

*Intergovernmental Cooperation Authority for Harrisburg
Minutes of the Governing Board Special Meeting
May 26, 2021
Via Teleconference on the Zoom Meeting Platform
hbgica.org*

Members Present	Ms. Audry Carter, Mr. Douglas Hill, Ms. Kathy Speaker MacNett, Mr. H. Ralph Vartan, and Ms. Karla Hodge	
Ex-Officio Members Present	Mr. Mark Ryan, Office of the Secretary of the Budget, and Mr. Dan Connelly, City of Harrisburg	
Staff Present	Mr. Jeffrey Stonehill, Authority Manager, and Ms. Anna Marie Sossong, Independent General Counsel	
Welcome by the Board Chair	Ms. Carter noted that the meeting was being recorded.	
Welcome to New Board Member	Ms. Carter introduced the newest appointee to the Authority, Ms. Karla Hodge. Senator Jay Costa appointed her; and, she works for AFSCME Council 13, where she serves as Assistant Executive Director. She is a resident of Harrisburg.	
Approval of April 28, 2021, Minutes	Ms. Carter presented the minutes from the April meeting, which she and Ms. MacNett had reviewed; on a motion to approve by Ms. MacNett, seconded by Mr. Hill.	Minutes; approved 5-0
Review of Bills Paid	Mr. Stonehill reviewed the bills paid since the last regular meeting of the Authority stating that as of May 26, 2021, the Authority has a fund balance of \$109,000.37. Mr. Stonehill noted that the Authority renewed its General Liability Insurance with the same insurance carrier.	
New legal address	Mr. Stonehill reported that the conversion of the legal address to 922 N. 3 rd Street has gone very well. There was a discussion about holding future meetings in-person and possible locations. Ms. Sossong reviewed the law and the impending end of the emergency declaration associated with the pandemic. Mr. Stonehill suggested that there were two locations where meetings might take place: Temple University Strawberry Square, or the large conference room at Startup Harrisburg. Ms. Carter	

	<p>asked whether Temple University requires vaccinations. Mr. Stonehill suggested he could investigate.</p> <p>Mr. Hill asked whether board members would continue to be offered the opportunity to participate via zoom.</p>	
<p>Report of the Chairperson</p>	<p>Ms. Carter stated that since our last meeting we have submitted our annual report to the governor and legislative leaders as we talked about at our last meeting. The report called the Section 203 R, is mandated by our enabling act. Act 124 requires that we submit an annual review of the City's finding financial condition and the progress the City has made over the past year. Thank you to everyone on the board for submitting input and advice during its development, and thank you to Jeffrey for bringing it home for the final leg. It is available on our website to anyone to review it.</p> <p>Ms. Carter went on to explain, "just last week we had a primary resulting in the defeat of the incumbent mayor and the primary win by Wanda Williams, current President of City Council. We look forward to a productive and engaged final stretch of the current administration and an active engagement with the next administration. We welcome two new members to City Council, Ralph Rodriguez and Jocelyn Rawls and acknowledge the reelection of Ausha Green and Shamaine Daniels."</p> <p>Ms. Carter added, "we have reached out to all the new members and congratulating them and adding that we look forward to talking to them and making sure everyone knows the work of the Authority."</p> <p>She noted that Jeffrey and Dan Connelly have been coordinating on the upcoming submission of the reissued and restated City 2021 Five-Year Plan.</p> <p>Ms. Carter turned the floor over to Dan Connelly.</p>	
<p>Report by the City of Harrisburg on</p>	<p>Mr. Connelly offered several comments on the work he had been doing on the restatement of the City's 2021 Five-Year Plan.</p>	

<p>Five-Year Financial Plan</p>	<p>He noted that, “The plan demonstrates the City's ability to balance budgets, maintain sufficient fund balances, and identify increased spending for our capital needs. Even before the American Rescue Plan Act proceeds of \$23.5 million were received, the City had a stronger operating outlook than it has in anyone's recent memory; a remarkable turnaround from almost 10 years ago or so. One year ago, we were in the middle of a self-imposed shut down to stem COVID-19, local action economic activities slowed to a crawl, which had a direct impact on operating revenues, not just in the Commonwealth, but also across the country. It is tough to imagine a situation with more uncertainty. On top of that, we had the challenges of a revenue cliff, which was looming out three or four years out. In the time that I spent working with the City, I did not hear any realistic solution to cover a \$12 to \$13 million operating revenue gap in the budget. The plan that was submitted on April 30th showed an operating surplus in 2020. The City was able to secure the extension of the earned income tax and local services tax from the General Assembly, and was able to restart negotiations with key creditors that had stalled during COVID because of the uncertainty. Now the City is in position to restructure debt that will save taxpayers millions of dollars in the future.</p> <p>The City appreciated the ICA comments on the draft plan. We can make the cleanup edits; it is many clarifications and we appreciate those. There is a new administration coming on board in the new year or so we will probably leave the policy matters and questions more to them. But turning around a final revised document in advance of next month's meeting is very doable.”</p> <p>Mr. Connelly add, “but again, the City is very proud of the progress that it has made in recent years, and we feel like fiscal distress is going to be in the rearview mirror.”</p> <p>Ms. Carter thanked Mr. Connelly and asked for questions. She also thanked him for noting that the submission was a draft, and a final revised and restated document would be forthcoming. It would</p>	
--	--	--

