

Intergovernmental Cooperation Authority for Harrisburg

Minutes of the Governing Board

Regular Meeting

May 24, 2023

Temple University Harrisburg, Strawberry Square, Harrisburg PA

hbgica.org

Members in Attendance	Ms. Audry Carter Mr. Doug Hill Mr. H. Ralph Vartan Ms. Kathy Speaker MacNett, via Zoom	A Quorum Was Recognized
In Attendance	Mr. Michael Cassidy Independent Counsel Mr. Jeffrey Stonehill Authority Manager	
Meeting Begins		4:01 p.m.
Welcome by Audry Carter, Chair	Ms. Carter opened the meeting.	
Approval of the Minutes of April 26, 2023	Ms. Carter asked for a motion to approve the minutes. Mr. Hill offered a motion to approve. A second by Mr. Vartan. The motion passes.	Approved 4-0.
Report by the Chair	Ms. Carter mentioned that the 2021 Audit is nearly complete. It is anticipated that the Audit committee will be meeting before the end of June.	
Update on the Comprehensive Software Project	Ms. Carter introduced Mr. Steve Bortner, Information Technology Director for the City of Harrisburg. A comprehensive update of the City's enterprise resource planning software system was initiated in 2022. Mr. Bortner was present to update the ICA Board on its status.  The software is called Munis.  Mr. Bortner said the vendor for the program is Tyler Technologies and the project is known as the Operations Municipal Migration Project. There are six different modules in the upgrade project.  The first module was financial management, and that part of the project	

	<p>is completed. Human Resources management is the next module and is expected to be completed until 2024.</p> <p>Future phases include: real estate taxes and billing expected completion in 2024;</p> <p>licensing and code enforcement; utility billing and collections and finally capital items and inventory of assets.</p> <p>It is anticipated that most everything will be completed by the end of 2024.</p> <p>Ms. Carter asked about payments and permits, and whether there will be a web portal for online payments. Mr. Bortner said that there will be.</p> <p>There was a discussion which office collects which revenue.</p> <p>Mr. Hill asked whether the capital projects and inventory module permits depreciation schedules. Mr. Bortner said that it has that functionality.</p> <p>The staff is tracking its time for the software conversion project. So far, they have spent over \$862,000 of the \$1.3 million in project costs. Operational savings will not be realized until at least 2024. Time management remains a challenge.</p> <p>The staff would like to migrate the Steelton trash billing accounts from the software where it is currently being managed to Munis as well.</p> <p>Ms. Carter asked about police scheduling software. Mr. Bortner said that the police and fire scheduling requires a separate scheduling software, which they are exploring.</p> <p>Mr. Stonehill asked about payroll taxes. Mr. Bortner confirmed that Munis does not handle payroll taxes.</p>	
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	<p>Ms. Carter mentioned paying parking tickets. Mr. Bortner said that was the parking vendor.</p> <p>When there was water damage in City Hall's IT office, Mr. Bortner said that the City decided to place the existing mainframe platform into the cloud. From February to April 2023, the existing software and servers were moved to a virtual server.</p> <p>He added that the redundant equipment was relocated to the Engineering Building. And, a new conference room was built in the basement.</p> <p>Mr. Bortner mentioned that the IT Bureau is fully staffed.</p> <p>Mr. Vartan complimented the IT Bureau and the staff.</p>	
<p>Discussion of Updated Financial Data from the Mayor's Five-Year Financial Plan</p>	<p>Ms. Carter said the City submitted updated financial data to the ICA Board on May 21, 2023 in lieu of a full update to the Five-Year Plan. She said that this data was a revision of the data originally submitted on April 20, 2023. This revised data will represent the only request by the Board for a 2023 Five-Year Plan update. The next full plan update will be presented by August 31, 2023.</p> <p>Ms. Carter requested an opinion letter from the Controller's Office regarding the appropriateness of the financial projections submitted by the City. Their opinion is that the City is likely being a bit too optimistic because their projections are close to the maximum revenue that the City has ever received in one fiscal year 2017 and 2022. They further suggested that the probability of an economic downturn in the next six months stands at 65%. They suggest careful monitoring by the City and the ICA Board in order to allow projections to be modified if necessary. Finally, she</p>	<p>A motion to accept the submission of May 21, 2023, to serve as the 2023 update to the Mayor's Five-Year Financial Plan; Approved 3-0.</p>

