

ANNUAL REPORT OF THE
INTERGOVERNMENTAL COOPERATION
AUTHORITY FOR HARRISBURG
TO THE GOVERNOR AND GENERAL ASSEMBLY



April 30, 2023

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DISCLAIMER

The statements, representations, and conclusions contained herein are those of the Intergovernmental Cooperation Authority for Harrisburg (the “Authority”), an independent public authority and instrumentality of the Commonwealth, and are done in conformity with the Intergovernmental Cooperation Authorities Act for Cities of the Third Class (“Act 124”), 53 P.S. § 42101, et seq. The unaudited statements of the Authority contain qualified opinions that are solely based upon the Authority’s review of previously created documents by others and the independent personal observations of the Authority. This is a required report under Act 124. The reporting of the Authority to the Commonwealth of Pennsylvania and its constituent parts has no bearing upon the previously produced and reasonable financial forecasts made by the City of Harrisburg. This report should be relied upon only insofar as it is a mandated requirement of the Authority under Act 124.

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EXECUTIVE SUMMARY.

The City of Harrisburg's financial condition is currently stable.

On September 28, 2022, pursuant to Act 124, the Authority approved the City's revised Five-Year Financial Plan. This was the first revision to the Plan by the new administration of Mayor Wanda R.D. Williams. The Plan forecasts balanced General Fund budgets over the next five years. It also laid out the steps to retire the City's entire general-obligation debt—which, the Authority is pleased to report, **in fact was accomplished on March 10, 2023.**

On December 13, 2022, the City timely adopted its municipal budget for 2023, which the Authority reviewed for conformance with the criteria set forth in Act 124. As a whole, the budget meets the Authority's expectations for the proper financial management of the City and builds a foundation of stability for the City's financial future.

On March 22, 2023, the Authority approved a change in the annual submission date for the City's Five-Year Financial Plan to August 31 of each year. The next revision to the Five-Year Financial Plan is due for submission by August 31, 2023. It is our mutual hope that the annual revision to the Plan dovetails with the process for adopting the City's annual budget.

On April 20, 2023, the Authority received minor revisions to the City's Five-Year Financial Plan to account for differences between the existing Plan and the enacted City budget for 2023. These were discussed at the Authority's April meeting and review of the City's final submission will be voted on at its May meeting.*

Harrisburg is on the cusp of exit from Act 47 distressed city status. That and the essential planning necessary to navigate the City's finances into the future remain major focuses of the work of the Authority.

The Authority emphasizes three themes to help advance the financial stability of the City:

1. sound financial management and reporting;
2. community and economic development; and
3. operational excellence.

The Authority continues to advise the City to develop and implement initiatives to address various issues affecting the City's progress to financial stability.

* Revised May 1, 2023

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SOUND FINANCIAL MANAGEMENT & REPORTING.

One of the Authority's top priorities is improvement of Harrisburg's financial management and reporting functions.

Director of Finance Position Filled in 2022.

From July 2020 to January 2022, the City's Director of Finance position was vacant. Upon assuming office in January 2022, Mayor Williams announced Marita J. Kelley as the new Director of Finance. As the former Act 47 Coordinator for the City, Ms. Kelley brought a depth of knowledge of City finances and immediate credibility to the position. She serves as the City's ex officio, non-voting member on the Authority Board.

2021 Audit Is Not Yet Complete.

The City's 2021 Audit remains incomplete as of the date of this report. Under ordinary circumstances it should have been completed in 2022. The extraordinary length of time is due to staffing constraints carried over from the prior administration's final year, including the vacant Director of Finance position. It is exacerbated by an overhaul of the City's financial management technology platform, initiated under the prior administration and implemented successfully in 2022 under the new administration. The technology implementation process made intensive demands on key City personnel.

The timely completion of annual audits is critical to improving the City's financial management and reporting abilities. While the Authority acknowledges the delayed completion of the 2021 Audit, the importance of re-building capacity within the City's Bureau of Financial Management, both staffing and technological, cannot be overstated.

In the 2020 Audit (the most recently completed for the City), the City's Independent Auditor identified a number of material weaknesses and significant deficiencies in internal control over financial reporting and other matters, for which corrective action had not been completed. A "material weakness" is the most serious type of finding.

The timely and consistent completion of annual audits must be a top priority for the City going forward.

Neighborhood Services Fund.

Created in 2016, the Neighborhood Services Fund (NSF) is a principal proprietary fund of the City. It accounts for the revenues and expenses associated with refuse collection and disposal. The NSF budget has historically relied on the use of fund balance for its capital needs and operating expenses. The City's 2022 Five-Year Financial Plan identifies continued reason for concern. The NSF's fund balance is the primary funding source for future capital improvement and vehicle replacement needs.

The City perennially suffers low collection rates on accounts receivable in the NSF. Beginning in 2021, the City began to demonstrate marked improvement in its collection on accounts receivable. The collections as a percentage of billings improved from 90.1% in 2020, to 96.0% in the first half of 2022.

Receivables on delinquent sanitation and disposal accounts peaked in 2020, with a balance in excess of \$12 million. The City has added staff dedicated to collections on delinquent accounts, and initial results are encouraging; the balance is shrinking and approaching \$10 million as of June 30, 2022. Finally, the City has proposed allocating a portion of its American Rescue Plan (ARP) funding to recoup delinquent balances accrued during the Covid-19 pandemic by certain low- and moderate-income customers.

Pre-payment of Ambac debt obligations.

A series of steps to defease and pre-pay long-term debt obligations of the City, begun in 2021, was finally completed in 2023. **As of March 10, 2023, the City has retired all its general-obligation debt.** We believe this is a major step towards reestablishing the City's credit rating and re-gaining access to credit markets.

COMMUNITY AND ECONOMIC DEVELOPMENT.

Key to securing Harrisburg's long-term health is expanding its economic base and the growth of its own local tax revenues.

Commitment to Community and Economic Development.

The City does not currently have a community and economic development plan. The new administration has communicated its intent to develop a comprehensive plan in partnership with community stakeholders in 2023. We are hopeful for the opportunity to report progress in the future on a community and economic development plan for Harrisburg.

We note that per the 2023 budget, one individual is responsible for the role of director for two departments: the Department of Building and Housing Development (four days per week) and the Department of Community and Economic Development (one day per week). The Authority is monitoring the sufficiency of the resources being allocated to this area.

American Rescue Plan funding.

In 2022, the administration took steps to develop a spending plan for use of the American Rescue Plan (ARP) federal funding. The City received a total of \$47,073,625 in rescue plan funds.

In 2022, the City appropriated \$5.5 million for HVAC equipment replacement at the Public Safety Building, \$1.26 million for one-time bonuses to first responders, and \$8.8 million to cover lost revenues due to the pandemic.

As of the date of this report, the City is considering a second appropriation totaling \$28.1 million for a list of proposed uses. If approved, approximately \$3 million would remain for future appropriation.

Impact of the COVID-19 Pandemic.

The protracted remote work environment had a pronounced negative impact on the downtown business district and parking revenues for the City. However, the City's real estate and mercantile tax receipts have been remarkably resilient. The long-term impact of COVID-19 on the City's progress with community and economic development remains unclear.

OPERATIONAL EXCELLENCE.

The City's full financial recovery involves addressing legacy operational issues.

Communication and Cooperation.

One of the Authority's top priorities is communication and cooperation with Mayor Williams and her administration. We believe Mayor Williams has assembled a highly qualified management team, and she is committed to developing a strong working relationship with the Authority.

Information Technology infrastructure.

The City operates legacy Information Technology infrastructure with unsupported hardware and software that has the risk of failing at any point. The City's mainframe infrastructure is more than 30 years old.

The Authority believes the City is making significant and positive strides to address its issues with legacy IT infrastructure. The City has entered into an agreement with Tyler Technologies to implement its Munis system, a leading integrated Enterprise Resource Planning (ERP) system. Munis integrates all of the core operations onto a single platform.

In January 2023 the new Financial Management software went live. Additional software applications are being implemented in phases, including Asset Management and Codes Enforcement. The implementation team assembled for this purpose, and the phased schedule, appear to be consistent with best practices for a project of this scope.

Performance Measurement.

The City does not practice systematic performance measurement. We believe implementing an effective system of performance measurement will enhance the efficient management and fiscal recovery of the City.

Trash Service to Neighboring Municipalities.

The Bureau of Neighborhood Services has been actively engaged in a number of key projects in the refuse and recycling, maintenance, and infrastructure development areas. In addition to City trash collection, the City has entered into intergovernmental cooperation agreements with the Boroughs of Steelton, Penbrook, and Paxtang allowing the City to provide municipal solid waste and recycling collection and disposal services. This is a major advancement in the use of City owned resources to provide trash services to neighboring communities.

Under the prior administration, the Authority expressed concern with the accounting, cost allocation, and reporting practices for these intermunicipal services. Under the new administration, the City implemented new accounting controls to allow the cost of servicing these intermunicipal contracts to be more fully understood. The contract with the Borough of Steelton expires at the end of 2023, and is currently under negotiation for potential renewal.

OPEB Trust.

On March 23, 2021, the City Council approved an ordinance authorizing the creation of an OPEB Trust Fund. While the ordinance provides for the establishment of a Board of Trustees, this has not yet been accomplished. The creation of the OPEB Trust Fund is an outstanding component of the Harrisburg Strong Plan and a requirement of Act 124. The OPEB Trust Fund is initially funded with approximately \$3.3 million as a result of the implementation of the Harrisburg Strong Plan. It is noted that the City's estimated OPEB liability as of December 31, 2021 was \$157.6 million and the City pays its retirement benefit costs in "pay-as-you-go" fashion.

BACKGROUND.

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.

The Authority has prepared this report pursuant to Section 203(b)(4) of the Intergovernmental Cooperation Authorities Act for Cities of the Third Class (Act of October 24, 2018, P.L. 751, No. 124) (“Act 124”).

Act 124 confers upon the Authority specific duties, including the following:

To prepare an annual report within 120 days after the close of the assisted city’s fiscal year to the Governor and the General Assembly describing the assisted city’s financial condition and the authority’s progress with respect to restoring the financial stability of the assisted city and achieving balanced budgets for the assisted city. An annual report shall be signed by the chairperson of the board and shall:

(i) Be submitted to the Governor, the presiding officers of the Senate and the House of Representatives, the chairperson and minority chairperson of the Appropriations Committee of the Senate and the chairperson and minority chairperson of the Appropriations Committee of the House of Representatives and the governing body, chief fiscal officer and controller of the assisted city. The report shall be publicly available in the assisted city during normal business hours for public inspection, shall be posted on the authority’s publicly accessible Internet website and may be provided to a member of the public upon request at a cost not to exceed commercial costs of reproduction.

(ii) Clearly show by consistent category the last five years of operating revenues and expenditures, capital expenditures, gross and net indebtedness transactions, including a schedule of principal and interest, five-year projections of the assisted city’s operating and capital budgets and the entire projected indebtedness transactions, including a schedule of principal and interest of the indebtedness until any and all debt has been completely retired.

(iii) Contain a narrative explaining progress of the assisted city in meeting its annual and five-year budgetary objectives, an appraisal by the authority of the progress the assisted city is making to achieve its goals and an appraisal of the extent to which the assisted city is making a good faith effort to achieve its goals.

(iv) Disclose any violations of Federal and State law that the authority may have discovered.

(v) Include as appendixes all historical loans or other contracts entered into by the assisted city and its corporate entities.

In preparing this document, the Authority draws from previously published reports and studies by others, including

- The City of Harrisburg's 2022 Five-Year Financial Plan dated September 20, 2022.
- Preliminary Data submitted in support of the Five-Year Financial Plan in April 2023.
- The City of Harrisburg's Comprehensive Annual Financial Report for FY2020.
- The City of Harrisburg's Approved 2023 Budget.
- The Act 47 Recovery Coordinator's Quarterly Status Reports.
- The City Controller's Monthly Revenue and Expenditure Reports.
- The Harrisburg Strong Plan, as revised.
- Interviews with public officials, other stakeholders, and their generous allowance of time.

APPRAISAL OF THE CITY'S PROGRESS.

From 2012, when the City was placed in receivership, to date, on the cusp of emerging from the Act 47 program for distressed municipalities, the City has made significant progress: approaching sustainable and balanced operating budgets, building a fund balance reserve, funding capital projects, increasing service levels, and retiring its entire general-obligation debt. Despite these significant accomplishments, much work remains to be done to meet the objective of achieving financial stability. The Authority members have articulated issues and areas of concern that we have asked the City to address as we move forward toward progress.

The Authority is currently focused on a specific set of issues affecting the City's progress to financial stability. More work needs to be done.

ISSUE #1: INTERGOVERNMENTAL COOPERATION AGREEMENT.

Act 124 provides that the Authority and the City shall enter into an intergovernmental cooperation agreement. An agreement will formalize key terms of the working relationship between the Authority and the City, as we work together to foster the fiscal integrity of Harrisburg. Once approved by the Authority, the Mayor, ratified by City Council, and authorized by Commonwealth Court, an agreement would allow the distressed status of the City under the Municipalities Financial Recovery Act ("Act 47") to terminate.

In our 2021 and 2022 reports, we reported that a draft of the agreement was negotiated and approved by an act of City Council in 2021. We also reported the Authority granted a request from the City, that the agreement not be executed until such time as Commonwealth Court had reviewed pending legal matters that could be affected by the City's exit from Act 47. Therefore, the agreement is in limbo.

The Authority is anxious to see the approved agreement become official and for the City to exit Act 47 status. To that end, the Board has pledged to cooperate with the Pennsylvania Department of Community and Economic Development Act 47 Coordinator, the City, and other stakeholders in preparation of the finalization of the approved agreement and the change in the City's status.

A draft of the approved agreement is available on the Authority's website.

ISSUE #2: COMMUNICATION AND COOPERATION.

The Authority believes Act 124 presents a valuable opportunity to engage the leaders of our Commonwealth and develop an alignment of vision between the Authority and the City.

There is great optimism and opportunity with Mayor Williams and her administration. The Authority is pleased to report on the level of communication and cooperation with the City. Mayor Williams and departmental leaders in her administration have developed effective working relationships with Authority members, meeting regularly and conferring on the matters discussed within this report.

The City's *ex officio* member of the Authority Board facilitates communications between the Authority and the City. In January 2022, Marita Kelley became the City's *ex officio* member. As the former Act 47 Coordinator and alumna of the Pennsylvania Department of Community and Economic Development, Ms. Kelley lends immediate credibility to the City's financial management. She brings a depth of knowledge of City finances to the position. The Authority applauds her appointment.

ISSUE #3: CITY'S FIVE-YEAR FINANCIAL PLANS.

Under Act 124, the City is required to develop, implement, and periodically revise a financial plan.

Initial Five-Year Financial Plan.

On May 29, 2019, the Authority approved the initial Five-Year Financial Plan submitted by former Mayor Eric Papenfuse to the Authority. The plan included an introduction, historical financial results, a capital improvements budget, baseline financial forecasts, and a narrative entitled "Path Forward." In addition, a supplemental Capital Improvement Plan and the existing 2019 Budget were provided with previous reports.

2020 Plan approved in 2021.

The Authority approved the 2020 Five-Year Financial Plan on March 10, 2021. The tortuous path to final approval was elaborated in previous reports.

2021 Plan approved.

The Authority approved the 2021 Five-Year Financial Plan on July 8, 2021. The submission was dated June 11, 2021, and represented a satisfactory submission by the City. This was the final plan submitted by the Papenfuse administration.

2022 Plan approved.

Upon assuming office in January 2022, Mayor Williams indicated her desire to propose revisions to the current Five-Year Financial Plan pursuant to Act 124, in part due to changes in priorities for the new administration and in part based on the statutory allowance for a new administration to amend the previously adopted budget. On March 23, 2022, the Authority approved a request from Mayor Williams that the annual update to the Plan be delayed until June 30, 2022.

The Authority approved the 2022 Five-Year Financial Plan on September 28, 2022. The submission was dated September 20, 2022, and represents a satisfactory submission by the City and the first Plan approval under the leadership of Mayor Williams.

The following represent a summary of the Board's continued items of focus following this submission:

- *American Rescue Plan Funding.* The Plan included by reference the administration's proposed uses for American Rescue Plan (ARP) funding.
- *Economic Development Strategic Plan.* Key to securing the City's long-term health is expanding its economic base and the growth of its own local tax revenues. The Plan states the administration's intent to complete a long-term economic development strategy that will serve as a framework for setting clear and attainable economic development objectives.

- *Neighborhood Services Fund.* The Authority remains concerned with the financial stability of the Neighborhood Services Fund (NSF).
- *Other Post-Employment Benefits Trust Fund.* The establishment of an OPEB Trust is a requirement of Act 124.
- *Real Estate Tax Yield and Payments in Lieu of Taxes.* The Authority is concerned that the City is sensitive to the value of commercial real estate for tax revenues, and that more can be done to obtain Payments in Lieu of Taxes (PILOTs) from entities with tax-exempt status.
- *Headcount of Personnel.* The Authority remains concerned with the inability to hire and retain qualified professionals for key positions in city government.
- *Yield from Parking Garage Ground Leases.* The Authority remains concerned with the prospects for revenue from the parking scheme to rebound.

A copy of the 2022 Plan is enclosed with this report.

Data submitted in support of the Five-Year Financial Plan in April 2023.

At April 26 meeting, the Authority did receive data from the City, which acts as an interim financial analysis and will allow this report to be updated with accurate data for April 2023. This report includes that data analysis.

Annual submission of Five-Year Financial Plan.

Pursuant to Act 124 the City is required to prepare and submit its proposed Five-Year Financial Plan to the Authority annually, at least 100 days prior to the beginning of the City's fiscal year or on another date as the Authority may approve.

On March 23, 2022, at the request of Mayor Williams, the Authority approved a change in the annual submission date for the City's Five-Year Financial Plan to August 31 of each year. The next revision to the Five-Year Financial Plan is due for submission by August 31, 2023. It is our mutual hope that that the change in submission date allows the annual revision to the Plan to more closely dovetail with the process for adopting the City's annual budget.

ISSUE #4: COMMUNITY AND ECONOMIC DEVELOPMENT.

The Authority is interested in a comprehensive approach to community and economic development. It is the City's responsibility to formulate and implement such a plan. The Authority will advise, assist, and be a partner to the City.

Community and Economic Development Planning.

The City does not currently have a Community and Economic Development Plan. The City has communicated that an economic development strategic plan is in the process of being drafted and a draft document has been shared with the Authority board.

Subjects covered by the upcoming plan include:

- Land use policy
- Neighborhood reinvestment
- Housing and transportation choices
- Support for entrepreneurs, service providers, academia, corporate partners, non-profits, and governmental agencies
- Small businesses and entrepreneurs
- Minority and women-owned businesses
- Artists, creative professionals, educators, researchers, child care providers, and other creative industries
- A flourishing arts and culture industry
- Hospitality and tourism
- Workforce development
- Supporting and expanding the City's tax base
- Healthy food choices
- Financial literacy, and
- A reliable transportation network.

The City's economic development efforts for much of 2022 were focused on helping the local business community cope with post COVID related pressures and hardships cause by the lack of state employees daily working in Harrisburg.

The City has a Local Economic Revitalization Tax Assistance (LERTA) program. The City reports that in its current form, it has not proven to be an effective tool for encouraging major redevelopment projects in Harrisburg. In order for the City to realize some of the benefits that the LERTA program hoped to encourage, such as elimination of blight and significant redevelopment, the program may require modifications.

Key to securing the City's long-term financial health and quality of life is expanding its economic base and the growth of its own local tax revenues. We are hopeful for the opportunity to report progress in the future on a Community and Economic Development Plan for Harrisburg.

ISSUE #5: FINANCIAL MANAGEMENT AND REPORTING.

Director of Finance position filled in 2022.

From July 2020 to January 2022, the City's Director of Finance position was vacant. This vacancy deprived the City of critical financial management and leadership.

Upon assuming office in January 2022, Mayor Williams announced Marita J. Kelley as the new Director of Finance. As the former Act 47 Coordinator for the City, Ms. Kelley lends immediate credibility to the City's financial management and brings a depth of knowledge of City finances to the position. The Authority applauds the appointment of Ms. Kelley. She serves as the City's *ex officio*, non-voting member on the Authority board.

2021 Audit Is Not Yet Complete.

The City's 2021 Audit remains incomplete as of the date of this report. Under ordinary circumstances it should have been completed in 2022. The extraordinary length of time is due to staffing constraints carried over from the prior administration's final year, including the vacant Director of Finance position. It is exacerbated by an overhaul of the City's financial management technology platform, initiated under the prior administration and implemented successfully in 2022 under the new administration. The technology implementation process made intensive demands on key City personnel.

The timely completion of annual audits is critical to improving the City's financial management and reporting abilities. While the Authority acknowledges the delayed completion of the 2021 Audit, the importance of re-building capacity within the City's Bureau of Financial Management cannot be overstated.

The timely and consistent completion of annual audits must be a top priority for the City going forward.

In the 2020 Audit (the most recently completed for the City), the City's Independent Auditor identified a number of material weaknesses and significant deficiencies in internal control over financial reporting and other matters, for which corrective action had not been completed. A "material weakness" is the most serious type of finding. Select highlights of the findings included:

- For the third consecutive year, the Independent Auditor expressed a qualified opinion on major federal programs in its Single Audit Report.
- The City does not have adequate staffing to produce its financial statements in accordance with generally accepted accounting principles applicable to governmental entities (GAAP). The City should have the ability to produce GAAP financial statements. This is a repeat finding.
- There was one (1) repeat finding—down from four (4) repeat findings in the prior year—for federal awards related to equipment and real property management. During the audit it was noted that the City was not conducting an inventory of equipment and real property purchased

with CDBG grants funds. Failure to submit reports and plans by the required deadlines could jeopardize future funding.

- As previously noted in the December 31, 2007, through December 31, 2019 audits, no physical inventory of capital assets has been taken since 2005.

The Authority urged the City to take immediate corrective action for all material weaknesses. The new Administration stated their commitment to addressing these issues.

The Authority has advised that the ability to maintain accounting and render financial reports in a manner consistent with GAAP standards is a crucial tool for management and others to know the City's financial position on a real-time, day-to-day basis. We note that in January 2023 the City's new ERP system for financial management went live, which will better position the City to implement accounting practices and standards in accordance with GAAP.

2023 City Budget.

On December 13, 2022, the Harrisburg City Council approved the 2023 City Budget. This was the culmination of the first full-year budget cycle of Mayor Williams' new administration.