	<p>be the hope of the ICA Board to turn it around and gain full certification at the June Board meeting.</p> <p>Mr. Vartan asked about updates on various initiatives including refinancing and the OPEB Trust account. Mr. Connelly replied with a quick synopsis.</p> <p>Ms. MacNett asked about the timeframe for establishment of the OPEB Trust account. Mr. Connelly said he did not know.</p> <p>Ms. Carter asked about the discussions and plans for use of the American Rescue Act Plan monies. Mr. Connelly explained that there are many discussions. The uses are strictly defined by the Federal government. However, there are no firm plans.</p> <p>Ms. Carter asked if President Williams was engaged on the subject and asked Mr. Connelly if the Authority could be a part of those discussions.</p>	
<p>Status of the 2021 Submission of the City of Harrisburg Five-Year Financial Plan</p>	<p>Ms. Carter stated that, “Mr. Connelly laid out fairly clearly that the City would consider all of the grammatical and clarification concerns that we had, but that any of the policy pieces would be left as is, allowing clarification and development as the next administration takes over. The process would be that the City would actually present a final version along with the certification by the mayor, that the budget is in order; then, the Authority would seek the opinion of the Controller to make sure that he agrees with the numbers and the projections assumptions that were made are correct; then, we could respond if there were some issues and or we could vote on it at the next meeting.”</p> <p>Mr. Vartan asked about ongoing projects such as installation of the new ERP system, collections improvements, etc., in light of the transition. Mr. Connelly confirmed that those initiatives would continue.</p> <p>Mr. Hill asked about whether clarifications would be made in the next draft and Mr. Connelly</p>	

	<p>indicated yes. Mr. Hill pointed out that the drawdown from reserves in the future Neighborhood Service Fund (NSF) budget projections had increased significantly in the plan. Mr. Connelly explained the City's thoughts on NSF projections. He added that the plan calls for no fee increases associated with the projections.</p> <p>Ms. Carter explained that it was the goal of the Authority to ensure that the citizens of Harrisburg were not unduly affected by the additional operating costs because of taking on the solid waste collection in the municipalities of Steelton, Paxtang, and Penbrook.</p> <p>She concluded that the Authority would also like to keep track of the progress in hiring the community service aides in the Police Department and seeing benchmarks as to their effectiveness.</p>	
Other Business	<p>There was none.</p> <p>Ms. Sossong asked Mr. Grover for an update on the court action related to the execution of the approved, but not signed, Intergovernmental Cooperation Agreement. Mr. Grover said the expectation is that the court action would be done by July 2021.</p>	
Public Comments	None.	
Adjourn	At 4:37 p.m., on a motion by Mr. Vartan, with a second by Mr. Hill, the Authority adjourned.	Adjournment approved 5-0

Respectfully submitted:



Jeffrey Stonehill, Authority Manager

ICA for Harrisburg

APPENDIX DOCUMENTS

Summary of Bills Paid – Intergovernmental Cooperation Authority for Harrisburg

Report – May 26, 2021

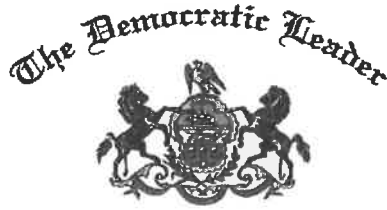
• Digital Ocean <i>Website software licenses</i>	\$10.60	May 1, 2021
• Digital Ocean <i>Web Host</i>	\$5.72	May 1, 2021
• Startup Harrisburg <i>Virtual Office Monthly Subscription</i>	\$95.00	May 1, 2021
• Westfield Insurance <i>General Liability Insurance Policy</i>	\$518.00	May 26, 2021
• Johnson & Duffie <i>Independent General Counsel</i>	\$1,557.50	May 26, 2021
• Factory 44 <i>IT Services</i>	\$27.00	May 26, 2021
• MESH PA LLC <i>Authority Manager</i>	\$5,250.00	May 26, 2021