	<p>added that the Controller's Office believes that a legally adopted balanced budget should not include the use of fund balance unless it is being used for non-recurring expenditures such as capital assets.</p> <p>She introduced Bryan McCutcheon, Accounting Manager, from the City of Harrisburg. A series of documents were distributed.</p> <p>Mr. McCutcheon reviewed the summary of the projections.</p> <p>Mr. Vartan commented about the revenue projections. He added that real estate tax increase projections are unpredictable. He agreed that EIT was strong. He suggested closely watching trends. He said for the purposes of updating the plan, the projections are reasonable.</p> <p>Mr. Hill asked about carryover costs. He followed up with additional questions about tax revenue growth in light of remote workers.</p> <p>Ms. Carter asked General Counsel, Michael Cassidy about litigation related to remote workers and taxes. Mr. Cassidy responded that he is not aware of litigation, but there are several large employers in the State waiting for the issue of remote work and taxes to be addressed by the General Assembly.</p> <p>Mr. Cassidy went on to ask about the impact of the Incinerator Litigation discovery on the City's finances. He inquired whether the City is receiving assistance from the Pennsylvania Department of Community and Economic Development. It was agreed that there is no financial support to assist the City with expenses related to the Incinerator Litigation including the extensive discovery process underway.</p>	
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	<p>Mr. McCutcheon said future audits will be easier with the new software.</p> <p>Ms. Carter reminded Mr. McCutcheon that the ICA Board would prefer a joint meeting with the Audit Committee to hear the audit presentation.</p> <p>Mr. McCutcheon mentioned the staffing in the Law Bureau for liens and collections is in place and there is hope that this results in additional revenue for the Neighborhood Services Fund. He also noted that the rates for trash disposal have not changed since 2008. He said staff is contemplating a rate increase for 2024. Mr. McCutcheon mentioned the use of American Rescue Plan Act funds to payoff some of the existing Neighborhood Services Fund outstanding payables.</p> <p>Mr. McCutcheon mentioned maintenance of the City fleet of vehicles.</p> <p>Mr. Vartan commented about projections in the Neighborhood Services Fund. He noted that the last time the ICA Board received a number about outstanding balances it was \$12.3 million owed. Mr. McCutcheon noted that that it was getting better but then collections got worse again. Mr. Vartan challenged the staff to come up with an analysis of what is sustainable in terms of collections and a collection rate. Mr. Vartan talked about the future accounting of the Neighborhood Services Fund. For example, moving Parks &amp; Recreation back to the General Fund or a separate parks maintenance fund.</p> <p>Mr. Vartan stated that rate increases could be reasonable.</p> <p>Ms. Carter stated that this is now a public document.</p>	
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	<p>Ms. Carter asked for a motion to accept this submission to serve in its entirety as the 2023 update to the Mayor's Five-Year Financial Plan. Mr. Hill offered the motion. Mr. Vartan offered a second. The motion was adopted.</p> <p>Mr. McCutcheon gave a quick update on the status of 2023 revenues and expenditures year-to-date.</p> <p>Mr. Vartan noted steady positive progress over the last few years.</p> <p>Ms. Carter thanked Mr. McCutcheon.</p>	
Authority Manager's Report	Mr. Stonehill provided the financial report for May 2023.	
Public Comments	<p>Mr. Stonehill opened the floor for questions. There were none.</p> <p>Ms. Stonehill thanked Ms. Clay from DCED for attending the meeting.</p>	
Adjourn meeting at 5:31 p.m.	<p>Motion by Mr. Vartan.</p> <p>A second was not required.</p>	Approved 3-0.

