

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



April 30, 2024

**MEMBERS**

Audry K. Carter, Chair  
Kathy Speaker MacNett, Secretary/Treasurer  
Elaine Barber  
Douglas E. Hill

Michael Wood, *ex officio*, Pennsylvania Office of the Budget  
Marita Kelley, *ex officio*, City of Harrisburg

**AUTHORITY MANAGER**

Jeffrey M. Stonehill

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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 October 25, 2023, pursuant to Act 124, the Authority approved the City's revised Five-Year Financial Plan. The Plan, submitted by the administration of Mayor Wanda R.D. Williams, forecasts balanced General Fund budgets over the next five years. It was also the first plan following the momentous occasion when the City's entire general-obligation debt was fully paid off—which, the Authority is pleased to report was accomplished on March 10, 2023.

One of the main goals of the Harrisburg Strong Plan, which was adopted in 2016, was to reorganize the long-term debt of the City of Harrisburg. This provided an opportunity to retire the entire burden left as a result of consequential decisions that left the City overwhelmed with debt obligations. As of the 2024 budget, that goal has been reached and the City has no general-obligation debt.

Various State and Federal grants have assisted the City of Harrisburg in continuing to invest in capital projects and infrastructure. No more so than the funding received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). However, until the City is able to reestablish credit worthiness, an impact of the result of the aforementioned default of the past, the City cannot borrow sufficiently to invest in necessary infrastructure, and this remains a concern for the Intergovernmental Cooperation Authority (the "Authority").

On December 21, 2023, the City timely adopted its municipal budget for 2024, 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.

There remain three issues which the Board of the Authority would like to note: first, the Authority is encouraging the City of Harrisburg to adopt and implement a wide-ranging economic development strategy. Such a plan would help significantly with growing the city's tax base and preventing future downturns in the local economy. In turn, that would help address the second concern. The Authority is concerned about the lasting impact of the COVID pandemic on remote work, the State workforce, vacancy rates for commercial real estate, and the related impacts on parking revenue, real estate tax valuations, and income from state worker taxes. Finally, the Authority is concerned about the maintenance of healthy fund balances in both the General Fund and the Neighborhood Services Fund of the City. The Neighborhood Services Fund continues to suffer from high costs associated with intermunicipal sanitation contracts as well as chronic under collection of fees and long-term receivables.

Under the current timetable agreed to by the Authority and the City, each year the City will submit an update of the City's Five-Year Financial Plan on August 31. This plan will inform the autumn budget process and the development of the next year's operating budget for the City, which must be adopted by December 31 pursuant to statute. In 2024, the Authority and the City will cooperate on this implemented timetable.

Harrisburg is on the cusp of exit from Act 47 distressed city status. Working together with the courts and the Pennsylvania Department of Community and Economic Development, the City needs to resolve the long-standing litigation associated with the Harrisburg Incinerator. That litigation is impeding the ability for the City to exit Act 47 distressed city status. It is the opinion of the Authority that should that litigation be resolved, with the cooperation of the City and the Authority, the appointment of an Act 47 Coordinator and the processes established by Act 47 becomes redundant to the ICA process. The Authority feels well equipped to work cooperatively with the City on ensuring future fiscal planning to guarantee the City's financial stability.

Pursuant to Act 124, the ICA will sunset five-years following the exit from Act 47 distressed city status, which marks the effective date for the Intergovernmental Cooperation Agreement between the City of Harrisburg and the Authority. In the intervening time, the essential planning necessary to navigate the City's finances into the future remains the major focus 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.



## **SOUND FINANCIAL MANAGEMENT & REPORTING.**

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

### *Department of Budget and Finance Complement.*

In the past, the Department of Budget and Finance was not always fully staffed, but today it is at full complement. This includes the Director of Budget and Finance, Accounting Manager, Budget Manager, Procurement and Purchasing Officer, Grant Manager, Assistant Grant Manager, Staff Accountant, Finance Analyst, Special Assistant to the Budget and Finance Director, and Auditor II (Bargaining Unit Position). Adequate, competent, and experienced staffing is key to sound financial management & reporting.

### *2022 Audit Is Not Yet Complete.*

In the past, the City has struggled to complete on a timely basis their financial reporting. With better staffing and a commitment to technology, the 2021 Audit was completed in August 2023; the 2022 Audit is slated for completion by May 31, 2024, and the 2023 Audit is slated for completion by September 30, 2024. 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, re-building capacity within the City's Bureau of Financial Management, both staffing and technology, has demonstrably improved the audit timetable.

### *Electronic Municipal Market Access.*

In the past, transparency was not always a priority. The Electronic Municipal Market Access (EMMA) website is the municipal market's free source of data and information on virtually all municipal bonds. The Municipal Securities Rulemaking Board (MSRB) operates the EMMA website to promote a transparent, fair and efficient market. During the 3rd quarter of 2023, the City continued to provide the appropriate Material Event Notices on EMMA related to debt obligations and has maintained compliance with Securities and Exchange Commission (SEC) reporting requirements. To rebuild the City's creditworthiness, a commitment to EMMA and transparency is important.

### *Municipal Trash Collection Contractual Agreements.*

The Steelton Borough Municipal Trash Contract expires in June 2024. The City has hired a Municipal Consultant, Barton and Loguidice, to analyze and form a proposal. The Penbrook and Paxtang Municipal Trash Contracts expire on December 31, 2024. This review will provide a systematic distribution of expenses associated with the services when the intermunicipal agreements are renewed. Appropriate and supportable cost allocations will be an element the Authority will examine as it reviews the new agreements.