Starting balance: \$116,612.41

Ending balance: \$109,000.37

• Interest earnings Y-T-D	\$6.07
• Fees Y-T-D	\$0

- 43RD DISTRICT
STATE SENATOR
JAY COSTA
SENATE BOX 203043
HARRISBURG, PA 17120-3043
717-787-7683
FAX: 717-783-5976
- 1501 ARDMORE BOULEVARD
SUITE 403
PITTSBURGH, PA 15221
412-241-6690
FAX: 412-731-2332
- 4736 LIBERTY AVENUE
SUITE 1
PITTSBURGH, PA 15224
412-578-8457
FAX: 412-578-9874
- 314 EAST EIGHTH AVENUE
HOMESTEAD, PA 15120-1592
412-462-4204
FAX: 412-462-4843



Senate of Pennsylvania

COMMITTEES
APPROPRIATIONS, EX-OFFICIO
RULES & EXECUTIVE NOMINATIONS,
DEMOCRATIC CHAIR
INTERGOVERNMENTAL OPERATIONS
costa@psenate.com
www.senatorcosta.com

May 13, 2021

Jeffrey Stonehill, Authority Manager
Intergovernmental Cooperation Authority for Harrisburg
922 N. 3rd Street
Harrisburg, PA 17102

Dear Director Stonehill:

As Democratic Leader of the Senate, it is my pleasure to appoint Karla Hodge to the Intergovernmental Cooperation Authority for Harrisburg. I am sure she will be an asset to the Authority.

Karla Hodge
1212 North 14th Street
Harrisburg, PA 17103

Thank you for your attention to this matter.

Sincerely,

JAY COSTA
The Democratic Leader

JC:alh

cc: The Honorable Tom Wolf
The Honorable Jake Corman
The Honorable Bryan Cutler
The Honorable Joanna McClinton
Ms. Karla Hodge



MEMORANDUM

5/20/2021

To: Dan Connelly, City of Harrisburg Member ex-officio, ICA Board
 From: Jeffrey Stonehill, Authority Manager, ICA of Harrisburg
 RE: 2021 Five-Year Financial Plan dated Apr. 30, 2021

The ICA Board gave approval to the 2020 Plan on March 5, 2021, with the Authority and the City understanding that there were a number of issues and recommendations with that Plan that would be addressed in the 2021 submittal. The City commentary in the Marc Woolley letter that accompanies the 2021 proposed Plan responds point-by-point to each of the issues the Authority raised in that earlier transmittal, and as such is well organized and well presented for the purpose, showing evidence of City commitment to engage fully in the review. Further, it provides a helpful summary and explanation of updates and changes made in the 2021 Plan that represent issues and initiatives other than those raised in the earlier ICA commentary.

Finally, while many elements of this Plan describe transactional and administrative changes, we note there are plan elements that are dependent on statistical analysis to both set and measure benchmarks and goals, a practice that greatly aids both the City and the Authority in gauging progress and adjusting to circumstantial changes. These are noted in our analysis.

The following represents the consolidated commentary of the draft five-year financial plan.

REF #	PAGE	HEADING / REMARKS
Issues		
1	10	<i>Transfers from Other Funds</i> / Presuming transfers now undertaken are only for direct recovery of incidental costs not otherwise reflected in the NSF program structure, affirmatively state this policy.
2	11	<i>Improve Collection Rates in the Neighborhood Services Fund</i> / The City should examine and comment on the potential to achieve a 93% collection rate in year 1, rather than year 2.
3	11	<i>Improve Collection Rates in the Neighborhood Services Fund (Cont'd)</i> / The collection of past due accounts (recently ±\$12 million according to treasury) is not accounted for in this document. Please provide a summary of useful statistics on past due accounts, explain how these receivables are accounted for (or not) in City books, and provide financial forecasts related to collections.
4	13	<i>Waste Removal</i> / Please provide cost vs. benefit analysis for in-house waste removal versus outsourcing to a third-party private hauler as is commonplace for regional municipalities.

