

*Intergovernmental Cooperation Authority for Harrisburg*  
*Minutes of the Governing Board Meeting*  
*June 24, 2020*  
*Via Teleconference on the Zoom Meeting Platform*  
**hbgica.org**

<b>Members Present</b>	Ms. Audry Carter, Mr. Douglas Hill, Ms. Kathy Speaker MacNett, and Mr. H. Ralph Vartan	
<b>Ex-Officio Members Present</b>	Mr. Bruce Weber and Mr. John Raymond	
<b>Staff Present</b>	Jeff Engle, Esq., Independent General Counsel, and Mr. Jeffrey Stonehill, Authority Manager	
<b>Call to Order</b>	Ms. Carter called the meeting to order at 4:05 p.m. First, she asked Mr. Stonehill to remind the participants that the meeting was being recorded. She welcomed and announced that Tina Nixon was not present, but might join the meeting later. Ms. Carter reminded the group that the Authority has not met in two months, but that it may seem like a lifetime given the impact of the pandemic, black lives matter protests, and shuttered businesses. She encouraged us all to find ways to help the community.	
<b>Approval of April 22, 2020 Minutes</b>	Ms. Carter presented the minutes, which had been reviewed by Ms. Nixon, the Secretary/Treasurer; on a motion to approve by Mr. Hill, seconded by Mr. Vartan.	Minutes; approved 4-0
<b>Review of Bills Paid</b>	Mr. Stonehill reviewed the bills paid since the last regular meeting of the Authority. Mr. Stonehill reminded the Authority that the fiscal year would end on June 30, 2020, and therefore, should there be no additional invoices in the last few days of the month, the Authority would finish their second fiscal year with a fund balance of \$82,869.32, which would roll over into the third fiscal year.	
<b>Approval of Renewal of Insurance Policy</b>	Mr. Stonehill mentioned that the Directors and Officers Insurance Policy was renewed in advance of the meeting to avoid a lapse in the policy and asked for retroactive permission for that renewal. On a motion to approve by Ms. MacNett, seconded by Mr. Vartan, the insurance policy renewal was approved.	Insurance Renewal; approved 4-0
<b>Approval of Fiscal Year Three Budget</b>	Mr. Stonehill stated that this meeting is the final meeting of the second fiscal year, 2019-2020, and that the Authority was required to approve the Year Three Budget for the fiscal year 2020-2021. The proposed budget was created in cooperation	Year Three Budget; approved 4-0

	<p>with the Chair and the Vice-Chair. It would be submitted to the General Assembly following the approval. Mr. Stonehill reviewed the highlights of the budget.</p> <p>Mr. Stonehill mentioned that correspondence was received from the Pennsylvania Department of Community and Economic Development. He explained that an email indicated that because of the health crisis, the Commonwealth had approved only a 5/12ths budget for the State. Therefore, the annual allocation to the Authority, which was to be \$100,000, would be divided with a first remittance of \$42,000, with the expectation that the balance, \$58,000 would be remitted when the Commonwealth adopts the balance of their budget.</p> <p>On a motion to approve the Year Three Budget, as amended, by Mr. Hill, seconded by Ms. MacNett, the budget was approved.</p>	
<p><b>Authorization to Engage Zelenkofske and Axelrod to Undertake the Year Two Audit Report</b></p>	<p>Mr. Stonehill indicated that Zelenkofske and Axelrod (Z&amp;A) had conducted the Year One Audit Report for the Authority and they have submitted a proposed engagement letter to conduct the Year Two Audit Report. The report is a requirement of Act 124 of 2018. It is not a complete audit as the Authority is too small and has too few transactions to qualify for a full audit under Generally Accepted Accounting Principles (GAAP). However, the report will be completed by Z&amp;A with assistance from the Authority Manager at the same cost as the previous year, not to exceed \$1,500.</p> <p>On a motion to approve execution of the Z&amp;A engagement letter by Mr. Vartan, seconded by Mr. Hill, the auditor was appointed.</p>	<p>Zelenkofske &amp; Axelrod Engagement letter, approved 4-0</p>
<p><b>Report of the Chairperson</b></p>	<p>Ms. Carter noted that this would be the last meeting of the Authority fiscal year. Submission of a well-written honest Section 203 Annual Report was a capstone for a year in which, Ms. Carter stated that the Authority would have liked to have executed an Intergovernmental Cooperation Agreement with the City. She went on to express frustration with communications with City leadership. She recalled some of the details of the Section 203 Annual Report, and its findings, including:</p>	

