Jeffrey Stonehill, Authority Manager
Wanda R. D. Williams, Council President
Benjamin Allatt, Council Vice-President & Chair, B&F Committee
Charles DeBrunner, City Controller
Daniel Miller, City Treasurer
Marc Woolley, Business Administrator
Bruce Weber, Director of Finance
Tiffanie E. Baldock, Sr. Deputy City Solicitor
Kirk Petroski, City Clerk

The Plan was approved by the Authority with reservations.

A full copy of the plan was provided in an early submission to the General Assembly and is available on the Authority website; www.hbgica.org

Correspondence from Chairperson Shankweiler to Mayor Papenfuse:

Please find enclosed a summary letter that was shared with Mayor Papenfuse regarding the Five Year Financial Plan:

**Intergovernmental Cooperation Authority for Harrisburg
c/o Shaffer & Engle, LLC
2205 Forest Hills Drive, Suite 10
Harrisburg, PA 17112**

**The Honorable Eric Papenfuse
Mayor of Harrisburg
Rev. Dr. Martin Luther King Jr. Governmental Center
10 North Second Street
Harrisburg, PA 17101**

June 10, 2019

Re: City of Harrisburg Five Year Plan

Dear Mayor Papenfuse:

First, let me thank you for the work that has so far been accomplished by you and your team developing the recently approved City of Harrisburg Five-Year Financial Plan. The Intergovernmental Cooperation Authority for Harrisburg is committed to working with your administration and the City Council over this five year period. We all want what is best for the City of Harrisburg.

We are very pleased with the progress that your administration has made. We believe the updated baseline revenues and expenditures in your final Five-Year Financial Plan should be celebrated as an accomplishment. However, we believe that there is more work to be done.

At the Authority meeting on May 29, 2019, the ICA Members articulated additional reservations and areas of concern, that we hope you will expand on as we move this process forward.

Specifically, I want to address items No. 4 through No. 8 on our document entitled "Authority's Observations Regarding Mayor's Proposed Five-Year Plan as Submitted 05/01/19", which was delivered to you at our Regular meeting on May 22, 2019. These items should still remain a primary focus.

- The Authority Members are interested in your approach to a comprehensive economic development strategy, including staffing
- The Authority Members took note of Payments in Lieu of Taxes from potentially additional tax-exempt entities, the State Subsidy for Fire Service, and other efforts to overcome tax-exemption and historic under-assessment of real estate
- The Authority Members were interested in evaluation of service delivery options including independent authorities or outsourcing of services to third-party providers

- The Authority Members would like more information about the Workforce Stabilization Program and to include a staffing audit
- The Authority Members would like you to expand upon the concept of Home Rule and your goals for such a process

It is our hope that we can work collaboratively over the next few months to establish baseline indicators for each of these areas of focus, as well as performance measures to quantify progress as we proceed over the next few years.

Next on the Authority's agenda is the development of a draft of the Intergovernmental Cooperation Agreement between the Authority which reinforce the goals of Act 124 of 2018.

If you have any questions, please contact me at (717) 443-7567 or ica.schankweiler@gmail.com.

Thank you in advance for your commitment to this process and our partnership.

Sincerely,



David Schankweiler
Chairman
Intergovernmental Cooperation Authority for Harrisburg

cc: ICA Harrisburg Authority Members
President, City Council, City of Harrisburg
John Raymond, Deputy Secretary of the Budget, Commonwealth of Pennsylvania
Charlie DeBrunner, Harrisburg City Comptroller

Submission of the Authority's Year One Financial Statement:

The accounting firm Zeleofske and Axelrod has prepared the attached financial statement summarizing Year One financial activities for the Authority.



Zelenkofske Axelrod LLC

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December 13, 2019

Board of Directors
Intergovernmental Cooperation Authority for Harrisburg
Harrisburg, Pennsylvania

We have audited the Statement of Cash Receipts, Cash Disbursements, and Cash Balances of the Intergovernmental Cooperation Authority for Harrisburg (the "Authority") as of and for the period February 26, 2019 through June 30, 2019, and have issued our report thereon dated December 13, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 6, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statement that has been prepared by management with your oversight is presented fairly, in all material respects, in accordance with the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our audit of the financial statement does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statement is free of material misstatements. An audit of the financial statement includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. As this is the first year of the Authority, management has selected and implemented the accounting policies of the Authority. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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210 Tollgate Hill Road, Greensburg, PA 15601

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Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There are no significant accounting estimates impacting the financial statement of the Authority.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole or applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statement or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management in the management representation letter dated December 13, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.



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Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors, and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

**INTERGOVERNMENTAL COOPERATIVE AUTHORITY
FOR HARRISBURG, PENNSYLVANIA**

FINANCIAL STATEMENT

**FOR THE PERIOD FEBRUARY 26, 2019
THROUGH JUNE 30, 2019**

INTERGOVERNMENTAL COOPERATIVE AUTHORITY
FOR HARRISBURG, PENNSYLVANIA
FOR THE PERIOD FEBRUARY 26, 2019 THROUGH JUNE 30, 2019

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
Harrisburg, Pennsylvania

Report 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 (the "Authority"), as of and for the period February 26, 2019 through June 30, 2019.

Management's Responsibility for the Financial Statement

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 below; 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 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 Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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 Disbursement, and Cash Balances.

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Qualified Opinion on the Notes to the Statement

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the Notes to the Statement, the financial statement referred to above presents fairly, in all material respects, the respective cash balance of the Authority, as of June 30, 2019, and the respective changes in the cash balances for the period February 26, 2019 through June 30, 2019 in accordance with the cash basis of accounting.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Authority, as of June 30, 2019, and the cash receipts and cash disbursements for the period February 26, 2019 through June 30, 2019 on the basis of accounting described below.

Basis of Accounting

The Authority's financial statement has been prepared on the cash basis. 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.

Harrisburg, Pennsylvania
December 13, 2019

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

INTERGOVERNMENTAL COOPERATION AUTHORITY FOR HARRISBURG
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
AS OF AND FOR THE PERIOD FEBRUARY 26, 2019 THROUGH JUNE 30, 2019

PAGE 3

Cash Receipts:

Intergovernmental	\$ 100,000
Interest Income	<u>1</u>
Total Cash Receipts	<u>100,001</u>

Cash Disbursements:

Authority Manager Services	10,182
Legal Services	2,236
Insurance	4,123
Web Services	<u>1,998</u>
Total Cash Disbursements	<u>18,539</u>

Excess of Cash Receipts over Cash Disbursements 81,462

Cash - Beginning of Year 0

Cash - End of Year \$ 81,462

INTERGOVERNMENTAL COOPERATION AUTHORITY FOR HARRISBURG
CONSISE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
AS OF AND FOR THE PERIOD FEBRUARY 26, 2019 THROUGH JUNE 30, 2019

Total Cash Receipts	\$ 100,001
Total Cash Disbursements	<u>(18,539)</u>
Excess of Cash Receipts over Cash Disbursements	81,462
Cash - Beginning of Year	<u>0</u>
Cash - End of Year	<u><u>\$ 81,462</u></u>