The budget is \$110.45 million in total, Harrisburg's smallest budget since 2019. The General Fund represented \$74.95 million in spending, and the Neighborhood Services Fund (NSF) indicated a planned \$20.01 million in spending, when the budget was approved.

Pursuant to Act 124, the Authority is tasked to review and make recommendations concerning the budgetary and fiscal affairs of the City. The Authority received and reviewed the proposed 2023 budget and additional information provided by the City for conformance with the criteria set forth in Act 124. Additionally, the Authority observed the City Council's budget hearings and workshops. Three broad observations follow:

- The 2023 budget included significant differences from the City's Five-Year Financial Plan, as approved by the Authority on September 28, 2022. Pursuant to Act 124, after the budget is adopted, the City should submit the enacted budget to the Authority as a proposed revision to the Plan.
- The 2023 budget funds several important initiatives which the Authority applauds and which are a credit to the Administration:
 - The final payoff of the Ambac forbearance liability;
 - Utilization of American Rescue Plan (ARP) funding; and
 - A recent award of supplemental CARES Act funding for capital projects.

- The 2023 budget includes a fund balance transfer for both the General Fund and for the Neighborhood Services Fund. The financial viability of the Neighborhood Services Fund remains a major concern for the Authority.

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

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

With regard to the General Fund budget, the Authority offered the following comments and observations:

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

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

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

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

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

As we move forward into 2023 and in summary:

- The Authority remains worried about the City's use of fund balance in both the General Fund and the Neighborhood Services fund. We acknowledge that the City supports and maintains a Fund Balance Policy and continue to urge the City to continue to take steps to maintain a structurally balanced budget across all funds at all times.
- We find that the significantly increased expenditures proposed for FY23 warrant further review especially as we move into future year projections. To that end, the Authority requested that the administration submit a supplemental update to the City's Five-Year Financial Plan before the April 30, 2023.
- As the Authority has communicated in the past, the Authority applauds the City's efforts to pay off its Ambac, which has since occurred.
- In the City's budget narrative, there is significant weight given to the importance of performance measurements. We believe implementing an effective system of performance measurement will enhance the efficient management and fiscal performance of the City.
- As previously stated, the Authority is interested in a comprehensive Community and Economic Development Plan, which the Authority understands, is nearly complete.

As a whole, the City's approved 2023 budget met the Authority's expectations for the proper financial management of the City of Harrisburg.

Neighborhood Services Fund.

Created in 2016, the Neighborhood Services Fund (NSF) is a principal proprietary fund of the City. It accounts for the revenues and expenses associated with refuse collection and disposal. The NSF budget has historically relied on the use of fund balance for its capital needs and operating expenses. The City's 2022 Five-Year Financial Plan identifies continued reason for concern. The NSF's fund balance is the primary funding source for future capital improvement and vehicle replacement needs.

The City perennially suffers low collection rates on accounts receivable in the NSF. Beginning in 2021, the City began to demonstrate marked improvement in its collection on accounts receivable. The collections as a percentage of billings improved from 90.1% in 2020, to 96.0% in the first half of 2022.

Receivables on delinquent sanitation and disposal accounts peaked in 2020, with a balance in excess of \$12 million. The City has added staff dedicated to collections on delinquent accounts, and initial results are encouraging: the balance is shrinking and approaching \$10 million as of June 30, 2022. Finally, the City has proposed allocating a portion of its American Rescue Plan (ARP) funding to recoup delinquent balances accrued during the Covid-19 pandemic by certain low- and moderate-income customers.

Operating Forecasts.

The following is a summary of data from the Five-Year Financial Plan dated April 20, 2023

| City of Harrisburg | | Amended | | | |
|------------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Description | FY 2022 Actual | FY 2023 Budget | FY 2024 Forecast | FY 2025 Forecast | FY 2026 Forecast |
| Revenues | 77,121,963 | 69,209,297 | 71,709,315 | 72,500,000 | 73,000,000 |
| Expenses | 77,518,342 | 77,445,940 | 68,465,592 | 69,848,597 | 71,259,539 |
| Operating Result | (396,379) | (8,236,643) | 3,243,723 | 2,651,403 | 1,740,461 |
| Prior Year Encumbrances | 2,835,925 | | | | |
| Baseline Capital Expenses | 684,332 | 2,181,171 | 2,890,009 | 2,933,495 | 2,962,911 |
| Change in Cash Fund Balance | (3,916,636) | (10,417,814) | 353,714 | (282,092) | (1,222,450) |
| Beginning Cash Fund Balance | 27,062,140 | 23,145,504 | 12,727,690 | 13,081,404 | 12,799,312 |
| Ending Cash Fund Balance | 23,145,504 | 12,727,690 | 13,081,404 | 12,799,312 | 11,576,862 |
| Percentage of Total Expenses | 29% | 16% | 18% | 18% | 16% |

The projections show operating surpluses and the ability to maintain levels that exceed General Fund balance targets throughout the projection period. After each fiscal year, the City will assess its fund balance position relative to target minimum levels and allocate any unspent budget funds to bring the funds into full compliance, if necessary.

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ISSUE #6: OPERATIONAL EXCELLENCE.

The City's full financial recovery will benefit from additional improvement with operational issues.

Compliance for Major Federal Programs.

The City's Independent Auditor expressed a qualified opinion on compliance for major federal programs in the Single Audit Report dated December 28, 2021. The Independent Auditor also identified additional findings for other instances of noncompliance and internal controls over compliance.

Information Technology Infrastructure.

The City operates legacy Information Technology infrastructure with unsupported hardware and software that has the risk of failing at any point. The City's mainframe infrastructure is more than 30 years old, with comparably outdated software.

The City is making significant strides to address its issues with legacy IT infrastructure and is moving in the right direction. The City projects nearly \$1.5 million in IT capital projects over the next four years to upgrade their systems. These projects will allow the automation of certain time-consuming processes which are currently manual or maintained off system, integrate and update databases, provide for coordination across applications, and improve internal controls for the City.

A contract with Tyler Technologies ("Tyler") to migrate to their Munis system was fully executed on March 3, 2022. Munis is an Enterprise Resource Planning (ERP) solution that integrates all of the core operations onto a single platform. The modular design will allow the City to integrate seamlessly other modules to fit future needs.

In January 2023, the first phase of the Munis system implementation went live, namely the financial management applications.

This migration involves the conversion of historical data and processes from a variety of legacy systems including the City mainframe, Revenue, and Personnel systems, plus the Central Square eFinance system and the Paychex payroll system. The new system is hosted by Tyler in their Data Center and accessed by City employees through a secure internet interface. As additional applications are migrated to Munis, the existing systems, both hardware and software, will be retired and decommissioned.

The most commonly requested reports include YTD Budget, Next Year Budget Projections, Earnings and Benefits, Personnel Lists, and Collections. With a keystroke and a few report parameters, staff and elected officials will have detail and summary reports with custom groupings and subtotals. We believe this will greatly improve budget and management documents with the detail and clarity that comes from clean reports.

The Authority is optimistic that the improved capabilities of the new system will permit more purposeful financial management and timely reporting for the City's many stakeholders going forward.

Performance Measurement.

The City currently does not practice systematic performance measurement. We believe implementing an effective system of performance measurement will enhance the efficient management and fiscal recovery of the City. The City has acknowledged this issue and pledged to develop such measures as soon as possible.

ISSUE #7: PROGRAM MANAGEMENT WITH FEDERAL FUNDING.

The City's Independent Auditors identified a material weakness and significant deficiencies with the City's management of federal funding. As a result, the auditors expressed a qualified opinion in their Single Audit report for 2020. (The 2021 Audit is significantly delayed, as discussed elsewhere in this report).

The Authority believes it is a matter of utmost urgency to rectify these audit findings and maintain access to federal funding. The City has prepared an outline of responses and intended corrective actions, which was presented to the Authority.

ISSUE #8: DEBT LOAD AND RESTORING ACCESS TO CREDIT MARKETS.

Despite successfully retiring all its general-obligation debt, the City still does not have an investment grade credit rating because of the previous default during the City's 2012-2012 fiscal crisis. Key to the City's long-term viability is access to the debt markets to fund capital projects and other deferred maintenance needs. To that end, the City has endeavored to restore an investment grade credit rating to build standing with investors and minimize borrowing costs.

Early retirement of general-obligation debt.

A series of steps to defease and pre-pay long-term debt obligations of the City, begun in 2021, was finally completed in 2023. **As of March 10, 2023, the City has retired all its general-obligation debt.** We believe this is a major step towards reestablishing the City's credit rating and re-gaining access to credit markets.

In 2021, the City reached an agreement on a debt restructuring with one of its key creditors, Ambac Assurance Corporation ("Ambac"). Under the two-step plan, the City defeased approximately \$4.98 million in outstanding debt related to 2005 renovations at the City-owned minor league baseball stadium. The City also made a pre-payment of \$4 million for its "forbearance liability" to Ambac, a debt related to missed bond payments during the City's 2010-2012 fiscal crisis. The combined payments were almost \$9 million. In return, Ambac gave the City an immediate \$3,288,900 discount on the forbearance liability, plus a reduction in the interest rate on the remaining balance from 6.75% to 5% for three years. These matters were accomplished in November 2021. The forbearance liability was at approximately \$19,572,019 after the agreement was settled, and continued to accrue interest.

In December 2022, the City made an additional, voluntary prepayment of \$12 million.

On March 10, 2023, the City made a final, voluntary prepayment of \$8.3 million, completing the retirement of this forbearance liability. With that payment, the City has retired all its general-obligation debt.

Debt guarantee for the Harrisburg Redevelopment Authority, Series 1998A (Verizon Bonds).

In 1998 the City guaranteed a loan issued by the Harrisburg Redevelopment Authority (“HRA”) and insured by Financial Security Assurance, now Assured Guaranty Municipal Corp (“AGM”), that was used to acquire a site now known as the Verizon Tower. Anticipating the need to rely on the City’s guarantee for debt service payments scheduled to begin in 2016, in 2015, the City, the HRA, and AGM entered into a settlement agreement. The settlement agreement outlined terms for annual debt service payments that provided liquidity to the City, which was under Act 47 and could not afford to make the full scheduled debt service payments. Under the settlement agreement, the City is required to make minimum contributions between \$500,000 and \$1.5 million annually through 2032.

Guaranteed Energy Savings Contract.

The City obtained a bank loan with M&T Bank using a guaranteed energy savings contract extended by The Efficiency Network. In its Five-Year Financial Plan, the City forecasts a final payment and loan satisfaction to occur in 2023.

Re-establishment of credit rating.

The next step with debt management is for the City to decide whether to re-enter the debt marketplace. While their credit rating is currently non-existent, with the Ambac settlement, the City can undertake a debt rehabilitation project with Moody’s Investor Services to re-establish a credit rating.

Furthermore, the discussion on whether to use new debt financing for appropriate projects did not commence in 2022. Appropriate projects, pursuant to advice from the Government Finance Officers Association (GFOA) would be the utilization of debt to finance capital improvements with a multi-year or multi-generational benefit for the City.

The appropriate use of debt is to spread the cost of capital improvements, which increase asset value (i.e., build a physical asset for the community) so that the entire cost of such an improvement is not front-loaded on current taxpayers.

The alternative is to make use of the additional cash flow and liquidity from the end of the General Obligation (G.O.) debt for the benefit of the operating budget. If the City chooses, the end of the debt obligation can improve the resources of the City to pay for operations.

For example, in 2023 the budget calls for all capital investments to be funded either through grants or pay-as-you-go. This approach will only suffice to address a fraction of the needs on the City’s capital projects list. It is necessary for the City to determine how to pay for such expenses on an ongoing basis.

Act 124 of 2018 prohibits issuance of new debt.

The Intergovernmental Cooperation Authorities Act for Cities of the Third Class (“Act 124”), 53 P.S. § 42101, et seq., not only established the Authority, but it also limits the “Assisted City” from issuing new debt.

Section 208. Limit on city borrowing.

An assisted city and its corporate entities may not borrow or receive funds for any lawful purpose unless the assisted city has entered into an intergovernmental cooperation agreement with the authority and there is an approved financial plan in effect.

The Intergovernmental Cooperation Agreement that was approved by the Authority, City and City Council in 2021 remains unsigned. As a result, the City remains under Act 47 status and still subject to the Distressed City designation. The Authority hopes that the Agreement can be signed promptly, and the City removed from Act 47. The Authority has been advised that the City Solicitor’s office is reviewing the status with the hope of resolving the remaining issues and getting the Agreement signed and the City removed from Act 47 in the second quarter of 2023.

Until the Agreement is finalized, the City is prohibited from the issuance of new debt.

ISSUE #9: PERSONNEL AND LABOR AGREEMENTS.

In 2020, the City and the Fraternal Order of Police Capital City Lodge No, 12 (“FOP”), ratified a new collective bargaining agreement that runs through 2025 and includes regular salary increases based on a fixed pay scale determined by years of service and job classification. Based on the pay scale and anticipated staffing levels, the City projects average annual salary increases of 2%.

Per its collective bargaining agreement, salaries for the International Association of Firefighters, Local No. 428 (“IAFF”) union members have increased 2% annually through 2022. The contract is currently being negotiated for an extension but the parties are at an impasse.

The City and the American Federation of State County and Municipal Employees District Council 90, Local 521 (“AFSCME”) have agreed to 3% salary increase for 2022-2025. Each AFSCME Bargaining Unit employee will receive \$1,500 lump sum for 2023, and \$1,000 lump sum for 2024 and 2025.

In addition to salaries, overall compensation includes a wide variety of components, such as overtime, longevity pay, shift pay, special assignment pays, other cash premiums and bonuses, employer portion of applicable payroll taxes, vacation, holidays, paid leave, active employee life insurance, and other miscellaneous fringe benefits.

Due to the 2013 contract amendments, all full-time employees (represented and non-represented) were moved to the Basic Health Plan that previously had only been mandatory for non-represented City employees. In addition, all unions agreed their members would contribute towards the cost of health care premiums, as set forth below:

IAFF active employees contribute towards their health insurance coverage at the rate of \$40 per biweekly pay for single coverage, and \$90 per biweekly pay for two or more-person coverage.

The City self-insures for health insurance coverage, meaning it does not use a third-party provider for health insurance. Medical expenses are potentially a volatile expenditure. These expenses are projected to increase 5% annually from 2023 to 2026, which is in line with the City’s experience and the actuarial assumptions used in the calculation of the City’s Other Post-Employment Benefits liability.

The City also provides post-retirement health benefits for its represented employees. In recent contract negotiations, the bargaining units have agreed to change retirement benefits with respect to active employees and future (yet-to-be-hired) employees. All units agreed that future employees would not be entitled to receive post-retirement health care at the City’s cost. All bargaining units agreed that active employees, upon their retirement, would be provided benefits at the same levels as active employees, and that such retiree coverages may be modified from time to time if similarly modified for active employees.

Headcount of Employees.

In the 2023 Budget, Harrisburg currently employs 470 full-time employees, including 378 full-time equivalents budgeted to be paid out of the General Fund, 80 to be paid out of the Neighborhood Service Fund, and 2 paid from the Host Fee Fund. In addition, 10 employees are paid out of the Federal Department of Housing and Urban Development (HUD), Community Development Block Grant Fund (CDBG).

The following table shows the number of budgeted 2023 full-time employees by employee group:

| Bureau | Positions Filled/Positions Allocated | | |
|---------------------------------|--------------------------------------|-------------------|---------------|
| Business & Resource Development | 2/2 | | |
| Business Administrator | 2/2 | | |
| City Council | 10/10 | | |
| Codes | Management 3/4 | AFSCME: 17/18 | |
| Communications | 1/2 | | |
| Controller | 3/3 | | |
| Financial Management | 7/7 | AFSCME: 1/1 | |
| Fire | Management: 5/5 | IAFF: 97/100 | |
| Fleet Management | Management: 1.15/1.15 | AFSCME: 8/9 | |
| Grants | 1/2 | | |
| Human Resources | 7/7 | | |
| Information Technology | 7/7 | | |
| Licensing & Taxation | Management: 2/2 | AFSCME: 5/5 | |
| Mayor | 3/6 | | |
| Parks, Recreation & Facilities | Management: 12/13 | AFSCME: 8.75/9.75 | |
| Planning | 4/4 | | |
| Police | Management: 17/19 | FOP: 129/146 | AFSCME: 18/18 |
| Solicitor | 8/11 | | |
| Traffic & Engineering | Management 4/4 | AFSCME: 10/10 | |
| Treasurer | 3/3 | | |

ISSUE #10: PRIVATIZATION INITIATIVES.

The City made a commitment to the Authority to explore possibilities of intergovernmental agreements with surrounding municipalities for police services, regionalized fire protective services, and solid waste and recycling collection and disposal service.

Neighborhood Services Fund.

In 2019 the City entered into an Intermunicipal Solid Waste Agreement with the Borough of Steelton to provide refuse collection and disposal services. In 2020, the City entered into similar service agreements with the neighboring boroughs of Paxtang and Penbrook. The City was unable to provide an analysis of the financial impact on the City's operating and capital budgets prior to entering into these agreements.

City management is committed to proper reporting on revenues and expenses related to its intermunicipal agreements, and in December 2021, a format of such reports was produced as a part of the 2022 budget process.

As part of the submission of the revised Five-Year Financial Plan for 2024, a revised report will be prepared. We note that indirect costs and overhead, which are paid for out of the General Fund, have not been allocated for (see previous indirect cost discussions in this report) and so the real benefit to taxpayers and ratepayers for these intermunicipal service agreements remains unknown.

ISSUE #11: INTERGOVERNMENTAL COOPERATION OPPORTUNITIES.

Key Stakeholders.

The City's challenges and opportunities can best be addressed and resolved by cooperation with stakeholders. To foster cooperation and assist the financial recovery of Harrisburg, Authority members invest a significant amount of time engaging with key stakeholders. A non-exhaustive summary of key stakeholders is as follows.

- *City Management.* A standing meeting with Mayor Wanda R.D. Williams and Authority Chair Audry Carter and Vice-Chair H. Ralph Vartan is scheduled monthly. These meetings are seen as an opportunity to review the upcoming board meeting agenda, discuss Authority business, and foster cooperation.
- *City Council.* Authority Members meet periodically with City Council members. The Authority has met with Council President Danielle Bowers and Council Vice-President Ausha Green. Those meetings were an opportunity to share information and opinions, discuss Authority business, and foster cooperation. Authority Board members also attend Council's budget hearings and hearings on proposed ARPA distributions.
- *Act 47 Coordinator.* Act 47 Coordinator Madra Clay assists in implementing the Harrisburg Strong Plan, monitors the City's cash flows on a bi-weekly basis, and files quarterly status reports with the Commonwealth Court as long as the City remains in Act 47 distressed status. She regularly sits in on the Authority meetings, and is invited to comment on proceedings.

- *City Controller.* The office of City Controller Charlie DeBrunner assists the Authority with useful information regarding the City's finances, assists in its interpretation and identifies opportunities to foster integrity in financial management and reporting. Mr. DeBrunner is knowledgeable about internal operations and helps to ensure the implementation of and adherence to prudent financial management policies and procedures.
- *City Treasurer.* The office of City Treasurer Dan Miller assists the Authority in a myriad of ways related to the City's finances. Mr. Miller is focused on prudent financial management practices such as policies and solutions to increase the collection of receivables.
- *Dauphin County.* Dauphin County is supportive of the City's financial recovery. Numerous opportunities for cooperation exist to benefit the City's financial recovery. In the past, for example, the County has offered assistance with information technology operations for the City and regionalized solutions to critical public services like public safety and 911 dispatch. The Authority looks forward to exploring and facilitating further partnerships between these two vital bodies.
- *Impact Harrisburg.* Coming out of the Strong Plan, Impact Harrisburg primarily benefits Harrisburg by providing grants for City economic development and infrastructure projects that bolster Harrisburg's tax base, provide jobs for City residents and positively improve the operational efficiency of the City. Its first-round grants to larger business and non-profit entities was followed at the outset of the pandemic with a Neighborhood Business Stabilization Program, matched with City funds and providing grants to small Harrisburg businesses. Its latest grant round provided mid-sized grants targeting small entrepreneurial businesses. In 2022 Impact Harrisburg also completed a disparity study, co-funded by the City and Dauphin County, to catalog the disadvantaged business population in the City and to identify barriers to their establishment and growth.
- *Harrisburg Regional Chamber & CREDC.* The Harrisburg Regional Chamber & CREDC is a champion for Harrisburg and a key partner in the City's financial recovery. HRC/CREDC is equipped to engage in more opportunities for cooperation in the area of community and economic development.
- *Capital Region Water.* Capital Region Water was created in 2013 as part of the Strong Plan. It has vastly improved the quality of service being provided to the City's water and sewer customers. In 2015, CRW and the City entered into a partial consent decree to help reduce runoff pollution entering the Paxton Creek and Susquehanna River. CRW launched a program, dubbed "City Beautiful H2O," to restore failing infrastructure, reduce combined sewer discharges, improve the health of our local waterways, and beautify our neighborhoods through community greening. CRW is a vital partner in Harrisburg's financial recovery.
- *Additional stakeholders.* The Authority believes residents and businesses of the City are a vital part of the process of Harrisburg's financial recovery. The Authority has committed to holding listening sessions with these stakeholders in cooperation with the City.

Opportunities for Cooperation.

As provided in Act 124, the Authority has recommended taking into consideration various opportunities for cooperation or merger of services with other public entities.

Through conversations with various stakeholders, Authority members have become aware of several opportunities that the City should re-visit.

- *Information Technology Infrastructure.* The City operates legacy IT Infrastructure that is being replaced. The Authority has advised the City to explore cooperation opportunities with Dauphin County in this area.
- *Public Safety.* The Authority is aware of past studies on the merits of regionalizing public safety as a way to create cost savings and improve service levels. The Authority has advised the City to explore cooperation opportunities with Dauphin County and suburban municipalities in this area.

SUPPLEMENTAL INFORMATION.

FINANCIAL PRESENTATIONS.

Section 203(b)(4)(ii) of Act 124 provides that this report shall:

Clearly show by consistent category the last five years of operating revenues and expenditures, capital expenditures, gross and net indebtedness transactions, including a schedule of principal and interest, five-year projections of the assisted City's operating and capital budgets and the entire projected indebtedness transactions, including a schedule of principal and interest of the indebtedness until any and all debt has been completely retired.

Enclosed with this report is the City's Five-Year Financial Plan dated September 20, 2022, which contains several of the required financial presentations as of 2022, which has since been amended by the adoption of the 2023 budget and the publishing of this report.