	<ul style="list-style-type: none"> <li>• There are immediate and dramatic improvements needed in the area of sound financial reporting and management.</li> <li>• With respect to Community and Economic Development, the City expressed the belief that the Authority should play no role, while admitting that no City plan exists.</li> <li>• Within the subject of operational excellence, the City is hampered by the lack of performance measurement.</li> <li>• The Authority has concluded that the City has a need for improved financial management, to include addressing audit findings and developing expertise in GAAP accounting.</li> <li>• The City is operating with no comprehensive plan.</li> <li>• The upcoming 2020 updated submission of the Mayor's Five-Year Financial Plan must address structural deficits and detailed plans for reducing reliance on temporary taxing authority.</li> <li>• There has been no movement on City debt repayment.</li> </ul> <p>Finally, Ms. Carter closed by expressing disheartenment with the lack of the embrace by the City of the role of the Authority.</p> <p>Mr. Vartan seconded the comments made by the Chair.</p> <p>Ms. Carter indicated that the Authority would reach out to the new City auditor.</p>	
<p><b>Report of the City Treasurer</b></p>	<p>Ms. Carter welcomed Dan Miller to the meeting.</p> <p>Mr. Miller submitted a document, which is included herein, related to a suggested improvement to the collection of sanitation fee receivables.</p> <p>Mr. Miller pointed out that the "write-down" was his concern. He also was concerned that there is such a large amount of uncollected delinquencies in trash bills. His proposal is to place trash fees on the annual real estate tax invoice delivered to property owners.</p> <p>He indicated the benefits of his proposal.</p>	

	<p>He addressed some of the concerns that he has heard regarding his proposal.</p> <p>Finally, Mr. Miller added that the City of Harrisburg has no formal policy or procedure for the write-off of sanitation department receivables as uncollectable. He proposed that the City Council adopt a written policy, which requires the independent authorization of the City Controller and City Treasurer, for any write-off of outstanding receivables as uncollectable.</p> <p>Mr. Stonehill asked some questions regarding the proposal.</p> <p>Ms. MacNett said this was the second time she heard Mr. Miller explain his presentation and she expressed her support for the proposal.</p> <p>Mr. Hill expressed interest in how the proposal would be covered under the Municipal Claims and Tax Lien Law.</p> <p>Mr. Vartan stated that he is concerned about the underlying issue, the failure to administer proper collection of receipts for trash collection. Mr. Vartan pointed out the amount of uncollected receipts categorized as doubtful for collection is massive. He asked Mr. Stonehill to discuss the typical experience in collection. Mr. Stonehill responded that Mr. Miller was correct, without the ability of the City to disconnect water, which was transferred to Capital Region Water several years ago, the City lost its hammer to force customers to pay. Mr. Stonehill pointed out that public health and safety prevents the City from failing to collect trash even if the customer fails to pay their fees.</p> <p>Mr. Vartan asked if Capital Region Water may cooperate by placing the trash fee back onto their invoices and Mr. Miller expressed doubt.</p> <p>Ms. Carter thanked Mr. Miller for joining with the Authority and explaining his proposal. She added that we are all working to find solutions that would assist the City in increasing its revenues.</p>	
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**Report of the  
City Director  
of Finance**

Ms. Carter thanked Mr. Weber for his memo of June 15, included herein. She went on to explain that in the memo, Mr. Weber explained the current year status of the City finances, given the impact of the pandemic. She expressed hope that data and projections, as previously requested, were still forthcoming.

Mr. Weber reviewed his memorandum.