REF #	PAGE	HEADING / REMARKS
5	12-13	<i>Headcount</i> / Please consider innovative alternatives such as: contract with third-party public or private service providers, partnerships with other governments (e.g. Dauphin County) to eliminate personnel needs, innovative technologies; etc.
6	18	<i>Community Services Division</i> / The new Community Services Division represents an increasingly common strategy to policing in recognition of the inherent complexity of incident response. Please add narrative to indicate development and implementation of an appropriate performance measurement. Is training scheduled for these staff, particularly CSAs, on specialized skills for initial intervention/contact?
7	33	<i>Promote Economic Development</i> / Revise or explain what is the "City's Five-Year Economic Development Plan." According to previous submissions, a plan does not yet exist and is to be developed.
8	38	<i>Capital Project Budgeting</i> / This appears to describe the Capital Projects Fund only. Please provide a description of methods of estimating capital projects budgets for all funds.
9	43	<i>Neighborhood Services Fund</i> / While acknowledging that indirect cost recovery at the municipal level is not generally done with the same level of detail as it might be in a private contracting, please consider a more appropriate transfer from the NSF to General Fund. Incorporate in this review whether there are any other readily identifiable indirect costs, including for example, billing costs in the Treasurer's office or facility costs for equipment maintenance and storage.
10	44	<i>Neighborhood Services Fund (cont'd)</i> / In paragraph 6, and as noted in Ref. 24 and Ref. 25, the issue of NSF fund balance bears further analysis. What is the justification for "fund balance equal to one month of annual operating expenses," given notations elsewhere that the typical fund balance benchmark is two months?
11	3	<i>American Rescue Plan Act</i> / The "estimated" allocation can be updated now that the actual amount is known. Can you provide more details on possible use of proceeds?
12	5	<i>Basis of Accounting</i> / The first paragraph is convoluted and should be revised so that it is useful and informative for readers.
13	8	<i>Real Estate Taxes</i> / Total combined land and value components are almost 50% tax-exempt, with state property representing approximately 60% of that total." Initiate discussions with the school district and county regarding tax-exempt properties and the potential for a mutual strategy on review of qualification of existing properties, evaluation and possible intervention in new exemption requests, and a common strategy on PILOTS.
14	11	<i>Revenue Initiatives: PILOTS</i> / Seeing both the narrative and the variability in receipts in the chart on p. 7 are PILOT contributions contractually based and if so what is the typical term? Is the primary focus on larger exempts (hospitals and health systems), and what portion of the exemption base is represented by larger exempts versus smaller qualified non-profits? Consider a wider program beyond merely sending out annual letters.
15	21	<i>Salaries and Wages – Projection</i> / Please provide a breakout of overtime amounts in the different divisions. The 2% annual increase is included in the projections but the breakout is not detailed. Further, in the Expenses Initiative summary, Medical Expenses are to account for \$1 million savings annually. However, in the Expense projections, medical expenses go up every year by approximately \$500K. Please clarify.

REF #	PAGE	HEADING / REMARKS
16	25	<i>Other-Post Employment Benefits /</i> January 1, 2018 is the date of the most recent valuation. When will the City perform a “new valuation”? Some of the details and suggestions noted earlier in this commentary would be helpful for inclusion here. In addition, acknowledging the mixed reviews on prefunding OPEB liability, has the City ever given it consideration?
17	30	<i>Expense Forecasts /</i> Please breakout “Debt Service” into mandatory and optional components. What contributes to the drops in Services, Supplies, and Other Operating Costs between 2021 and 2022, on their own and in comparison to the Expense Growth Assumptions chart on page 26?
18	33	<i>Implement Workforce Stabilization Program /</i> Are there any other key vacancies and/or turnover?
19	34	<i>LERTA /</i> Indicate a timeline and objectives for this review, and the criteria for the City’s determination whether to move to a 100% abatement level.
20	39	<i>2020 Completed Facilities Capital Projects /</i> Please provide budget vs. actual for all budgeted capital projects, not just facilities. Completed Facilities Capital Projects: what does that paragraph mean? Why do projects go over budget?
21	42	<i>Operating Forecasts, 2021-2025 /</i> Please move to clerical and encourage General Fund added to table heading.
22	43	<i>Principal Proprietary Funds - Neighborhood Services Fund /</i> Given the direction the fund takes in 2025, more discussion is needed for its long-term projections and whether the narrative’s level of confidence that it is balanced over time is warranted. The spend-down scenario seemed to match the projections when we were only looking as far as 2024, but the number for 2025 is an unwelcome addition and seems unsupportable. It raises concerns for 2026 and beyond; while the result is a 2025 fund balance still above one month of operating cost, its trend line reinvigorates our long term concern about full fund balance depletion. Even nominally, following the stated balancing strategy, the 2025 differential would amount to (rough math) a 1.5% rate increase to balance that year alone. In addition, separately, like the expense forecasts noted above, there is an unexplained drop between 2021 and 2022 in the service and supplies line items before a return to marginal growth of 2% year over year (also not wholly squaring with the narrative’s assertion of contractual fee increases between 2.5% and 8%). Even the reserve target needs additional explanation, with the assertion elsewhere that the GFOA target is two months’ expenses.
23	44	<i>Principal Proprietary Funds - Neighborhood Services Fund (cont’d) /</i> The cost analysis provides greater insight from the first report of the Steelton project received last year. However, there remain operational questions: Cost for staff allocated partially for Steelton, Paxtang and Penbrook; a \$50K escrow fund from Paxtang and impact on NSF fund balance; why no similar requirement of the other two agreements; NSF Personnel costs went up \$872K from FY20 actuals to FY21 projections (assume 6 positions tally about \$360K. What would explain the additional increase?); and regarding collections, how is City responding to the suggestion that the Treasurer has been promoting for the last three years?