VIOLATIONS OF FEDERAL AND STATE LAW.

Section 203(b)(4)(iv) of Act 124 provides that this report shall:

Disclose any violations of Federal and State law that the authority may have discovered.

The Authority has not discovered any violations of federal or state law except as may be discussed herein.

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APPENDICES

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City of Harrisburg
Dauphin County, Pennsylvania



2022 Five-Year Financial Plan

Submitted to:

Intergovernmental Cooperation Authority of Harrisburg

Rev. Dr. Martin Luther King, Jr. City Government Center
10 North 2nd Street
Harrisburg, PA 17101

As approved by the Intergovernmental Cooperation Authority
For the City of Harrisburg on September 28, 2022

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1 Executive Summary

On January 3, 2022, Wanda R.D. Williams took office as the 39th Mayor of the City of Harrisburg, Pennsylvania. Mayor Williams is the second African American female Mayor of the City. Previously, she served on City Council for 16 years, including 12 years as its President.

To assure her Administrative Staff was up to full complement she hired Daniel Hartman, Business Administrator and Deborah Robinson, Special Assistant to the Business Administrator. As for the Financial Management Staff she hired Marita J. Kelley, Director of Budget and Finance, Timothy Brooks, Budget Manager, and she plans to hire a Special Assistant to the Director of Budget and Finance and a Financial Analyst, in the very near future.

By providing additional staff to her Administration, as her first order of business, she was to able develop and introduce the amended 2022 Annual Budget to City Council. The 2022 Annual Budget was the first budget in nearly thirty years to produce a General Fund budget surplus of \$1.5 million.

Under her leadership she will work with City Council to distribute \$47.3 million dollars in American Rescue Plan Act (ARPA) funds. Her goal is to improve the overall quality of life for the citizens of Harrisburg through affordable housing, assistance with utility bills, add several parks facilities, and provide for the demolition of abandoned and blighted property.

The City's fund balance as of June 15, 2022 was \$34.5 million. The Mayor has carefully steered the City into a fiscally responsible governmental unit. She works very closely with the City of Harrisburg's Intergovernmental Cooperation Authority (ICA), the Pennsylvania Department of Community and Economic Development's Act 47 Municipalities Financial Recovery Team, the Dauphin County Board of Commissioners, and Harrisburg Regional Chamber of Commerce to assure intergovernmental cooperation. In addition to a 2022 balanced budget, a fiscally responsible purchasing practice, and a clean Annual Audit, Mayor Williams remains focused on sound financial management practices.

As the Mayor prepared to present the City of Harrisburg's Intergovernmental Cooperation Authority (ICA) with the 2022 Five-Year Financial Plan, her Administration has demonstrated the ability to achieve structurally balanced budgets, maintain sufficient fund balances, and provide a strategy for the long-term financial management planning for the City.

The centerpiece of her first year in office will be to pay off the Series 1997 Series D and F Bonds in September 2022. She will further meet with AMBAC to determine the necessary terms to pay off the remaining debt owed to them. If she is successful in paying off both bonds, she will effectively add \$12.4 million dollars annually to the City's cash balance. By reducing the debt service for the City and eliminating the high interest payments relating to the AMBAC arrangement, she will allow the City to further examine its long-range financing of future capital needs. She understands that the City can no longer ignore its vital capital investment needs. The Capital City, founded in 1719, incorporated as a city in 1860, has some of the oldest infrastructure in the United States as it is situated in the Northeast.

As part of her long-term plan she will need to fund the City's future unfunded capital needs (defined in the appendix of this document). The Mayor will plan to borrow \$15.5 million dollars in 2023 which will increase her debt service to \$5.5 million dollars per year (a lesser amount for fiscal year 2023). Even with this borrowing, the City still anticipates a strong General Fund Balance through fiscal year 2026. With the careful management of its debt portfolio, the Mayor can realistically put forth this bold long-term financial management plan.

The road back to fiscal stability through the implementation of the Act 47 Strong Plan, has involved difficult decisions and managerial discipline. The City has sold assets, properly managed staff, and increased taxes/fees where necessary. The Harrisburg community, City employees, and a variety of stakeholders have successfully evolved from fiscal distressed and have formed a reasonable path forward to sound financial management.

At the forefront of Harrisburg's fiscal revival has always been the Honorable Wanda R.D. Williams. Since the Act 47 Strong Plan was implemented in 2012, she is the only person to be engaged throughout the entirety of the City's Financial Recovery. Mayor Williams was elected as Harrisburg's City Council President in January 2010, and since then, through her leadership, the City of Harrisburg has enacted numerous pieces of legislation and started important partnerships with Commonwealth stakeholders which has put the City on the right path.

Most notably is the development of Impact Harrisburg, which has served as an important vehicle for economic development and infrastructure improvements in the City. Since 2016, Impact Harrisburg has secured 32 grants for the City worth \$10.2 million dollars. The Strong Plan also paved the way to fund a business disparity study, which not only will lead to more business coming into the City of Harrisburg in the future years, but businesses which will promote diversity. One of Mayor Williams' top priorities, going back decades to her time as an AFSCME union leader, has been fighting for equality and inclusion. Her leadership in getting the disparity study off the ground will put Harrisburg on the right track for future generation.

Furthermore, in her time as City Council President, Mayor Williams oversaw \$22.7 million dollars in funds from the Pennsylvania Department of Transportation to go towards the infrastructure improvements of 2nd Street, 3rd Street, and 7th Street. Modernizing these busy thoroughfares with freshly paved streets and ADA compliant walkways does more than just make Harrisburg safer. They help to better connect three of Harrisburg's busiest neighborhoods – Downtown, Midtown, and Uptown – and is doing so, better connects the people of Harrisburg as well.

Fortunately, as the Mayor guided City Council through the City's fiscal recovery, in 2021, the State Legislature permitted the City to maintain the special taxing power for the Earned Income Tax (EIT) and Local Services Tax (LST). These taxing powers generated approximately \$13.6 million (\$9.3 million in EIT and \$4.3 million in LST) in fiscal year 2021. The expiration of these taxing powers would have resulted in a difficult fiscal cliff that would have required draconian budget cuts, which has now been avoided without any increases in existing tax rates.

The next major priority of the Mayor is economic development. After experiencing the effects of the pandemic there is still much more to do to encourage businesses to invest in Harrisburg, to improve the housing stock by encouraging moderate to low income housing, and to provide an opportunity for diverse businesses to thrive within the City.

Key to securing the City's long-term health is expanding its economic base and the growth of its own local tax revenues. The City's economic development efforts for the recent past was focused on helping the local business community cope with and survive COVID related economic pressures and hardships. Through cooperative efforts with City Council, Impact Harrisburg, Harrisburg Regional Chamber, and Capital Region Economic Development Corporation, the City was able to provide technical assistance and created monetary programs to help locally owned small businesses survive during this difficult time.

Though the immediate crisis has required a series of policy responses that were short-term in nature, the City has not lost sight of its commitment to long-term economic development and growth. The City is taking aggressive and necessary steps to achieve its economic development goals. In order to improvement the economy and revitalize neighborhoods, Mayor Williams has chosen to incorporate the Director of Department of Building and Housing and the Director of Economic Development, Dennise Hill, to create and encourage economic development through sound fiscal management of the CDBG, HOME IMPROVEMENTS, and ESG programs and to provide fair, safe, and affordable housing for all City of Harrisburg residents.

This new approach should improve the current housing stock, encourages home ownership, and reduces blight within the City, all of which have been major impediments to the City's economic growth.

American Rescue Plan Act

Harrisburg's fiscal recovery was well underway prior to the passage of the American Rescue Plan Act ("ARPA") and the associated allocation of stimulus and relief measures. Allocations from ARPA will enable the City to build on its recent fiscal achievements and consider strategic investments to secure its long-term stability. The City's ARPA allocation is \$47.3 million, representing a unique opportunity to support critical community initiatives. The Mayor has set forth her ARPA proposal to City Council, and she and the legislative body will soon reach an agreement as to how this money will be earmarked.

The City has made significant strides to emerge from distressed status and this plan represents another key step towards full fiscal recovery. The City looks forward to collaborating with the Intergovernmental Cooperation Authority, State and Local elected leaders, City employees, and other stakeholders to reach this goal.

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Operating Fund Balance Forecasts for 2022-2026

In November 2021, the City did achieve through its General Fund budget both the full defeasance of the Harrisburg Redevelopment Authority Taxable Guaranteed Revenue Bonds, Series A-2 of 2005 and a related \$4 million paydown of its bond insurance forbearance liability. Currently, the Mayor’s Financial Management staff is looking into potentially reducing this liability to an even greater extent prior to the end of current fiscal year 2022. In other words, a full pay-off of the AMBAC liability within fiscal year 2022, would effectively eliminate the City’s nearly \$4 million per year in bond payments from 2023-2026.

Below are the Operating Forecasts for 2022-2026, the forecasts include Revenue and Expenditure Activity and Beginning and Ending Fund Balance. The forecast for 2026, Ending Fund Balance is \$45,566,446.

**Table 1
Operating Forecasts¹ 2022-2026**

| | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | 74,871,101 | 67,215,042 | 68,194,796 | 69,194,145 | 70,213,481 |
| Expenses | 81,797,034 | 56,958,437 | 58,876,145 | 61,811,463 | 62,019,333 |
| Operating Result | (6,925,933) | 10,256,605 | 9,318,651 | 7,382,682 | 8,194,148 |
| Baseline Capital Expenses | 2,189,991 | 1,961,902 | 2,358,555 | 1,485,702 | 1,725,697 |
| Baseline Change in Fund Balance | (9,115,924) | 8,294,703 | 6,960,096 | 5,896,980 | 6,468,451 |
| Beginning Fund Balance | \$27,062,140 | \$17,946,216 | \$26,240,919 | \$33,201,015 | \$39,097,995 |
| Ending Fund Balance | \$17,946,216 | \$26,240,919 | \$33,201,015 | \$39,097,995 | \$45,566,446 |
| Fund Balance Pct of Expenses | 21% | 44% | 54% | 61% | 71% |

¹ Operating forecast include General Fund revenue and expenditure activity. For the purposes of these projections, transfers to the Debt Service Fund are reflected as operating expenses.

The projections show operating surpluses and the ability to maintain levels that exceed General Fund balance targets throughout the projection period. After each fiscal year, the City will assess its fund balance position relative to target minimum levels and allocate any unspent budget funds to bring the funds into full compliance, if necessary.

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2 American Rescue Plan Act (“ARPA”)

In March 2021, President Biden signed into law the American Rescue Plan Act, a \$1.9 trillion aid package designed to speed the recovery from the economic and health impacts of the COVID-19 crisis. ARPA includes a wide range of stimulus and relief measures such as direct payments to individuals, a child tax credit, funds for capital projects, homeowner and emergency rental assistance, small business relief, among other provisions. A major part of the ARPA is a \$350 billion State and Local Fiscal Recovery Fund to provide emergency funding for state, local, territorial, and Tribal governments to address the mismatch between rising costs and declining revenues during the pandemic.

State and local government recipients may use the funds to cover costs by December 31, 2024. The funds will be distributed in two tranches with 50% received in June of 2021 and the remainder to be delivered no earlier than one year later.

The City’s total allocation is \$47.3 million. The City has hired NW Financial to assist in the appropriate implementation and reporting for the ARPA funds. The City is current in providing Program Reports.

The ARPA funding will be transformative for the City. It represents a unique opportunity to invest in critical infrastructure needs, and support other community initiatives. The aid does not need to be spent until 2024, which allows the City to develop a strategic and deliberate plan. As noted above, the Mayor and her Administration have presented to City Council her plan to utilize the ARPA funding, including already receiving council approval on revenue replacement, a new HVAC system for the Public Safety Building and one-time, \$5,000 bonuses for police officers and firefighters. She also held five public meetings to discuss with the Harrisburg Community and related organizations on their insights in distributing the funding.

The ARPA funds will impact many aspects of its five-year plan including, but not limited to, unrestricted fund balance levels, available capital program funds, and community and economic development. The City is committed towards utilizing these funds to promote and further develop the multi-year financial planning goals.

3 Historical Financial Results

This section presents a picture of Harrisburg’s financial results since 2017 and provides the basis for revenue and expense growth expectations for the future. Based on historical operating results, trends, and existing contracts, this chapter develops the growth assumptions for revenues and expenses that are the foundation for the five-year financial forecasts.

3.1 Summary of Principal Funds

The City accounts for its primary financial operating activity with two main governmental funds, which reflect the City’s tax-supported activities:

- General Fund – Primary operating fund and accounts for all financial resources except those accounted for in another fund.
- Debt Service Fund – Accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs.

For the purposes of this plan, transfers to the Debt Service Fund are shown as General Fund expenses.

Basis of Accounting

All City funds are audited in accordance with Government Accounting Standards Board (“GASB”) standards. The Bureau of Financial Management makes annual adjustments for proper financial presentation within the audited Comprehensive Annual Financial Report. However, for budgeting and internal financial management purposes, the City accounts for financial activity on a budgetary basis which includes a monthly cash basis reporting of total actual revenue and expenditures to the City Controller’s office and other third-party stakeholders. This monthly reporting also includes open encumbrance balances outstanding as of month-end to reflect the City’s total cash commitment and actual available cash at the end of the period. This approach allows for the transition from cash basis to budgetary basis accounting and an accurate reporting of available fund balance. The budgetary basis of reporting does not include any accruals for receivables or payables, nor any non-cash expenditures. So, the financial schedules for budgeting and accounting, in this plan, uses the cash basis of accounting.

The City will work with the ICA to ensure compliance with Act 124 regarding generating modified accrual based financial reports in accordance with GASB standards. The City will also work with the ICA to establish a reasonable timeframe and criteria to meet compliance with this requirement. The City has consulted with its independent auditor on this issue, and they have expressed a willingness to speak with the ICA about potential solutions. Until it can produce a budget based on the modified accrual accounting, the City will identify and note differences between the modified accrual basis of accounting and budgetary basis of accounting in its budget document.

Several of these issues must be resolved before this transition to fuller GASB compliance report(s) is made. As a first step, the City has recently purchased Tyler Technologies’ MUNIS software and this financial management system will more appropriately facilitate GASB compliance. The City Financial Management Staff has begun training with the new system and the General Ledger segment of the training will be completed by December 31, 2022 and is expected to go live on January 1, 2023.

4 Revenues

The table below presents a five-year history of Harrisburg's revenues by major category from 2017 to 2021.

Real Estate taxes are the City's primary revenue source representing 26.12% of all revenues. The City's three highest revenue sources, Real Estate, Earned Income, and Local Services taxes, combined comprise 54.85% of Harrisburg's operating revenues. The percentage of these sources' share of total revenues is slightly lower than usual in 2021 due to steep declines in parking related income. Please keep in mind the 2021 information is not the 2021 audited figures, as the audit was not completed before the report was issued.

Table 2
Key Operating Revenues
2017-2021

| | 2017 | 2018 | 2019 | 2020 | 2021 | Pct of Avg Rev |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| Real Estate Tax | 17,594,052 | 17,962,858 | 17,240,236 | 16,879,690 | 17,981,087 | 26.12% |
| Real Estate Transfer Tax | 642,804 | 1,026,603 | 1,026,697 | 843,880 | 868,475 | 1.31% |
| Hotel Tax | 0 | 0 | 900,000 | 900,000 | 1,000,000 | 0.83% |
| Local Service Tax | 7,413,159 | 6,726,219 | 6,824,394 | 6,488,369 | 6,533,431 | 10.13% |
| Earned Income Tax | 11,446,980 | 11,895,302 | 12,761,772 | 12,739,112 | 13,546,945 | 18.59% |
| Mercantile/Business Privilege Tax | 7,621,587 | 7,720,195 | 8,200,696 | 7,391,790 | 7,771,048 | 11.53% |
| Department of Administration Revenue | 1,090,501 | 1,126,360 | 1,151,510 | 317,413 | 351,853 | 1.20% |
| Department of Building & Housing Revenue | 2,039,471 | 1,772,534 | 1,561,585 | 1,591,344 | 2,206,809 | 2.73% |
| Department of Public Safety Revenue | 7,002,925 | 6,978,978 | 6,949,364 | 7,168,055 | 7,331,297 | 10.56% |
| Department of Public Works Revenue | 665,914 | 633,302 | 610,176 | 616,659 | 939,491 | 1.03% |
| Department of Parks & Recreation Revenue | 10,110 | 5,181 | 13,801 | 265 | 2,706 | 0.01% |
| Fines & Forfeits | 855,222 | 874,079 | 745,232 | 541,528 | 889,062 | 1.16% |
| Licenses & Permits | 635,509 | 592,192 | 570,074 | 546,713 | 516,702 | 0.85% |
| Interest Income | 98,671 | 219,204 | 531,381 | 342,007 | 21,150 | 0.36% |
| Rental Revenue | 34,223 | 34,730 | 68,231 | 35,283 | 105,835 | 0.08% |
| Miscellaneous Revenue | 3,502,765 | 2,048,547 | 2,551,693 | 2,198,490 | 2,681,432 | 3.87% |
| Other Financing Sources | 27,412 | 0 | 61,875 | 27,246 | 1,500 | 0.04% |
| Intergovernmental Revenue | 5,483,587 | 6,499,183 | 7,030,302 | 3,728,062 | 3,093,511 | 7.70% |
| Interfund Transfers | 134,602 | 409,034 | 0 | 2,856,614 | 2,966,174 | 1.90% |
| Fund Balance Appropriation | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Total General Fund Revenue | 66,299,496 | 66,524,501 | 68,799,019 | 65,212,518 | 68,808,510 | 100.00% |

4.1 Revenue Forecasts

Below is the multi-year revenue forecast based on historical growth trends, planned initiatives, and other available data. The 2022 Proposed Revenues will fluctuate as the result of the actual activity through year end; however, based on the first six months of revenue activity this revenue estimate will provide a good projectory.

Table 3
Revenue Forecast
2022-2026

| | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Real Estate Tax | 17,402,257 | 17,750,302 | 18,105,308 | 18,467,414 | 18,836,763 |
| Real Estate Transfer Tax | 1,141,873 | 1,164,711 | 1,188,005 | 1,211,765 | 1,236,000 |
| Hotel Tax | 700,000 | 714,000 | 728,280 | 742,846 | 757,703 |
| Local Service Tax | 6,584,693 | 6,716,387 | 6,850,715 | 6,987,729 | 7,127,483 |
| Earned Income Tax | 14,004,820 | 14,284,916 | 14,570,615 | 14,862,027 | 15,159,267 |
| Mercantile/Business Prvlg. Park Tax | 8,193,517 | 8,357,388 | 8,524,535 | 8,695,026 | 8,868,927 |
| Department of Administration Revenue | 351,119 | 1,162,182 | 1,162,182 | 1,162,182 | 1,162,182 |
| Department of Building & Housing Revenue | 1,974,342 | 1,974,342 | 1,974,342 | 1,974,342 | 1,974,342 |
| Department of Public Safety Revenue | 2,342,727 | 2,342,728 | 2,342,728 | 2,342,728 | 2,342,728 |
| Department of Public Works Revenue | 485,297 | 485,297 | 485,297 | 485,297 | 485,297 |
| Department of Parks & Recreation Revenue | 6,235 | 6,235 | 6,235 | 6,235 | 6,235 |
| Fines & Forfeits | 769,835 | 769,835 | 769,835 | 769,835 | 769,835 |
| Licenses & Permits | 538,569 | 538,569 | 538,569 | 538,569 | 538,569 |
| Interest Income | 162,423 | 162,423 | 162,423 | 162,423 | 162,423 |
| Rental Revenue | 82,730 | 82,730 | 82,730 | 82,730 | 82,730 |
| Miscellaneous Revenue | 2,771,208 | 2,557,853 | 2,557,853 | 2,557,853 | 2,557,853 |
| Other Financing Sources | 20,350 | 20,350 | 20,350 | 20,350 | 20,350 |
| Intergovernmental Revenue | 8,124,794 | 8,124,794 | 8,124,794 | 8,124,794 | 8,124,794 |
| Interfund Transfers ² | 9,214,311 | 0 | 0 | 0 | 0 |
| Fund Balance Appropriation | 0 | 0 | 0 | 0 | 0 |
| Total General Fund Revenue | 74,871,101 | 67,215,042 | 68,194,796 | 69,194,145 | 70,213,481 |

² In Fiscal Year 2022, the City has selected to utilize the opportunity as part of the ARPA program to recognize revenue loss ed from the past three years, this projected amount budgeted to be transferred is \$8,863,000. Other transfers are included in the number.

The following is a description of each major operating revenue source followed by an annual growth assumption for the multi-year financial forecast.

Real Estate Taxes – In 2021, the City collected approximately \$18 million in Real Estate taxes, including \$15.2 million in current Real Estate taxes and \$2.8 million in delinquent taxes. The City collected \$16.9 million in Real Estate tax revenue in 2020 including \$14.9 million in current and \$1.96 million in delinquent collections. Please note that during fiscal year 2020 there was a drop in real estate taxes due to the pandemic; however, during fiscal year 2021 there was a rebound that included increases of the current and prior year taxes paid. The catch-up in current and prior year taxes is an encouraging sign that the City is emerging and recovering from the pandemic, in a fiscally healthy way.

The City's Real Estate tax millage is split into the assessed value of the land (30.97 mills) and the value of improvements or structures (5.16 mills). The blended land and improvement components result in an effective millage rate of 10.955 mills.

The City as the Capital City of the Commonwealth of Pennsylvania is home to many governmental entities and non-profit and, thus, tax-exempt properties represent a large portion of Harrisburg's real estate value. Total combined land and value components are almost 50% tax-exempt.

Projection – Current collections for 2021 tax revenue has modestly rebounded from 2020. Current collections are projected to increase modestly from 2022 to 2026, reflecting limited increases in assessed values and a constant collection rate. No change in millage rate is assumed. Delinquent collections are projected to remain relatively flat in 2022.

Local Services Tax – The Local Services Tax is an annual \$52 tax (or \$1 per week) charged to every person working in the City that does not qualify for the low-income exemption (annual income below \$24,000). The LST is imposed on individuals who within a municipality as compensation for the services provided by the municipality irrespective of the person's residency.

Among other amendments to Act 47 that were enacted in late 2014 was the ability of Act 47 communities to increase the LST from \$52 per year to \$156 per year. The city first implemented the increases LST in 2016. Similar to the EIT this special taxing power was scheduled to expire with the termination date of the ICA at the end of calendar year 2024. However, the change in the fiscal code extends these full special taxing powers for 10 years and then extends the 50% of the special taxing power for another five years. Harrisburg's LST collections were \$6.48 in 2020 & \$6.53 million in 2021.