Respectfully submitted:



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 Jeffrey M. Stonehill, Authority Manager







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

Report – May 24, 2023

- Digital Ocean \$12.72 May 1, 2023  
*Website software licenses*
- Digital Ocean \$6.87 May 1, 2023  
*Web Host*
- Pursuit Co-Working Harrisburg \$95.00 May 1, 2023  
*Virtual Office Monthly Subscription*
- PA Media Group \$146.08 May 15, 2023  
*Legal Advertisement*
- Johnson & Duffie \$2,432.50 May 24, 2023  
*Independent General Counsel*
- MESH PA LLC \$5,250.00 May 24, 2023  
*Authority Manager*

Ending balance: \$141,408.00

- Interest earnings Y-T-D \$10.97
- Fees Y-T-D \$0



Office of Mayor Wanda R.D. Williams  
MLK Government Center  
10 N. Second St.  
Harrisburg, PA 17101

Mayor's ICA Five-Year Financial Plan of the City of Harrisburg Certification Letter

May 31, 2022

Audry Carter, Chair  
Intergovernmental Cooperation Authority for the City of Harrisburg  
Harrisburg, PA  
Email: [ica.cartera@gmail.com](mailto:ica.cartera@gmail.com)

Re: Submission of the 2023 Budget and the May 2023 Updated Schedules for the Five-year Financial Plan of the City of Harrisburg

Dear Chair Carter:

In accordance with Section 209 € of the Intergovernmental Cooperation Authority Act for Cities of the Third Class, 53 P.S. Subsection 42101, et seq. (Act 124 - 2018), I hereby submit on behalf of the City of Harrisburg, the 2023 Approved Amended Budget and Updated Financial Schedules that were submitted to the ICA Board on May 2023 for the Five-year Financial Plan for the City of Harrisburg.

In accordance with Section 209 € (3) (ii) of the Act, I confirm that I understand the 2023 Budget document for the City of Harrisburg includes a capital budget and otherwise satisfies the requirements of Act 124. In my official capacity as of Mayor the City, I hereby do now state as follows:

- (a) The 2023 Approved Amended Budget is consistent with the financial plans for the City;
- (b) The 2023 Approved Amended Budget includes funding that would be adequate for debt service payments, legally mandated services, and lease payments securing bonds of other government agencies;
- (c) The 2023 Approved Amended Budget is based upon prudent, reasonable, and appropriate assumptions and methods of estimation; and
- (d) The 2023 Approved Amended Budget is compliant with the governing law and ordinances of the City or applicable State law regarding balanced budgets.
  
- (e) The following schedules included are the 2023 General Fund Cash Position Schedule, General Fund Revenue Schedule, General Fund Expenditure Schedule, Neighborhood Services Fund Cash Position Schedule, and the Debt Service Schedule and related documentation.

This information was transmitted to you and Jeffrey Stonehill, Authority Manager for the ICA. An original executed hard copy was also delivered.

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

Sincerely,



Wanda R.D. Williams Mayor

CC: Jeffrey Stonehill, Authority Manager

Danielle Bowers, Council President

Ausha Green, Council Vice President, Budget & Finance Chair

Daniel Hartman, Business Administrator

Marita Kelley, Board Designee

Neil A. Grover, City Solicitor

Dan Miller, City Treasurer

Charles DeBrunner, City Controller

**City of Harrisburg**

**Updated Data**

5/24/2023

# **COVER LETTER**

**Ms. Audry Carter, Chair  
Intergovernmental Cooperation Authority  
For Harrisburg (ICA)  
922 N. 3<sup>rd</sup> Street  
Harrisburg, PA 17102**

**Dear Audry:**

**Below is a Summary of the rationale for the Revenue, Expenditures, and Fund Balance observations that resulted in updated estimates for the General Fund Cash Position Report provided at April 23, 2023, ICA meeting. Much has transpired since the preparation of the ICA Five-Year Plan submitted and approved on September 28, 2022.**

**Since that time, we have seen some revenue sources improve, which is good news. At the same time, we have had several expense-related items increase and, in some cases, significantly.**

