

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



April 30, 2024

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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 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 18th 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 Forecasts¹ 2023-2027

	Actual 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Revenues ⁴	\$76,846,167	\$104,531,292	\$78,913,812 ⁴	\$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 ^{2,3,5}	(\$3,502,235) ²	(\$4,954,881) ³	\$1,988,234	(\$3,131,292) ⁵	(\$4,297,397) ⁵
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%

¹ 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.

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

³ The fund balance appropriation for 2024 is \$4,954,881.

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

⁵ 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
Total General Fund Revenue/Sources	\$80,348,402	\$109,486,173	\$78,913,812	\$77,428,550	\$79,627,594

¹Hotel 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.

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

³The Miscellaneous Revenue for 2023 includes income for insurance proceeds for the Broad Street Market.

⁴This 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/ Accreted Value	Purpose	Call Date	Maturity	Coupon Rate	Enhancement
HRA Series 1998A (Verizon Bonds)	\$18,277,416 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
Total¹	\$9,875,574	\$1,250,000	\$1,250,000	\$1,430,000	\$1,445,000

¹ 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	¹ 12/31/2022	12/31/2021	¹ 12/31/2022	12/31/2021	¹ 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%

¹ 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
Total	316	161	271	748

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 ^{1,2}

¹ 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 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 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 ¹	\$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	\$80,348,402	\$109,486,173	\$76,925,578	\$77,428,550	\$79,627,594

¹ 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 (Positions Filled/ Allocated for)	Non-Management Positions (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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City of Harrisburg
Dauphin County, Pennsylvania



2024 Five-Year Financial Plan

Submitted to:

Intergovernmental Cooperation Authority of Harrisburg

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

Submitted on October 12th, 2023

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1 Executive Summary

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

The Mayor currently has her Administrative and Department Director's Staff at full complement for Fiscal Year 2023. Recently, she hired the City Engineer, who completed her Management Staff.

Harrisburg City Council approved the 2023 Annual Budget on December 14th, 2022. The General Fund's original 2023 Budget was approved with Resources of \$75,098,203, and the Approved Appropriations of \$74,945,048. The 2023 Approved Amended Budget as of 7/31/2023 was approved with Resources of \$82,363,855, and Appropriations of \$83,863,855 (hereafter, the reference will be Revenues and Expenditures).

Under the Mayor's leadership, she has worked with the City Council to distribute \$47.3 million in American Rescue Plan Act (ARPA) funds. The Mayor and City Council's primary goal was to improve the overall quality of life for the citizens of Harrisburg through affordable housing, assistance with utility bills, adding several park facilities, and providing for the demolition of abandoned and blighted property. Please see a more complete description of the use of these ARPA funds found below.

The City's fund balance as of July 31st, 2023, was \$20.57 million. The Mayor continues to prioritize fiscal stability for the City of Harrisburg. She intends to continue her coordination and collaboration with the City of Harrisburg's Intergovernmental Cooperation Authority (ICA), the Pennsylvania Department of Community and Economic Development's Act 47 Municipalities Financial Recovery Team, the Dauphin County Board of Commissioners, and Harrisburg Regional Chamber of Commerce to assure intergovernmental cooperation. In addition to a 2023 balanced budget, the City selected and began implementing a new General Ledger Software after nearly 40 years of using an aging legacy system.

The new Enterprise Resource Planning (ERP) Software, Tyler Technology's MUNIS System, will permit the City to properly track, examine, and manage all financial management transactions. This advancement will provide for better financial management practices, responsible purchasing practices, and a focus on sound financial management practices. Additionally, MUNIS will allow other City functions, such as building permits, taxation, licensing, fixed assets, and inventory, to be managed under one umbrella.

As the Mayor prepared to present the City of Harrisburg's Intergovernmental Cooperation Authority (ICA) with the 2024 Five-Year Financial Plan, her Administration has demonstrated the ability to achieve structurally balanced budgets, maintain sufficient fund balances, and provide a strategy for the long-term financial management planning for the City.

On March 15, 2023, the Mayor and City Council orchestrated the final payment of \$8.3 million to Ambac Assurance Corporation (AMBAC). By meeting the final terms of the forbearance agreement with AMBAC, the City was able to eliminate the high-interest payments relating to the AMBAC arrangement. The settlement of this forbearance arrangement saved the City \$7,305,789.

As part of her long-term plan, the Mayor has hired a financial management advisor to develop a Ten-Year Capital Improvement Plan for the City. The program will be in place for the 2024 Budget.

The road back to fiscal stability through implementing the Act 47 Strong Plan has involved difficult decisions and managerial discipline. The City has sold assets, properly managed staff, and increased taxes/fees where necessary. The Harrisburg community, City employees, and various stakeholders have successfully evolved from fiscal distress and formed an exemplary path to full fiscal recovery.

At the forefront of Harrisburg's fiscal revival has always been the Honorable Wanda R.D. Williams. Since the Act 47 Strong Plan was implemented in 2012, she has been the only elected official engaged throughout the City's Financial Recovery. Through her leadership and ability to bring people together, the City of Harrisburg has enacted numerous pieces of legislation and started essential partnerships with Commonwealth stakeholders, putting the City on the right path.

Most notable is the development, adoption, and implementation of the City's Disparity Study (a collaborative effort between the City, Dauphin County, and Impact Harrisburg). Going back decades to her time as an AFSCME union leader, Mayor Williams's top priorities have been fighting for equity and inclusion. Her leadership in getting the disparity study off the ground will put Harrisburg on the right track for future generations. The Mayor is in the process of developing the implementation of the related strategies defined within the Study.

Furthermore, as City Council President, Mayor Williams oversaw \$22.7 million in funds from the Pennsylvania Department of Transportation for infrastructure improvements of 2nd Street, 3rd Street, and 7th Street. Modernizing these busy thoroughfares with freshly paved streets and ADA-compliant walkways does more than just make Harrisburg safe; they help to connect three of Harrisburg's most dynamic neighborhoods – Downtown, Midtown, and Uptown – and, in doing so, we better connect with the people of Harrisburg.

Fortunately, as the Mayor guided the City Council through the City's fiscal recovery in 2021, the Commonwealth permitted the City to maintain the extraordinary taxing power for the Earned Income Tax (EIT) and Local Services Tax (LST). These taxing powers generated approximately \$20.5 million (\$13.5 million in EIT and \$6.5 million in LST) in fiscal year 2021. The expiration of these taxing powers would have resulted in a difficult budgetary cliff that would have required draconian budget cuts, which have now been avoided without any increases in existing tax rates.

The Mayor continues to develop her economic development plan. As she forges ahead with her commitment to shaping a vibrant and resilient future for our City, it would be essential to explore the progress, insights, and impactful strides made in the continuous pursuit of realizing the goals outlined in the City of Harrisburg Strategic Economic Development Plan.

There are projects already set into motion to improve the current housing stock, encourage home ownership, and reduce blight within the City, including the American Rescue Plan's Low-Income Housing Project, and the Economic Development Study's related projects. Both plans will be located within the document later in this report.

1.1 American Rescue Plan Act

Harrisburg’s fiscal recovery was well underway before the passage of the American Rescue Plan Act (“ARPA”) and the associated allocation of stimulus and relief measures. Allocations from ARPA will enable the City to build on its recent fiscal achievements and consider strategic investments to secure its long-term stability. The City’s ARPA allocation is \$47.3 million, representing a unique opportunity to support critical community initiatives.

In fiscal year 2022, the Mayor and City Council designated \$8.8 Million for Revenue Loss that correspondingly covered 2022 salaries for Public Safety and Parks and Facilities. Also, they designated \$1.1 million for Public Safety Bonuses and \$2.5 million for the repair of the HVAC System. In 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. Please see the specific details of Act 5 on Page 8.

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

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1.2 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.

Below are the Operating Forecasts for 2023-2027. These forecasts include Revenue use, Expenditure Activity, and Beginning and Ending Cash Fund Balance.