Ms. MacNett asked about the closure of streets for restaurant and pedestrian activities. Mr. Weber said the City is giving serious thought to extending this program through the summer. He pointed out that there is a cost including lost parking revenue.

Ms. Carter asked about the General Fund revenue figures from the City Controller's report, which were down significantly from the same time in 2019. Mr. Weber dismissed use of those figures and year over year analysis in general.

Mr. Hill inquired whether the partial State budget adopted would have an impact on the City and Mr. Weber replied possibly an impact on the fire subsidy paid by the Commonwealth.

Mr. Weber declined to comment on Mr. Miller's earlier proposal. He rejected use of the term "write-off". He said it was a bookkeeping adjustment and has no impact on the City's cash position. He also pointed out there was a change in the trash fee calculation method several years ago. He emphasized that every dollar counts and that pre-COVID there was a plan to step up collection efforts.

Mr. Hill asked a follow-up question regarding whether the use of liens to collect charges based upon the auditor's reclassification of a receivable as uncollectable. Mr. Weber responded that he does not believe so.

Mr. Vartan asked why the balance grew over the last year in allowance for uncollectible receivables. Mr. Weber said that it just went up. Mr. Vartan commented that the City's collection efforts are not

	<p>working. Mr. Weber said the allowance for uncollectables increased in proportion to the increase in billing over the last few years.</p> <p>Mr. Stonehill asked about the typical use of the hotel tax, which is clearly down because of the pandemic. Mr. Weber explained that is used for several things including activities in the general fund, debt service, and capital projects. He went on to explain how capital project spending may change in 2020.</p>	
<b>Other Business</b>	<p>Mr. Hill reported on House Bill 2141. This legislation proposes changes to the Home Rule Law. Act 124 of 2018 specifically mentioned that the City of Harrisburg could explore use of the Home Rule Law. Mr. Hill added that Home Rule can be used, among other things, to place the extension of extraordinary taxing authority into a City Charter. The proposal is to provide an expedited process to adopt Home Rule for distressed cities. Mr. Hill is not sure it would apply to Harrisburg due to its unusual status of being in the process of exiting Act 47.</p> <p>He said it may be an alternative to the Mayor's current strategy to seek extension of the extraordinary taxing authority by seeking extension at the end of Act 124 of 2018, the Intergovernmental Cooperation Authority Act for Cities of the Third Class through state legislation.</p> <p>The Bill was reported out yesterday from the Local Government Committee.</p> <p>Ms. Carter thanked Mr. Hill and hopes the request for the IFO to undertake a COVID impact study on local revenues will be forthcoming. Such a study and its findings would be helpful to all.</p>	
<b>Public Comments</b>	There were no public comments.	
<b>Adjourn to Executive Session</b>	At 5:34 p.m., on a motion by Mr. Vartan and a second by Ms. MacNett, the Authority adjourned into executive session to discuss litigation.	Adjourn to Executive Session, approved 4-0

Respectfully submitted:

A handwritten signature in blue ink, consisting of several overlapping, fluid strokes that are difficult to decipher. The signature is positioned above a horizontal line.

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Jeffrey Stonehill, Authority Manager  
ICA for Harrisburg

APPENDIX DOCUMENTS

## Summary of Bills Paid – Intergovernmental Cooperation Authority for Harrisburg

Report – June 24, 2020

• Digital Ocean <i>Website software licenses</i>	\$10.00	May 1, 2020
• Digital Ocean <i>Web Host</i>	\$5.40	May 1, 2020
• Shaffer & Engle Law Offices, LLC <i>Legal services</i>	\$3,937.06	May 1, 2020
• Digital Ocean <i>Website software licenses</i>	\$10.00	June 1, 2020
• Digital Ocean <i>Web Host</i>	\$5.40	June 1, 2020
• Shaffer & Engle Law Offices, LLC <i>Legal services</i>	\$200.00	June 1, 2020
• Gunn & Mowery Insurance <i>D&amp;O/EPL Insurance</i>	\$4,490.00	June 18, 2020
• PA Media Group <i>Legal Advertisement</i>	\$160.74	June 22, 2020
• Factory 44 <i>IT services</i>	\$32.00	June 22, 2020
• Westfield Insurance <i>General Liability Insurance</i>	\$500.00	June 22, 2020
• MESH PA, LLC <i>Authority Manager</i>	\$11,550.00	June 22, 2020