**Below is a summary of the General Fund Revenue, Expenditure, and Fund Balance financial activity and the rationale related to the updates to the General Fund Cash Position Report. The first reference is for the General Fund Revenue activity.**

- 1. The 2023 *General Fund Revenue History* presented to the ICA on April 23, 2023, indicated an increase in General Fund Revenue from the City of Harrisburg's ICA Five-Year Report submitted in September 2022. The major revenue increases were in Earned Income Tax. Earned Income Tax Revenues have been outpacing the projections from 2022 and 2023. In fact, in the first four months of 2023, the EIT revenues are up 3%. Also, the City has realized increases in the City's Parking Tax Revenue in late 2022 and early 2023. These are encouraging signs although the other forms of revenue were much more in line with the revenue estimates the City provided in September 2022 in the related report.**

**Below is a summary of the 2023 *General Fund Expenditure History* Presented to the ICA on April 23, 2023, which showed a significant increase from the expenditures presented in the September 28, 2022, ICA Five-Year Plan.**

- 2. In the 2023 budget management salaries were increased in an effort to keep pace with significant positions that required salary adjustments to remain competitive. These salary increases were not anticipated in the 2022 ICA Five-Year Report.**
- 3. The MMO AFSME Contributions increases were not anticipated in the earlier plan since the MMO estimates are not available until November. This MMO increase was the result of overwhelming pension investment losses attributed to the high inflationary rates which occurred in 2022.**
- 4. New Police FOP Contract Salary terms were reached after the estimates in the September 28, 2022 ICA Five-Year Report submission increasing the wages by 1.5**

percent which was further impacted by the step increases permitted in the contract. Also, two new Police Management positions were added to the roster.

5. Also, Non-Uniform AFSME annual increases plus significant bonuses for new and existing union employees drove costs up.
6. Concerns also exist relating to the possible increase in Fire Union IAFF Wages since the Fire Arbitration Hearings are over and the Fire Arbitration decision is expected in late 2023. No impact is indicated in the estimates but an advisory comment is warranted.
7. Expected Health Care, IT, and General Liability insurance increases are anticipated in the double digits in FY 2024 and beyond. IT alone increased by 37% last year for FY 2023 and Health Care Costs are anticipated to be more than 10%.

On a positive note although the City did not pay the full \$20.3 Million in FY 2022 as anticipated in the 2022 ICA Five-year Report the City did make the full payment by March 15, 2023. This payment of the AMBAC Forbearance is a huge step for the City.

8. The City did not pay the entire AMBAC payment in 2022, the amount was split between \$12.0 Million in 2022 and \$8.3 Million in 2023; thereby, paying off the entire forbearance responsibility.

The City remains very stable fiscally even with the reduction in General Fund, Fund Balance to pay off the AMBAC Forbearance. As we predict and project anticipated Revenues and Expenditures through Fiscal Years 2024, 2025, and 2026 the City still exceeds the City's current Fund Balance requirement of 5% by anticipating the ending of December 31, 2026, Fund Balance to be 16%. This even exceeds the updated Best Management Practice for Fund Balance Reserves as defined by the Government Finance Officers' Association of 15%.

As the Department of Budget and Finance continues to examine the fiscal position of the City, the expectation is that the City will continue to have General Fund, Fund Balance Fiscal Stability.

In addition, to the General Fund Summary above the Accounting Manager, Bryan McCutcheon will present and explain the Fiscal Cash Position of the Neighborhood Services Fund (NSF) along with detailed footnotes. The Department of Budget and Finance has heeded your recommendation that we re-examine the NSF and present a more viable, realistic, and fiscally healthy NSF Cash Position Report. Please reach out to Bryan if you have any questions before May 24, 2023, ICA Meeting regarding the NSF Cash Position provided herein.

Thank you for the opportunity to provide a brief summary of the General Fund Cash Position Report and the related variance between the two reports defined above. Please reach out to me if you require further information.