Table 1
Operating Forecasts ¹ 2023-2027

	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Revenues ⁴	73,240,821	99,613,865	77,736,705 ⁴	73,875,915	75,632,535
Expenses	81,100,785	101,929,020	70,244,682	70,460,724	72,883,803
Operating Result	(7,859,964)	(2,315,155)	7,492,023	3,415,191	2,748,732
Baseline Capital Expenses	2,920,626	2,707,000	2,152,000	2,702,000	2,752,000
Baseline Change in Cash Fund Balance ^{2,3,5}	(10,780,590) ²	(5,022,155) ³	5,340,023	713,191 ⁵	(3,268)
Beginning Cash Fund Balance	\$23,145,504	\$12,364,914	\$7,342,759	\$12,682,782	\$13,395,973
Ending Cash Fund Balance	\$12,364,914	\$7,342,759	\$12,682,782	\$13,395,973	\$13,392,705
Cash Fund Balance Pct of Total Expenses	15%	7%	17%	18%	18%

¹ 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. ⁷

² The fund balance appropriation for 2023 was 10,780,590. This includes the AMBAC payment of \$8.3 million.

³ The fund balance appropriation for 2024 was \$5,972,155 and we had a positive operating result of \$950,000 which yielded the \$5,022,155.

⁴ Interfund Transfer from the stadium fund to the general fund of \$6,000,000.

⁵ The fund balance appropriation for 2026 was \$36,809.

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

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2 American Rescue Plan Act (“ARPA”)

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

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

The City’s total allocation is \$47.1 million. The City hired NW Financial to assist in appropriately implementing and reporting on the ARPA funds. The City currently provides quarterly ARPA Program Reports to the United States, Department of Treasury.

The ARPA funding will be transformative for the City. It represents a unique opportunity to invest in critical infrastructure needs and support other community initiatives.

As noted above, in fiscal year 2022, the City Council approved \$8.8 million in revenue replacement, \$5.5 million for a new HVAC system for the Public Safety Building, and \$1.26 million for a one-time, \$5,000 bonus for police officers and firefighters

The Mayor and her administration presented her plan to utilize the ARPA funding to the City Council. She held five public meetings to discuss with the Harrisburg Community and related organizations their insights into distributing the funding. The Mayor is pleased that the City’s planned use for ARPA funding is currently in place.

The ARPA funds will impact many aspects of the five-year plan, including unrestricted fund balance levels, available capital program funds, public health, and community and economic development programming. The Mayor and City Council are utilizing these funds to promote and further develop the multi-year financial planning goals and improve its citizens' overall quality of life.

During fiscal year 2023, the City Council conducted its public meetings in the Spring and Summer. After the public meetings, the City Council passed Bill 5, an Ordinance appropriating the America Rescue Plan Act (ARPA), identifying the programmatic items they wish to see executed. The Public Health and Economic Impact Program of funding is located on the adjacent page.

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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	\$ 500,000.00
Total	\$ 31,550,000.00

3 Historical Financial Results

This section presents a picture of Harrisburg’s financial results since 2018 and provides the basis for future revenue and expense growth expectations. Based on historical operating results, trends, and existing contracts, this chapter develops the growth assumptions for revenues and expenses that are the foundation for the five-year financial forecasts.

3.1 Summary of Principal Funds

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

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

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

Basis of Accounting

All City funds are audited in accordance with Government Accounting Standards Board (“GASB”) standards. The Bureau of Financial Management makes annual adjustments for proper financial presentation within the audited Comprehensive Annual Financial Report. However, for budgeting and internal financial management purposes, the City accounts for financial activity on a budgetary basis, including a monthly cash basis reporting of total actual revenue and expenditures to the City Controller’s office and other third-party stakeholders. This monthly reporting also includes open encumbrance balances outstanding as of month-end to reflect the City’s total cash commitment and actual available cash at the end of the period. This approach allows for the transition from cash basis to budgetary basis accounting and an accurate reporting of available fund balance. The budgetary basis of reporting does not include any accruals for receivables or payables or any non-cash expenditures.

So, the financial schedules for budgeting and accounting in this plan use the cash basis of accounting.

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

The City has recently purchased and begun implementing Tyler Technologies' MUNIS software, and this financial management system will more appropriately facilitate full GASB compliance. The City Financial Management Staff has started training with the new system, and the General Ledger training segment is primarily completed.

Every other week, the Director of Information Technology (IT), Steve Bortner, meets with a MUNIS Steering Committee made up of members from the Mayor's Administration, City Council President, the Honorable Danielle Bowers, to ensure the City stays on track with new software modules that will be added to assure the full benefit of the software purchased by the City will be fully utilized.

These modules are scheduled in phases: Phase 1- Financial Management and Capital Asset and Inventory (this phase is largely completed), Phase 2 – Human Capital Management – is scheduled to be completed for the start of Fiscal Year 2024, January 1, 2024, Phase 3 – Tax Billing and Collections – January 20, 2024, Phase 6 – Asset Maintenance Full Implementation including an inventory system– January 2024, Phase 4 – Licenses and Permits – February 2024, and Phase 5 – Codes Enforcement – February 2024, The MUNIS Steering Committee reviews the Project Plan, Project Budget, and Project Time Commitment weekly. This meeting will allow those in attendance to provide input, request additional staff training, and ensure this vital effort remains on track.

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4 Revenues

The table below presents a five-year history of Harrisburg’s revenues by significant category from 2018 to 2022.

Real Estate taxes are the City’s primary revenue source, representing an average of 25.02% of all revenues. The City’s three highest revenue sources, Real Estate, Earned Income, and Mercantile Business Privilege taxes, combined comprise an average of 55.08% of Harrisburg’s operating revenues. Please remember the 2022 information provided is not the 2022 audited figures, as the annual financial audit has not yet been completed.

Table 2
Key Operating Revenues 2018-2022

	2018	2019	2020	2021	2022	% of Avg Rev
Real Estate Tax	17,962,858	17,240,236	16,879,690	17,981,088	16,725,918	24.61%
Real Estate Transfer Tax	1,026,603	1,026,697	843,880	868,476	1,430,158	1.47%
Hotel Tax	0	900,000	900,000	1,000,000	700,000	0.99%
Local Service Tax	6,726,219	6,824,394	6,488,369	6,533,431	6,706,205	9.44%
Earned Income Tax	11,895,302	12,761,772	12,739,112	13,546,945	15,833,448	18.94%
Mercantile/Business Privilege Tax	7,720,195	8,200,696	7,391,790	7,771,048	8,131,977	11.12%
Department of Administration Revenue	1,126,360	1,151,510	317,413	351,853	308,574	0.92%
Department of Building & Housing Revenue	1,772,534	1,561,585	1,591,344	2,206,809	2,067,704	2.61%
Department of Public Safety Revenue	1,978,978	1,949,364	2,168,055	2,331,297	2,171,083	3.01%
Department of Public Works Revenue	633,302	610,176	616,658	939,491	322,306	0.89%
Department of Parks & Recreation Revenue	5,181	13,801	265	2,706	9,870	0.01%
Fines & Forfeits	874,079	745,232	541,528	889,062	719,628	1.07%
Licenses & Permits	592,192	570,074	546,713	516,702	499,166	0.77%
Interest Income	219,204	531,381	342,007	21,150	355,171	0.42%
Rental Revenue	34,730	68,231	35,283	105,835	90,130	0.09%
Miscellaneous Revenue	2,048,547	2,551,693	2,198,490	2,681,432	2,626,772	3.43%
Other Financing Sources	0	61,875	27,246	1,500	41,020	0.04%
Intergovernmental Revenue	11,499,183	12,030,302	8,728,062	8,093,511	8,424,522	13.83%
Interfund Transfers	409,034	-	2,856,613	2,966,174	9,958,311	4.59%
Fund Balance Appropriation	0	0	0	5,056,803	1,080,711	1.74%
Total General Fund Revenue/Sources	\$66,524,501	\$68,799,019	\$65,212,518	\$73,865,313	\$78,202,674	100.00%

4.1 Revenue Forecasts

Below is the multi-year revenue forecast based on historical growth trends, planned initiatives, and other available data. The 2023 Proposed Revenues will fluctuate from the actual activity through year-end; however, based on the first six months of revenue activity, this revenue estimate will provide a good projection.