Starting balance: \$103,925.23

Ending balance: \$82,869.32

• Interest earnings Y-T-D	\$7.96
• Fees Y-T-D	\$ -0-



## City of Harrisburg

### 1 Substantiation of \$9.2M write-off (allowance) of 2018 trash receivables

The numbers below are taken directly from City workpaper audited and provided by MD

Notations in red are auditors notations

Collection - Sanitation A/R Aging Analysis

December 31, 2018

		Refuse 2018	Disposal 2018	Total 2018
Current	E-01-221, pg 7	228,859	1,968,296	
Add back: Disputed	E-27-110 ✓	186,084	1,554,285	
30 - 120 days	E-01-221 pg 7	660,374	696,119	
121 - 270 days	E-01-221 pg 7	557,670	625,081	
270+ days	E-01-221 pg 7	1,540,683	5,863,116	
Less disputed accts adj		-	(186,083)	
Gross Accounts receivable	A ①	3,173,670 ①	10,520,814	13,694,484
		(3,173,670)	(10,520,814)	
	E-27-110	-	-	
Allowance (write-offs)	②	(2,114,892) ②	(7,089,332)	(9,204,224)
Net Accounts receivable		1,058,778	3,431,482	4,490,260

### 2 Efficient solution to delinquent receivables issue

Bill annually for trash on the January real estate tax invoice.

The total annual invoice for a residence is \$388.

There is no increase in the trash fee.

Customer can still pay monthly by ACH, check, credit card or cash

Customers will have the additional option of a 2% discount if paid within 2 months

Customers can also setup a payment plan (4 payments)

Customers can pay with no penalty or discount in May (appx May 15th)

Customers can pay by December 31st with a 10% penalty (\$38.80)

There is very little change to how customers can pay, only more options

What does change:

No monthly invoice is mailed by the City saving appx. \$100,000 in direct costs

Transaction volume at Treasury would be reduced substantially

Unpaid real estate taxes as of 12/31 are sent to Dauphin county for collection. These delinquent accounts would now include unpaid trash amounts. Using Dauphin County resources our collection rate is appx 98%. This would generate up to \$2M of additional trash receipts annually.

### **3 Concerns expressed by this change:**

- A.) Someone's house will be sold because of a small trash invoice
  - 1.) Highly unlikely as it takes 3 years to sell a property. If trash/taxes are outstanding for 3 years the amount delinquent would be significant and not a small trash fee.
  - 2.) We propose a new program be adopted for low-income elderly homeowners. Homeowners over age 65 that qualify as low income (TBD) pay a reduced or no trash fees.
  - 3.) If an account does go to Dauphin County for collection, a payment plan is available
  
- B.) People can't afford to pay the annual fee all at once.
  - 1.) They won't have to as many payment options will be available.
  
- C.) It will be a negative factor in attracting business to the City.
  - 1.) There is no fee increase, there will be a discount option and more payment options.
  - 2.) Business may prefer one annual invoice that relieves the burden of monthly payment processing
  
- D.) Negative impact on city residents
  - 1.) Currently more than 70% of delinquent accounts are non-residents. They either do not live in the city, are landlords or businesses.
  - 2.) City residents are currently impacted negatively as they are paying more than their fair share of trash costs.

### **4 Current efforts to collect delinquent accounts**

Business administrator has sent out some collection letters.  
Our suggestion is to prioritize passing an annual billing ordinance and solve the problem. An ordinance will increase collections, save direct costs and free employee time.  
Currently there is strong support from 3 council members. Focus on educating council members and addressing their concerns so that we can finally pass annual trash billing

### **5 Council should adopt a written policy on write off of trash receivables**

- A.) Currently no policy exists
- B.) Write offs are currently authorized by head of sanitation
- C.) Tremendous potential for corruption
- D.) New policy should require both Controller and Treasurer to approve all write-offs