Sincerely, *Marita Kelley*

Marita J. Kelley, Director of Budget and Finance, City of Harrisburg

**GENERAL FUND SUMMARY**



**COH  
ICA Report - 5-year Plan Summary for General Fund  
2022 thru 2026**

<u>DESCRIPTION</u>	<u>FY 2022 Actual</u>	<u>Amended FY 2023 Budget</u>	<u>FY 2024 Forecast</u>	<u>FY 2025 Forecast</u>	<u>FY 2026 Forecast</u>	
Revenues	77,121,963	69,209,297	69,901,388	70,843,485	71,565,575	a.
Expenses	77,518,342	77,345,940	66,965,592	68,429,387	69,797,836	b.c.d.e.f.
Operating Result	(396,379)	(8,136,643)	2,935,796	2,414,098	1,767,739	g.
Payments of Prior Year Encumbrances	2,835,925					
Baseline Capital Expenses	684,332	2,281,171	1,082,093	1,802,000	2,103,000	
Change in Cash Fund Balance	(3,916,636)	(10,417,814)	1,853,703	612,098	(335,261)	
Beginning Cash Fund Balance	27,062,140	23,145,504	12,727,690	14,581,393	15,193,491	
Ending Cash Fund Balance	23,145,504	12,727,690	14,581,393	15,193,491	14,858,230	
Fund Balance Percentage of Total Expenses	29%	16%	21%	22%	21%	

- a. Earned Income Tax revenue has been robust during 2022 and the first quarter of 2023; parking tax revenue has also increased steadily in both 2022 and 2023.
- b. In the 2023 budget, a resulting MMO for the Non-uniform plan was determined for the first time in recent history due to related actuarial funding contractions and as well from occurring negativity attributed to the high inflation rate of more than 8% in 2022. Also, two parks Management positions at \$70,000 each were added to the roster for managing the \$13 million in DCED, CDBG-CV grant funding for the multi-parks improvement project.
- c. For the 2023 budget, Management salaries were increased reflecting competitive pace adjustments for significant positions.
- d. New Police Contract salary terms were reached subsequent to the estimates provided in the September 28, 2022 ICA Report submission, including wages increasing by 1.5% and also being ultimately impacted by the related step increases permitted in the contract. Also, two new Management positions were added to the roster.
- e. The current AFSCME Contract includes annual increases and lump sum bonus amounts. The total impact of the new Fire Contract has not yet been realized as it is pending a related arbitration decision this summer.
- f. Healthcare, IT, and general liability insurance costs are anticipated to again experience significant increases in the near future; IT alone increased by 37% last year and healthcare as well by more than 10%.
- g. The City did not pay the full AMBAC forbearance liability balance in 2022 as indicated in the ICA Report; the payoff occurred with a \$12.0 million payment in late 2022 and then a final \$8.3 million payment in early 2023.