Projections – LST projections from 2022 to 2026 are based on employment level stabilizing.

Earned Income Tax – The City imposes an Earned Income Tax on residents and non-residents. Under the Local Tax Enabling Act (Act 511), the EIT is capped at 1% and split equally with the School District, effectively limiting the tax to 0.5% for residents. The non-resident EIT is also capped at 1%.

Under Act 47 provisions and as recommended in its previous recovery plans, the City imposed an additional 1% EIT on its residents. These special taxing powers were scheduled to expire with the termination of the ICA at the end of calendar year 2024, however, as noted above, the recent change to the state fiscal code extends the EIT taxing power indefinitely for the City.

The City collected \$13.5 million in 2021, which, despite the COVID pandemic, was in line with the 2020 collections.

Projection – As the national and regional economy recovers, the City realized an increase in revenue from \$12.7 million in 2020 to \$13.5 million in 2021. The five-year projections assume a healthy recovery in 2022, with lower unemployment rates and an expanding labor force by year-end. The projections also assume a 2% growth in Earned Income Tax from 2022 through 2026 will continue.

Parking Tax – The Parking Tax is found as part of the Mercantile/Business Privilege Tax data. The City imposes a 20% tax on all revenues generated from off-street parking lots and garages (not meters). In 2020, the City realized \$3.5 million in Parking Tax revenues; however, 2021 revenues were \$3.375 million. The City expects that Parking in the immediate Central Business District will continue to improve and the Capital Area Complex parking to remain the same unless more State employees return to the Capital Complex on a more regular basis.

Projection – This plan projects Parking Tax revenues to rebound in 2022 through 2026. The projections assume a 2% annual growth in 2022 to 2026; however, these revenues are somewhat at risk with the prospect of increased telecommuting and reduced parking activity within the City.

Mercantile Business Privilege Tax – The Mercantile Business Privilege Tax (“BPT”) is a tax on gross receipts on business activity conducted in the City. Revenues from this tax will likely increase by 2% through the end of the five-year plan in 2026.

Projection – The City collected \$7.3 million in 2020. In Fiscal Year 2021 revenue increased to \$7.7 million. The projections also assume a gradual continual recovery growth of 2% for the remain years of 2023, 2024, 2025 and 2026.

Real Estate Transfer Tax – This is a 1% tax on real estate transactions within the City. The City and the School District split the proceeds from this tax.

Projection – This revenue source has leveled off during COVID but is seeing signs of recovery. Based on year- to-date collections, the City collected \$868,475 for 2021 and projects an annual increase of 2% from 2022 to 2026 based on economic trends.

Department Income – This revenue source varies by Department depending on the activity for each.

Projection – Generally these revenue sources do not vary widely and remain fairly constant. The \$5 million dollars from the Commonwealth is actually allocated to Intergovernmental revenue as it is a state distribution for the related services. It is notable that this revenue was recorded under Public Safety Department in the past and was recently moved to Intergovernmental Revenue in 2022.

Fines and Forfeits – This revenue source represents the various fines and forfeits that the City incurs.

Projection – No change in revenue projections is expected for this category.

Licenses and Permits – The City collects licenses, fees and permits revenue for a variety of functions. Building permits, rental inspections, and street cutting inspections are the three main revenue sources in this category.

Projection – These revenues are projected to remain flat from 2022 to 2026.

Interest Income – The City receives interest on their cash investments monthly.

Projection – These revenues are projected to be flat from 2022 through 2026.

Miscellaneous Revenue – Various sources of revenues are included in this category.

Projection – These revenues are projected to be flat from 2022 through 2026. The PILOTS are included in this revenue category.

Other Financing Sources – This category includes other financing sources for the City

Projection – These revenues are projected to be flat from 2022 through 2026.

Intergovernmental Revenue – This category usually records grants from agencies.

Projection – The \$5 Million for Public Safety Services from the State is recorded here.

Interfund Transfers – These are transfers from Other Funds to reimburse the General Fund.

Projection – These transfers are contingent on activities from Other Funds, e.g. debt service.

4.2 Revenue Initiatives

1) Redirect Park Permit Revenues to General Fund

In 2004, the City issued a Park Permit for use of the minor league baseball stadium facilities to lure the Baltimore Orioles to relocate their AA Affiliate and play its home games at the improved stadium facility. Revenues paid pursuant to the Park Permit from the Orioles affiliate were pledged to pay debt service on the Harrisburg Redevelopment Authority, Series 2005A-2 Bonds. The Park Permit agreement was superseded by a new agreement executed in 2007 and continued affiliation with the Washington Nationals. Under the existing Park Permit, the minor league baseball affiliate pays annual rent that is now about \$375,000 with annual consumer price index (CPI) inflation, and \$1.00 of all ticket sales in excess of \$450,000, 30% of the stadium naming rights, and 50% of parking revenues net of taxes and operating expenses. The City assigned Park Permit revenues to the Harrisburg Civic Baseball Club (“HCBC”) to make these debt service payments.

2) Continue to Pursue Increased Payment In lieu of Tax (PILOT) Agreements

Approximately 50% of assessed value in Harrisburg is non-tax revenue generating because it is used for tax-exempt purposes. The City will endeavor to enhance existing PILOT agreements and seek new ones, with the proceeds dedicated to supporting capital improvements.

The City will continue to seek financial support from the non-profit entities located within the City. The City will send additional letters and will continue to work through existing PILOT agreements to renegotiate increased PILOT contributions. The City is initially focusing on those entities that have recently completed new construction projects and expanded their footprint in Harrisburg, as well as potential increases in the assessed value of the property in Dauphin County.

3) Improve Collection Rates in the Neighborhood Services Fund

The Mayor and her staff have recommended to City Council a program offered through ARPA funding that will assist low income and elderly home owners to catch-up on their trash bills and help them to become current with those bills. This will provide an immediate benefit to the low income and elderly home owner and a secondary benefit to the City by helping to eliminate the backlog of delinquent trash customers. The goal is to encourage those who will be assisted with this unique program to remain current with future trash bills and the hope is that the customer will remain consistently on time thereafter.

The benefit of this initiative is helping those individuals impacted by COVID and to allow the City to bring more customers current with their trash bill payments.

The Business Administrator will oversee activities related to improving Neighborhood Services Fund collection rates. The Business Administrator will meet on a quarterly basis with his Finance Team to review progress on implementing this initiative and ensure the team is working collaboratively where appropriate. The City is also in discussions to develop an annual billing program to address these issues, with a legislative package being developed by the City Solicitor's Office.

The City will monitor NSF budget versus actual and year-over-year fee collection reports on a quarterly basis. The Business Administrator is currently exploring other reporting options to include subsets of the fee collection data including commercial, residential, newly current, newly delinquent, and other categories of customer accounts. As the City implements the new General Ledger software, it is likely more appropriate reports will be available for review and input.

4) Review Service Delivery Alternatives

The City has an established track record of collaborating with other governmental and non-governmental entities to deliver services economically and more efficiently. Examples of such arrangements include:

- A transfer of the Communications Center for emergency calls to Dauphin County.
- A transfer of the operation of the Harrisburg Resource Recovery Center from The Harrisburg Authority (now Capitol Regional Water "CRW") to the Lancaster County Solid Waste Management Authority.
- The transfer of the partial City ownership and operation of water and sewer services exclusively to CRW.
- The long-term lease and operation of the City's parking garages and on-street metered parking system to the Pennsylvania Economic Development Financing Authority ("PEDFA") and the Pennsylvania Department of General Services ("DGS").

Police Services

The City is interested in exploring possibilities of intergovernmental agreements with surrounding municipalities for police services to determine if shared services would mutually benefit the City and neighboring municipalities in both police service and the cost of policing. In the past, the City participated in a countywide study of regionalizing policing services that ultimately showed the number of police calls in the City far exceeded the calls elsewhere in Dauphin County. Those facts make shared policing with other municipalities a difficult operational change for other municipal police departments, as their additional availability on City calls would predictably outpace the City's ability to respond to calls in neighboring townships and boroughs.

Fire Services

The City participates in mutual aid agreements for fire protection services and provides fire protection services to the Commonwealth for structures in and outside the City. The Fire Bureau is exploring the potential for regionalized fire protective services, as there is a nationwide crisis in volunteer firefighting. Providing professional fire services has the potential to both provide better protection to more people and property in the areas surrounding the City, but also assist with cost-sharing of equipment and operations.

Procurement

The City joined the Capital Area Procurement Council of Government ("CAPCOG"), which provides advantages in certain (but far from all) categories of purchasing. Also, the City frequently participates in the COSTARS Program operated by DGS for more efficient purchasing. Similarly, the City participates in electrical purchases on a brokered platform provided by the Commonwealth.

Information Technology

The City has worked with a series of Information Technology professionals through teams at Harrisburg University to explore stabilizing, operating, and modernizing essential governmental computer services. The City shares certain technologies relating to policing; utilizes County web-based information for aspects of property and tax data; and routinely accesses the data of other governmental entities to improve efficiencies. The City Public Safety Parking System will be integrated into the new MUNIS system and will reduce duplicity of data entry and assure on-time record keeping for the City's customers.

Waste Removal

The City upgraded its solid waste and recycling services to better satisfy public health needs through its Neighborhood Service Fund and thereby tackled significant blight and trash issues. The City has entered into a successful partnership with Steelton, Penbrook, and Paxtang Boroughs whereby Borough residents pay Harrisburg for trash and recycling services.

5 Expenses

The table below presents a five-year history of the City’s expenses by major category. Personnel and Medical expenses are the main cost drivers, representing 49% of 2021 operating expenses. In 2021, personnel and medical expenses, along with debt service, comprised 71% of total operating expenses, which significantly limited budget flexibility.

Table 4
Key Operating
Expenses 2017-2021

| | 2017 | 2018 | 2019 | 2020 | 2021 | Pct of Budget |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------|
| Personnel | 28,605,023 | 29,517,938 | 30,447,220 | 31,457,827 | 33,311,449 | 38% |
| Medical | 10,034,106 | 9,157,579 | 10,107,539 | 9,387,608 | 9,764,674 | 11% |
| Services | 4,951,820 | 6,833,348 | 5,919,138 | 5,587,092 | 5,972,561 | 7% |
| Supplies | 1,789,366 | 2,347,103 | 2,137,803 | 2,061,570 | 2,148,222 | 2% |
| Debt Service | 9,962,755 | 10,098,487 | 11,175,421 | 10,541,493 | 19,209,979 | 22% |
| Other Operating | 1,683,043 | 330,134 | 434,473 | 1,073,165 | 785,734 | .9% |
| Transfers ³ | 2,951,666 | 345,868 | 523,241 | 0 | 285,823 | .3% |
| Total Operating Exp | 59,977,779 | 58,630,457 | 60,744,835 | 60,108,755 | 71,478,442 | |
| Capital Expenses | 3,382,146 | 4,568,910 | 6,955,164 | 1,379,816 | 2,386,869 | |
| Total (incl Capital) | \$63,359,925 | \$63,199,367 | \$67,699,999 | \$61,488,571 | 73,865,311 | |

³ Transfers to the Senators Fund for payment on the Series 2005A-2 Bonds are represented as Debt Service.

Workforce

Like most local governments, personnel costs are the main expense driver in Harrisburg’s operating budget. The substantial majority of Harrisburg employees are represented by one of three unions: the Fraternal Order of Police Capital City Lodge No. 12 (“FOP”), the American Federation of State County and Municipal Employees District Council 90, Local 521 (“AFSCME”), and the International Association of Firefighters, Local No. 428 (“IAFF”).

Headcount

For 2022, Harrisburg is budgeted to employ 545.25 full-time employees, including 445.15 full-time equivalents budgeted to be paid out of the General Fund, 96.6 to be paid out of the Neighborhood Services Fund, and 3.5 paid from the Host Fee Fund. Ten employees are paid out of the Community Development Block Grant Fund, these ten employees are not included in the schedule below.

The following table shows the number of budgeted full-time employees by employee group:

Table 5
Employee Summary by Employee Group, 2022

| Employee Group | Covered Positions | 2022 Budgeted Total FTEs | Contract Expiration |
|-----------------------|--|---------------------------------|----------------------------|
| Non-represented | Executive, management, confidential | 120.5 | N/A |
| FOP | All sworn police officers | 160 | December 31, 2025 |
| AFSCME | All non-executive, non-management, non-confidential employees not otherwise covered in FOP or IAFF | 164.75 | December 31, 2026 |
| IAFF | All firefighters, lieutenants, captains, and battalion chiefs, | 100 | December 31, 2022 |
| Total | | 545.25 | |

(remainder of page intentionally left blank)

The following table shows the budgeted full-time-equivalents by department since 2017. The City projects staffing levels to remain relatively constant with 2022 budgeted levels through 2026.

Table 6
Historical Employee Budgeted Headcount by
Bureau 2017-2022

| Bureau | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| City Council | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 10.00 |
| Office of Mayor | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 6.00 |
| Office of Controller | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Office of Treasurer | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 |
| Office of Solicitor | 6.00 | 6.00 | 6.00 | 6.00 | 8.00 | 9.00 |
| Office of the Business Administrator | 2.50 | 3.00 | 2.00 | 3.00 | 2.00 | 2.00 |
| Financial Management | 7.00 | 8.00 | 7.00 | 7.00 | 7.00 | 8.00 |
| Bureau of Licensing, Taxation, and Central Support | 5.00 | 5.00 | 6.00 | 6.00 | 7.00 | 7.00 |
| Grants Office | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Communication | 4.00 | 5.00 | 5.00 | 4.00 | 5.00 | 5.00 |
| Office of Social Equity | 1.50 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Information Technology | 8.00 | 8.00 | 8.00 | 7.00 | 7.00 | 7.00 |
| Human Resources | 4.00 | 4.00 | 6.00 | 6.00 | 6.00 | 7.00 |
| Planning | 1.60 | 3.40 | 3.40 | 4.00 | 4.00 | 4.00 |
| Inspections and Code Enforcement | 17.00 | 16.94 | 16.94 | 16.94 | 17.00 | 15.00 |
| Office of Business Development | 1.95 | 1.95 | 1.00 | 1.00 | 2.00 | 2.00 |
| Office of Police Chief | 166.00 | 165.00 | 165.00 | 170.00 | 188.00 | 190.00 |
| Parks, Recreation, and Facilities | 5.00 | 7.00 | 14.50 | 15.75 | 16.25 | 25.25 |
| Events | 0.05 | 0.05 | 0.00 | 0.00 | 0.00 | 3.00 |
| Bureau of Vehicle Management | 12.00 | 12.15 | 10.15 | 10.15 | 10.15 | 10.15 |
| Traffic and Engineering | 15.50 | 15.65 | 13.00 | 13.00 | 14.00 | 14.00 |
| Host Fee | 2.90 | 3.80 | 3.60 | 3.00 | 3.00 | 3.50 |
| Fire | 85.00 | 86.00 | 86.00 | 90.00 | 90.00 | 104.00 |
| Neighborhood Services | 74.25 | 75.25 | 78.45 | 80.85 | 87.35 | 96.60 |
| Blight Remediation | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 5.00 |
| Total | 441.00 | 449.94 | 456.79 | 468.44 | 499.50 | 545.25 |

Salaries and Wages

Salaries and wages are the largest component of personnel costs, representing 49% of expenses. As described above, in 2020, the City and the FOP ratified a new collective bargaining agreement that runs through 2025 and includes regular salary increases based on a fixed pay scale determined by years of service and job classification.

Per its collective bargaining agreement, salaries for IAFF union members will increase 2% annually through 2022. The projections assume 2% increases in 2023 through 2026.

The City and AFSCME have agreed to a 3% salary increase for 2022-2025. The projections assume 3% annual increases through 2025. Similarly, salary increases for non-represented (management) employees will average 2% for 2022 and are projected to increase 2% annually through 2026. Each AFSCME Bargaining Unit employee will receive \$3,000 lump sum per employee for 2022, \$1,500 lump sum per employee for 2023, \$1,000 lump sum per employee for 2024 and 2025.

In addition to salaries, overall compensation includes a variety of components, such as overtime, longevity pay, shift pay, special assignment pays, other cash premiums and bonuses, employer portion of applicable payroll taxes, vacation, holidays, paid leave, active employee life insurance, and other miscellaneous fringe benefits.

As a result of the 2013 contract amendments, all full-time employees (represented and non-represented) were moved to the Basic Health Plan that previously had only been mandatory for non-represented City employees. In addition, all unions agreed their members would contribute towards the cost of health care premiums, as set forth below:

Table 7

Employee Contributions Towards Health Care Premiums, 2022

| FOP | |
|---------------------------|-------------------------------------|
| Tier of Coverage | Percent of base salary 2021-2026 |
| Single coverage | 2.5% |
| 2-person coverage | 4.5% |
| 3-person coverage | 5.5% |
| 4 or more-person coverage | 6.5% |

| AFSCME | |
|---------------------------|--------------------------------|
| Tier of Coverage | Percent of base salary 2021 |
| Single coverage | 2.0% |
| 2-person coverage | 4.0% |
| 3-person coverage | 5.0% |
| 4 or more-person coverage | 6.0% |

IAFF employees contribute towards their health insurance coverage at the rate of \$40 per biweekly pay for single coverage, and \$90 per biweekly pay for two-or-more person coverage.

The City self-insures for health insurance coverage, meaning it does not use a third-party provider for health insurance. The coverage includes a stop-loss policy, which protects the City from extraordinary claims. The City’s current stop-loss policy with its service provider covers specific stop-loss, meaning catastrophic claimants whose medical and prescription claims exceed \$275,000 in a given policy year. The reinsurer covers the excess claims and reimburses the City for claims paid over \$275,000 per claimant. The City is responsible for the first \$275,000 per claimant.

The City currently has only specific stop-loss coverage, rather than aggregate stop-loss coverage. Aggregate stop-loss covers claims for the aggregate population in excess of a certain percentage of expected claims or aggregate attachment factors set by the reinsurer/stop-loss carrier. In situations where a plan has both aggregate and specific stop-loss, the specific claims are “netted out” from the aggregate so that the reinsurer is not double paying for losses.

The City also provides for certain post-retirement health benefits for its represented employees. In recent contract negotiations, the bargaining units have agreed to change retirement benefits with respect to active employees and future (yet-to-be-hired) employees. All units agreed that future employees would not be entitled to receive post-retirement health care at the City’s cost. All bargaining units agreed that active employees, upon their retirement, would be provided benefits at the same levels as active employees, and that such retiree coverages may be modified from time to time if similarly modified for active employees.

Projection

- 1.1 Current wages are increased as specified in the current collective bargaining agreements, interest arbitration awards, or court orders. At the conclusion of a current collective bargaining agreement with the IAFF in 2022, annual wage increases are projected to increase approximately 2%. With the new AFSCME Contract Salaries for AFSCME City employees are increased 3% annual increase, with relevant bonuses 3,000 for 2022, 1,500 for 2023, and 1,000 for 2024 and 2025.
- 1.2 The City, which self-insures, has budgeted \$9.3 million for medical expenses in 2022. Medical expenses are potentially a volatile expenditure, which the City monitors closely. These expenses are projected to increase 5% annually from 2022 to 2026, which is in line with the City's experience and the actuarial assumptions used in the calculation of the City's Other Post-Employment Benefits liability. The City has worked with its insurance consultant to secure approximately \$1.1 million in annual health insurance/prescription drug savings.

Services

The City contracts for a variety of services such as legal, auditing, building maintenance, information technology support, insurance, utilities, fuel, traffic control, and heavy equipment repairs. Almost all of the City's contracted services fill an essential government need and are non-discretionary.

Projection - These costs are projected to increase 3% annually.

Long-Term Debt

General Obligation Debt

Series 1997D&F General Obligation Bonds

In 1997, the City issued its Series D&F Bonds to advance refund its Series 1997 B-1 Bonds and currently refund its Series 1995 Bonds. The Series 1997D&F Bonds are capital appreciation bonds and not subject to redemption prior to maturity. Credit enhancement on the bonds was provided by Financial Guaranty Insurance, which is now Ambac Assurance Corporation ("AMBAC").

In 2012, facing severe financial distress, the City defaulted on the bonds and the insurer agreed to make scheduled principal and interest payments on the bonds. The City and AMBAC entered into an amended settlement agreement in April 2013 under which the City's forbearance liability accrues interest and is scheduled to be repaid over a ten-year period from 2023 to 2032. In 2021 the City worked with AMBAC to defease the stadium bonds and to reduce the annual interest payment. The Mayor plans to work with AMBAC for a full payment of the remaining debt on the bonds in Fiscal Year 2022.

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Table 8
Series 1997D&F General Obligation Bond

| Issue | Amount Outstanding/ Accreted Value ⁴ | Purpose | Call Date | Maturity | Coupon Rate | Enhancement |
|--|--|--|--------------|----------|-------------|-------------|
| Series 1997D (Capital Appreciation Bonds) | \$1,586,232 | Advance refunding | Non-callable | 2022 | Zero Coupon | AMBAC |
| Series 1997F (Capital Appreciation Notes) | \$6,368,602 | Current refunding | Non-callable | 2022 | Zero Coupon | AMBAC |
| Series 1997D&F Forbearance Liability | \$19,572,019 | Repaydraws on enhancement facility | Any time | 2029 | 5.00% | NA |

⁴ As of March 15, 2022

Guarantees

Harrisburg Redevelopment Authority, Series 1998A (Verizon Bonds)

The City guaranteed a loan issued by the Harrisburg Redevelopment Authority (“HRA”) and insured by Financial Security Assurance, now Assured Guaranty Municipal Corp (“AGM”), that was used to acquire a site now known as the Verizon Tower. Anticipating the need to rely on the City’s guarantee for debt service payments scheduled to begin in 2016, in 2015, the City, the HRA, and AGM entered into a settlement agreement. The settlement agreement outlined terms for annual debt service payments that provided liquidity to the City, which was under Act 47, Municipalities Financial Recovery Program for fiscally distressed municipalities and the City could not afford to make the full scheduled debt service payments. Under the settlement agreement, the City is required to make minimum contributions between \$500,000 and \$1.5 million annually through 2032. The minimum contributions were in part based on lease payment projections from Verizon Tower tenants that offset the annual debt service requirement. To the extent that the annual lease payments do not materialize as projected, the City’s debt service requirement would increase over the minimum. The City’s obligations would increase if it borrows under the settlement; however, the combination of improving economics on the building and higher anticipated rental income, this allowed the City to avoid draws and save on interest expense.