**Table 3
Operating Revenue Forecasts
2023-2027**

	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Real Estate Tax	17,251,365	17,251,365	17,596,392	17,948,320	18,307,287
Real Estate Transfer Tax	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Hotel Tax ¹	714,000	1,000,000	1,025,000	1,050,625	1,076,891
Local Service Tax	6,684,284	6,850,000	7,021,250	7,196,781	7,376,701
Earned Income Tax	17,042,904	17,400,000	17,835,000	18,280,875	18,737,897
Mercantile Business Privilege Tax	8,383,270	8,500,000	8,755,000	9,017,650	9,288,180
Department of Administration	596,432	500,000	512,500	525,313	538,445
Department of Building and Housing	2,560,454	2,300,000	2,357,500	2,416,438	2,476,848
Department of Public Safety	2,048,916	2,100,000	2,152,500	2,206,313	2,261,470
Department of Public Works	47,365	400,000	410,000	420,250	430,756
Department of Parks and Recreation Income	7,476	12,500	12,813	13,133	13,461
Fines and Forfeits	749,710	750,000	768,750	787,969	807,668
Licenses and Permits	447,825	450,000	461,250	472,781	484,601
Interest Income	851,020	400,000	400,000	400,000	400,000
Rental Income	590,014	100,000	102,500	105,063	107,689
Miscellaneous Revenue	2,387,182	2,500,000	2,562,500	2,626,563	2,692,227
Other Financing Sources	108,903	50,000	51,250	52,531	53,845
Intergovernmental Revenue	8,413,723	8,500,000	8,712,500	8,930,313	9,153,570
Interfund Transfers	3,355,978	29,550,000	6,000,000	425,000	425,000
Fund Balance Appropriation	10,780,590	5,022,155	0	0	3,268
Total General Fund Revenue/Sources	\$84,021,411	\$104,636,020	\$77,736,705	\$73,875,915	\$75,635,803

¹ 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. In general, travel and overnight stays are projected to have a steady increase.

² This Interfund transfer is from the federal grants fund to cover the costs of ARPA related expenditures and other transfers.

The following describes each major operating revenue source, followed by an annual growth assumption for the multi-year financial forecast.

Real Estate Taxes - In 2021, the City Real Estate collected approximately \$17.9 million in Real Estate taxes. In 2022 the City collected \$16.7 million in Real Estate tax revenue.

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

As the Capital City of the Commonwealth of Pennsylvania, the City is home to many governmental entities and non-profits; thus, tax-exempt properties represent a large portion of Harrisburg's real estate value. Total combined land and value components are almost 50% tax-exempt, with state property representing approximately 60% of that total.

Projection - Current Real Estate collections are projected to increase by 2% from 2024 to 2027, reflecting limited increases in assessed values and a constant collection rate. No change in the millage rate is assumed. Delinquent collections are projected to remain relatively flat.

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

Projection - This revenue source has averaged \$800,000 annually over the last five years. Based on year-to-date collections, the City collected \$868,475 for 2021 and \$1,430,158 for 2022. Given the current economic trends, the City projects this tax to remain flat from 2024 to 2027.

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

Among other amendments to Act 47, enacted in late 2014, was the ability of Act 47 communities to increase the LST from \$52 to \$156 per year. The City first implemented the increased LST in 2016. Similar to the EIT, this special taxing power was scheduled to expire with the termination date of the ICA at the end of the calendar year 2024. However, the change in the fiscal code extends these full special taxing powers for ten years and then extends 50% of the special taxing authority for another five years.

Harrisburg's LST collections were approximately \$6.53 and \$6.7 million in 2021 and 2022, respectively.

Projection - LST projections from 2024 through 2027 are based on improved employment level assumptions, and an increase of 2.5% annually is anticipated.

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

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

The City collected \$13.5 million in 2021 and \$15.8 million in 2022; the increase in Earned Income Tax is mainly due to the increase in blue-collar wages for warehouse work and other technically skilled jobs. This steep wage increases in 2022 will level off in the coming years.

Projection –As the national and regional economy recovers, the City continues to realize improved increases in revenue from Earned Income Tax, as witnessed above. The five-year projections assume a 2.5% growth in Earned Income Tax from 2023 through 2027 will continue.

Mercantile Business Privilege Tax – The Mercantile Business Privilege Tax (“BPT”) is a tax on gross receipts on business activity conducted in the City. Revenues from this tax will likely increase by 2.5% through the end of the five-year plan in 2027.

Projection – The City collected \$3.9 million in 2021. During Fiscal Year 2022, revenue increased to \$3.86 million. The projections also assume a gradual, continual recovery growth of 3% for the remaining years of 2023, 2024, 2025, 2026, and 2027.

Parking Tax – The City imposes a 20% tax on all revenues from off-street parking lots and garages (not meters). In 2021, the City realized \$3.86 million in Parking Tax revenues; however, in 2022, revenues were \$4.26 million. The City expects that Parking in the immediate Central Business District will continue to improve (along with other parking tax revenue) and the Capital Area Complex parking will improve as more State employees return to the Capital Complex regularly. An example of other parking tax revenue is the reserve parking fee for the Hilton Hotel for celebrity guests who require multiple buses to be parked on city streets. (Important note: The Parking Tax Revenue is recorded by the City Administration within the **Mercantile and Business Privilege Taxes Category**.)

Projection – This plan projects Parking Tax revenues to rebound in 2023 through 2027. The projections assume 3% annual growth in 2023 through 2027.

The Departmental Income – For the Department of Public Safety Budget, the Commonwealth of Pennsylvania provides a \$5 million annual payment to the City to defray the costs of Police and Fire services. These funds are no longer tracked as Department income; rather, it is tracked within the Intergovernmental Revenue category to recognize the revenue source more appropriately.

Projection – The projection assumes the \$5 million payment from the Commonwealth will be constant for the Department of Public Safety. As for the other Department Revenue accounts only, a slight increase in revenue is expected for Fiscal Year 2023 to 2024; however, the remaining fiscal year’s projection assumption assumes continued increases through fiscal year 2027.

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

Projection – There is a 2.5% increase in revenue from the fiscal year 2023 to the fiscal year 2024; however, after the fiscal year 2024, the payment is expected to continue to grow.

Licenses and Permits – The City collects licenses, fees, and permit revenue for various functions. Building permits, rental inspections, and street-cutting inspections are this category's three primary revenue sources.

Projection – These revenues are projected increased by 2.5% each year from 2024 to 2027.

Interest Income – The City receives interest on its cash investments monthly. The interest rates on investments increased significantly from 2021 \$21,150 to 2022 interest revenue of \$355,171.

Projection – The interest revenue has increased significantly due to the Federal Reserve raising the interest rate for borrowers, which subsequently impacts investors' interest rates. The future interest rate on investments is expected to be stable through fiscal year 2027.

Rental Income – Rental income has increased in 2023 due to a PennDOT Interstate 83 project. The I-83 project will continue through 2027, increasing income by 2.5%.

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

Projection – These revenues will see continued growth from 2023 through 2027.

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

Projection – These revenues are projected to be flat from 2023 through 2027.

Intergovernmental Revenue – This revenue source largely comprises the \$5 million that the City receives from the Commonwealth for Public Safety Services. Also, the Auditors General's Municipal Pension Contribution and the Public Utility Realty Transfer Act (PERTA) funding are recorded here.

Projection – These revenues are projected to increase by 2.5% annually from 2024 through 2027.

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

Projection – The Interfund Transfer for Fiscal Year 2024 represents the \$28.25 million being utilized for the American Rescue Plan Act (ARPA) funded activities. The remaining Interfund Transfers for 2024-2027 are for the funding of the FNB Stadium. **Fund Balance Appropriation is not technically a new revenue source; they are an adjustment or adjustments to the Unassigned Fund Balance, which is actually a Balance Sheet account.**

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4.2 New Policy Initiatives

Financial Management Initiatives

1.) Redirect Park Permit Revenues to improve the FNB Baseball Field on City Island.

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 City will assign Park Permit revenues to pay for necessary upgrades to the Senator's stadium. These funds will be used to contribute towards the match for the Redevelopment Assistance Capital Program (RACP) to improve the FNB Field. The goal is to meet the MLB Facility Standards Compliance.

The RACP was awarded to the City in December 2022. The Business Plan is being prepared for the Pennsylvania Office of the Budget. 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 and the City has sufficient terms to complete 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. A determination will be made before the 2024 budget passes.

2.) Capital Improvement Program development

The City has recently issued a Request for a Proposal for Financial Management Professional services to 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 City's Capital Improvement Program will be strategically planned to 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 rolling stock, and an alignment with the community's essential requirements for City services. 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 ensure capital resources are appropriately monitored, managed, and executed. Improved execution of timed infrastructure projects will provide the necessary roadmap for future project implementation. Assessing the City's current and future capital needs 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.