**GENERAL FUND REVENUE**

**Table 4**  
**General Fund Revenue Forecast**  
**2022-2026**

	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
<b>Real Estate Tax</b>	18,156,075	17,882,581	18,061,407	18,240,233	18,419,058
<b>Real Estate Transfer Tax</b>	1,278,248	1,303,810	1,316,848	1,329,886	1,342,924
<b>Hotel Tax</b>	700,000	714,000	721,140	728,280	735,420
<b>Local Service Tax</b>	6,706,205	6,675,407	6,742,161	6,808,915	6,875,669
<b>Earned Income Tax</b>	15,833,448	15,419,351	15,573,545	15,727,738	15,881,932
<b>Mercantile/Business Privilege Tax</b>	8,131,977	8,273,839	8,356,577	8,439,316	8,522,054
<b>Department of Administration Revenue</b>	308,574	1,144,934	1,156,383	1,167,833	1,179,282
<b>Department of Building &amp; Housing Revenue</b>	2,067,704	2,189,137	2,211,028	2,232,920	2,254,811
<b>Department of Public Safety Revenue</b>	2,171,083	2,444,342	2,468,785	2,493,229	2,517,672
<b>Department of Public Works Revenue</b>	322,306	613,627	619,763	625,900	632,036
<b>Department of Parks &amp; Recreation Revenue</b>	9,870	9,847	9,945	10,044	10,142
<b>Fines &amp; Forfeits</b>	719,628	732,939	740,268	747,598	754,927
<b>Licenses &amp; Permits</b>	499,166	511,595	516,711	521,827	526,943
<b>Interest Income</b>	100,285	209,285	211,378	213,471	215,564
<b>Rental Revenue</b>	83,269	89,913	90,812	91,711	92,610
<b>Miscellaneous Revenue</b>	1,610,272	2,387,189	2,411,061	2,434,933	2,458,805
<b>Other Financing Sources</b>	41,020	35,519	35,874	36,229	36,585
<b>Intergovernmental Revenue</b>	8,424,522	8,471,982	8,556,702	8,891,422	9,006,141
<b>Interfund Transfers</b>	9,958,311	100,000	101,000	102,000	103,000
<b>Fund Balance Appropriation</b>	3,916,636	10,417,814	-0-	-0-	335,261
<b>Total Revenue and Resources</b>	<b>\$81,038,599</b>	<b>\$79,627,111</b>	<b>\$69,901,388</b>	<b>\$70,843,485</b>	<b>\$71,900,836</b>

**GENERAL FUND EXPENDITURES**

	2021	2022	2023	2024	2025	2026
	Actual	Actual	Adjusted Budget	Forecast	Forecast	Forecast
General Government						
Personnel	1,386,767	1,488,057	2,173,391	2,195,125	2,217,076	2,261,418
Services	260,689	265,691	589,156	600,939	606,949	625,157
Supplies	30,437	52,907	181,233	183,045	184,876	191,346
Other-Debt	0	0	0	0	0	0
Other-Capital	84,849	0	3,400	1,286	2,000	3,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
<b>Total General Government</b>	<b>\$1,762,742</b>	<b>\$1,806,655</b>	<b>\$2,947,180</b>	<b>\$2,980,395</b>	<b>\$3,010,901</b>	<b>\$3,080,921</b>

	2021	2022	2023	2024	2025	2026
	Actual	Actual	Adjusted Budget	Forecast	Forecast	Forecast
Department of Administration						
Personnel	12,630,323	14,918,213	14,360,692	14,504,299	14,649,041	14,942,329
Services	3,066,070	3,799,947	6,170,126	4,793,529	4,937,335	5,085,455
Supplies	244,842	256,988	523,050	528,281	533,563	552,238
Other-Debt	0	22,073,638	0	0	0	0
Other-Capital	62,954	37,389	716,273	496,145	800,000	900,000
Other-Transfers	19,495,802	0	11,325,574	4,400,000	5,100,000	4,242,667
Other-Operating	785,734	577,667	708,815	0	0	803,234
<b>Total Department of Administration</b>	<b>\$36,285,726</b>	<b>\$41,663,842</b>	<b>\$33,804,530</b>	<b>\$24,722,254</b>	<b>\$26,019,939</b>	<b>\$26,525,923</b>

	2021	2022	2023	2024	2025	2026
	Actual	Actual	Adjusted Budget	Forecast	Forecast	Forecast
Department of Building and Housing						
Personnel	1,175,891	234,292	307,617	310,693	313,800	320,076
Services	108,286	105,562	170,375	173,783	175,520	180,786
Supplies	12,325	66	6,000	6,060	6,121	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
<b>Total Department of Building &amp; Housing</b>	<b>\$1,296,502</b>	<b>\$339,920</b>	<b>\$483,992</b>	<b>\$490,536</b>	<b>\$495,441</b>	<b>\$514,322</b>

	2021	2022	2023	2024	2025	2026
	Actual	Actual	Adjusted Budget	Forecast	Forecast	Forecast
Department of Public Safety						
Personnel	26,049,889	26,539,830	29,018,637	29,308,823	29,601,912	30,193,950
Services	1,164,376	1,178,521	1,685,948	1,719,667	1,736,864	1,788,970
Supplies	438,019	411,040	848,669	857,156	865,727	896,028
Other-Debt	0	0	0	0	0	0
Other-Capital	439,000	291,341	391,000	146,400	250,000	300,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
<b>Total Department of Public Safety</b>	<b>\$28,091,283</b>	<b>\$28,420,732</b>	<b>\$31,944,254</b>	<b>\$32,032,046</b>	<b>\$32,454,503</b>	<b>\$33,178,948</b>