### *Other Postemployment Benefits.*

The Harrisburg Strong Plan requires the establishment of an OPEB Trust account. In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. The City will continue the Pay-as-You-Go (PAYGO) method of funding the OPEB until an OPEB Trust is implemented. However, the establishment of the Trust is a required step for the

City to undertake in order to exit Act 47 distressed city status. In the long term, the most recent collective bargaining agreements remove OPEB benefits for new hires which will mitigate costs albeit over an extended time period.

Performance Measures.

In a continuing effort to maintain management improvements, the City Departments will formulate their Missions and Goals, which will be linked to the Mayor's Mission and Goals. Currently, the City will not implement performance measurement standards for individual Departments. However, they are expected to be developed for the 2026 Budget document.

Performance Measures are tools to help local government evaluate the quality and effectiveness of government services. Performance measures include inputs (resources used), outputs (program activities), efficiency measures (ratio of inputs to outputs), and outcomes (the actual results of programs and services). The Authority believes performance measurement is an important challenge.

**COMMUNITY AND ECONOMIC DEVELOPMENT.**

A 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 sufficient to the challenges the City faces. The administration has communicated its intent to update the economic development planning process in partnership with community stakeholders in 2024. We are hopeful for the opportunity to report progress in the future on a community and economic development strategy for Harrisburg. The Director of Economic Development is finalizing the Community and Economic Development Plan update and has provided updates to the Authority.

American Rescue Plan funding.

In fiscal year 2022, the Mayor and City Council designated \$8.8 Million for Revenue Loss, which correspondingly covered 2022 salaries for Public Safety, Parks and Facilities, Codes, and Engineering. They also designated \$1.26 million for Public Safety Bonuses and \$5.5 million for the repair of the HVAC System in the Public Safety headquarters. These designations total \$15,623,000.

Furthermore, in fiscal year 2023, the Mayor and City Council passed and signed into law Bill 5, which designated \$31.55 Million to support multiple community and economic initiatives.

| City of Harrisburg<br>ARPA Initiatives | Appropriation       |
|--|---------------------|
| Administrative                         | \$1,400,000.00      |
| Affordable Housing                     | \$8,000,000.00      |
| Tree Removal Program                   | \$500,000.00        |
| Home Repair Program                    | \$5,000,000.00      |
| Del Refuse Bill Assistance             | \$1,000,000.00      |
| Replace Harrisburg Pool                | \$8,000,000.00      |
| ADA Accessible Playground              | \$1,500,000.00      |
| Upgrade Fire Radios                    | \$900,000.00        |
| Demolition of Blighted                 | \$1,500,000.00      |
| Workforce Dev Internship               | \$1,000,000.00      |
| Senior Programming                     | \$250,000.00        |
| Bridge Housing Program                 | \$1,000,000.00      |
| Community Matters Grant                | \$1,000,000.00      |
| Community Connection HUB               | <u>\$500,000.00</u> |
| <i>Total</i>                           | \$31,550,000.00     |

Also, \$13 million in federal 2023 CARES Act Funding is currently being utilized for major park improvements within the City, including pool improvements. The Administration and the City Council are still working on the best use of this funding although several important projects have begun.

*Lasting 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 the pandemic on the City’s progress with community and economic development remains unclear.

According to Forbes, the pandemic “continues to cast a long economic shadow, nowhere more than in commercial real estate. While rising interest rates have had a consistently negative impact on activity and pricing, the pandemic’s aftermath has had a decidedly mixed impact. Some areas, such as warehousing, have enjoyed a boost, while others, such as retail and office space, have suffered. These effects will likely linger.”

An analysis of the impact on Philadelphia is insightful. According to the Pew Charitable Trust, the persistence of remote and hybrid work is an ongoing concern among local officials across the country, who worry that it will inevitably lead to decreased demand for office space and a drop in the value of office buildings—resulting in lower assessments and reduced property tax revenues.

They state that “Although Philadelphia relies less on property tax than many of its peer cities do, the tax is still slated to generate about \$1.8 billion this fiscal year for the city and the school district. Office buildings account for 6.78% of the city’s \$204 billion in assessed value, and a slightly higher share when exempt properties are excluded. And a drop in the value of downtown office buildings, and therefore in assessments and potentially tax revenue, has yet to play out in Philadelphia; for the 2024 tax year, office building assessments are mostly unchanged from 2023.” Some similar impact for

Downtown Harrisburg commercial real estate would be very concerning, and we note that the administration has directed staff to gather information on pending commercial property appeals, particularly office space.

Revenue from the Parking Plan is another concerning issue. According to recent reports in the Harrisburg Patriot News, “When Harrisburg sold its parking assets in a debt-reduction deal in 2013, the city expected to get about \$3 million each year from the revenue. That worked as planned for several years and helped the city on its path to financial recovery. But the city has not gotten its annual expected payments since 2020, when the COVID-19 pandemic hit and people began working from home. After three years of no payments, PennLive has confirmed that the city won’t get its expected payments this year, and the zeros will likely continue for several more years.”

These lasting impacts to revenues are important issues to monitor and manage for the City of Harrisburg.

### **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 has made significant improvements updating the technology that impacts all aspects of City operations and management. The City is implementing a new system from Tyler Technologies known as Munis, a leading integrated Enterprise Resource Planning (ERP) system. Munis integrates all of the core operations onto a single platform.