Harrisburg, Pennsylvania, is the Capital City of the fifth-largest State in the Union. Therefore, it is imperative that the City strategically and fiscally plans for its long-term capital assets. GFOA of the United States and Canada's Community Development and Capital Investment Committee have several best management practices available for use as a guide to examine and manage fixed assets for Cities.

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

Approximately 50% of the assessed value in Harrisburg is non-tax revenue generating because it is used for tax-exempt purposes. The City will endeavor to enhance existing PILOT agreements and seek new ones, with the proceeds dedicated to supporting capital improvements. The City has collected approximately \$676,500 of PILOT income for Fiscal Years, 2022 and 2023. The goals for Fiscal Year 2024 will be \$677,000 with a 1% increase each year will be forecasted. This revenue source is recorded under Miscellaneous Revenue.

The Business Administrator will be working with the non-profits throughout the city to seek additional funding commitments. Also, his staff will send additional letters and continue working through existing PILOT agreements to renegotiate increased PILOT contributions. The City is initially focusing on those entities that have recently completed new construction projects and expanded their footprint in Harrisburg, as well as potential increases in the property's assessed value in Dauphin County.

4.) Improve Collection Rates in the Neighborhood Services Fund

The Mayor and her staff have recommended, and the City Council has approved a program to offer through ARPA funding payment assistance for low-income and elderly homeowners to catch up on their trash bills and help them become current with those bills. This will provide an immediate benefit to low-income and elderly homeowners and a secondary benefit to the City by helping to reduce the backlog of delinquent trash customers. The goal is to encourage those who will be assisted with this unique program to remain current with future trash bills, and the hope is that the customer will stay consistently on time thereafter.

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

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

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

5.) Review Service Delivery Alternatives

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

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

Police Services

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

Fire Services

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

Procurement

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

Information Technology

The City has worked with a series of Information Technology professionals through teams at Harrisburg University to explore stabilizing, operating, and modernizing essential governmental computer services. The City shares some technologies regarding policing, utilizes County web-based information for aspects of

property and tax data, and routinely accesses the data of other governmental entities to improve efficiencies. The City Public Safety Parking System will be integrated into the new MUNIS system. It will reduce duplication of data entry and ensure on-time record-keeping for the City's customers.

Waste Removal

The City upgraded its solid waste and recycling services to satisfy public health needs through its Neighborhood Service Fund and thereby tackled significant blight and trash issues. The City has entered into a successful partnership with Steelton, Penbrook, and Paxtang Boroughs, whereby Borough residents pay Harrisburg for trash and recycling services. The three Boroughs now have separate budgets for each, so we can more closely monitor the fiscal activity. This action permits us an option to more assign related expenses to the appropriate account for each Borough.

5 Expenses

The table below presents a five-year history of the City's expenses by major category. Personnel and Medical expenses are the main cost drivers, representing 53% of 2022 actual operating expenses. In 2022, personnel costs, medical expenses, and debt service comprised 79% of total actual operating expenses, significantly limiting budget flexibility.

Table 4
Key Operating Expenses 2018-2022

	2018	2019	2020	2021	2022	Pct of 2022 Budget
Personnel	29,517,938	30,447,220	31,457,827	33,311,449	33,443,622	39%
Medical	9,157,579	10,107,540	9,387,608	9,764,674	11,755,194	14%
Services	6,833,348	5,919,138	5,587,092	5,972,562	7,214,154	8%
Supplies	2,347,103	2,137,803	2,061,570	2,148,222	2,454,068	3%
Debt Svc ¹	10,098,487	11,175,422	10,541,493	19,209,980	22,073,638	26%
Other Operating	330,135	434,473	1,073,165	785,734	577,666	1%
Transfers	545,868	3,055,241	324,432	285,822	0	0%
Total Operating Exp	58,830,458	63,276,837	60,433,187	71,478,443	77,518,342	
Capital Expenses	4,368,910	4,423,164	1,055,384	2,386,870	684,332	1%
Total (incl Capital)	\$63,199,368	\$67,700,001	\$61,488,571	\$73,865,313	\$78,202,674	91%

¹ Includes transfers to the Senators Fund for funding debt service payments made on the Series A-2 of 2005 HRA Bonds.

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Workforce

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

Headcount

For 2023, Harrisburg is budgeted to employ 546.75 full-time employees, including 447.15 full-time equivalents budgeted to be paid out of the General Fund, 96.6 to be paid out of the Neighborhood Services Fund, and 3 paid from the Host Fee Fund. Ten employees are paid out of the Community Development Block Grant Fund; these ten employees are not included in the schedule below.

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

**Table 5
Employee Summary by Employee Group, 2023**

Employee Group	Covered Positions	2023 Budgeted Total FTEs	Contract Expiration
Non-represented	Executive, management, confidential	122.5	N/A
FOP	All sworn police officers	153	December 31, 2025
AFSCME	All non-executive, non-management, non-confidential employees are not otherwise covered in FOP or IAFF.	160.25	December 31, 2026
IAFF	All firefighters, lieutenants, captains, and battalion chiefs.	101	December 31, 2022, Pending 2023 Arbitration
Total		546.75	

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The following table shows the budgeted full-time equivalents by department since 2018. The City projects staffing levels to remain relatively constant with 2023 budgeted levels through 2027.

Table 6
Historical Employee Budgeted Headcount by Bureau 2018-2023

Bureau	2018	2019	2020	2021	2022	2023
City Council	9.00	9.00	9.00	9.00	10.00	10.00
Office of Mayor	4.00	4.00	4.00	4.00	6.00	6.00
Office of Controller	3.00	3.00	3.00	3.00	3.00	3.00
Office of Treasurer	6.75	6.75	6.75	6.75	6.75	7.75
Office of Solicitor	6.00	6.00	6.00	8.00	9.00	9.00
Office of the Business Administrator	3.00	2.00	3.00	2.00	2.00	2.00
Financial Management	8.00	7.00	7.00	7.00	8.00	8.00
Bureau of Licensing, Taxation, and Central Support	5.00	6.00	6.00	7.00	7.00	7.00
Grants Office	0.00	1.00	1.00	1.00	1.00	2.00
Communication	5.00	5.00	4.00	5.00	5.00	6.00
Office of Social Equity	1.00	1.00	1.00	1.00	1.00	0.00
Information Technology	8.00	8.00	7.00	7.00	7.00	7.00
Human Resources	4.00	6.00	6.00	6.00	7.00	7.00
Planning	3.40	3.40	4.00	4.00	4.00	4.00
Inspections and Code Enforcement	16.94	16.94	16.94	17.00	15.00	18.00
Office of Business Development	1.95	1.00	1.00	2.00	2.00	1.00
Office of Police Chief	165.00	165.00	170.00	188.00	190.00	192.00
Parks, Recreation, and Facilities	7.00	14.50	15.75	16.25	25.25	21.75
Events	0.05	0.00	0.00	0.00	3.00	3.00
Bureau of Vehicle Management	12.15	10.15	10.15	10.15	10.15	9.15
Traffic and Engineering	15.65	13.00	13.00	14.00	14.00	14.00
Host Fee	3.80	3.60	3.00	3.00	3.50	3.50
Fire	86.00	86.00	90.00	90.00	104.00	106.00
Neighborhood Services	75.25	78.45	80.85	87.35	96.60	99.60
Blight Remediation	0.00	0.00	0.00	1.00	1.00	1.00
Total	449.94	456.79	468.44	499.50	541.25	547.75 ¹

¹ Although we have noted increases in complement this is expected to stabilize in the next few years.

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Salaries and Wages

Salaries and wages are the most significant component of personnel costs, representing 53% of expenses.

In 2022, the City and the FOP ratified a new collective bargaining agreement that runs through 2025 and includes regular salary increases based on a fixed pay scale determined by years of service and job classification.

Per its collective bargaining agreement, salaries for IAFF union members will increase by 2% annually through 2022. The projections assume 2% increases in 2023 through 2026. The City currently has been participating in Interest Arbitration with the City's IAFF Union; a settlement is expected before the end of Fiscal Year 2023.