Fortunately, the Commonwealth of Pennsylvania, Department of Human Services, at the same time, needed to relocate and the Department of General Services agreed to a contract with the City for more than 800 employees of the Department of Human Services to move into the Verizon Tower, now Commonwealth Tower, in Fiscal Year 2017. The Commonwealth employees also were able to utilize the City’s parking garages creating a win-win for the Commonwealth of Pennsylvania and the City of Harrisburg. Further, the Commonwealth employees also had a day care facility in the same building. Please see Table 9 Below for more information.

Table 9
HRA Series 1998A (Verizon Bonds)

| Issue | Amount Outstanding/ Accreted Value | Purpose | Call Date | Maturity | Coupon Rate | Enhancement |
|-------------------------------------|---------------------------------------|--------------------------------|--------------|----------|-----------------------|-------------|
| HRA Series 1998A (Verizon Bonds) | \$19,696,617 | Acquire Strawberry Square site | Non-callable | 2033 | Zero Coupon (Taxable) | AGM |

LED – Guaranteed Energy Savings Contract

The City obtained a bank loan with M&T Bank using a guaranteed energy savings contract extended by the Efficiency Network. Under this agreement, the City is guaranteed energy savings that will more than cover the debt service on the bank loan. If savings exceed annual debt service of \$386,140, the benefit accrues to the General Fund. After 10 years, the City owns the equipment and bulbs financed by the original loan.

Table 10
Annual Debt Service Summary
2022-2026

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|
| Series 1997D&F | 8,650,000 | - | - | - | - |
| Series 1997D&F Ambac Repayment | 20,322,200 | - | - | - | - |
| HRA Series 1998A (Verizon Bonds) | 950,000 | 1,250,000 | 1,250,000 | 1,250,000 | 1,430,000 |
| Bank Loan - Energy Savings Contract | 386,140 | 289,605 | - | - | - |
| Proposed New Other Financing Source for Unfunded Priority Capital Improvements 5 | - | 780,886 | 1,561,772 | 1,561,772 | 1,561,772 |
| Total | \$30,308,340 | \$2,320,491 | \$2,811,772 | \$2,811,772 | \$2,991,772 |

⁵ Represents minimum annual debt service due from City from 2023 to 2026, assuming: AMBAC is completely paid in 2022.

Pension

The City has three single-employer, defined benefit pension plans: the Police Pension Fund, the Firefighters Fund, and the Non-Uniformed Pension Plan. These plans cover substantially all full-time employees. Commonwealth law requires all municipalities, including Harrisburg, to make annual contributions to the pension funds based on a calculation of the minimum municipal obligation (“MMO”). The MMO is based on an annual actuarial valuation that takes into consideration annual pension costs, contributions by employees, pension asset valuations, investment rate and salary increase projections, and amortization assumptions. The City’s MMO is projected to continue to increase at a rate slightly above that of salaries and wages.

The table below shows the key statistics for the Police, Firefighters, and Non-Uniform pension funds in recent years. As of December 31, 2020, the police pension fund had a positive net position of \$3.1 million with a funded ratio of 103.06%. The firefighters and non-uniformed pension plans had positive funding ratios of 114.06% and 125.56%, respectively.

Table 11
Pension Summary

| | Police Summary | Firefighters Summary | Non-Uniformed Summary |
|----------------------------|----------------|----------------------|-----------------------|
| Participants: ⁶ | 12/31/2020 | 12/31/2020 | 12/31/2020 |
| Active Employees | 132 | 88 | 227 |
| Vested Former | 5 | 1 | 24 |
| Receiving Benefits | <u>209</u> | <u>130</u> | <u>244</u> |
| Total Participants | 346 | 219 | 495 |

| | 12/31/2019 | 12/31/2020 | 12/31/2019 | 12/31/2020 ⁷ | 12/31/2019 | 12/31/2020 ⁶ |
|---|--------------|---------------|---------------|-------------------------|---------------|-------------------------|
| Total Pension Liability | \$97,808,051 | \$100,476,452 | \$73,363,119 | \$74,797,781 | \$66,639,766 | \$66,164,875 |
| Plan Fiduciary Net Position | \$91,291,461 | \$103,553,766 | \$74,774,932 | \$85,314,171 | \$72,911,381 | \$83,078,211 |
| Net Pension Liability (Asset) | \$ 6,516,590 | (\$3,077,314) | (\$1,411,813) | (\$10,516,390) | (\$6,271,615) | (\$16,913,336) |
| Plan Fiduciary Net Position as % of Total Pension Liability | 93.34% | 103.06% | 101.92% | 114.06% | 109.41% | 125.56% |

⁶ Based on the measurement date of January 1, 2020

Projection—MMOs are projected to increase 2% annually, which is generally consistent with wage increases for each City Employee group.

Other Post Employment Benefit Summary

Other Post-Employee Benefits (“OPEB”) are benefits other than pension that are provided to retirees, including medical, prescription drug, dental, vision, hearing, life insurance, long-term disability, long-term care, death benefits, and any payments made to the retiree that are to be used for such coverage.

GASB rules require the use of accrual-based accounting methods for disclosure of the liabilities related to OPEB costs. The accrual-based accounting recognizes costs when benefits are earned, not when the benefit is actually paid.

Like most other governments, Harrisburg uses “Pay-as-you-go” approach for funding OPEB costs. Per the most recent actuarial valuation dated January 1, 2020, Harrisburg’s total OPEB liability was \$157.6 million, compared to a prior total liability of \$130.7 million per the actuarial valuation dated January 1, 2018.

Table 12
Other Post Employment Benefit Summary
January 1, 2020

| Demographic Information | Police | Firefighters | Non-Uniformed | Total |
|----------------------------|------------|--------------|---------------|------------|
| Active Participants | 140 | 61 | 111 | 312 |
| Vested Former Participants | 2 | 0 | 37 | 39 |
| Retired Participants | 173 | 108 | 121 | 402 |
| Total | 315 | 169 | 269 | 753 |

| Financial Information | Police | Firefighters | Non-Uniformed | Total |
|--|--------------|--------------|---------------|---------------|
| Total OPEB Liability | \$79,541,739 | \$49,827,254 | \$28,207,281 | \$157,576,274 |
| Plan Fiduciary Net Position | 0 | 0 | 0 | 0 |
| Net OPEB Liability | \$79,541,739 | \$49,827,254 | \$28,207,281 | \$157,576,274 |
| Plan Fiduciary Net Position as a % of Total OPEB Liability | 0% | 0% | 0% | 0% |
| Net OPEB Liability as a % of Covered Employee- Payroll | 849.59% | 1177.66% | 480.67% | 809.67% |
| OPEB Expense | (\$944,401) | (\$43,163) | (\$111,896) | (\$1,099,460) |

The City has begun to address this liability with provisions in its collective bargaining agreements eliminating post-retirement benefits for new hires. In addition, following the monetization of the parking system, the Commonwealth deposited \$3.3 million in a bank account established for an OPEB fund which has a December 31, 2021 year-end value of \$3.9 million. Such funds are to be transferred into the City’s OPEB Trust Fund which was authorized on March 23, 2021 by City Council, as required by Act 124.

Table 13
Expense Growth Assumptions
2022-2025

| | 2022 | 2023 | 2024 | 2025 |
|------------------------|--------------------------------|------|------|------|
| Salaries and Wages | 3% | 3% | 3% | 3% |
| Overtime/Other Premium | 2% | 2% | 2% | 2% |
| Medical | 5% | 5% | 5% | 5% |
| Other Benefits | 2% | 2% | 2% | 2% |
| Pension | 2% | 2% | 2% | 2% |
| Services | 2% | 3% | 3% | 3% |
| Supplies | 3% | 5% | 5% | 5% |
| Debt | See Expense Initiatives 5.1(2) | | | |

4.3 Expense Initiatives

1) Implement Steps to Reduce Health Insurance Costs

The City is exploring ways to reduce health insurance costs, including working with a broker to lower prescription drug costs, instituting a wellness program, and considering changing the structure of its self-insurance model. The City has secured annual medical cost savings of approximately \$1.1 million beginning in 2021.

2) Explore Opportunities to Restructure Debt Obligations

The City has engaged in negotiations with AMBAC regarding opportunities to reduce the forbearance liabilities, which are guaranteed by the City. In addition to prior years' work, the City is going to be focusing on:

Repay the Series 1997D&F Forbearance Liability

Last year's agreement with AMBAC involved the repayment of a portion of the Series 1997D&F forbearance liability at a discount. Per the agreement, for every \$1 the City pays towards the liability (up to \$4 million) through 2021, AMBAC will apply an additional \$0.38. The City did achieve the \$4 million paydown in November 2021, and also from simultaneously funding the related full defeasance of the Harrisburg Redevelopment Authority Revenue Bonds, Series A-2 of 2005 the City realized an additional credit of \$3,288,900 from AMBAC further reducing this bond insurance liability. Mayor Williams wishes to meet with AMBAC representatives to discuss terms to repay the full amount of the Ambac agreement in 2022.

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4.4 Expense Forecasts

Below is the multi-year expense forecast based on historical growth trends, planned initiatives, and other available data. The 2022 Projection refers to the final budget approved by City Council on February 15, 2022 which includes the budget reallocation approved by City Council on June 14, 2022.

As for the Personnel costs it is anticipated that these costs will increase 3%, Medical costs it is anticipated that these cost will increase by 5%, Services costs it is anticipated that cost will increase by 3%, Supplies Costs will increase by 5% based on the current CPI, and Other Operating Costs and Transfer costs are contingent on budgetary activity, Debt Service costs will significantly be reduced as the two bond payments anticipated to be paid with in 2022, will reduce debt to a pre- distressed level. Capital costs are contingent on the necessary capital needs of each City Department.

Table 14
Operating Expense Forecast

| | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Personnel (less Medical) | 31,902,040 | 32,859,103 | 33,844,876 | 34,860,220 | 35,906,027 |
| Medical/Employee Insurance | 10,529,335 | 11,055,801 | 11,608,591 | 12,189,021 | 12,798,472 |
| Services | 6,098,323 | 6,220,289 | 6,344,696 | 6,471,590 | 6,601,021 |
| Supplies | 2,216,932 | 2,327,778 | 2,444,167 | 2,566,376 | 2,694,694 |
| Other Operating/CAT | 742,064 | 756,905 | 772,043 | 787,484 | 803,235 |
| Transfers/Interfund | 0 | 1,418,070 | 1,050,000 | 2,125,000 | 224,112 |
| Total Expenses (Pre-Debt Service) | 51,488,694 | 54,637,946 | 56,064,373 | 58,999,691 | 59,027,561 |
| Debt Service | 30,308,340 | 2,320,491 | 2,811,772 | 2,811,772 | 2,991,772 |
| Total Operating Expenses | 81,797,034 | 56,958,437 | 58,876,145 | 61,811,463 | 62,019,333 |
| Capital Expenses | 2,189,991 | 1,961,902 | 2,358,555 | 1,485,702 | 1,725,697 |
| Total | \$83,987,025 | \$58,920,339 | \$61,234,700 | \$63,297,165 | \$63,745,030 |

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5 Other Initiatives

The City is committed to providing essential services to the community while securing its long-term fiscal stability. Below is a summary of the progress in implementing initiatives not already covered in the previous sections and additional actions the City is taking to achieve its goals:

1) Reestablish Access to the Debt Markets and Restore Credit Rating

Key to the City's long-term financial management viability is future access to the debt markets to fund capital projects and other deferred maintenance needs. Upon exit of Act 47, the City hopes to engage the rating agencies and strongly consider establishing a credit rating as part of the process once most current debt is paid off and the City continues to have a strong General Fund Unassigned Fund Balance.

2) Establish an OPEB Trust

On March 23, 2021, City Council approved an ordinance authorizing and directing the creation of an irrevocable special trust to be designated as the "OPEB Trust Fund" for the purpose of depositing and segregating funds to be restricted for other post-employment obligations of the City and related administrative costs of the Trust; providing for the appointment of a Board of Trustees to oversee the OPEB Trust Fund in accordance with the approved Act 47 Recovery Plan and any amendment thereto; providing for the Board to contract for services of a Trust professional; authorizing the execution of a Trust Agreement and related documents; authorizing the acceptance and deposit of designated funds provided through certain asset transfers under the Harrisburg Strong Plan; and adopting a Charter and Bylaws of the OPEB Board of Trustees so as to operate in accordance with the recommendations of the Governmental Accounting Standards Board as provided 16 in GASB Statement No. 74 and GASB Statement No. 75.

The ordinance provides for the establishment of a Board of Trustees consisting of nine members, with one member each to be appointed by the City's three local unions; two individuals to be appointed by the City Council; two to be appointed by the Mayor; and two members to be appointed by the Recovery Coordinator of the City. The Board of Trustees will be responsible for establishing how Trust will operate, including the terms under which the funds will be accessed, the Trust's investment policy, among other operating issues.

As determined from an updated actuarial valuation as of January 1, 2020, the City's estimated OPEB liability as of December 31, 2021 was \$157.6 million. Similar to other municipalities, Harrisburg does not prefund its OPEB liabilities. During 2021 the City paid \$5.3 million in "pay-as-you-go" retirement benefit costs and also accrued an additional \$2.1 million in service costs for future participant benefits.

If the City were to continue to pay the pay-as-you-go obligation and also contribute an annual amount equal to the Service Cost, the City would be funding the plan at a pace to eliminate the unfunded accrued liability in approximately 60 years, assuming no changes in actuarial assumptions. However, contributing an amount equal to the Service Cost in addition to the pay-as-you-go

obligation is not realistic for the City at this time meaning the liability is unlikely to be eliminated in the 60-year timeframe.

The Trust will be funded initially with approximately \$3.3 million in funds generated by asset transfers that were executed as a result of the implementation of the Harrisburg Strong Plan. Once the terms of the Trust are established by the appointed Board of Trustees, the City will consider a funding policy that will begin to address the significant liability and is also manageable within existing General Fund constraints. Because the terms of the Trust are unknown, the City cannot make an annual funding commitment as part of this five-year plan.

The City understands the relationship between controlling the OPEB liability and long-term fiscal stability. The City also appreciates the potential negative implications for its credit rating if a strategy for addressing the OPEB liability is not identified, though other municipalities that do not prefund the liability are still able to achieve a strong credit rating. Since the City cannot feasibly prefund the OPEB liability at a level to cover its Service Cost plus interest, annual OPEB costs will continue to grow, likely at a rate higher than other General Fund expenses. The growth, volatility, and size of these annual costs relative to the budget are of particular concern to the credit rating agencies.

While the City acknowledges that its OPEB liability will not be 100% funded for the foreseeable future, its past and planned actions signal its commitment to addressing this issue:

- Implemented employee benefit changes that eliminate post-retirement benefits for new employees, which will reduce and eventually eliminate the liability over time;
- Once terms of the Trust are adopted, consider a recurring OPEB Trust funding strategy, which will help address volatility inherent in this expenditure item;
- Order its actuary to prepare an actuarial valuation at least biennially, in accordance with generally accepted actuarial principles. Each valuation will include a gain/loss analysis that identifies the magnitude of actuarial gains and losses, based on variations between actual and assumed experience for each major assumption.

The City will review OPEB Trust funding options every two years and with the assistance of its actuary, determine the funding levels required for a fully funded plan within 10, 20, and 30 years. The City will adjust its funding strategy as necessary to meet its OPEB Trust funding goals.

3) Implement Workforce Stabilization Program

In late 2021, the City and AFSCME reached an agreement on a new contract that addresses pay and retention issues. Early in 2022, the City and FOP reopened the contract ratified in 2020, with hopes to address long-standing issues related to recruitment and retention. The FOP contract is in its final stages of review. Lastly, in the second half of 2022, the City and IAFF has begun negotiations on a new contract that will replace the current contract that ends December 31, 2022.

The City is mindful of strategies to recruit and retain qualified non-represented employees as well. In particular, the City is conducting a search to place a new City Engineer. The position has been vacant for many months. The City is advertising for the position with prominent Local Government and Trade Associations. The City is planning on interviewing experienced candidates for this position; we hope to fill it as soon as possible.

4) Promote Economic Development

Key to securing the City's long-term health is expanding its economic base and the growth of its own local tax revenues. Even after securing its extraordinary taxing powers, the City's capacity to deliver basic services to its residents depends on a strong local tax base. The City's Economic Development efforts focuses on growing the City's economy in a diverse, equitable, and inclusive manner by retaining, expanding, and attracting businesses, promoting investments, and increasing career opportunities for residents. The City will accomplish these goals by providing a holistic approach that includes, innovation and equity, place and infrastructure, and governance and financial stewardship.

The City's economic development efforts over the past two years were focused on helping the local business community cope with COVID related pressures and hardships. The City's economic development efforts were focused on providing technical assistance and creating programs to help local small businesses to survive during this difficult time. The City plans to continue to provide this much-needed assistance, for as long as continued health threats to local businesses persist.

The following are examples of actions the City has taken to support businesses during this uniquely difficult time:

- In April 2020, the City partnered with Impact Harrisburg to build a \$1.5 million (Impact Harrisburg provided additional funds) grant fund to help Harrisburg small businesses impacted by the coronavirus shutdown.
- The City designed the Neighborhood Business Stabilization Program (NBSP) to provide emergency cash flow to help small businesses cope with the COVID crisis. A total of 313 businesses were awarded \$5,000 grants (of which 62 were minority-owned businesses) to assist with operating costs, such as rental and mortgage payments, utility payments, outstanding vendor invoices and payroll during this first funding round. A second round of this program began on December 1, 2020. Over 130 pre-applications have been received to date.
- In July 2020, the City provided a one-time credit on future trash bills opportunity for commercial refuse account holders, negatively impacted by the emergency closures and shutdowns due to the COVID pandemic. The City received 214 applications, of which 148 were approved. The total dollar amount credited for this program to date is approximately \$164,000.

Though the immediate crisis has required a series of policy responses that are short-term in nature, the Administration has not lost sight of its commitment to long-term economic development and growth. The Williams Administration has created initiatives that will help to grow the economy, revitalize neighborhoods, and provide opportunities for individuals and families to live, work, and play in Harrisburg. The Administration is nearing completion of a long-term economic development strategy that will serve as a framework for setting clear and attainable economic development objectives and design policies and programs to achieve them. The forthcoming plan will ensure goals are aligned and any new funding from the state and federal government are deployed tactically to achieve the City's economic development goals. The City has implemented the following initiatives to further Harrisburg's economic development efforts:

- In partnership with the Harrisburg Housing Authority (“HHA”), the City submitted application to HUD for the Choice Neighborhoods Planning Grant. If awarded, this grant will provide \$450,000 to the City for the development of a comprehensive neighborhood revitalization strategy (the “Transformation Plan”) for the South Harrisburg Neighborhood/Hoverter Homes Development.
- The HHA and the City also plan to submit application to HUD for the Choice Neighborhoods Implementation Grant, which provides up to \$30 million to implement Transformation Plan.
- The City, through the Bureau of Economic Development, created an Affordable Housing Taskforce to help guide and support the development of a new affordable housing policy, designed to make home renting and ownership more cost-effective in Harrisburg. This taskforce also assists in identifying tools, strategies, and incentives necessary to encourage affordable and mixed-use development. This led to the creating of an Affordable Housing Density Bonus Ordinance.
- The Department of Business Development continues to hold workshops to provide information, resources, and support to members of Harrisburg's small and diverse business community. In addition, the sessions create professional networking opportunities where attendees can develop relationships that will help further their business endeavors.

The City has completed an update of its Comprehensive Plan and planning, zoning, and subdivision criteria. City Council adopted the long-awaited plan in late 2021.

Local Economic Revitalization Tax Assistance Program Review

In addition to the initiatives described above, the City will revisit its Local Economic Revitalization Tax Assistance (“LERTA”) program in the hopes of improving its effectiveness. LERTA is a tax abatement program that was created in 1977 to incentivize property investment and redevelopment of difficult or undesirable properties- such as brownfields. LERTA creates a graduated increase in tax payments on new construction and property rehabilitation for owners of commercial, industrial, and business properties located within designated zones in the City.

A study of the program concluded that the LERTA program in its current form has not proven to be a largely effective tool for encouraging major redevelopment projects in Harrisburg. While many residential improvement projects have and will continue to benefit from LERTA, the same cannot currently be said for large commercial construction projects.

In order for Harrisburg to realize some of the benefits that the original LERTA Ordinance hoped to encourage such as elimination of blight and significant redevelopment, the LERTA program requires modifications. The City will consider altering or eliminating conditions for eligibility. The City will also consider increasing the level of tax abatement on commercial projects from 50% to 100%.

In 2022, the Williams Administration begun working with county and school district stakeholders to reform the dormant LERTA Appeals Board.

5) Improve Information Technology Capabilities

The City is implementing a number of initiatives to improve its information technology capabilities and infrastructure as outlined below:

1. The City has recently purchased and has begun to implement the replacement of the current disparate systems, including mainframe systems (City, Revenue, and Personnel), finance system (Central Square), and payroll system (Paychex) with the MUNIS ERP system from Tyler Technologies. The general ledger component of this system is currently being tested and full implementation of the finance system is expected to go live on January 1, 2023.
2. To obtain upgrades to the Office 365 Licenses to support our Microsoft suite of tools: Outlook (Email), Word, Excel, PowerPoint, etc.
3. Replace of the Data Center core switch, which controls the critical infrastructure for all City-deployed technology.
4. Replace the aging fleet of City-wide printers with new machines.
5. Replace the security camera system at Reservoir Park, which is unreliable and not integrated with our other camera systems.
6. Continue to implement a Laserfiche public portal that would allow for a single point of citizen access to City-related documents.
7. Continue to replace the equipment (servers and Storage Area Network (SAN)) in the Data Center and Co-location site, as they reach the end of their useful life.

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6 Capital Improvement Plan

The City has a backlog of deferred maintenance and unfunded capital needs. Capital needs far exceed funding capacity. Most critically important capital needs will remain unfunded unless operating projections outperform expectations or new funding sources are identified.

The tables below show the **baseline** capital projects the City plans to fund with General Fund transfers and other sources. The baseline projections are consistent with what was presented in the 2021 Five Year Plan. The Projections and Forecast for 2022-2026 for capital improvement projects are included below.