The Tyler Technologies’ MUNIS software will facilitate full Government Accounting Standards Board (GASB) compliance more appropriately throughout financial operations. The City Financial Management Staff continues training with the new MUNIS system, and the General Ledger training segment is primarily completed.

Lead by the Director of Information Technology (IT), a MUNIS Steering Committee made up of members from the Mayor’s Administration and the City Council President meet to ensure the City stays on track with new software modules that will be added and that the full benefit of the software purchased by the City will be fully utilized.

These modules are scheduled in phases:

Phase 1- Financial Management (this phase is largely completed);

Phase 2 – Human Capital Management – is expected to be completed by June 2024 (this was slated for January 2024, but it has been delayed);

Phase 3 – Tax Billing and Collections, April 2024;

Phase 4 – Licenses and Codes Enforcement Permits – April 2024, Utility Billing and Collections, August 2024;

Phase 5 – Capital Asset Maintenance Implementation including an Inventory System – March 2024.

The MUNIS Steering Committee reviews the Project Plan, Project Budget, and Project Time Commitment weekly. These meetings allow those in attendance to provide input, request additional staff training, and ensure this vital effort remains on track.

The Authority welcomes these upgrades and their impact to overall City operations although it will take another year or two to see this project and its benefits fully implemented. We note parenthetically that these improvements in the financial management system will both enhance financial management and improve the information available in preparation of City audits.

*Capital Improvement Program development.*

Harrisburg is the Capital City of the fifth-largest State in the Union. Therefore, it is imperative that the City strategically and fiscally plan for its long-term infrastructure assets. The Government Finance Official Association (GFOA) Community Development and Capital Investment Committee has several best management practices available for use as a guide to examine and manage fixed assets for Cities. The Harrisburg Strong Plan modifications included several recommendations related to capital improvements. As the City's recovery progresses, it will have to fund capital projects through a combination of grant funds and pay-as-you-go (PAYGO). The 2024 Approved Budget has taken advantage of federal, state, and local grants, some pandemic related, and likewise will use a portion of its fund balance on a PAYGO basis to address targeted capital needs primarily in the Municipal Facilities, IT, Administration, Public Safety and Public Works Departments. Because the City remains in Act 47 Financial Recovery Program, it is unable to borrow and reestablish its creditworthiness at this time, which materially affects capital improvement planning and scheduling.

As part of the above initiative, the City awarded a Professional Services contract to Harrisburg-based Reynolds Site LogIQ. They will develop a Ten-Year Capital Improvement Plan (CIP). The goal primarily is to create and manage the multi-million-dollar pool of fixed asset infrastructure that the City currently owns or will own.

The consultant will present to the City for adoption, a comprehensive Capital Improvement Program, which will be strategically planned and prioritize and organize capital facilities and projects over ten years. This process will require an assessment of the current infrastructure, an analysis of the future needs of new infrastructure, including vehicles and equipment, and an alignment with the community's essential requirements for City services. As previously noted, the City is on a strict Pay-as-You-Go payment system for Capital Assets since it currently is unable to borrow or enter the bond market.

Financial stability and long-term planning will ensure that capital investments are appropriately monitored, managed, and executed. Approved execution of timed infrastructure projects will provide the necessary roadmap for future project implementation. Assessing the City's current and future capital requirements involves a thorough needs assessment, an alignment with the financial resources to ensure efficient and effective development of a capital plan for the City's principal public facilities and long-term capital asset management.

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## **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 2024 Five-Year Financial Plan dated October 25, 2023.
- Preliminary Data submitted in support of the Five-Year Financial Plan in April 2024.
- The City of Harrisburg's Comprehensive Annual Financial Report for FY2021.
- The City of Harrisburg's Approved 2024 Budget.
- The Monthly Act 47 Status Reports submitted by the City of Harrisburg.
- 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, work remains to be done to meet the objective of achieving financial stability.

The Authority members have articulated general areas of concern as well as a specific set of issues that we have asked the City to address as we move forward toward progress.

### **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, 2022, and 2023 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 abeyance.

The Authority is anxious to see the approved agreement become official and for the City to exit Act 47 distressed city 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. This issue is an important step in moving the City forward to fiscal stability.

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.

A valuable partnership has been forged 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 technical, practical and experiential knowledge of City finances to the position. The Authority urges Ms. Kelley and other competent staff to stay with the City and stay involved in this process.

### **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 approved 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.*

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.

#### *2024 Plan approved.*

In 2023, both the City and the Authority agreed to make a change in the purpose and schedule of the annual Five-Year Plan process. The document is best seen as "forward-looking".

In 2023, the parties agree that the Plan should be a prospective tool used to develop the upcoming operating budget for the next fiscal year. Therefore, *there was no "2023 Plan"*. Instead, in Fall 2023, the parties adopted the strategy to collaborate on a 2024 Five-Year Financial Plan. This document, which focused on key points to be incorporated in the 2024 budget, was reviewed and accepted by the Authority on October 25, 2023, in advance of the development of the upcoming budget.

Therefore, the 2024 budget approved by the City of Harrisburg followed from this planning process.