	2021	2022	2023	2024	2025	2026
	Actual	Actual	Adjusted Budget	Forecast	Forecast	Forecast
<b>Department of Public Works</b>						
Personnel	1,026,151	842,356	1,395,767	1,409,725	1,423,822	1,452,298
Services	818,884	1,453,489	2,496,758	2,546,693	2,572,160	2,649,325
Supplies	1,198,853	1,463,383	2,285,225	286,437	332,135	343,760
Other-Debt	0	0	0	0	0	0
Other-Capital	709,139	53,582	250,498	93,792	150,000	200,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
<b>Total Department of Public Works</b>	<b>\$3,753,027</b>	<b>\$3,812,810</b>	<b>\$6,428,248</b>	<b>\$4,336,647</b>	<b>\$4,478,117</b>	<b>\$4,645,383</b>
<b>Department of Parks, Recreation, and Facilities</b>						
Personnel	807,102	1,176,068	1,457,145	1,471,726	1,486,434	1,516,162
Services	554,258	410,943	1,143,142	1,166,005	1,177,410	1,212,732
Supplies	223,746	269,684	498,620	503,606	508,642	526,445
Other-Debt	0	0	0	0	0	0
Other-Capital	1,090,928	302,020	920,000	344,470	600,000	700,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
<b>Total Dept. Parks/Recreation/Facilities</b>	<b>\$2,676,034</b>	<b>\$2,158,715</b>	<b>\$4,018,907</b>	<b>\$3,485,807</b>	<b>\$3,772,486</b>	<b>\$3,955,339</b>
<b>Payments of Prior Year Encumbrances</b>	<b>0</b>	<b>2,835,925</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total General Fund Expenditures</b>	<b>\$73,865,313</b>	<b>\$81,038,599</b>	<b>\$79,627,111</b>	<b>\$68,047,685</b>	<b>\$70,231,387</b>	<b>\$71,900,836</b>

## **L-T DEBT**

## *Long-Term Debt*

### **General Obligation Debt**

Series 1997D&F General Obligation Bonds and Notes, respectively:

In 1997, the City issued its Series D&F Bonds and Notes to advance refund its Series 1997 B-1 Bonds and currently refund its Series 1995 Bonds. The Series 1997D&F Bonds and Notes are capital appreciation in nature and not subject to redemption prior to maturity. Credit enhancement on the bonds and notes 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 notes and the insurer agreed to make scheduled principal and interest payments to the bondholders and noteholders. 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 recent years the City continued to work with AMBAC to significantly reduce, and ultimately pay off, the bond insurance forbearance liability. In late 2021, in conjunction with the defeasance of the HRA Guaranteed Revenue Bonds (stadium improvement bonds), Series A-2 of 2005, the City made an initial prepayment of \$4 million to begin meaningfully reducing this debt and the related interest expense burden. With the new Mayor furthering this goal of ultimate debt reduction, the City made an additional prepayment of \$12 million in December 2022 again aimed at greatly reducing the continued build-up of accrued interest expense. In early 2023, the City achieved the completed goal of a final payoff of this debt liability balance with an \$8.3 million ending payment to AMBAC.