Table 15

Baseline Capital Improvement Projects - General Fund

| Project Name | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 | Total |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Bureau of Information Technology | | | | | | |
| DCIT & DREV System Replacement | 625,000 | 331,000 | 331,000 | 350,000 | 360,000 | 1,997,000 |
| Bureau of Police | | | | | | |
| Police Patrol Vehicles | 200,000 | 266,000 | 272,000 | 276,000 | 182,000 | 1,196,000 |
| Other Police Vehicles | 46,000 | - | - | - | - | 46,000 |
| Radios | 20,664 | 10,000 | 10,000 | 10,000 | 18,000 | 68,664 |
| Surveillance Cameras | - | - | 134,000 | - | - | 134,000 |
| Other | - | - | - | - | - | - |
| Bureau of Fire | | | | | | |
| Apparatus Replacement | 100,000 | 350,000 | 365,000 | 400,000 | 100,000 | 1,315,000 |
| Timesheet Management System | - | 50,000 | 50,000 | - | - | 100,000 |
| Fire House Repair/Replace | - | 136,000 | 300,000 | 100,000 | 100,000 | 636,000 |
| Other | - | - | - | - | - | - |
| Bureau of Public Works | | | | | | |
| Vehicle Leasing Program 8 | - | - | - | - | - | - |
| Other | 105,498 | - | - | - | - | 105,498 |
| Bureau of Engineering | | | | | | |
| Lease Purchase | 200,000 | 20,000 | 20,159 | 20,000 | - | 260,159 |
| Other | 40,060 | - | - | - | - | 40,060 |
| Bureau of Facilities | | | | | | |
| Other Facilities | 844,569 | 790,538 | 867,865 | 321,000 | 956,821 | 3,780,793 |
| Subtotal | \$2,181,791 | \$1,953,538 | \$2,350,024 | \$1,477,000 | \$1,716,821 | \$9,679,174 |

7 The Vehicle Purchase Program has been moved to lease purchase which will be included in Debt Service.

Also, not reflected in these tables are potential funding from ARPA or part of the new Act recently passed for federal infrastructure funding program(s). Depending on the permitted use of these funds and the outcomes of the City's planning process, the capital project funding sources and uses may change.

Note: Projected 2022 amounts may differ from the budget due to a reclassification of some capital expenditures.

Table 16
Capital Improvement Projects - Neighborhood Services Fund¹³

| Project Name | Projected 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 | Total |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Vehicle Purchase Prog. ⁹ | - | - | - | - | - | - |
| Equipment Leasing | 341,003 | 400,000 | 300,000 | 300,000 | 300,000 | 1,641,003 |
| Building Improvements | 13,000 | 50,000 | 50,000 | 50,000 | 50,000 | 213,000 |
| Equipment - Other | 335,814 | 296,000 | 302,000 | 308,000 | 317,000 | 1,558,814 |
| Subtotal | \$689,817 | \$746,000 | \$652,000 | \$658,000 | \$667,000 | \$3,412,817 |

⁸ The Vehicle Purchase Program has been moved to lease purchase which will be included in Debt Service.

Table 17
Baseline Capital Improvement Projects - Capital Projects Fund¹⁰

| Project Name | Projected 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 | Total |
|------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|---------------------|
| Herr Street Underpass | 50,000 | 50,000 | 50,000 | - | 0 | 150,000 |
| 2 nd Street | 3,971,979 | 225,000 | - | - | 0 | 4,196,979 |
| State Street Project | 1,096,947 | - | - | - | 0 | 1,096,947 |
| East-West Multimodal | 33,262 | 743,070 | - | 1,725,000 | 0 | 2,501,332 |
| Mulder Square | 2,458,989 | - | - | - | 0 | 2,458,989 |
| North 7 th Street | 1,230,660 | - | - | - | 0 | 1,230,660 |
| Allison Hill Paving | - | 400,000 | - | 400,000 | 0 | 800,000 |
| Capitol Gateway | 139,500 | - | 1,000,000 | - | 0 | 1,139,500 |
| South Paving Project | - | - | - | - | 224,112 | 224,112 |
| Subtotal | \$8,981,337 | \$1,418,070 | \$1,050,000 | \$2,125,000 | \$224,112 | \$13,798,519 |

¹⁰ Other funding sources, in addition to Capital Projects Fund balance, includes grant funds and Liquid Fuels Funds.

Table 18
Summary by Fund

| Fund | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 | Total |
|----------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| General Fund (Baseline) | 2,181,791 | 1,953,538 | 2,350,024 | 1,477,000 | 1,716,821 | 9,679,174 |
| Neighborhood Services Fund | 689,817 | 746,000 | 652,000 | 658,000 | 667,000 | 3,412,817 |
| Capital Projects Fund (Baseline) | 8,981,337 | 1,418,070 | 1,050,000 | 2,125,000 | 224,112 | 13,798,519 |
| Subtotal | \$11,852,945 | \$4,117,608 | \$4,052,024 | \$4,260,000 | \$2,607,933 | \$26,890,510 |

Funded and Unfunded Capital Improvement Projects Anticipated

The City has further prioritized its capital needs as Priority One and Priority Two level projects.

The City has 41 funded Priority One projects with costs up to \$11.6 million through 2026. The City has 75 Priority Two projects with a cumulative estimated total cost of \$37.2 million, including \$3.9 million funded and \$33.3 million unfunded. The table below summarizes the annual costs of the Priority One and Priority Two projects. A project listing is included in the Appendix.

Table 19
Priority Capital Improvement Projects

| Level | Number of Projects | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|-----------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Priority One Funded | 41 | 666,682 | 1,553,487 | 3,259,487 | 3,066,250 | 3,038,250 | 11,584,156 |
| Priority Two Funded | 27 | 0 | 2,070,700 | 1,070,836 | 529,088 | 249,250 | 3,919,874 |
| Priority Two Unfunded | 48 | 672,500 | 2,080,000 | 4,404,700 | 10,176,725 | 15,975,000 | 33,308,925 |
| Totals | 116 | \$1,339,182 | \$5,704,187 | \$8,735,023 | \$13,772,063 | \$19,262,500 | \$48,812,955 |

The total cost of the unfunded projects identified above is \$33.3 million. Not included in this listing are Priority Three projects, which are even farther beyond the City’s current funding capacity. Within this plan document, the City is proposing to obtain new other financing of \$15.5 million to achieve the above referenced funded priority one and two capital improvements.

Capital Project Budgeting

The City uses line-item bidding to estimate costs for its projects. The City calculates the proposed quantities for each project and multiple the quantities by either historical unit price bid information from past City projects (if available) or PennDOT bid history from the PennDOT Engineering and Construction Management System (ECMS). These budgets are done once for small projects and four times during the stages of project design (initial, 30%, 60%, 100% plan submission) for larger projects.

Table 20
2021 Completed Facilities Capital Projects

| Project | Budget | Actual | Difference |
|-----------------------------|------------------|------------------|-------------------|
| Market and Dewberry | 325,087 | 224,772 | 100,315 |
| State Street Light Upgrades | 83,144 | 80,080 | 3,064 |
| 4th and McClay | 235,000 | 314,705 | (79,705) |
| Total | \$643,231 | \$619,557 | (\$23,674) |

The table above shows budget versus actual reports for Bureau of Facilities projects completed in 2021 and 2022. Projects will deviate from the budget for a variety of reasons including, but not limited to, differences in anticipated versus actual grant funding and matching requirements, unforeseeable project/construction challenges, and variances between planned and actual project unit costs. The City’s capital projects are closely monitored not just by City staff, but also in most cases by auditors from other

state and federal agencies to ensure that project costs are justified and in compliance with applicable rules and regulations. Because of the nature of capital project budgeting, deviations from the plan are not uncommon, but are minimized and near budget on an overall basis. **Normally, for the past five years we have utilized pay-as-you-go or cash to pay for capital items, next year we plan to float a bond.**

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8 Financial Forecasts

The City will set a minimum General Fund, Fund Balance level target amount equal to two-months of annual operating expenses (approximately 17%). The funding target is consistent with the Government Finance Officer Association's minimum recommendation for all municipalities. The GFOA recommends that municipalities with a history of fiscal distress or budgetary volatility maintain a fund balance level higher than the 17% minimum. This fund balance level would also be viewed favorably by rating agencies that place strong emphasis on operating flexibility and accessible fund balance, especially for municipalities like Harrisburg that are trying to demonstrate its commitment to fiscal recovery and stability. In practice the City has already been managing its fund balance to above this level for several years.

The operating forecasts, which assume the full implementation of the initiatives described above, demonstrate the ability to maintain essential City services and address other priorities. In addition to the initiatives outlined in this plan, the City relies on its significant unreserved General Fund balance to fund capital needs and, under certain circumstances, cover the gap between annual revenues and expenses.

In 2022, Mayor Williams was able to present a balanced budget with an original budget surplus of \$1.5 million. The City will not increase the tax burden on its residents at a time when so many face job insecurity and are struggling just to pay their bills. Moreover, raising tax rates is counterproductive to Harrisburg's efforts to attract private investment and expand the tax base, especially during this challenging period for the local economy.

The Mayor did not use General Fund, Fund Balance in 2022 to balance the budget and it is likely the City will not use any portion of the fund balance in the coming fiscal years. General Fund should continue to have budgetary surpluses in 2023, 2024, 2025, and 2026. Key to achieving these surpluses is to eliminate as much outstanding debt service as possible in fiscal year 2022.

In addition, annual debt service obligations will fall significantly after the City's General Obligation Bonds mature in 2022, enabling the City to achieve surpluses in subsequent years and rebuild fund balance. As mentioned earlier, the City plans to issue debt in 2023 to finance capital improvements and other priorities while maintaining sufficient liquidity. The projections assume additional transfers for capital improvements projects in 2022 through 2026, while still maintaining the targeted fund balance level.

8.1 Initiatives Summary

Table 21
Five-Year Plan Initiative Summary

| Initiative | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 | Forecast 2026 | Five-Year Impact |
|---|--------------------|--------------------|--------------------|---------------------|--------------------|---------------------|
| Revenue | | | | | | |
| Maintain Park Permit Revenues to Senator's Fund | 375,000 | 375,000 | 375,000 | 375,000 | 375,000 | 1,875,000 |
| Pursue Additional PILOT Agreements | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 625,000 |
| Review Service Delivery Alternatives | 50,000 | 75,000 | 85,000 | 95,000 | 100,000 | 405,000 |
| Seek Increased Federal Grant Funding | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 125,000 |
| Improve Neighborhood Service Fund Collection Rates | 250,000 | 350,000 | 550,000 | 650,000 | 750,000 | 2,550,000 |
| Expense | | | | | | |
| Implement Steps to Reduce Health Insurance Costs | 1,000,000 | 1,150,000 | 1,200,000 | 1,275,000 | 1,300,000 | 5,925,000 |
| Explore Opportunities to Restructure Debt Obligations | 0 | - | - | - | - | - |
| Other | | | | | | |
| Lessen Future Financial Budget Burdens via Full 2022 Pay-Off Bond Insurance Forbearance Liability | - | 3,888,905 | 3,888,905 | 3,888,905 | 3,888,905 | 15,555,620 |
| Establish an OPEB Trust | - | - | - | - | - | - |
| Implement Workforce Stabilization Program | - | - | - | - | - | - |
| Promote Economic Development | - | - | - | - | - | - |
| Total – Revenue Benefit | \$825,000 | \$950,000 | \$1,160,000 | \$1,270,000 | \$1,375,000 | \$5,580,000 |
| Total – Other/Debt Benefit | \$0 | \$3,888,905 | \$3,888,905 | \$ 3,888,905 | \$3,888,905 | \$15,555,620 |
| Total – Expense Benefit | \$1,000,000 | \$1,150,000 | \$1,200,000 | \$1,275,000 | \$1,300,000 | \$5,925,000 |
| TOTAL BENEFIT TO CITY | | | | | | \$27,060,620 |

9 Principal Proprietary Funds

The City maintains two main proprietary funds, which account for activities that involve business-like transactions: the Neighborhood Services Fund and the Harrisburg Senators Fund.

9.1 Neighborhood Services Fund

Created in 2016, the Neighborhood Services Fund (“NSF”) accounts for the revenues and expenses associated with the provision of refuse collection and disposal services to residential, commercial, and industrial establishments of the City, as well as Parks and Recreation maintenance services, and road repair services, as those are related to the facilitation of refuse collection and disposal services.

Table 22
Neighborhood Services Fund-Actuals
and Forecasts 2017-2026

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Department of Public Works | 7,791 | 16,857 | 13,986 | 1,747 | 22,315 |
| Collection and Disposal Fees | 14,454,514 | 14,482,391 | 18,137,116 | 15,336,996 | 16,112,684 |
| Miscellaneous | 167,336 | 241,303 | 313,878 | 460,390 | 228,287 |
| Intergovernmental | 93,582 | 58,282 | 66,497 | 58,724 | 0 |
| Transfers | 5,305,078 | 29,701 | 720,000 | 0 | 0 |
| Total Revenue | 20,028,301 | 14,828,534 | 19,251,477 | 15,857,857 | 16,363,286 |
| Personnel | 4,583,613 | 4,765,866 | 4,662,136 | 5,269,184 | 5,541,753 |
| Services | 8,140,847 | 8,135,452 | 8,236,775 | 8,548,808 | 8,839,004 |
| Supplies | 541,394 | 656,112 | 514,404 | 898,240 | 591,118 |
| Other - Capital | 1,501,981 | 2,364,065 | 4,030,760 | 1,983,192 | 1,411,580 |
| Other - Transfers | 4,949,465 | 0 | 0 | 0 | 162,133 |
| Total Expenditures | 19,717,300 | 15,921,495 | 17,444,075 | 16,699,424 | 16,545,588 |
| Change in Cash Fund Balance | 311,001 | (1,092,961) | 1,807,402 | (841,567) | (182,302) |
| Cash - Beginning of Year | 6,803,448 | 7,114,449 | 6,021,488 | 7,828,890 | 6,987,323 |
| Cash - End of Year | \$7,114,449 | \$6,021,488 | \$7,828,890 | \$6,987,323 | \$6,805,021 |

| | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Department of Public Works | 12,422 | 12,670 | 12,924 | 13,182 | 13,446 |
| Collection and Disposal Fees | 16,600,000 | 16,766,000 | 16,933,660 | 17,102,997 | 17,274,027 |
| Miscellaneous | 465,500 | 248,370 | 253,337 | 258,404 | 263,572 |
| Intergovernmental | 59,000 | 0 | 60,000 | 0 | 60,000 |
| Transfers | 347,725 | 0 | 150,000 | 0 | 150,000 |
| Total Revenue | 17,484,647 | 17,027,040 | 17,409,921 | 17,374,583 | 17,761,045 |
| Personnel | 6,082,291 | 6,284,033 | 6,492,790 | 6,708,823 | 6,932,399 |
| Services | 8,937,522 | 9,116,272 | 9,298,598 | 9,484,570 | 9,674,261 |
| Supplies | 939,675 | 986,659 | 1,035,992 | 1,087,791 | 1,142,181 |
| Other - Capital | 689,817 | 746,000 | 652,000 | 658,000 | 667,000 |
| Other - Transfers | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 16,649,305 | 17,132,964 | 17,479,380 | 17,939,184 | 18,415,841 |
| Change in Cash Fund Balance ¹¹ | 835,342 | (105,924) | (69,458) | (564,601) | (654,796) |
| Cash - Beginning of Year | 6,805,021 | 7,640,363 | 7,534,439 | 7,464,981 | 6,900,380 |
| Cash - End of Year | \$7,640,363 | \$7,534,439 | \$7,464,981 | \$6,900,380 | \$6,245,584 |

¹¹The 2022 Neighborhood Services Fund budget was balanced by applying existing fund balance as “Cash Carryover” to avoid a deficit in 2022. For presentation purposes in this table, the Cash Carryover is shown in the “Change in Fund Balance” line.

The NSF’s primary revenue sources are garbage collection and disposal fees. For fiscal year 2022, the City budgets \$16.6 million in garbage collection fees and disposal fees. The City does not project any fee increases for Harrisburg residents. The City will continue to build on its efforts to maintain collection rates at an 89% or higher rate.

In addition, the City will set the goal of increasing the collection rate to 91% beginning in 2023.

The primary NSF expense is contracted service for garbage disposal of approximately \$6.3 million. The costs will increase 2.0% annually through 2025. The contracted payment to the Lancaster County Solid Waste Authority is also accounted for in this fund. The tipping fee is \$201.70 per ton in 2022 and will be adjusted on January 1 of each calendar year by the Consumer Price Index, which is assumed to be 2.0% in these projections.

Approximately 96.6 employee salaries are paid out of the NSF. Projected personnel cost increases mirror those in the General Fund – 3% annual salary increases and 5% annual medical insurance increases.

The City will manage its Neighborhood Services Fund to balance revenues and expenses in the long-term. The City will also target a fund balance equal to two months of annual operating expenses. While the GFOA recommends a fund balance target equal to 45 days of annual operating expenses for Proprietary Funds, the City has set its fund balance target at a level it feels is responsible and fair to fee payers. Maintaining this level of fund balance will ensure that service/operation disruptions will be avoided; the NSF will not be a burden on the General fund; and the fund will not maintain unnecessary balances that can otherwise be deployed to provide services to customers.

The City is also mindful of identifying funding sources for future capital improvement and vehicle replacement needs. The City plans on utilizing grant funds to defray the costs of these expenditures; however, if grant funding cannot be secured, the City will apply fund balance as a substitute.

If the NSF fund balance is depleted below the target levels, the City is committed to increase fees to ensure budgetary balance is restored in the fund and capital needs can be addressed. The City does not anticipate any fee increases through 2025.

9.2 Harrisburg Senators Fund

The Harrisburg Senators Fund accounts for the revenues and expenses associated with the payment of debt on the financing of the Harrisburg Senators new stadium. In recent years, the fund has been subsidized by in annual transfers from the City’s general operations. With the recent defeasance of stadium bonds, the Harrisburg Senators Fund is better able handle future costs associated with keeping the stadium up to the standards of Major and Minor League Baseball.

Table 23
Harrisburg Senators Fund Actuals
and Forecasts 2017-2026

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|------------------|------------------|------------------|-----------------|------------------|
| Department of Parks and Recreation | 108,646 | 62,016 | 87,792 | 20,795 | 56,642 |
| Rental Income | 379,738 | 379,738 | 379,738 | 18,129 | 199,362 |
| Transfers | 262,921 | 239,681 | 256,778 | 467,856 | 5,581,342 |
| Total Revenue | 751,305 | 681,435 | 724,308 | 506,780 | 5,837,346 |
| Services | 25,000 | 25,000 | 25,000 | 0 | 0 |
| Other - Debt | 616,738 | 644,569 | 642,043 | 646,552 | 5,581,342 |
| Other - Capital | 0 | 0 | 0 | 0 | 50,000 |
| Total Expenses | 641,738 | 669,569 | 667,043 | 646,552 | 5,631,342 |
| Change in Cash Fund Balance | 109,567 | 11,866 | 57,265 | (139,772) | 206,004 |
| Cash - Beginning of Year | 0 | 109,567 | 121,433 | 178,698 | 38,926 |
| Cash - End of Year | \$109,567 | \$121,433 | \$178,698 | \$38,926 | \$244,930 |

| | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|------------------------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Department of Parks and Recreation | 81,000 | 82,620 | 84,272 | 85,958 | 87,677 |
| Rental Income | 379,738 | 379,738 | 379,738 | 379,738 | 379,738 |
| Transfers | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 460,738 | 462,358 | 464,010 | 465,696 | 467,415 |
| Services | 0 | 0 | 0 | 0 | 0 |
| Other - Debt | 0 | 0 | 0 | 0 | 0 |
| Other - Capital | 100,000 | 125,000 | 150,000 | 175,000 | 200,000 |
| Total Expenses | 100,000 | 125,000 | 150,000 | 175,000 | 200,000 |
| Change in Cash Fund Balance | 360,738 | 337,358 | 314,010 | 290,696 | 267,415 |
| Cash - Beginning of Year | 244,930 | 605,668 | 943,026 | 1,257,036 | 1,547,732 |
| Cash - End of Year | \$605,668 | \$943,026 | \$1,257,036 | \$1,547,732 | \$1,815,147 |

Appendix A

Baseline Financial Forecast by Department

The 2022 Projection in the tables below refers to the Approved 2022 Budget approved by City Council on February 15, 2022 and the Budget Reallocation approved by City Council on June 14, 2022.

| | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government | | | | | | |
| Personnel | 1,386,767 | 1,405,770 | 1,447,944 | 1,491,382 | 1,536,123 | 1,582,207 |
| Services | 260,689 | 227,423 | 231,972 | 236,611 | 241,344 | 246,170 |
| Supplies | 30,437 | 49,872 | 52,365 | 54,984 | 57,733 | 60,620 |
| Other-Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Capital | 84,849 | 8,200 | 8,364 | 8,531 | 8,702 | 8,876 |
| Other-Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Operating | 0 | 0 | 0 | 0 | 0 | 0 |
| Total General Government | <u>\$1,762,742</u> | <u>\$1,691,266</u> | <u>\$1,740,645</u> | <u>\$1,791,508</u> | <u>\$1,843,902</u> | <u>\$1,897,873</u> |

| | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Department of Administration | | | | | | |
| Personnel | 12,630,323 | 13,507,591 | 14,123,406 | 14,768,224 | 15,443,442 | 16,150,526 |
| Services | 3,066,070 | 3,091,165 | 3,152,988 | 3,216,048 | 3,280,369 | 3,345,976 |
| Supplies | 244,842 | 252,660 | 265,293 | 278,557 | 292,485 | 307,110 |
| Other-Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Capital | 62,954 | 625,000 | 331,000 | 331,000 | 350,000 | 360,000 |
| Other-Transfers | 19,495,802 | 30,308,340 | 3,738,561 | 3,861,772 | 4,936,772 | 3,215,884 |
| Other-Operating | 785,734 | 742,064 | 756,905 | 772,043 | 787,484 | 803,234 |
| Total Department of Administration | <u>\$36,285,726</u> | <u>\$48,526,819</u> | <u>\$22,368,153</u> | <u>\$23,227,644</u> | <u>\$25,090,553</u> | <u>\$24,182,730</u> |

| | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Department of Building and Housing | | | | | | |
| Personnel | 1,175,891 | 1,104,340 | 1,137,470 | 1,171,594 | 1,206,742 | 1,242,944 |
| Services | 108,286 | 106,523 | 108,654 | 110,827 | 113,043 | 115,304 |
| Supplies | 12,325 | 11,074 | 11,628 | 12,209 | 12,820 | 13,460 |
| Other-Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Operating | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Department of Building & Housing | <u>\$1,296,502</u> | <u>\$1,221,937</u> | <u>\$1,257,751</u> | <u>\$1,294,630</u> | <u>\$1,332,605</u> | <u>\$1,371,709</u> |

City of Harrisburg
2022 Five-Year Financial Plan

| | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Department of Public Safety | | | | | | |
| Personnel | 26,049,889 | 24,637,666 | 25,376,796 | 26,138,100 | 26,922,243 | 27,729,910 |
| Services | 1,164,376 | 1,050,471 | 1,071,480 | 1,092,910 | 1,114,768 | 1,137,064 |
| Supplies | 438,019 | 453,924 | 476,620 | 500,451 | 525,474 | 551,747 |
| Other-Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Capital | 439,000 | 366,664 | 812,000 | 1,131,000 | 786,000 | 400,000 |
| Other-Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Operating | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Department of Public Safety | <u>\$28,091,283</u> | <u>\$26,508,725</u> | <u>\$27,736,896</u> | <u>\$28,862,461</u> | <u>\$29,348,485</u> | <u>\$29,818,721</u> |

| | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Department of Public Works | | | | | | |
| Personnel | 1,026,151 | 969,498 | 998,583 | 1,028,540 | 1,059,396 | 1,091,178 |
| Services | 818,884 | 1,289,422 | 1,315,210 | 1,341,515 | 1,368,345 | 1,395,712 |
| Supplies | 1,198,853 | 1,274,604 | 1,338,334 | 1,405,251 | 1,475,513 | 1,549,289 |
| Other-Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Capital | 709,139 | 345,558 | 20,000 | 20,159 | 20,000 | 0 |
| Other-Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Operating | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Department of Public Works | <u>\$3,753,027</u> | <u>\$3,879,081</u> | <u>\$3,672,127</u> | <u>\$3,795,464</u> | <u>\$3,923,254</u> | <u>\$4,036,179</u> |

| | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Department of Parks, Recreation, and Facilities | | | | | | |
| Personnel | 807,102 | 806,510 | 830,705 | 855,627 | 881,295 | 907,734 |
| Services | 554,258 | 333,319 | 339,985 | 346,785 | 353,721 | 360,795 |
| Supplies | 223,746 | 174,798 | 183,538 | 192,715 | 202,351 | 212,468 |
| Other-Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Capital | 1,090,928 | 844,569 | 790,538 | 867,865 | 321,000 | 956,821 |
| Other-Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other-Operating | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dept. Parks/Recreation/Facilities | <u>\$2,676,034</u> | <u>\$2,159,196</u> | <u>\$2,144,767</u> | <u>\$2,262,992</u> | <u>\$1,758,367</u> | <u>\$2,437,819</u> |

Total General Fund Expenditures **\$73,865,313** **\$83,987,025** **\$58,920,339** **\$61,234,700** **\$63,297,165** **\$63,745,030**

Appendix B

Financial History and Forecast – Non-Major/Special Revenue Funds

The City maintains several non-major and special funds that account for financial activity for a variety of purposes. The following are projections for those funds. The 2021 actual results reflect bottom-line revenues and expenses. Allocations between revenue and expense categories are likely to change. 2022 Projection reflects the January 2022 budget amendment and roll over expenses.