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

- *Fund Balance* – The Plan projected that the General Fund balance at the end of 2024 would fall below the City's policy threshold, stemming from an outlay of funding associated with capital expenditures during the year, which will not be reimbursed until 2025. Therefore, it was strongly recommended that the City exercise restraint in outlaying cash for capital expenditures in 2024, and conserve its General Fund cash balance at or above the policy threshold.
- *The Neighborhood Services Fund ("NSF")* – The Authority recommended redoubling the effort to shore up the financial stability of the NSF, with a focus on past due receivables, as well as achieving a rate of collection on current receivables above 95% as soon as possible. In light of the current environment of extremely high inflation, the service rates should be reviewed for appropriateness. The Authority also recommended planning to restore the interfund administrative fee, discontinued during the 2019 Plan year, to compensate the General Fund for administrative services.
- *Economic Development Plan* – The Authority complimented the Administration for beginning to develop an Economic Development Strategic Plan. However, the Authority remains desirous of its development and implementation in order to position the City for building long-term economic growth and prosperity.
- *Other Post-Employment Benefits Trust Fund* – The project to establish the OPEB Trust Fund should be fast-tracked as it is needed for the City's planned exit from Act 47 and satisfy the requirements of Act 124 and the Strong Plan.

On another matter, the Authority encouraged the City on its efforts to rebuild the Broad Street Market. It is a tremendous opportunity to coalesce the community around a signature community asset.

A copy of the 2024 Plan is enclosed with this report.

#### **ISSUE #4: COMMUNITY AND ECONOMIC DEVELOPMENT PLANNING.**

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.

[I would remove all of these because they are literally just mentioned – not really laid out with strategies to achieve success.]The City’s economic development efforts for much of 2023 were focused on establishing a baseline for development of the Plan.

As previously noted, cities across the Commonwealth are struggling with requests by commercial property owners to reassess their tax liability in light of vacancies. The City has noted that this trend is very dangerous for City revenues and the issue must be monitored.

Finally, the 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. The Pennsylvania Commonwealth workforce is very important to the fiscal stability of the City of Harrisburg. As such, the continued presence of State employees downtown cannot be overstated.

*New Federal Courthouse.*

In 2023, the United States opened the Sylvia H. Rambo U.S. Courthouse at Sixth and Reily Streets. This modern and secure court facility is 243,000 square feet and includes facilities for the U.S. Court for the Middle District of Pennsylvania, the Pennsylvania Third Circuit Court, U.S. Marshal Service, U.S. Homeland Security, and the Federal Public Defenders/United States Attorneys’ offices.

The facility is the anchor of economic development in this neighborhood.

*Pennsylvania State Archives and Records Center.*

In 2024, after years of planning and construction, the Pennsylvania State Archives moved into a new facility at 1681 N. Sixth Street. The 45,000 square foot facility allows the Archives to house and preserve the Commonwealth’s historical heritage. With new visitor and storage space, this facility provides additional ancillary economic development impact on this neighborhood as well.

*Relocation of the U.S. Post Office.*

In a continuing effort to bring back economic vitality to Strawberry Square, the United States Post Office has relocated to the Market Street entrance to this important downtown landmark.

**ISSUE #5: FINANCIAL STATUS AND ISSUES.**

*Extraordinary Taxing Authority.*

On November 24, 2020, the Commonwealth of Pennsylvania’s State General Assembly approved legislation, which was signed by Governor Tom Wolf, to amend the State Fiscal Code, adopted as part of the Commonwealth’s mid-year budget revisions. The amendments include provisions to resolve a looming deadline for the temporary taxing authority given to the City of Harrisburg as part of the exit strategy from its Act 47 fiscal distress status.

The provisions approved extend Harrisburg’s ability to levy an enhanced Local Services Tax (LST) on all people who work in the city for 15 years; the first ten years at \$3-per-week, or \$156, and for the five years after that, not to exceed \$2-per-week, or \$104. After that, it would revert to the same \$1-per-week rate that generally applies to municipalities statewide. It also permits the City to retain its 2% (percent) Earned Income Tax (EIT) on City residents in perpetuity, double the rate allowed in other

Third-Class Cities throughout the Commonwealth. The LST and EIT authorizations were previously set to expire in 2025.

This extension of the taxing authority allows the City much more flexibility as these taxing sources will no longer abruptly end. The City can now count on those revenues for future financial planning.

Maintaining Fund Balances.

As of December 14, 2023, the 2024 Approved City Council, General Fund Budgeted Revenues (Sources) total \$109,485,200. As of December 14, the 2023 Approved Budget General Fund Expenditure (Uses) total \$109,486,173. The General Fund, Fund Balance use for the 2024 Budget is \$5,276,521. Additionally, the 2024 Revenue and Expenditure budgets are impacted by the implementation of the aforementioned American Rescue Plan Act (ARPA) activity.

The Neighborhood Services Fund Budget for 2024 for Revenues and Expenses total \$21,155,758 and for Expenditures, \$21,156,072. The Neighborhood Services Fund Balance, Fund Balance use for the 2024 Budget is \$324,696.

On December 31, 2023, the City's General Fund's available cash balance was approximately \$19.6 million, and the neighborhood services fund (NSF) had an available cash balance of approximately \$6.2 million.

The Authority is tracking these funds and these forecasts very carefully.

FNB Bank Field.

In 2004, the City issued a Park Permit to use 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 Harrisburg Senators baseball club was sold to a new entity in the spring of 2024.

The City assigned the Park Permit revenues to pay for necessary upgrades to the Senator's stadium. These funds will contribute towards the match for the Redevelopment Assistance Capital Program (RACP) to improve the FNB Field. The goal is to meet MLB Facility Standards Compliance and continue the relationship with the new team owners.

The RACP was awarded to the City in December 2022. The Pennsylvania Office of the Budget has approved the RACP Business Plan. The anticipated construction cost is \$12 million, which ensures that the Commonwealth of Pennsylvania RACP funding of \$6 million will be available for the project. The City will utilize the Park Permit Revenue to cover and reimburse the General Fund. More discussions are underway to move these costs to the Senator's Fund instead of the General Fund. The

Office of the Budget has assigned a consultant from Tetra Tech Harrisburg to assist the City with the project initiatives. The first meeting is anticipated to be on April 15, 2024.