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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)	\$ -0-	Advance refunding	Non-callable	2022	Zero Coupon	AMBAC
Series 1997F (Capital Appreciation Notes)	\$ -0-	Current refunding	Non-callable	2022	Zero Coupon	AMBAC
Series 1997D&F Forbearance Liability	\$ -0-	Repay draws on enhancement facility	Any time	originally 2032	originally 6.75%	NA

4 As of March 15, 2023

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 Commonwealth (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)	\$19,001,326 estimated value as of 12/31/22	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 upgraded LED lights 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	12,087,498	8,335,968	-	-	-
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	-	-	-
<b>Proposed New Other Financing Source for Unfunded Priority Capital Improvements</b>	-	-	-	-	-
<b>Total<sup>5</sup></b>	<b>\$22,073,638</b>	<b>\$9,875,573</b>	<b>\$1,250,000</b>	<b>\$1,250,000</b>	<b>\$1,430,000</b>

<sup>5</sup> Represents minimum annual debt service due from City during 2022 to 2026.



## 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 the prior year 2020 audit findings as they were and is still affected, to various degrees, by currently available staff and recent turnovers in key management positions; these four findings are summarized in the below table and will still be included within the City’s 2021 financial audit report.

The progress toward 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 the 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	Ongoing Resolution
Equipment & Real Property Management	2019-004	2020-004	* Pending Resolution

\* pending resolution is noted here based on the resolving of such to an extent being assisted by the City’s 2022 preparation and 2023 implementation of a new all-inclusive ERP software system

**NEIGHBORHOOD SERVICES FUND**

**Table 22- Neighborhood Services Actuals and Forecasts 2022-2026**

	Actual 2022	Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026
Public Works Revenue	0	10,319	10,526	10,736	10,951
Collection and Disposal Fees	16,207,892	16,803,225	17,886,873	18,580,207	19,135,540
Miscellaneous Revenue	524,903	380,000	387,600	395,352	403,259
Intergovernmental Revenue	49,354	39,681	60,000	0	60,000
Transfers	0	1,345,000	1,150,000	0	150,000
<b>Total Revenues</b>	<b>\$ 16,782,149</b>	<b>\$ 18,578,225</b>	<b>\$ 19,494,999</b>	<b>\$ 18,986,295</b>	<b>\$ 19,759,749</b>
Personnel	5,509,391	7,188,485	7,255,465	7,398,792	7,546,419
Services	8,987,077	10,508,491	10,003,276	10,098,309	10,194,292
Supplies	481,064	831,723	788,237	804,001	820,081
Other - Capital, Transfers	1,190,212	1,753,572	800,000	1,000,000	1,500,000
Prior Year Encumbrances	463,991	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 16,631,735</b>	<b>\$ 20,282,271</b>	<b>\$ 18,846,978</b>	<b>\$ 19,301,102</b>	<b>\$ 20,060,792</b>
<b>Change in Cash Fund Balance</b>	<b>\$ 150,414</b>	<b>\$ (1,704,046)</b>	<b>\$ 648,021</b>	<b>\$ (314,807)</b>	<b>\$ (301,042)</b>
Beginning Cash Fund Balance	\$ 6,805,022	\$ 6,955,436	\$ 5,251,390	\$ 5,899,411	\$ 5,584,604
<b>Ending Cash Fund Balance</b>	<b>\$ 6,955,436</b>	<b>\$ 5,251,390</b>	<b>\$ 5,899,411</b>	<b>\$ 5,584,604</b>	<b>\$ 5,283,561</b>

a Includes various planned revenue enhancements occurring through 2026.

b Forecast year 2024 includes a one-time transfer of \$1 million in American Rescue Plan Act funds from the Federal Grants Fund, for satisfying delinquent Harrisburg trash utility billing accounts related to customers showing documented need of financial assistance.

c Personnel costs are calculated at a rate increase of 3% for each of the three forecast years; an offsetting reduction in pension minimum municipal obligation (MMO) for the non-uniform plan is also included here with such 2024 MMO being calculated at 50% less than 2023's actual, and the 2025 and 2026 MMOs each being calculated at 25% less than 2023's actual.

d The forecast years reflect being mindful of the importance of a gradual return or build-up of capital improvements for strengthening and/or maintaining the City's sanitation equipment and vehicles fleet, i.e., within these scenario years the City is intent on investing generated revenue surplus prior to capital expenditures, plus some reasonable portions of cash fund balance, back into the Sanitation Department's ongoing annual capital needs.