The City and AFSCME have agreed to a 3% salary increase for 2022-2025. Similarly, salary increases for non-represented (management) employees will average 2% for 2023 and are projected to increase 2% annually through 2027. Each AFSCME Bargaining Unit employee will receive a \$3,000 lump sum per employee for 2022, a \$1,500 lump sum per employee for 2023, and a \$1,000 lump sum per employee for 2024 and 2025.

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

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

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Table 7

Employee Contributions Towards Health Care Premiums, 2023

Deduction for FOP is a percentage, but it's based on a 5-year Patrol Officer's salary – so it's also a set dollar amount.

FOP	
Tier of Coverage	Percent of base salary 2021-2026
Single coverage	2.5%: \$67.33
2-person coverage	4.5%: \$121.19
3-person coverage	5.5%: \$148.12
4 or more-person coverage	6.5%: \$175.04

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

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

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

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

The City also provides for certain Other Post-Employment (Health) Benefits (OPEB) for retirees for its represented employees. In recent contract negotiations, the bargaining units have agreed to change retirement benefits with respect to active employees and future (yet-to-be-hired) employees. All units agreed that prospective employees would not be entitled to receive post-retirement health care at the City's cost.

Projection

- 1.1 Current wages are increased as specified in the existing collective bargaining agreements, interest arbitration awards, or court orders. After a current collective bargaining agreement with the IAFF in 2022, annual wage increases are projected to increase by approximately 2%. With the new AFSCME Contract, Salaries for AFSCME City employees are raised by a 3% annual increase, with relevant bonuses of 3,000 for 2022, 1,500 for 2023, and 1,000 for 2024 and 2025.

- 1.2 The City, which self-insures, estimates \$12.0 million for medical expenses in 2023. Medical expenses are potentially a volatile expenditure that the City monitors closely. These expenses are projected to increase 5% annually from 2023 to 2027, aligning with the City's experience and the actuarial assumptions used to calculate the City's Other Post- Employment Benefits liability. The City has worked with its insurance consultant to stabilize its annual health insurance/prescription drug savings.

Services

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

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

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"). The final maturities of these Bonds and Notes were recently fully satisfied by the City in September 2022.

Referencing past history in 2012, facing severe financial distress, the City defaulted on these 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 significantly reducing the continued build-up of accrued

interest expense. In March 2023, the City achieved the goal of a full payoff of this forbearance liability with an \$8.3 million final payment to AMBAC.

**Table 8
Series 1997D&F General Obligation Bond**

Issue	Amount Outstanding/ Accreted Value ¹	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

¹ 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 partly 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 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 daycare 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)	\$19,006,952 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 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.

Table 10
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
Total ¹	\$9,875,574	\$1,250,000	\$1,250,000	\$1,430,000	\$1,445,000

¹ Represents the minimum annual debt service due from the City during 2023 to 2027.

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Pension

The City has three single-employer, defined-benefit pension plans: the Police Pension Fund, the Firefighters Fund, and the Non-Uniformed Pension Plan. These plans cover 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.

**Table 11
Pension Summary**

	Police Summary	Firefighters Summary	Non-Uniformed Summary
Participants	12/31/2022	12/31/2021	12/31/2021
Active Employees	133	90	236
Vested Former	6	1	22
<u>Receiving Benefits</u>	<u>210</u>	<u>126</u>	<u>245</u>
Total Participants	349	217	503

	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021
Total Pension Liability	\$100,476,452	\$100,413,081	\$74,797,781	\$76,260,926	\$66,164,875	\$78,030,959
Plan Fiduciary Net Position	\$103,553,766	\$115,100,216	\$85,314,171	\$90,898,299	\$83,078,211	\$89,628,036
Net Pension Liability (Asset)	(\$3,077,314)	(\$14,687,135)	(\$10,516,390)	(\$14,637,373)	(\$16,913,336)	(\$11,597,077)
Plan Fiduciary Net Position as % of Total Pension Liability	103.06%	114.63%	114.06%	119.19%	125.56%	114.86%

¹ Based on the measurement 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.

Table 12
Other Post Employment Benefit Summary
January 1, 2022, Actuarial Valuation for Fiscal Year
Ended December 31, 2022

Demographic Information	Police	Firefighters	Non-Uniformed	Total
Active Participants	134	58	104	296
Vested Former Participants	2	0	32	34
Retired Participants	180	103	120	403
Total	316	161	256	733

Financial Information	Police	Firefighters	Non-Uniformed	Total
Total OPEB Liability	\$87,080,360	\$56,430,275	\$34,219,430	\$177,730,065
Plan Fiduciary Net Position	0	0	0	0
Net OPEB Liability	\$87,080,360	\$56,430,275	\$34,219,430	\$177,730,065
Plan Fiduciary Net Position as a % of Total OPEB Liability	0%	0%	0%	0%
Net OPEB Liability as a % of Covered Employee- Payroll	897.11%	1,366.10%	591.57%	905.77%
OPEB Expense	\$6,102,962	\$3,907,076	\$2,731,794	\$12,741,832 ^{1,2}

¹ Based on the measurement date of January 1, 2021.

² The OPEB Actuarial Information is updated every two years, therefore the 2023 report is the most recent.

The City has begun to address this liability with provisions in its collective bargaining agreements eliminating post-retirement benefits for new hires. In addition, following the monetization of the parking system, the Commonwealth deposited \$3.3 million in a bank account established for an OPEB fund, which has a December 31, 2023, year-end value of \$3.98 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. While the OPEB Trust for the City is not currently in place, we hope to establish it as soon as possible.

Table 13
Expense Growth Assumptions
2022-2025

	2024	2025	2026	2027
Salaries and Wages	2%	2.6%	3%	3%
Overtime/Other Premium	2%	2%	2%	2%
Medical	5%	5%	5%	5%
Other Benefits	2%	2%	2%	2%
Pension	2%	2%	2%	2%
Services	2%	3%	3%	3%
Supplies	2%	2%	2%	2%
Debt	See Expense Initiatives 5.1(2)			

5.1 Expense Initiatives

1.) *Implement Steps to Reduce Health Insurance Costs*

The City is exploring ways to reduce health insurance costs, including working with a broker to lower prescription drug costs, instituting a wellness program, and considering changing the structure of its self-insurance model.

2.) *Final Payment of the Series 1997D&F Forbearance Liability*

The City has completely paid off the AMBAC Forbearance Liability in March 2023.

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5.2 Expense Forecasts

Below is the 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 2.6% and medical expenses by 5%. Services expenses 3% and Supplies expenses 2%. 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.

Table 14
Operating Expense Forecast

	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Personnel (less Medical)	38,652,557	39,495,723	40,462,112	41,352,327	42,366,988
Medical/Employee Insurance	12,000,000	12,000,000	12,200,000	12,500,000	12,700,000
Services	10,835,126	9,296,000	9,574,880	9,862,126	10,157,990
Supplies	3,518,000	3,500,360	3,622,857	3,749,642	3,880,863
Other Operating	769,528	784,919	800,618	816,629	832,962
Transfers	5,450,000	35,602,018 ¹	2,334,215	750,000	1,500,000
Total Expenses (Pre-Debt Service)	71,225,211	100,679,020	68,994,682	69,030,724	71,438,803
Debt Service	9,875,574	1,250,000	1,250,000	1,430,000	1,445,000
Total Operating Expense	81,100,785	101,929,020	70,244,682	70,460,724	72,883,803
Capital Expense	2,920,626	2,707,000	2,152,000	2,702,000	2,752,000
Total	\$84,021,411	\$104,636,020	\$72,396,682	\$73,162,724	\$75,635,803

¹ The 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.

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6 Other Initiatives

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

- 1) Reestablish access to the debt markets and restore credit rating to the City.**
- 2) Prepare the City for borrowing as its planned for Capital Improvements in the future.**
- 3) Establish an OPEB Trust.**

On March 23, 2021, the City Council approved an ordinance authorizing and directing the creation of an irrevocable special trust to be designated as the “OPEB Trust.” Any deposits and segregating funds are to be restricted for other post-employment obligations of the City and related administrative costs of the Trust, providing for the appointment of a Board of Trustees to oversee and manage the Trust Fund in accordance with Act 47 Recovery Plan and any amendments. The Board of Trustees are to contract for services of a trusted professional; authorizing the execution of a Trust Agreement and related documents; authorizing the acceptance and deposit of designated funds provided through certain asset transfers under the Harrisburg Strong Plan; and adopt a Charter and Bylaws of the OPEB Board of Trustees to operate in accordance with the recommendations of GASB Statement No. 74 and GASB Statement No. 75.