#### 2024 Budget.

On December 21, 2023, the Harrisburg City Council approved the 2024 City Budget. The Budget was implemented with a series of amendments adopted by City Council.

The City's fiscal year which began on January 1, has a total of \$150.7 million in expenses. Among the total includes \$109.5 million in General Fund expenses, an increase in Neighborhood Services funding of sanitation, parks maintenance, and other Public Works functions to nearly \$21.2 million, and funding \$9.6 million in new expenditures towards Capital Projects to help make city roads safer for pedestrians and vehicles.

The budget accounts for nearly \$152.5 million in revenues, giving the city a surplus of around \$1.75 million into the new year.

Harrisburg's 2024 budget does not increase any tax rates.

Mayor Williams' and City Council's investment in the Capital Projects Fund is where city residents will see an investment in infrastructure. The City plans to spend nearly \$4 million on improving streets and roads, including paving State Street and adding in multimodal safety improvements. Work will also continue on the Capitol Gateway project along Forster Street, finishing work at Mulder Square, and beginning safety upgrades along Herr Street, Chestnut Street, and starting the Urban Meadows bicycle path/walkway between 3rd and 6th Streets.

Another \$3.9 million will go towards upgrading City-owned bridges. Meanwhile, Harrisburg Public Works will spend \$500,000 on patching-related needs. The City completed 17 street paving projects between August and October, and hopes to complete many more by starting earlier and completing the work in-house.

The 2024 fiscal year budget also will allow the City of Harrisburg to spend money on projects from the American Rescue Plan funding, including beginning work on a new pool in South Harrisburg, and affordable housing projects.

Public Safety (Police, Fire and Codes) in Harrisburg also continues to be invested in at record levels under the Williams Administration. The Harrisburg Bureau of Police budgeted for 14 trainees to enter the police academy. In addition, they plan to hire a new lieutenant and a new corporal. Money is being provided to add staff to the bureau's Community Service Aides unit, and a project manager is expected to be hired for the city's Group Violence Intervention program.

The budget included a \$3.23 increase on residents' monthly trash bill. The cost is now \$35.57 per month for residential customers. This was the first change to the city's trash bill since 2006, and was deemed necessary due to the cost of inflation.

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 2024 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 approved 2024 budget includes notable revenue increases above those provided in the City's 2024 Five-Year Financial Plan, as approved by the Authority October 25, 2023. Pursuant to Act 124, after the budget is adopted, the City is asked to submit the enacted budget to the Authority as a proposed revision to the Plan.
- The Controller for the City of Harrisburg rendered an opinion by letter on September 18<sup>th</sup> on the proposed Five-Year Financial Plan in which he observed the City's assumptions and projections were too optimistic and if not scaled back, the numbers should be monitored very closely. Given these current revenue projections are even more optimistic, the Authority has encouraged the Mayor to work to defer expenses as much as possible in 2024.
- The approved 2024 budget includes a fund balance transfer from the General Fund leaving it at a precariously low 7% at the end of 2024. Because the use of the transfer is to cover capital improvements it is acceptable relative to our focus on avoiding true deficit budgets.

*Operating Fund Balance Forecasts for 2023-2027.*

On November 23, 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. The City fully satisfied the remaining balance of this forbearance liability with a final payment to AMBAC in March 2023.

The Authority wishes to note that this was an important accomplishment and an important goal of stabilizing the City's ongoing fiscal status.

These are the City's forecasts including Revenue, Expenditure Activity, and Beginning and Ending Cash Fund Balance.

### City Operating Forecasts<sup>1</sup> 2023-2027

|   | Actual<br>2023             | Forecast<br>2024           | Forecast<br>2025          | Forecast<br>2026           | Forecast<br>2027           |
|---|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| Revenues <sup>4</sup>                                 | \$76,846,167               | \$104,531,292              | \$78,913,812 <sup>4</sup> | \$74,297,258               | \$75,330,197               |
| Expenses  | \$77,800,991               | \$107,142,649              | \$75,773,578              | \$75,726,550               | \$77,875,594               |
| Operating Result                                      | (\$954,824)                | (\$2,611,357)              | \$3,140,234               | (\$1,429,292)              | (\$2,545,397)              |
| Baseline Capital Expenses                             | \$2,547,411                | \$2,343,524                | \$1,152,000               | \$1,702,000                | \$1,752,000                |
| Baseline Change in Cash Fund Balance <sup>2,3,5</sup> | (\$3,502,235) <sup>2</sup> | (\$4,954,881) <sup>3</sup> | \$1,988,234               | (\$3,131,292) <sup>5</sup> | (\$4,297,397) <sup>5</sup> |
| Beginning Cash Fund Balance                           | \$23,145,504               | \$19,643,269               | \$14,688,388              | \$16,676,622               | \$13,545,330               |
| Ending Cash Fund Balance                              | \$19,643,269               | \$14,688,388               | \$16,676,622              | \$13,545,330               | 9,247,933                  |
| Cash Fund Balance Pct of Total Expenses               | 24.4%                      | 13.4%                      | 21.7%                     | 17.5%                      | 11.6%                      |

<sup>1</sup> Operating forecast includes General Fund Revenue and Expenditure activity. For the purposes of these projections, transfers to the Debt Service Fund are reflected as operating expenses.