Capital Projects Fund— This fund accounts for revenues and expenses connected with the City’s capital projects.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|----------------------------------|-----------|-----------|-----------|-----------|-------------|-------------|------------|-------------|-------------|-------------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Department of Public Works | 1,194,359 | 1,198,978 | 1,344,057 | 1,283,578 | 1,656,747 | 1,150,000 | 1,150,000 | 1,150,000 | 1,150,000 | 1,150,000 |
| Intergovernmental | - | 2,380,532 | 1,387,078 | 1,880,709 | 3,030,703 | 7,333,068 | 200,000 | 200,000 | - | - |
| Other Financing Sources | - | - | 2,000,000 | - | - | - | 15,500,000 | - | - | - |
| Miscellaneous | 18,068 | 64,691 | 122,143 | 50,146 | 1,146 | 3,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Transfers | 500,000 | 200,000 | 3,807,755 | 324,432 | 1,165,901 | - | 1,418,070 | 1,050,000 | 2,125,000 | 224,112 |
| Total Revenue | 1,712,427 | 3,844,201 | 8,661,033 | 3,538,865 | 5,854,497 | 8,486,068 | 18,278,070 | 2,410,000 | 3,285,000 | 1,384,112 |
| Other - Capital | 223,543 | 2,017,866 | 7,884,745 | 2,460,649 | 5,930,588 | 8,981,337 | 1,418,070 | 1,050,000 | 2,125,000 | 224,112 |
| Other - Priority 1 Cap Improvmts | - | - | - | - | - | - | 2,220,169 | 3,259,487 | 3,066,250 | 3,038,250 |
| Other - Priority 2 Cap Improvmts | - | - | - | - | - | - | 2,070,700 | 1,070,836 | 529,088 | 249,250 |
| Other - Transfers | 250,000 | 527,784 | 1,150,000 | 1,150,000 | 1,582,907 | 926,200 | 1,150,000 | 1,150,000 | 1,150,000 | 1,150,000 |
| Total Expenditures | 473,543 | 2,545,650 | 9,034,745 | 3,610,649 | 7,513,495 | 9,907,537 | 6,858,939 | 6,530,323 | 6,870,338 | 4,661,612 |
| Change in Cash Fund Balance | 1,238,884 | 1,298,551 | (373,712) | (71,784) | (1,658,998) | (1,421,469) | 11,419,131 | (4,120,323) | (3,585,338) | (3,277,500) |
| Cash - Beginning of Year | 2,552,777 | 3,791,661 | 5,090,212 | 4,716,500 | 4,644,716 | 2,985,718 | 1,564,249 | 12,983,380 | 8,863,057 | 5,277,719 |
| Cash - End of Year | 3,791,661 | 5,090,212 | 4,716,500 | 4,644,716 | 2,985,718 | 1,564,249 | 12,983,380 | 8,863,057 | 5,277,719 | 2,000,219 |

State Liquid Fuels Tax Fund – Funded by an annual Commonwealth of Pennsylvania State Liquid Fuels Tax allocation. The fund is used to account for state aid revenue expended primarily for streets and traffic lighting, traffic controls, and maintaining City road and bridges in accordance with policies and procedures of the County Liquid Fuels Tax Act of 1931 and the Liquid Fuels Tax Act 655 of 1956 of the Commonwealth of Pennsylvania.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Department of Public Works | 1,342,534 | 1,430,015 | 1,492,007 | 1,422,384 | 1,285,187 | 1,289,000 | 1,430,000 | 1,430,000 | 1,430,000 | 1,430,000 |
| Total Revenue | 1,342,534 | 1,430,015 | 1,492,007 | 1,422,384 | 1,285,187 | 1,289,000 | 1,430,000 | 1,430,000 | 1,430,000 | 1,430,000 |
| Personnel | - | - | - | - | - | - | - | - | - | - |
| Services | 338,398 | 288,690 | 265,283 | 308,196 | 325,976 | 413,198 | 413,198 | 413,198 | 413,198 | 413,198 |
| Supplies | 63,496 | 209,869 | 135,170 | 103,879 | 265,221 | 267,719 | 267,719 | 267,719 | 267,719 | 267,719 |
| Other - Debt | - | - | - | 226,355 | 224,112 | 224,112 | 224,112 | 224,112 | 224,112 | 224,112 |
| Other - Capital | 602,410 | 314,346 | 162,273 | 589,294 | 213,994 | 743,070 | 700,000 | 400,000 | - | - |
| Total Expenditures | 1,004,304 | 812,905 | 562,726 | 1,227,724 | 1,029,303 | 1,648,099 | 1,605,029 | 1,305,029 | 905,029 | 905,029 |
| Change in Cash Fund Balance | 338,230 | 617,110 | 929,281 | 194,660 | 255,884 | (359,099) | (175,029) | 124,971 | 524,971 | 524,971 |
| Cash - Beginning of Year | 1,272,316 | 1,610,546 | 2,227,656 | 3,156,937 | 3,351,597 | 3,607,481 | 3,248,382 | 3,073,353 | 3,198,324 | 3,723,295 |
| Cash - End of Year | 1,610,546 | 2,227,656 | 3,156,937 | 3,351,597 | 3,607,481 | 3,248,382 | 3,073,353 | 3,198,324 | 3,723,295 | 4,248,266 |

Host Municipalities Fees Fund – Funded by quarterly amounts of host municipality benefit fees received from the incinerator for waste tonnage received and disposed at the Harrisburg Resource Recovery Facility. Proceeds made available as a funding source for critical environmental projects.

| | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Dept. of Community/Economic Development (Environmental) | 327,781 | 331,924 | 357,628 | 350,854 | 344,725 | 348,096 | 354,376 | 360,844 | 360,844 | 360,844 |
| Total Revenue | 327,781 | 331,924 | 357,628 | 350,854 | 344,725 | 348,096 | 354,376 | 360,844 | 360,844 | 360,844 |
| Personnel | 101,378 | 128,402 | 136,910 | 131,557 | 138,871 | 135,910 | 138,628 | 141,401 | 144,229 | 144,229 |
| Services | 29,605 | 77,609 | 58,620 | 57,949 | 82,311 | 95,350 | 95,350 | 95,350 | 95,350 | 95,350 |
| Supplies | 3,838 | 11,813 | 21,562 | 10,117 | 6,002 | 18,750 | 18,750 | 18,750 | 18,750 | 18,750 |
| Other - Grant Distributions | 10,000 | 243,980 | 158,482 | 22,832 | 56,144 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Other - Capital | 112,000 | - | - | 45,324 | 24,600 | - | - | - | - | - |
| Total Expenditures | 256,821 | 461,804 | 375,574 | 267,779 | 307,928 | 280,010 | 282,728 | 285,501 | 288,329 | 288,329 |
| Change in Cash Fund Balance | 70,960 | (129,880) | (17,946) | 83,075 | 36,797 | 68,086 | 71,648 | 75,343 | 72,515 | 72,515 |
| Cash - Beginning of Year | 489,241 | 560,201 | 430,321 | 412,375 | 495,450 | 532,247 | 600,333 | 671,981 | 747,324 | 819,839 |
| Cash - End of Year | 560,201 | 430,321 | 412,375 | 495,450 | 532,247 | 600,333 | 671,981 | 747,324 | 819,839 | 892,354 |

Blight Remediation Fund (Special Fund)— Accounts for fee revenues and expenses related to the City as they pertain to enforcement of ordinances regulating blight and local health, housing and safety codes and regulations.

| | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|--|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Dept. of Community/Economic Development (Bldg and Housing) | 75,135 | 91,727 | 68,825 | 63,848 | 52,037 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 |
| Total Revenue | 75,135 | 91,727 | 68,825 | 63,848 | 52,037 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 |
| Personnel | - | - | - | 7,809 | 9,654 | - | - | - | - | - |
| Services | 17,950 | 18,771 | 50,669 | 23,094 | 31,258 | 44,807 | 45,704 | 46,618 | 46,618 | 46,618 |
| Supplies | 5,820 | 5,138 | 1,933 | - | 1,181 | 19,369 | 19,757 | 20,152 | 20,152 | 20,152 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 23,770 | 23,909 | 52,602 | 30,903 | 42,093 | 64,176 | 65,461 | 66,770 | 66,770 | 66,770 |
| Change in Cash Fund Balance | 51,365 | 67,818 | 16,223 | 32,945 | 9,944 | (16,176) | (17,461) | (18,770) | (18,770) | (18,770) |
| Cash - Beginning of Year | 206,171 | 257,536 | 325,354 | 341,577 | 374,522 | 384,466 | 368,290 | 350,829 | 332,059 | 313,289 |
| Cash - End of Year | 257,536 | 325,354 | 341,577 | 374,522 | 384,466 | 368,290 | 350,829 | 332,059 | 313,289 | 294,519 |

Special Events/Project Reimbursement Fund (Special Fund) - Repository for funds generated from contributions from citizens interested in supporting the functions of the Department and revenue from the sale of recyclable materials collected by the Department. The fund is used for maintaining and supporting the various endeavors of the Department of Public Works.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------------------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Department of Public Works | 70,803 | 64,834 | 19,428 | 13,655 | 74,141 | 21,300 | 21,300 | 21,300 | 21,300 | 21,300 |
| Total Revenue | 70,803 | 64,834 | 19,428 | 13,655 | 74,141 | 21,300 | 21,300 | 21,300 | 21,300 | 21,300 |
| Personnel | - | - | - | - | - | - | - | - | - | - |
| Services | - | 5,250 | 5,250 | - | - | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Supplies | - | 38,420 | - | 5,250 | 5,250 | 19,000 | 19,000 | 19,000 | 19,000 | 19,000 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | - | 43,670 | 5,250 | 5,250 | 5,250 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Change in Cash Fund Balance | 70,803 | 21,164 | 14,178 | 8,405 | 68,891 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 |
| Cash - Beginning of Year | 31,625 | 102,428 | 123,592 | 137,770 | 146,175 | 215,066 | 216,366 | 217,666 | 218,966 | 220,266 |
| Cash - End of Year | 102,428 | 123,592 | 137,770 | 146,175 | 215,066 | 216,366 | 217,666 | 218,966 | 220,266 | 221,566 |

Fire Protection Fund (Special Fund) – Accounts for revenues and expenses supporting Fire department activities.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------------------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Department of Public Safety | 109,658 | 124,654 | 28,055 | 29,862 | 16,439 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 |
| Total Revenue | 109,658 | 124,654 | 28,055 | 29,862 | 16,439 | 12,800 | 12,800 | 12,800 | 12,800 | 12,800 |
| Personnel | - | - | - | - | - | - | - | - | - | - |
| Services | 63,560 | 68,787 | 3,249 | 4,122 | - | - | - | - | - | - |
| Supplies | 665 | 19,996 | - | 990 | - | 19,004 | 18,150 | 17,412 | 17,412 | 17,412 |
| Other | - | 5,100 | 11,058 | - | 15,000 | - | - | - | - | - |
| Total Expenditures | 64,225 | 93,883 | 14,307 | 5,112 | 15,000 | 19,004 | 18,150 | 17,412 | 17,412 | 17,412 |
| Change in Cash Fund Balance | 45,433 | 30,771 | 13,748 | 24,750 | 1,439 | (6,204) | (5,350) | (4,612) | (4,612) | (4,612) |
| Cash - Beginning of Year | 156,423 | 201,856 | 232,627 | 246,375 | 271,125 | 272,564 | 266,360 | 261,010 | 256,398 | 251,786 |
| Cash - End of Year | 201,856 | 232,627 | 246,375 | 271,125 | 272,564 | 266,360 | 261,010 | 256,398 | 251,786 | 247,174 |

Police Protection Fund (Special Fund) - Accounts for revenues and expenses supporting Police department activities.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------------------------|-----------|----------|---------|---------|---------|----------|----------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Department of Public Safety | 91,784 | 152,586 | 122,168 | 207,989 | 118,865 | 89,000 | 89,000 | 89,000 | 89,000 | 89,000 |
| Total Revenue | 91,784 | 152,586 | 122,168 | 207,989 | 118,865 | 89,000 | 89,000 | 89,000 | 89,000 | 89,000 |
| Personnel | 13,267 | - | - | - | - | - | - | - | - | - |
| Services | 70,530 | 47,520 | 68,385 | 42,970 | 71,543 | 105,000 | 105,000 | 105,000 | 105,000 | 105,000 |
| Supplies | 11,745 | - | 1,851 | - | 8,350 | 48,900 | 48,900 | 48,900 | 48,900 | 48,900 |
| Other | 100,283 | 117,421 | 39,559 | - | - | - | - | - | - | - |
| Total Expenditures | 195,825 | 164,941 | 109,795 | 42,970 | 79,893 | 153,900 | 153,900 | 153,900 | 153,900 | 153,900 |
| Change in Cash Fund Balance | (104,041) | (12,355) | 12,373 | 165,019 | 38,972 | (64,900) | (64,900) | (64,900) | (64,900) | (64,900) |
| Cash - Beginning of Year | 516,648 | 412,607 | 400,252 | 412,625 | 577,644 | 616,616 | 551,716 | 486,816 | 421,916 | 357,016 |
| Cash - End of Year | 412,607 | 400,252 | 412,625 | 577,644 | 616,616 | 551,716 | 486,816 | 421,916 | 357,016 | 292,116 |

WHBG-TV Fund (Special Fund) – Accounts for financial activity related to the City’s government access cable television channel, station facilities and programming management.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|------------------------------|--------|--------|--------|----------|--------|----------|----------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Department of Administration | 7,598 | 4,529 | 1,511 | 1,042 | 29 | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 |
| Total Revenue | 7,598 | 4,529 | 1,511 | 1,042 | 29 | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 |
| Personnel | - | - | - | - | - | - | - | - | - | - |
| Services | - | - | - | - | - | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Supplies | - | - | - | - | - | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Other | - | - | - | 21,010 | - | - | - | - | - | - |
| Total Expenditures | - | - | - | 21,010 | - | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Change in Cash Fund Balance | 7,598 | 4,529 | 1,511 | (19,968) | 29 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Cash - Beginning of Year | 20,136 | 27,734 | 32,263 | 33,774 | 13,806 | 13,835 | 18,335 | 22,835 | 27,335 | 31,835 |
| Cash - End of Year | 27,734 | 32,263 | 33,774 | 13,806 | 13,835 | 18,335 | 22,835 | 27,335 | 31,835 | 36,335 |

Events Fund (Special Fund) – Accounts for all revenue raised in support of the City’s events, including Arts Fest, the July 4th Celebration, Kipona, the Holiday Parade, and New Year’s Eve. This fund also accounts for related expenses and is overseen by the Director of Business Development and the Events and Marketing Manager.

| | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast | 2026 Forecast |
|--|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Dept. of Community/Economic Development (Parks/Recreation) | 168,391 | 196,177 | 148,710 | 83,517 | 190,053 | 321,200 | 321,200 | 321,200 | 321,200 | 321,200 |
| Total Revenue | 168,391 | 196,177 | 148,710 | 83,517 | 190,053 | 321,200 | 321,200 | 321,200 | 321,200 | 321,200 |
| Personnel | 2,996 | 2,784 | - | - | - | - | - | - | - | - |
| Services | 113,049 | 159,114 | 115,971 | 62,598 | 130,768 | 321,000 | 321,000 | 321,000 | 321,000 | 321,000 |
| Supplies | 834 | 259 | 20 | - | - | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 116,879 | 162,157 | 115,991 | 62,598 | 130,768 | 322,100 | 322,100 | 322,100 | 322,100 | 322,100 |
| Change in Cash Fund Balance | 51,512 | 34,020 | 32,719 | 20,919 | 59,285 | (900) | (900) | (900) | (900) | (900) |
| Cash - Beginning of Year | - | 51,512 | 85,532 | 118,251 | 139,170 | 198,455 | 197,555 | 196,655 | 195,755 | 194,855 |
| Cash - End of Year | 51,512 | 85,532 | 118,251 | 139,170 | 198,455 | 197,555 | 196,655 | 195,755 | 194,855 | 193,955 |

Parks and Recreation Fund (Special Fund) - Accounts for revenues and expenses supporting the maintenance and betterment of the City's Parks and Recreation bureau, activities, and programming.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|----------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Dept. of Community/Economic Development (Parks/Recreation) | 207,765 | 268,168 | 203,646 | 95,603 | 95,917 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 |
| Total Revenue | 207,765 | 268,168 | 203,646 | 95,603 | 95,917 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 |
| Personnel | 49,643 | 46,193 | 38,272 | 14,284 | 4,862 | 45,131 | 45,131 | 45,131 | 45,131 | 45,131 |
| Services | 96,694 | 67,410 | 45,156 | 15,792 | 36,079 | 92,241 | 92,241 | 92,241 | 92,241 | 92,241 |
| Supplies | 52,996 | 46,700 | 24,919 | 4,525 | 19,499 | 40,105 | 40,105 | 40,105 | 40,105 | 40,105 |
| Other | 77,515 | 53,752 | 20,000 | 20,000 | 20,000 | 26,250 | 26,250 | 26,250 | 26,250 | 26,250 |
| Total Expenditures | 276,848 | 214,055 | 128,347 | 54,601 | 80,440 | 203,727 | 203,727 | 203,727 | 203,727 | 203,727 |
| Change in Cash Fund Balance | (69,083) | 54,113 | 75,299 | 41,002 | 15,477 | (1,227) | (1,227) | (1,227) | (1,227) | (1,227) |
| Cash - Beginning of Year | 305,081 | 235,998 | 290,111 | 365,410 | 406,412 | 421,889 | 420,662 | 419,435 | 418,208 | 416,981 |
| Cash - End of Year | 235,998 | 290,111 | 365,410 | 406,412 | 421,889 | 420,662 | 419,435 | 418,208 | 416,981 | 415,754 |