REF #	PAGE	HEADING / REMARKS
Clerical/Grammatical		
24	1	<i>Extension of Special Taxing Powers</i> / Confirm "20%" statistic. It is 19% according to the table on page 7.
25	2	<i>Extension of Special Taxing Powers (cont'd)</i> / Undo bold style.
26	6	<i>Operating Results</i> / Please add numbering for all figures, tables, etc. (e.g., Figure 1).
27	8	<i>Ground Lease/City Priority Payments</i> / Check this statement: "Per the asset transfer agreement, the City was [estimated?] to receive \$2.3 million [...]."
28	16	<i>Headcount</i> / Confirm the figure of 498.5 FTEs. The individual figures provided add up to 508.5.
29	26	<i>Expense Growth Assumptions, 2021-2024</i> / "See Expense Initiatives 4.1(2) 5.1(2) "
30	27	<i>Consider Options to Finance the Series 2005A-2 Bond Defeasance [...]</i> / "[...]" but it is the City's intention to avoid that scenario all together <u>altogether</u> ."
31	27	(cont'd) / Update "\$38.8 million."
32	28	<i>Annual Debt Service Comparison</i> / Check format consistency for the last row.
33	29	<i>Debt/Liability Balance Comparison</i> / Check format consistency for the last row.
34	33	<i>Implement Workforce Stabilization Program</i> / "[...] a candidate that meets all of the department's needs as has not been identified."
Comments on City Responses to ICA Five Year Commentary (Marc Woolley Letter)		
35	6-7	<i>Audit Findings and Accounting</i> / In general, this acknowledges the ICA concerns and indicates City willingness to work with ICA on resolution of accounting practices, GASB and GAAP compliance, along with resolution of audit findings. It refers to specific sections of the Plan dealing with each of these matters, and we note this is also a stipulation of the Intergovernmental Cooperation Agreement. The question of how a city the size of Harrisburg meets GASB and GAAP requirements remains unresolved: is it one where there is compliance in the first instance upfront by keeping books in modified accrual form and the system and staff are capable of generating compliant reports, or is it one where cash-basis accounting and post-activity, third-party generation of compliant reports are acceptable. It may revolve on a difference between operational optimization and statute; the latter is compliant with statute while the former gives managers and the public a more accurate and actionable picture of finances on a real-time basis. That said, the letter's recap of information presented previously to the ICA Board and the offer to meet with the auditors on these matters can help further illuminate these differences and find a defensible goal and strategy going forward.
36	8, 10, 11, 23	<i>Neighborhood Services Fund Overhead</i> / The additional detail is responsive and helpful (including the Steelton/Paxtang notes at the end of the letter), acknowledging the history, structure and the actual numbers for determination and allocation of overhead. The philosophical note on general policy regarding charge-back of program-specific overhead to the general fund is acknowledged and is appropriate. The corrections regarding (11) are acknowledged.

REF #	PAGE	HEADING / REMARKS
37	24	<i>Neighborhood Services Fund balance draw-down</i> / This appears to be a candid review and assessment of current and future conditions, and appropriately recognizes strategies for capital and service costs as well as potential for both fund balance and rate-payers if grant funding options do not materialize or collection rates do not improve to the anticipated levels or on the anticipated timeline. An explanation would be helpful on the change in the reserve target (one month versus the prior stated percentage) and the difference between this and the two-month reserve goal for the general fund.

In summary, thank you very much for the opportunity to present these questions and comments to the City of Harrisburg in response to your draft Mayor's Five-Year Plan, as presented April 30, 2021.