<sup>2</sup> The fund balance appropriation for 2023 was 3,502,235. This includes the AMBAC payment of \$8.3 million.

<sup>3</sup> The fund balance appropriation for 2024 is \$4,954,881.

<sup>4</sup> Includes interfund transfer from the Senators Fund to the General Fund of \$6,000,000.

<sup>5</sup> The fund balance appropriation for 2026 is \$3,131,292 and 2027 \$4,297,397.

The City's 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 must continue to assess its fund balance relative to target minimum levels and allocate any unspent budget funds to bring them into full compliance, if necessary.

These fund balance forecasts continue to be of significant concern to the Authority.

#### Revenue Forecasts.

These are the City's multi-year revenue forecasts, based on historical growth trends, planned initiatives, and other available data. The 2023 Actual Revenues experienced growth in Earned Income Tax and Mercantile Tax; however, most of the other taxes and forms of income were relatively stable throughout the year. Please note that the Interfund Transfer for 2024 includes \$31.5 million dollars.



Operating Revenue Forecasts  
2023-2027

|   | 2023                | 2024                 | 2025                | 2026                | 2027                |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|
|   | Actual              | Forecast             | Forecast            | Forecast            | Forecast            |
| Real Estate Tax                           | 17,028,267          | 17,251,365           | 17,000,000          | 17,000,000          | 17,000,000          |
| Real Estate Transfer Tax                  | 990,262             | 1,030,000            | 1,060,900           | 1,092,727           | 1,125,509           |
| Hotel Tax 1                               | 714,000             | 1,000,000            | 1,025,000           | 1,050,625           | 1,076,891           |
| Local Service Tax                         | 6,638,483           | 7,008,608            | 7,008,608           | 7,008,608           | 7,008,608           |
| Earned Income Tax                         | 17,521,542          | 18,315,652           | 18,681,965          | 19,055,605          | 19,436,717          |
| Mercantile Business Privilege Tax         | 8,369,638           | 8,500,000            | 8,641,000           | 8,786,230           | 8,935,817           |
| Department of Administration              | 419,016             | 500,000              | 512,500             | 525,313             | 538,445             |
| Department of Building and Housing        | 2,084,111           | 2,300,000            | 2,357,500           | 2,416,438           | 2,476,848           |
| Department of Public Safety               | 1,785,059           | 2,100,000            | 2,152,500           | 2,206,313           | 2,261,470           |
| Department of Public Works                | 246,069             | 400,000              | 410,000             | 420,250             | 430,756             |
| Department of Parks and Recreation Income | 8,620               | 12,500               | 12,813              | 13,133              | 13,461              |
| Fines and Forfeits                        | 803,072             | 750,000              | 768,750             | 787,969             | 807,668             |
| Licenses and Permits                      | 431,117             | 450,000              | 461,250             | 472,781             | 484,601             |
| Interest Income                           | 964,631             | 751,750              | 400,000             | 325,000             | 300,000             |
| Rental Income 2                           | 625,938             | 150,000              | 100,000             | 100,000             | 100,000             |
| Miscellaneous Revenue 3                   | 8,028,622           | 3,487,526            | 3,557,276           | 3,628,422           | 3,700,990           |
| Other Financing Sources                   | 173,204             | 50,000               | 51,250              | 52,531              | 53,845              |
| Intergovernmental Revenue                 | 8,768,538           | 8,500,000            | 8,712,500           | 8,930,313           | 9,153,571           |
| Interfund Transfers 4                     | 1,245,978           | 31,973,891           | 6,000,000           | 425,000             | 425,000             |
| Fund Balance Appropriation                | 3,502,235           | 4,954,881            | 0                   | 3,131,292           | 4,297,397           |
| <b>Total General Fund Revenue/Sources</b> | <b>\$80,348,402</b> | <b>\$109,486,173</b> | <b>\$78,913,812</b> | <b>\$77,428,550</b> | <b>\$79,627,594</b> |

<sup>1</sup>Hotel tax was still slow to recover in 2023; however, with more planned conferences in 2024 to 2027 and an overall uptick of concerts and concert activity, most performers want to use the Harrisburg Hilton as their preferred hotel.

<sup>2</sup>The Rental Income for 2023 the I-83 Highway Project, Right-of-way Payments from PennDOT.

<sup>3</sup>The Miscellaneous Revenue for 2023 includes income for insurance proceeds for the Broad Street Market.

<sup>4</sup>This Interfund Transfer for Fiscal Year 2024 is from the federal grants fund to cover the costs of ARPA related expenditures and other transfers.

Remaining Debt.

These are the only remaining outstanding debt categories for the City of Harrisburg:

HRA Series 1998A (Verizon Bonds)

| Issue                            | Amount Outstanding/<br>Accreted Value          | Purpose                        | Call<br>Date | Maturity | Coupon<br>Rate        | Enhancement |
|----------------------------------|--|--------------------------------|--------------|----------|-----------------------|-------------|
| HRA Series 1998A (Verizon Bonds) | \$18,277,416<br>estimated value as of 12/31/23 | 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 the 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.