Appendix C

Funded Priority One Capital Improvement Projects

| Department | Project Name | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|------------------|--|---------|---------|---------|---------|---------|---------|
| Parks/Facilities | Park Maintenance – Front End Loader | 95,000 | | | | | 95,000 |
| Parks/Facilities | Park Maintenance – Ventrac attachments | 13,252 | | | | | 13,252 |
| Parks/Facilities | Park Maintenance – Utility Trailer | 12,386 | 15,000 | 15,000 | 15,000 | 15,000 | 72,386 |
| Parks/Facilities | Park Maintenance – Full concrete floor replacement | 10,728 | | | | | 10,728 |
| Parks/Facilities | Parks Maintenance Building - Repair Main Electric Line | 7,200 | | | | | 7,200 |
| Parks/Facilities | Reservoir Park Brownstone – HVAC repairs and upgrades | 23,000 | | | | | 23,000 |
| Parks/Facilities | Park Maintenance Building – Plastic recycling pit | 6,000 | | | | | 6,000 |
| Parks/Facilities | Italian Lake/Riverfront Geese Management | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 150,000 |
| Parks/Facilities | Additional video surveillance for highly trafficked park areas | 9,000 | | | | | 9,000 |
| Parks/Facilities | City Shade Tree Program | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 500,000 |
| Parks/Facilities | Italian Lake Dredging | 30,000 | 45,000 | 45,000 | 45,000 | 45,000 | 210,000 |
| Parks/Facilities | Park Maintenance – Skid Steer driven snow blower | 9,000 | | | | | 9,000 |
| Parks/Facilities | Public Safety Building - Fire alarm system and smoke detectors | 95,000 | | | | | 95,000 |
| Parks/Facilities | Reservoir Park Mansion - New Windows | 15,000 | | | | | 15,000 |
| Parks/Facilities | Public Safety Building - Windows | 85,000 | 71,250 | 71,250 | 71,250 | 71,250 | 370,000 |
| Parks/Facilities | MLK - Heated Air Curtain | 24,000 | | | | | 24,000 |
| Parks/Facilities | Reservoir Park Mansion - Porch masonry, railings and wood | | 35,000 | | | | 35,000 |
| Parks/Facilities | Public Safety Building - 1st and 2nd floor flooring | | 84,000 | 84,000 | | | 168,000 |
| Parks/Facilities | Public Safety Building - Ceiling Tiles | | 29,829 | 29,829 | | | 59,658 |
| Parks/Facilities | Public Safety Building - Access Control | 10,000 | 25,000 | 10,000 | 10,000 | 10,000 | 65,000 |
| Parks/Facilities | Public Safety Building - Non-Working Valve in Mechanical Room | | 13,000 | | | | 13,000 |
| Parks/Facilities | MLK – Repair brick walkway | 23,000 | | | | | 23,000 |
| Parks/Facilities | Public Safety Building – Window Coverings | 10,000 | 25,000 | 25,000 | | | 60,000 |
| Parks/Facilities | 1820 Paxton St. - Wet Glazing | 7,866 | | | | | 7,866 |

| Department | Project Name | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|------------------|--|----------------|------------------|------------------|------------------|------------------|-------------------|
| Parks/Facilities | 1820 Paxton St. - Exterior Fencing - VMC | 8,000 | | | | | 8,000 |
| Parks/Facilities | 1820 Paxton St – Secondary bulk oil distribution system | 15,000 | | | | | 15,000 |
| Parks/Facilities | Reservoir Park Brownstone – Replace gutters | 15,000 | | | | | 15,000 |
| Parks/Facilities | MLK – Weather Stripping | | | 50,000 | 50,000 | 50,000 | 150,000 |
| Parks/Facilities | Reservoir Park Mansion - Garage Roof | | | 21,000 | | | 21,000 |
| Parks/Facilities | MLK – Complete Remodel | | | 2,700,000 | 2,700,000 | 2,700,000 | 8,100,000 |
| Parks/Facilities | MLK – Codes carpet replacement | 13,250 | | | | | 13,250 |
| Parks/Facilities | Reservoir Park Mansion - Lighting | | 160,000 | | | | 160,000 |
| Parks/Facilities | Reservoir Park Mansion – Cameras | | 10,000 | 12,000 | 15,000 | 17,000 | 54,000 |
| Parks/Facilities | Public Safety Building – Carbon Monoxide Ventilation | | 19,000 | | | | 19,000 |
| Parks/Facilities | Public Safety Building – 1 st Floor Roof overhang | | 25,000 | | | | 25,000 |
| Parks/Facilities | Public Safety Building – LED Panel Lighting | | 15,500 | 15,500 | | | 31,000 |
| Parks/Facilities | MLK – Window Coverings | | 25,908 | 25,908 | | | 51,816 |
| Parks/Facilities | 1820 Paxton St – Bathroom remodel | | 15,000 | 10,000 | 15,000 | | 40,000 |
| Parks/Facilities | 1820 Paxton St – Access Control | | 15,000 | 15,000 | 15,000 | | 45,000 |
| Parks/Facilities | MLK – HVAC (GESA) | | 720,000 | | | | 720,000 |
| Parks/Facilities | City Island - Deck | | 75,000 | | | | 75,000 |
| | Total | 666,682 | 1,553,487 | 3,259,487 | 3,066,250 | 3,038,250 | 11,584,156 |

Priority Two Capital Improvement Projects

| Department | Project Name | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|------------------|--|------|---------|---------|---------|---------|---------|
| Parks/Facilities | Park Maintenance – 6100m Motrim | | | 160,000 | | | 160,000 |
| Parks/Facilities | Park Maintenance – Small 8yrd sanitation packer | | 110,000 | | | | 110,000 |
| Parks/Facilities | Park Maintenance – 1-ton dump with brine system | | 105,000 | 105,000 | | | 210,000 |
| Parks/Facilities | Park Maintenance – 72" Z turn mowers | | 37,000 | | | 37,000 | 74,000 |
| Parks/Facilities | Park Maintenance – Walk behind mowers | | 6,000 | 6,000 | 6,000 | 6,000 | 24,000 |
| Parks/Facilities | Park Maintenance Building – Update restrooms in both shops | | | 6,200 | | | 6,200 |
| Parks/Facilities | Park Maintenance – Repair flat roof at upper shop | | | | 7,000 | | 7,000 |
| Parks/Facilities | Park Maintenance – 8ft slit seeder | | | | 9,000 | | 9,000 |
| Parks/Facilities | Park Maintenance – 5-ton dump | | 155,000 | 155,000 | | | 310,000 |
| Parks/Facilities | Park Maintenance – Backhoe | | | 75,000 | | | 75,000 |
| Parks/Facilities | Park Maintenance – Tractor | | | | 50,838 | | 50,838 |
| Parks/Facilities | Park Maintenance – Trackless Unit | | | 149,886 | | | 149,886 |
| Parks/Facilities | Park Maintenance – 2 bucket trucks | | | | 150,000 | 150,000 | 300,000 |
| Parks/Facilities | Parks Maintenance Building – Rebuild front steps - masonry | | | 115,000 | | | 115,000 |
| Parks/Facilities | Public Safety Building – Basement ceiling-garage | | 30,000 | | | | 30,000 |
| Parks/Facilities | | | | | | | |
| Parks/Facilities | Jackson Lick Swimming Pool (pool 1) - expansion joint | | 100,000 | | | | 100,000 |
| Parks/Facilities | Jackson Lick Swimming Pool (pool 1) - new roof | | 22,000 | | | | 22,000 |
| Parks/Facilities | MLK - Non-Working Valves in Mechanical Room (GESA) | | 13,000 | | | | 13,000 |
| Parks/Facilities | Civil War Museum - Rotunda improvement | | | | 250,000 | | 250,000 |
| Parks/Facilities | Jackson Lick Swimming Pool (pool 1) – Changing Rooms | | 250,000 | | | | 250,000 |
| Parks/Facilities | 1820 Paxton St – Replacement Generator | | | 165,000 | | | 165,000 |
| Parks/Facilities | Public Safety Building – Bathroom Upgrades | | 56,250 | 56,250 | 56,250 | 56,250 | 225,000 |

| Department | Project Name | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|------------------|--|---------|---------|-----------|-----------|------------|------------|
| Parks/Facilities | Public Safety Building – New elevator cars | 241,450 | | | | | 241,450 |
| Parks/Facilities | Reservoir Park Mansion – New roof | | | 43,000 | | | 43,000 |
| Parks/Facilities | Strawberry Alley – Bollards | | | 28,000 | | | 28,000 |
| Parks/Facilities | Public Safety Building – Expansion tank | | | 6,500 | | | 6,500 |
| Parks/Facilities | Stadium Lights | 945,000 | | | | | 945,000 |
| Parks/Facilities | Radnor Basketball Court | | | 470,000 | | | 470,000 |
| Parks/Facilities | Shipoke Playground | 90,000 | | | | | 90,000 |
| Parks/Facilities | Mansion and Brownstone | 100,000 | | | | | 100,000 |
| Parks/Facilities | Radnor Ballfield and Bleachers | | | 350,000 | | | 350,000 |
| Parks/Facilities | Hall Manor Pool – Spray park renovations | | | 2,100,000 | | | 2,100,000 |
| Parks/Facilities | Pleasant view Park | | | | 45,000 | | 45,000 |
| Parks/Facilities | City wide water fountains | | | 250,000 | | | 250,000 |
| Parks/Facilities | Riverfront Park – Electric | | 350,000 | | | | 350,000 |
| Parks/Facilities | City Island (Consultant) | | | 100,000 | | | 100,000 |
| Parks/Facilities | Morrison Park (Consultant) | 65,000 | | | | | 65,000 |
| Parks/Facilities | Argyle Park | | | 25,000 | | | 25,000 |
| Parks/Facilities | Reservoir Park – Phase 4 & 5 of Master plan | | | | 1,700,000 | | 1,700,000 |
| Parks/Facilities | City Island design – Phase 16 | | | | 500,000 | | 500,000 |
| Parks/Facilities | 14 th & Shoop (fencing) and Braxton | | | 150,000 | | | 150,000 |
| Parks/Facilities | City Island (Skyline field & Press Box area) | | | | 5,100,000 | | 5,100,000 |
| Parks/Facilities | Morrison Park renovation project | | | | 800,000 | | 800,000 |
| Parks/Facilities | Penn & Dauphin equipment and fencing | | | | 400,000 | | 400,000 |
| Parks/Facilities | 4 th and Emerald – Walkways/Fencing | | | | | 50,000 | 50,000 |
| Parks/Facilities | Jackson Lick Pool – new location | | | | | 11,000,000 | 11,000,000 |
| Parks/Facilities | Reservoir Park – Phase 2, 6 & 7 | | | | | 2,500,000 | 2,500,000 |
| Parks/Facilities | Reservoir Park – Phase 1 & 3 | | | | | 1,685,000 | 1,685,000 |
| Parks/Facilities | Argyle Street | | | | | 350,000 | 350,000 |
| Parks/Facilities | Vernon Street Playground Equipment | | | | | 180,000 | 180,000 |
| Parks/Facilities | Stage | | | | | 120,000 | 120,000 |
| Parks/Facilities | Decking | | | | | 90,000 | 90,000 |

| Department | Project Name | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|------------------|---|------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Parks/Facilities | 4 th & Dauphin playground | 285,000 | | | | | 285,000 |
| Parks/Facilities | Reservoir Park Chutes & Ladders | 250,000 | | 800,000 | | | 1,050,000 |
| Parks/Facilities | Wilson Park (Consultant) | 50,000 | | | | | 50,000 |
| Parks/Facilities | Park Amenities (P&R) | 30,000 | | | | | 30,000 |
| Parks/Facilities | Radnor (Consultant) | 30,000 | | | | | 30,000 |
| Parks/Facilities | Small Projects | 27,500 | | | | | 27,500 |
| Parks/Facilities | Reservoir Park – Phasing | | 960,000 | | | | 960,000 |
| Parks/Facilities | Wilson Park Renovations | | 475,000 | | | | 475,000 |
| Parks/Facilities | City Island/Riverfront (Consultant) | | 30,000 | | | | 30,000 |
| Parks/Facilities | Public Safety Bldg. – Janitor Closets | | 10,000 | 10,000 | | | 20,000 |
| Parks/Facilities | MLK – Janitor Closets | | | 10,000 | 10,000 | | 20,000 |
| Parks/Facilities | | | | | | | |
| Parks/Facilities | Reservoir Park Brownstone – Replace roof | | | 67,000 | | | 67,000 |
| Parks/Facilities | Reservoir Park Brownstone – Exterior paint | | | 6,700 | | | 6,700 |
| Parks/Facilities | | | | | | | |
| Parks/Facilities | MLK Building – Exterior brick pavers and lighted bollards | | | 66,000 | | | 66,000 |
| Parks/Facilities | 1820 Paxton St – Replace roof at VMC | | | | 500,000 | | 500,000 |
| Parks/Facilities | MLK – Elevator mechanical modernization | | | | 160,000 | | 160,000 |
| Parks/Facilities | MLK – Replace switchgear | | | | 350,000 | | 350,000 |
| Parks/Facilities | Public Safety Building – Hot water storage tank | | | | 20,000 | | 20,000 |
| Parks/Facilities | Public Safety Building – Replace switchgear | | | | 200,000 | | 200,000 |
| Parks/Facilities | Reservoir Park Brownstone– Bathroom remodel | | | | 5,725 | | 5,725 |
| Parks/Facilities | Broad Street Market – Replace roof | | | | 325,000 | | 325,000 |
| Parks/Facilities | 1820 Paxton St – Building Automation System | | | | 27,000 | | 27,000 |
| Parks/Facilities | Reservoir Park Mansion – Exterior paint | | | | 34,000 | | 34,000 |
| | Total | \$672,500 | \$4,150,700 | \$5,475,336 | \$10,705,813 | \$16,224,250 | \$37,228,849 |



Appendix D

Progress Towards Resolving Audit Findings

Initially, from a historical perspective, the City’s 2018 Independent Single Audit identified 12 findings, or areas of weakness, in its financial statements or processes. Progress in resolving such is noted as the number of findings diminished to 9 as reported within the 2019 single audit and was further reduced to 4 findings as contained in the more recent 2020 single audit report. The City is mindful of continuing to address the 4 remaining prior year 2020 audit findings as they were and are still affected, to various degrees, by current available staff and recent turnovers in key management positions; these four findings are included below in the summarized table.

The progress towards resolving weaknesses should preclude negative implications for the City’s credit rating related to the audit findings. The City will continue to update its auditor on status of prior findings and will also work to limit the occurrences of new findings.

| Description | Finding # | Finding # | Status |
|--------------------------------------|-----------|-----------|--------------------|
| Financial Reporting | 2019-001 | 2020-001 | Ongoing Resolution |
| Segregation of Duties | 2019-002 | 2020-002 | Pending Resolution |
| Reconciling Bank Accounts | 2019-003 | 2020-003 | Pending Resolution |
| Equipment & Real Property Management | 2019-004 | 2020-004 | Pending Resolution |

ICA FIVE-YEAR FINANCIAL PLAN SUPPLEMENTAL LETTER

The City of Harrisburg is pleased to provide some additional updated information to the Intergovernmental Cooperation Authority (ICA) as it related to the 2022 ICA Five-Year Financial Plan submitted on August 4, 2022.

The City was awarded \$47.3 million in American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery funds during fiscal years 2021 and 2022. The Mayor held several neighborhood meetings over the winter to gain input from the public. After those meetings were held, the Mayor proposed her own strategy for utilizing the ARPA federal funding. Mayor Wanda R.D. Williams' ARPA Plan is attached for your review.

The Mayor's ARPA Plan is under review by City Council. Together, they will determine an agreement to assure the ARPA funding is properly vetted and voted upon by City Council. This bicameral decision-making process is the hallmark of the City of Harrisburg's Third-Class City Charter. Once the plan is ratified, the City will make it available to the public and the ICA.

The Mayor has instructed the City's Department of Community and Economic Development Director to draft an Economic Development Plan for the City. It is expected that the Plan will be delivered in early Fall 2022. Once the plan is released, I am sure the City will accept additional input from the Community.

The Mayor and City Council have agreed to the development of an OPEB Trust Board. The Solicitor's Office is looking into the particulars of forming such a Board.

The Mayor and the Business Administrator have worked diligently to encourage more PILOT payments or payment in lieu of taxes by non-profit entities within the City. Fiscal Year 2022 has seen a definite uptick of contributors and the goal is to continue to enable these organizations to invest in the City of Harrisburg.

Assuming the City is able to negotiate and pay-off the AMBAC debt of nearly \$20 million dollars in fiscal year 2022, it is hopeful this will permit the City to eliminate the interest due on this current bond deal. As is evidenced in the ICA Five-Year Financial Plan, the City will require an investment into its capital infrastructure in the near future. As part of paying off the AMBAC debt the Department of Budget and Finance plans to enter into a new General Obligation Bond Agreement or borrowing agreement of \$15 million dollars with an interest rate proposed of 5.85% for fifteen years. This will allow the City an opportunity to properly manage its long-term investments into capital buildings, bridges, and streets. The ultimate goal is for the City to develop a long-term capital investment strategy.

The City hopes to have a sound fund balance in five-years; however, putting into place a long-term investment strategy which will include funding capital infrastructure, capital rolling stock, OPEB, and Pensions, will take fiscal discipline. Given the current supplies and capital supplies crisis, the cost of these items is climbing faster than their useful life.

Also, as requested by the ICA Board, the Accounting Manager, Bryan McCutcheon, has provided a financial schedule which outlines the Neighborhood Services Funds' delinquent accounts and the related status of these accounts.

Mayor Williams has made a commitment to meet all of the needs of the City in a wise and sound financial management strategy. Having just taken office nine months ago, it will take time to reach all of her fiscal goals and commitments. She would like to ask for patience and understanding as she traverses the complicated investment market while making sound financial management decisions.

As the City's reaches the end of the third quarter -- September 30, 2022 -- and the factual financial reporting defines the fiscal status, the hope is that the Department of Budget and Finance can continue to update the ICA Board. The goal is to provide more valuable and useful fiscal information in the upcoming ICA Five-Year Financial Plan anticipated for April 2023. This new report will include more robust explanations into the realm of the City's financial challenges. The 2023 plan, we hope, will be more helpful and provide more detailed financial information to the ICA Board as we develop better forecasting strategies and more useful capital investment tools.

Thank you in advance for your kind cooperation and collaboration in providing input into the 2022 ICA Five-Year Financial Plan.

Mayor Wanda R.D. William's ARPA Proposal

Mayor Williams's plan will include \$14.5 million to help lower-income residents in the City. Williams is calling for money to construct hundreds of affordable homes, small business grants of up to \$10,000, as well as payment of delinquent trash bills and direct payments of up to \$10,000 for home repairs for residents earning less than 250 percent of the federal poverty level.

More than \$9 million from William's proposal will go towards Public Safety initiatives.

Some of the the Public Safety money is to be spent on a new HVAC system in the city's public safety building at a cost of \$5.5 million, upgrading the Fire Bureau's radio system for \$900,000, and providing every police officer and firefighter employee who were employed by the City at the beginning of this year with a \$5,000 bonus. In total, the bonuses would cost the city \$1.26 million.

Mayor Williams's plan calls for \$10 million for beautification of the parks and recreational areas, including \$8 million for the creation of a water park with spray areas, a lazy river, and slides to replace the Hall Manor Pool on South 18th Street.

She is also asking for \$1.5 million to make the city's playgrounds more accessible for children with special needs and \$500,000 for tree removal and pruning for seniors and low-income households.

COH
SUMMARY REVIEW OF REFUSE/DISPOSAL UTILITY REVENUE RECEIVABLES
12/31/2021

| Accounts Receivable Trending | (UT-8 w/p ref.) A/R Balances per Aging Detail in Util Syst Audit Rpt | (UT-8 w/p ref.) Offset for Credit Balances in Util Syst Audit Report | Adjusted A/R Balances | (UT-4 w/p ref.) Offset Dispos Pymts on Disputed A/Cs Recorded as Refuse | Reclassified A/R Balances | (UT-2 w/p ref., summary annual rpt) Less: Year-End Escrow Balances | A/R Balances Net of Escrow Balances | (UT-2 w/p ref., summary annual rpt) Annual Billings | (UT-2 w/p ref., summary annual rpt) Annual Collections |
|------------------------------|---|---|-----------------------------|--|---------------------------------|---|---|--|---|
| 12/31/2017 - Refuse | 2,466,210 | (212,222) | 2,255,988 | 201,738 | 2,457,726 | (13,340) | 2,444,386 | 4,756,627 | 4,101,274 |
| 12/31/2017 - Disposal | 8,405,569 | (65,267) | 8,240,302 | (201,738) | 8,038,564 | (282,442) | 7,756,122 | 11,433,770 | 10,268,961 |
| 12/31/2017 Total | 10,773,779 | (277,489) | 10,496,290 | - | 10,496,290 | (295,782) | 10,200,508 | 16,190,397 | 14,370,235 |
| 12/31/2018 - Refuse | 3,182,091 | (194,504) | 2,987,587 | 186,084 | 3,173,671 | (21,497) | 3,152,174 | 5,209,889 | 4,201,445 |
| 12/31/2018 - Disposal | 9,759,057 | (86,615) | 9,672,442 | (186,084) | 9,486,358 | (495,507) | 8,990,851 | 12,545,499 | 10,227,428 |
| 12/31/2018 Total | 12,941,148 | (281,119) | 12,660,029 | - | 12,660,029 | (517,004) | 12,143,025 | 17,755,388 | 14,428,873 |
| 12/31/2019 - Refuse | 3,602,522 | (184,779) | 3,417,743 | 159,868 | 3,577,611 | (28,784) | 3,548,827 | 5,209,914 | 4,565,508 |
| 12/31/2019 - Disposal | 9,559,812 | (77,896) | 9,481,916 | (159,868) | 9,322,048 | (708,362) | 8,613,686 | 12,307,485 | 11,424,562 |
| 12/31/2019 Total | 13,162,334 | (262,675) | 12,899,659 | - | 12,899,659 | (737,146) | 12,162,513 | 17,517,399 | 15,990,070 |
| 12/31/2020 - Refuse | 3,888,417 | (215,143) | 3,673,274 | 163,302 | 3,836,576 | (83,694) | 3,802,882 | 4,723,319 | 4,346,407 |
| 12/31/2020 - Disposal | 10,008,400 | (169,564) | 10,238,836 | (163,302) | 10,075,534 | (893,244) | 9,182,290 | 11,059,963 | 10,071,291 |
| 12/31/2020 Total | 14,296,817 | (384,707) | 13,912,110 | - | 13,912,110 | (926,938) | 12,985,172 | 15,783,282 | 14,417,698 |
| 12/31/2021 - Refuse | 3,712,000 | (41,386) | 3,670,614 | 9,028 | 3,679,642 | (37,292) | 3,642,350 | 4,586,644 | 4,464,584 |
| 12/31/2021 - Disposal | 9,157,244 | (98,439) | 9,058,805 | (9,028) | 9,049,777 | (955,706) | 8,094,071 | 10,700,840 | 10,357,418 |
| 12/31/2021 Total | 12,869,244 | (139,825) | 12,729,419 | - | 12,729,419 | (992,998) | 11,736,421 | 15,287,484 | 14,822,002 |
| 3/31/2022 - Refuse | 3,609,763 | (47,269) | 3,562,494 | 9,028 | 3,571,522 | (2,225) | 3,569,297 | 1,152,703 | 1,135,338 |
| 3/31/2022 - Disposal | 8,122,611 | (102,901) | 8,019,710 | (9,028) | 8,010,682 | (72,552) | 7,938,130 | 2,706,437 | 2,658,530 |
| 3/31/2022 Total | 11,732,374 | (150,170) | 11,582,204 | - | 11,582,204 | (74,777) | 11,507,427 | 3,859,140 | 3,793,868 |
| 6/30/2022 - Refuse | 3,681,068 | (46,080) | 3,634,988 | 9,028 | 3,644,016 | (2,277) | 3,641,739 | 1,156,521 | 1,079,194 |
| 6/30/2022 - Disposal | 8,262,081 | (97,216) | 8,164,865 | (9,028) | 8,155,837 | (74,969) | 8,080,868 | 2,715,674 | 2,552,412 |
| 6/30/2022 Total | 11,943,149 | (143,296) | 11,799,853 | - | 11,799,853 | (77,266) | 11,722,587 | 3,872,195 | 3,631,606 |