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

As determined from an updated actuarial valuation as of January 1, 2020, the City’s estimated OPEB liability as of December 31, 2021, was \$157.6 million. Similar to other municipalities, Harrisburg does not prefund its OPEB liabilities. During 2022, the City paid \$5.3 million in “pay-as-you-go” retirement benefit costs and also accrued an additional \$2.1 million in service costs for future participant benefits.

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

The Obligation is unrealistic for the City, meaning the liability will unlikely be eliminated in the 60-year timeframe.

The Trust will be funded initially with approximately \$3.3 million in funds generated by asset transfers that were executed as a result of the implementation of the Harrisburg Strong Plan. Once the appointed Board of Trustees establishes the terms of the Trust, the City will consider a funding policy that will begin to address the significant liability and is also manageable within existing General Fund constraints.

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

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

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

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

4) Implement a Workforce Stabilization Program

In late 2021, the City and AFSCME agreed on a new contract that addresses pay and retention issues. Early in 2022, the City and FOP reopened the contract and ratified a new contract in 2022. The FOP contract addresses many pay equity issues. Lastly, in 2023, the City and IAFF entered Interest Arbitration, and an Arbitration award is expected in late 2023.

The City is also mindful of strategies to recruit and retain qualified non-represented management employees.

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5) Promote Economic Development

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

6) Improve Information Technology Capabilities

The City is implementing several initiatives to improve its information technology capabilities and infrastructure, as outlined below:

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

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1 Capital Improvement Plan

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

The tables below show the **baseline** capital projects the City plans to fund with General Fund transfers and other sources. The baseline projections are consistent with what was presented in the 2022 Five-Year Plan. The Projections and Forecasts 2023- 2027 for capital improvement projects are included below.

Table 15
Baseline Capital Improvement Projects - General Fund

Project Name	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Total
Department of Information Technologies						
DCIT & DREV System Replacement	682,626	930,000	200,000	200,000	200,000	2,212,626
Bureau of Police						
Police Patrol Vehicles	275,000	125,000	250,000	250,000	250,000	1,150,000
Other Police Vehicles	-	-	-	-	-	-
Radios	2,000	2,000	2,000	2,000	2,000	10,000
Surveillance Cameras	25,000	-	-	-	-	25,000
Other	-	100,000	200,000	200,000	200,000	700,000
Bureau of Fire						
Apparatus Replacement	500,000	500,000	500,000	1,000,000	1,000,000	3,500,000
Timesheet Management System	50,000	50,000	-	-	-	100,000
Fire House Repair/Replace	136,000	200,000	100,000	100,000	100,000	636,000
Other	-	-	-	-	-	-
Department of Public Works						
Vehicle Leasing Program ¹	-	-	-	-	-	-
Other	250,000	200,000	250,000	250,000	250,000	1,200,000
Office of Engineering						
Lease Purchase	-	-	-	-	-	-
Building	200,000	200,000	200,000	200,000	200,000	1,000,000
Bureau of Facilities						
Other Facilities	800,000	400,000	450,000	500,000	550,000	2,700,000
Subtotal	\$2,920,626	\$2,707,000	\$2,152,000	\$2,702,000	\$2,752,000	\$13,508,626

¹ The Vehicle Purchase Program has been moved to lease purchase, which will be included in Debt Service.

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The capital project funding sources and uses may change depending on the permitted use of these funds and the outcomes of the City’s planning process.

Note: Projected 2023 amounts may differ from the budget due to a reclassification of some capital expenditures.

Table 16
Capital Improvement Projects - Neighborhood Services Fund

	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Total
Vehicle Purchase Prog.	-	-	-	-	-	-
Equipment Leasing	400,000	300,000	300,000	300,000	300,000	1,600,000
Building Improvements	110,000	110,000	110,000	110,000	110,000	550,000
Equipment - Other	320,000	300,000	300,000	300,000	300,000	1,500,000
Subtotal	\$830,000	\$710,000	\$710,000	\$710,000	\$710,000	\$3,650,000

Table 17
Baseline Capital Improvement Projects - Capital Projects Fund ¹

Project Name	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Total
2 nd Street	350,000	-	-	-	0	350,000
State Street Project	-	1,500,000	-	-	0	1,500,000
East-West Multimodal	-	1,725,000	600,000	-	0	2,325,000
Mulder Square	200,000	-	-	-	0	200,000
North 7 th Street	57,000	-	-	-	0	57,000
Allison Hill Paving	400,000	-	-	-	0	400,000
Capitol Gateway	100,000	1,200,000	-	-	0	1,300,000
South Paving Project	-	-	-	-	224,112	224,112
Subtotal	\$1,107,000	\$4,425,000	\$600,000	\$0	\$224,112	\$6,356,112

¹ Other funding sources besides the Capital Projects Fund balance include grant funds and Liquid Fuels Funds.

Table 18
Summary by Fund

Fund	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Total
General Fund (Baseline)	2,920,626	2,707,000	2,152,000	2,752,000	3,752,000	13,508,626
Neighborhood Services Fund	830,000	710,000	710,000	710,000	710,000	3,670,000
Capital Projects Fund (Baseline)	1,107,000	4,425,000	600,000	0	224,112	6,356,112
Subtotal	\$4,857,626	\$8,117,000	\$3,462,000	\$3,412,000	\$3,686,112	\$23,534,738

Funded and Unfunded Capital Improvement Projects Anticipated

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

The City has 47 funded Priority One projects with costs up to \$32.4 million through 2027. The City has 75 Priority Two projects with a cumulative estimated total cost of \$37.5 million, including \$4.2 million funded and \$33.3 million unfunded. The table below summarizes the annual costs of the Priority One and Priority Two Projects. A project listing is included in the Appendix.

Table 19
Priority Capital Improvement Projects

Level	Number of Projects	2023	2024	2025	2026	2027	Total
Priority One Funded	47	666,682	916,250	11,285,500	9,426,500	10,065,750	32,360,682
Priority Two Funded	27	0	2,070,700	1,070,836	529,088	540,000	4,210,624
Priority Two Unfunded	48	672,500	2,080,000	4,404,700	10,176,725	15,975,000	33,308,925
Totals	122	\$1,339,182	\$5,066,950	\$16,761,036	\$20,132,313	\$26,580,750	\$69,880,231

The total cost of the unfunded projects identified above is \$33.3 million. Priority Three projects are not included in this listing, which is even farther beyond the City's current funding capacity.

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8 Financial Forecasts

The City will set a minimum General Fund Balance level target amount equal to two months of annual operating expenses (approximately 15%). The funding target aligns with the Government Finance Officer Association's minimum recommendation for all municipalities. The GFOA recommends that cities with a history of fiscal distress or budgetary volatility maintain a fund balance level higher than the 15% minimum. This fund balance level would also be viewed favorably by rating agencies that strongly emphasize operating flexibility and accessible fund balance, especially for municipalities like Harrisburg, trying to demonstrate its commitment to fiscal recovery and stability. The City has already managed its fund balance above this level for several years.

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

In the original approved budget and opted by City Council Fiscal Year 2022 and 2023, Mayor Williams presented a balanced budget for each year. The City will continue to manage the tax burden on its residents. Moreover, raising tax rates is counterproductive to Harrisburg's efforts to attract private investment and expand the tax base, especially during this challenging period for the local economy. Notably, fiscal year 2024 shows a 7% fund balance in the General Fund. The RACP grant for the FNB field will be repaid in fiscal year 2025, therefore restoring the fund balance to a normal level.