Annual Debt Service Summary 2023-2027

|                                     | 2023               | 2024               | 2025               | 2026               | 2027               |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Series 1997D&F                      | 0                  | 0                  | 0                  | 0                  | 0                  |
| Series 1997D&F Ambac Repayment      | 8,335,969          | 0                  | 0                  | 0                  | 0                  |
| HRA Series 1998A (Verizon Bonds)    | 1,250,000          | 1,250,000          | 1,250,000          | 1,430,000          | 1,445,000          |
| Bank Loan - Energy Savings Contract | 289,605            | 0                  | 0                  | 0                  | 0                  |
| <b>Total<sup>1</sup></b>            | <b>\$9,875,574</b> | <b>\$1,250,000</b> | <b>\$1,250,000</b> | <b>\$1,430,000</b> | <b>\$1,445,000</b> |

<sup>1</sup> Represents the minimum annual debt service due from the City during 2023 to 2027.

Pensions.

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 all full-time employees substantially. 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 considers annual pension costs, employee contributions, 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 critical statistics for the Police, Firefighters, and Non-Uniformed pension funds in recent years. As of December 31, 2021, all three pension plan funds are comprised of plan fiduciary net positions exceeding total pension liabilities, which thus results in net pension asset positions.

**Pension Summary**

|                           | Police Summary | Firefighters Summary | Non-Uniformed Summary |
|---------------------------|----------------|----------------------|-----------------------|
| Participants              | 12/31/2022     | 12/31/2022           | 12/31/2022            |
| Active Employees          | 133            | 94                   | 234                   |
| Vested Former             | 6              | 2                    | 56                    |
| <u>Receiving Benefits</u> | <u>210</u>     | <u>116</u>           | <u>225</u>            |
| Total Participants        | 349            | 212                  | 515                   |

|   | 12/31/2021     | <sup>1</sup> 12/31/2022 | 12/31/2021     | <sup>1</sup> 12/31/2022 | 12/31/2021     | <sup>1</sup> 12/31/2022 |
|---|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|
| Total Pension Liability                                     | \$100,413,081  | \$102,958,326           | \$77,952,133   | \$80,309,551            | \$78,868,424   | \$79,137,161            |
| Plan Fiduciary Net Position                                 | \$115,100,216  | \$92,011,338            | \$100,375,609  | \$85,085,090            | \$96,929,217   | \$78,668,545            |
| Net Pension Liability (Asset)                               | (\$14,687,135) | \$10,946,988            | (\$22,423,476) | (\$4,755,539)           | (\$18,060,793) | \$468,616               |
| Plan Fiduciary Net Position as % of Total Pension Liability | 114.63%        | 89.37%                  | 128.76%        | 105.95%                 | 122.90%        | 99.41%                  |

<sup>1</sup> Reflective of a measurement date of December 31, 2022 based on and rolled forward from an actuarial valuation date of January 1, 2021.

Projection – MMOs are projected to increase by 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 the pension that is 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 to disclose 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 a “Pay-as-you-go” approach to fund OPEB costs. Per the most recent actuarial valuation dated January 1, 2022, Harrisburg’s total OPEB liability was \$177.7 million compared to a prior total liability of \$157.6 million per the actuarial valuation dated January 1, 2020.

**Other Post-Employment Benefit Summary**  
*January 1, 2022, Actuarial Valuation for Fiscal Year*  
*Ended December 31, 2023*

| Demographic Information    | Police     | Firefighters | Non-Uniformed | Total      |
|----------------------------|------------|--------------|---------------|------------|
| Active Participants        | 134        | 58           | 104           | 296        |
| Vested Former Participants | 2          | 0            | 32            | 34         |
| Retired Participants       | 180        | 103          | 135           | 418        |
| <b>Total</b>               | <b>316</b> | <b>161</b>   | <b>271</b>    | <b>748</b> |

| Financial Information                                      | Police       | Firefighters | Non-Uniformed | Total                      |
|--|--------------|--------------|---------------|----------------------------|
| Total OPEB Liability                                       | \$68,920,904 | \$43,694,480 | \$25,768,546  | \$138,383,930              |
| Plan Fiduciary Net Position                                | 0            | 0            | 0             | 0                          |
| Net OPEB Liability   | \$68,920,904 | \$43,694,480 | \$25,768,546  | \$138,383,930              |
| Plan Fiduciary Net Position as a % of Total OPEB Liability | 0%           | 0%           | 0%            | 0%                         |
| Net OPEB Liability as a % of Covered Employee- Payroll     | 710.03%      | 1,057.78%    | 445.48%       | 705.25%                    |
| OPEB Expense   | \$3,667,822  | \$2,369,478  | \$1,768,582   | \$7,805,882 <sup>1,2</sup> |

<sup>1</sup> Based on actuarial valuation date of January 1, 2022 with an applicable measurement date of January 1, 2023.

According to the City, it 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 \$3.7 million in a bank account established for an OPEB fund, which has a December 31, 2023, year-end value of \$4.06 million. Such funds will be transferred into the City’s OPEB Trust Fund, authorized by the City Council on March 23, 2021, as required by Act 124. The OPEB Trust for the City is not currently in place, and the Authority urges the City to act on that as it is a requirement of the Harrisburg Strong Plan.

Expense Forecasts.

The City has submitted to the Authority a multi-year expense forecast based on historical growth trends, planned initiatives, and other available data. The data includes fiscal forecasts from FY 2023 through FY 2027.

As for the Personnel costs, these costs are anticipated to increase by 2.0% and medical expenses by 2.5%. Services expenses increased 1.33% and Supplies expenses 1%. It is expected that the price increase will be in line with the current CPI. Other Operating Expenses and Transfers are contingent on budgetary activity. Debt Service costs will significantly be reduced as the Ambac Forbearance payments are eliminated, and this event reduces debt to a pre-distressed level. Capital costs are contingent on the necessary capital needs of each City Department.

Operating Expense Forecast

|                                   | Actual<br>2023      | Forecast<br>2024          | Forecast<br>2025    | Forecast<br>2026    | Forecast<br>2027    |
|-----------------------------------|---------------------|---------------------------|---------------------|---------------------|---------------------|
| Personnel (less Medical)          | \$37,212,168        | \$41,035,870              | \$41,856,587        | \$42,693,719        | \$43,547,594        |
| Medical/Employee Insurance        | \$13,124,343        | \$11,300,000              | \$11,582,500        | \$11,872,063        | \$12,168,864        |
| Services                          | \$10,631,125        | \$12,855,868              | \$13,026,851        | \$13,200,108        | \$13,375,670        |
| Supplies                          | \$3,288,522         | \$5,131,324               | \$5,182,637         | \$5,234,464         | \$5,286,808         |
| Other Operating                   | \$869,260           | \$535,434                 | \$540,788           | \$546,196           | \$551,658           |
| Transfers                         | \$2,800,000         | \$35,034,153 <sup>1</sup> | \$2,334,215         | \$750,000           | \$1,500,000         |
| Total Expenses (Pre-Debt Service) | \$67,925,418        | \$105,892,649             | \$74,523,578        | \$74,296,550        | \$76,430,594        |
| Debt Service                      | \$9,875,573         | \$1,250,000               | \$1,250,000         | \$1,430,000         | \$1,445,000         |
| Total Operating Expense           | \$77,800,991        | \$107,142,649             | \$75,773,578        | \$75,726,550        | \$77,875,594        |
| Capital Expense                   | \$2,547,411         | \$2,343,524               | \$1,152,000         | \$1,702,000         | \$1,752,000         |
| Total                             | <b>\$80,348,402</b> | <b>\$109,486,173</b>      | <b>\$76,925,578</b> | <b>\$77,428,550</b> | <b>\$79,627,594</b> |

<sup>1</sup> The 2023 Transfer includes the transfer from federal grant fund for the ARPA funding. Also, a portion of the funding is for FNB Stadium. The last segment is a transfer for Debt Service Payments.

Re-establishment of credit rating.

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 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.

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 2023. 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 2024 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 and its prohibition on new debt. The Authority hopes that the Agreement can be signed promptly, and the City removed from Act 47.

In talking with the City Solicitor, he remains committed to providing the City a path forward to exit from Act 47 distressed status. As previously noted, to accomplish this goal, the issue of the ongoing Harrisburg Incinerator litigation needs to be resolved. In turn, that resolution would permit the City to finalize the Intergovernmental Cooperation Agreement with the Authority. Until the Agreement is finalized, the City is prohibited from the issuance of new debt.

Headcount of Employees.

In the 2024 General Fund Budget, Harrisburg employs 423 full-time employees, 109 Management Employees, and 314 Union Employees.

The following table shows the number of budgeted 2024 General Fund full-time employees being paid out of the General Fund by employee group:

**Headcount of Full-time Employees (General Fund)**

| Bureau                          | Management Positions<br>(Positions Filled/ Allocated for) | Non-Management Positions<br>(Positions Filled/ Allocated for) |
|---------------------------------|---|---|
| Business & Resource Development | 3/4   |   |
| Business Administrator          | 2/2   |   |
| City Council                    | 10/10   |   |
| Codes                           | 3/4   | AFSCME: 13/14   |
| Communications                  | 4/6   | AFSCME: 1/2   |
| Controller                      | 3/3   |   |
| Financial Management            | 7/7   | AFSCME: 1/1   |
| Fire                            | 5/5   | IAFF: 92/95   |
| Fleet Management                | 1/1   | AFSCME: 6/10  |
| Grants                          | 2/2   |   |
| Human Resources                 | 7/7   |   |
| Information Technology          | 6/7   |   |
| Licensing & Taxation            | 2/2   | AFSCME: 5/5   |
| Mayor                           | 6/6   |   |
| Parks, Recreation, & Facilities | 15 /16  | AFSCME: 9 /11   |
| Planning                        | 3/4   |   |
| Police                          | 17/20   | FOP: 149/155; AFSCME: 18/18                                   |
| Solicitor                       | 8/11  |   |
| Traffic & Engineering           | 2/4   | AFSCME: 9/10  |
| Treasurer                       | 3/3   | AFSCME: 5/5   |

- AFSCME stands for American Federation of State, County and Municipal Employees
- FOP stand for Fraternal Order of Police
- IAFF stands for International Association of Fire Fighters

## **ISSUE #6: 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 leadership is scheduled as often as possible. These meetings are seen as an opportunity to review the upcoming board meeting agenda, discuss Authority business, and foster cooperation. The Administration is fully committed to this communication process.
- *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 and the annual budget process.
- *Act 47 Coordinator.* DCED 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 were 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 offered to hold 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.

- *Sanitation Services and other opportunities.* The City currently offers municipal solid waste collection for three neighboring boroughs. While the Authority is concerned that these services are not adequately priced correctly, a study is underway to confirm that fact and should be implemented as contract renewals are completed in 2024. The City has the ability to provide other municipal services beyond the corporate boundaries of the City and the Authority encourages the exploration of those opportunities.
- *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. As volunteer fire companies in surrounding municipalities struggle with call volume, the City is strongly positioned to provide a fee-for-service model for firefighting.

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## **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 of Harrisburg's 2024 Five-Year Financial Plan dated October 25, 2023, which contains several of the required financial presentations as of 2023, which has since been amended by the adoption of the 2024 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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