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

9 Principal Proprietary Funds

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

a. Neighborhood Services Fund

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

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Table 20
Neighborhood Services Fund-Actuals
and Forecasts 2018-2022

	2018	2019	2020	2021	2022 ¹
Department of Public Works	16,857	13,986	1,747	22,315	0
Collection and Disposal Fees	14,482,391	18,137,116	15,336,996	16,112,684	16,207,892
Miscellaneous	241,303	313,878	460,390	228,288	524,903
Intergovernmental	58,282	66,497	58,724	0	49,354
Transfers	29,701	720,000	0	0	0
Total Revenue	\$14,828,534	\$19,251,477	\$15,857,857	\$16,363,287	\$16,782,149
Personnel	4,765,866	4,662,136	5,269,184	5,541,753	5,509,391
Services	8,135,452	8,236,775	8,548,808	8,839,004	8,987,077
Supplies	656,112	514,404	898,240	591,118	481,064
Other - Capital	2,364,065	4,030,760	1,983,192	1,411,580	1,190,212
Other – Transfers	0	0	0	0	0
Prior Year Encumbrances	0	0	0	162,133	0
Total Expenditures	\$15,921,495	\$17,444,075	\$16,699,424	\$16,545,588	\$16,631,735
Change in Cash Fund Balance	(1,092,961)	1,807,402	(841,567)	(182,301)	150,414
Cash - Beginning of Year	7,114,449	6,021,488	7,828,890	6,987,323	6,805,022
Cash - End of Year	\$6,021,488	\$7,828,890	\$6,987,323	\$6,805,022	\$6,955,436

¹The 2022 Neighborhood Services Fund budget was balanced by applying the existing fund balance as “Cash Carryover” to avoid a deficit in 2022. The Cash Carryover is shown in the “Change in Fund Balance” line for presentation purposes in this table.

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Table 21
Neighborhood Services Fund Forecasts
2023-2027

	2023	2024	2025	2026	2027
	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Public Works	10,319	10,526	10,736	10,951	11,170
Collection and Disposal Fees ¹	16,700,000	17,780,035	18,469,630	19,021,092	19,000,000
Miscellaneous	380,000	387,600	395,352	403,259	411,324
Intergovernmental	39,681	60,000	0	60,000	0
Transfers	1,345,000	1,150,000	0	150,000	0
Total Revenue	\$18,475,000	\$19,388,161	\$18,875,718	\$19,645,302	\$19,422,494
Personnel	7,132,507	7,197,808	7,339,405	7,485,250	7,635,470
Services	10,761,021	10,003,276	10,098,309	10,194,292	10,200,000
Supplies	919,074	788,237	804,001	820,081	820,000
Other - Capital ²	830,000	710,000	710,000	710,000	710,000
Other - Transfers	55,978	0	0	0	0
Total Expenditures	\$19,698,580	\$18,699,321	\$18,951,715	\$19,209,623	\$19,365,470
Change in Cash Fund Balance ³	(1,223,580)	688,840	(75,997)	435,679	57,024
Cash - Beginning of Year	6,955,436	5,731,856	6,420,696	6,344,699	6,780,378
Cash - End of Year	\$5,731,856	\$6,420,696	\$6,344,699	\$6,780,378	\$6,837,402

¹ With the new attorney overseeing delinquent collections and a new lien specialist filing liens with both commercial and residential properties we do expect a decline in delinquent trash payments.

² The City was able to procure 902 DEP \$575,000 funding to cover the costs of two recycling trucks which would otherwise be paid by the City. As an Act 47 Community we are not expected to provide a match.

³ The changes in cash fund balance simply represent the sum of the resulting revenues and expenditures put forth in each of the 5 years of projection.

The NSF's primary revenue sources are garbage collection and disposal fees. For fiscal year 2023, the City budgets \$16.7 million in garbage collection and disposal fees. The City projects the need for fee increases in the coming years to address rising capital costs. The figure above anticipates a fee increase.

The primary NSF expense is contracted service for garbage disposal of approximately \$6.3 million. The costs will increase by 2.0% annually through 2027. This fund also accounts for the contracted payment to the Lancaster County Solid Waste Authority. The tipping fee is \$230.84 per ton and this will be adjusted on January 1 of each calendar year by the Consumer Price Index, which is assumed to be 2.0% in these projections.

Approximately 99.6 employee salaries are paid out of the NSF. Projected personnel cost increases mirror those in the General Fund – 3.5% annual salary increases and 5% annual medical insurance increases.

The City will manage its Neighborhood Services Fund to balance revenues and expenses long-term. The City will also target a fund balance equal to two months of annual operating expenses. While the GFOA recommends a fund balance target equal to 45 days of annual operating expenses for Proprietary Funds, the City has set its fund balance target at a level it feels is responsible and fair to fee payers.

Maintaining this level of fund balance will ensure that service/operation disruptions will be avoided, the NSF will not burden the General fund, and the fund will not maintain unnecessary balances that can otherwise be

deployed to provide services to customers.

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

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9.2) Harrisburg Senators Fund

The Harrisburg Senators Fund accounts for the revenues and expenses associated with the debt payment financing the Harrisburg Senators' new stadium. In recent years, the Fund has been subsidized by annual transfers from the City's general operations. With the 2021 defeasance of the stadium improvement bonds, the Harrisburg Senators Fund can better handle future costs associated with keeping the stadium up to Major and Minor League Baseball standards.

Table 22
Harrisburg Senators Fund – Actuals and Forecasts
2018-2027

	2018	2019	2020	2021	2022
Department of Parks and Recreation	62,016	87,792	20,795	56,642	41,744
Rental Income	379,738	379,738	18,129	199,362	379,738
Transfers	239,681	256,778	467,856	5,581,342	0
Total Revenue	\$681,435	\$724,308	\$506,780	\$5,837,346	\$421,482
Services	25,000	25,000	0	0	0
Other – Debt	644,569	642,043	646,553	5,581,342	0
Other – Capital	0	0	0	50,000	0
Total Expenses	\$669,569	\$667,043	\$646,553	\$5,631,342	\$0
Change in Cash Fund Balance	11,866	57,265	(139,773)	206,004	421,482
Cash Fund Balance - Beginning of Year	109,567	121,433	178,698	38,925	244,929
Cash Fund Balance - End of Year	\$121,433	\$178,698	\$38,925	\$244,929	\$666,411

	2023	2024	2025	2026	2027
	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Parks and Recreation	52,714	52,714	52,714	52,714	52,714
Rental Income	379,738	379,738	379,738	379,738	379,738
Grant Proceeds	0	0	6,000,000	0	0
Transfers	1,000,000	7,002,018	1,334,215	0	0
Total Revenue	\$1,432,452	\$7,434,470¹	\$7,766,667	\$432,452	\$432,452
Services	0	0	0	0	0
Other – Debt	0	0	0	0	0
Other – Capital ³	2,098,863	7,434,470	1,766,667	0	0
Transfers	0	0	6,000,000 ²	425,000	425,000
Total Expenses	\$2,098,863	\$7,434,470	\$7,766,667	\$425,000	\$425,000
Change in Cash Fund Balance	(666,411)	-0-	-0-	7,452	7,452
Cash Fund Balance - Beginning of Year	666,411	-0-	-0-	-0-	7,452
Cash Fund Balance - End of Year	\$-0-	\$-0-	\$-0-	\$7,452	\$14,904

¹ This transfer to the General Fund is for the initial costs of the FNB Stadium Improvements. MLB is requiring these improvements to meet the new baseball team requirements.

² The \$6,000,000 transfer will cover the final costs of the stadium. At this time, we plan to submit to State Office of Budget in very early 2024 with the anticipation of reimbursement payment in late 2025.

³ The city has made a determination to work with MLB to improve the stadium to assist in retaining the Senators at FNB field.

Appendix A

Baseline Financial Forecast by Department

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

	2022	2023	2024	2025	2026	2027
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
General Government						
Personnel	1,488,056	2,173,391	2,229,899	2,287,877	2,347,361	2,408,393
Services	265,691	425,000	433,500	446,505	459,900	473,697
Supplies	52,907	115,000	117,300	121,406	125,655	130,053
Other-Debt	0	0	0	0	0	0
Other-Capital	0	0	0	0	0	0
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
Total General Government	\$1,806,654	\$2,713,391	\$2,780,699	\$2,855,787	\$2,932,916	\$3,012,142

	2022	2023	2024	2025	2026	2027
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Administration						
Personnel	14,918,213	16,300,000	16,250,000	16,500,000	16,750,000	17,000,000
Services	3,799,947	6,035,126	4,400,000	4,532,000	4,667,960	4,807,999
Supplies	256,988	425,000	433,500	448,673	464,376	480,629
Other-Debt	22,073,638	9,875,574	1,250,000	1,250,000	1,430,000	1,445,000
Other-Capital	37,389	682,626	930,000	200,000	200,000	200,000
Other-Transfers	0	5,450,000	35,352,018	3,334,215	1,500,000	1,000,000
Other-Operating	577,666	769,528	784,919	800,617	816,629	832,962
Total Department of Administration	\$41,663,841	\$39,537,854	\$59,400,437	\$27,065,504	\$25,828,965	\$25,766,590

City of Harrisburg
2024 Five-Year Financial Plan

	2022	2023	2024	2025	2026	2027
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Building and Housing						
Personnel	234,292	307,617	315,615	323,821	332,240	340,879
Services	105,562	150,000	153,000	157,590	162,318	167,187
Supplies	66	3,000	3,060	3,152	3,246	3,344
Other-Debt	0	0	0	0	0	0
Other-Capital	0	0	0	0	0	0
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
Total Department of Building & Housing	\$339,920	\$460,617	\$471,675	\$484,563	\$497,804	\$511,410

	2022	2023	2024	2025	2026	2027
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Public Safety						
Personnel	26,539,831	29,018,637	29,773,122	30,547,223	31,341,451	32,156,328
Services	1,178,521	1,425,000	1,453,500	1,497,105	1,542,018	1,588,279
Supplies	411,040	650,000	663,000	686,205	710,222	735,080
Other-Debt	0	0	0	0	0	0
Other-Capital	291,341	988,000	977,000	1,052,000	1,552,000	1,552,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
Total Department of Public Safety	\$28,420,733	\$32,081,637	\$32,866,622	\$33,782,533	\$35,145,691	\$36,031,687

	2022	2023	2024	2025	2026	2027
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Public Works						
Personnel	842,356	1,395,767	1,432,057	1,469,290	1,507,492	1,546,687
Services	1,453,489	2,000,000	2,040,000	2,101,200	2,164,236	2,229,163
Supplies	1,463,383	1,900,000	1,850,000	1,914,750	1,981,766	2,051,128
Other-Debt	0	0	0	0	0	0
Other-Capital	53,582	450,000	400,000	450,000	450,000	450,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
Total Department of Public Works	\$3,812,810	\$5,745,767	\$5,722,057	\$5,935,240	\$6,103,494	\$6,276,978

City of Harrisburg
2024 Five-Year Financial Plan

	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Department of Parks, Recreation, and Facilities						
Personnel	1,176,069	1,457,145	1,495,031	1,533,902	1,573,783	1,614,701
Services	410,943	800,000	816,000	840,480	865,694	891,665
Supplies	269,684	425,000	433,500	448,673	464,376	480,629
Other-Debt	0	0	0	0	0	0
Other-Capital	302,020	800,000	400,000	450,000	500,000	550,000
Other-Transfers	0	0	0	0	0	0
Other-Operating	0	0	0	0	0	0
Total Dept. Parks/Recreation/Facilities	\$2,158,716	\$3,482,145	\$3,144,531	\$3,273,054	\$3,403,853	\$3,536,996

Total General Fund Expenditures	\$78,202,674	\$84,021,411	\$104,386,020	\$73,396,682	\$73,912,724	\$75,135,803
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Appendix B

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

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

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Department of Public Works	1,198,978	1,344,057	1,283,578	1,656,747	237,225	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Intergovernmental	2,380,532	1,387,078	1,880,709	3,030,703	1,854,985	200,000	200,000	-	-	-
Other Financing Sources	-	2,000,000	-	-	3,379,139	15,500,000	-	-	-	-
Miscellaneous	64,691	122,143	50,146	1,146	519,467	10,000	10,000	10,000	10,000	10,000
Transfers	200,000	3,807,755	324,432	1,165,901	-	1,418,070	1,050,000	2,125,000	224,112	224,112
Total Revenue	3,844,201	8,661,033	3,538,865	5,854,497	5,990,816	18,278,070	2,410,000	3,285,000	1,384,112	1,384,112
Other - Capital	2,017,866	7,884,745	2,460,649	5,930,588	348,834	1,418,070	1,050,000	2,125,000	224,112	224,112
Other - Priority 1 Cap Improvmts	-	-	-	-	-	2,220,169	3,259,487	3,066,250	3,038,250	3,038,250
Other - Priority 2 Cap Improvmts	-	-	-	-	-	2,070,700	1,070,836	529,088	249,250	249,250
Other - Transfers	527,784	1,150,000	1,150,000	1,582,907	700,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Total Expenditures	2,545,650	9,034,745	3,610,649	7,513,495	1,048,834	6,858,939	6,530,323	6,870,338	4,661,612	4,661,612
Change in Cash Fund Balance	1,298,551	(373,712)	(71,784)	(1,658,998)	4,941,982	11,419,131	(4,120,323)	(3,585,338)	(3,277,500)	(3,277,500)
Cash - Beginning of Year	3,791,661	5,090,212	4,716,500	4,644,716	2,985,718	7,927,700	19,346,831	15,226,508	11,641,170	8,363,670
Cash - End of Year	5,090,212	4,716,500	4,644,716	2,985,718	7,927,700	19,346,831	15,226,508	11,641,170	8,363,670	5,086,170

Appendix B

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

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

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Department of Public Works	1,198,978	1,344,057	1,283,578	1,656,747	237,225	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Intergovernmental	2,380,532	1,387,078	1,880,709	3,030,703	1,854,985	200,000	200,000	-	-	-
Other Financing Sources	-	2,000,000	-	-	3,379,139	15,500,000	-	-	-	-
Miscellaneous	64,691	122,143	50,146	1,146	519,467	10,000	10,000	10,000	10,000	10,000
Transfers	200,000	3,807,755	324,432	1,165,901	-	1,418,070	1,050,000	2,125,000	224,112	224,112
Total Revenue	3,844,201	8,661,033	3,538,865	5,854,497	5,990,816	18,278,070	2,410,000	3,285,000	1,384,112	1,384,112
Other - Capital	2,017,866	7,884,745	2,460,649	5,930,588	348,834	1,418,070	1,050,000	2,125,000	224,112	224,112
Other - Priority 1 Cap Improvmts	-	-	-	-	-	2,220,169	3,259,487	3,066,250	3,038,250	3,038,250
Other - Priority 2 Cap Improvmts	-	-	-	-	-	2,070,700	1,070,836	529,088	249,250	249,250
Other - Transfers	527,784	1,150,000	1,150,000	1,582,907	700,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Total Expenditures	2,545,650	9,034,745	3,610,649	7,513,495	1,048,834	6,858,939	6,530,323	6,870,338	4,661,612	4,661,612
Change in Cash Fund Balance	1,298,551	(373,712)	(71,784)	(1,658,998)	4,941,982	11,419,131	(4,120,323)	(3,585,338)	(3,277,500)	(3,277,500)
Cash - Beginning of Year	3,791,661	5,090,212	4,716,500	4,644,716	2,985,718	7,927,700	19,346,831	15,226,508	11,641,170	8,363,670
Cash - End of Year	5,090,212	4,716,500	4,644,716	2,985,718	7,927,700	19,346,831	15,226,508	11,641,170	8,363,670	5,086,170

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Department of Public Works	1,430,015	1,492,007	1,422,384	1,285,187	1,310,719	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000
Total Revenue	1,430,015	1,492,007	1,422,384	1,285,187	1,310,719	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000
Personnel	-	-	-	-	-	-	-	-	-	-
Services	288,690	265,283	308,196	325,976	290,705	413,198	413,198	413,198	413,198	413,198
Supplies	209,869	135,170	103,879	265,221	115,955	267,719	267,719	267,719	267,719	267,719
Other - Debt	-	-	226,355	224,112	224,111	224,112	224,112	224,112	224,112	224,112
Other - Capital	314,346	162,273	589,294	213,994	35,762	700,000	400,000	-	-	-
Total Expenditures	812,905	562,726	1,227,724	1,029,303	666,533	1,605,029	1,305,029	905,029	905,029	905,029
Change in Cash Fund Balance	617,110	929,281	194,660	255,884	644,186	(175,029)	124,971	524,971	524,971	524,971
Cash - Beginning of Year	1,610,546	2,227,656	3,156,937	3,351,597	3,607,481	4,251,667	4,076,638	4,201,609	4,726,580	5,251,551
Cash - End of Year	2,227,656	3,156,937	3,351,597	3,607,481	4,251,667	4,076,638	4,201,609	4,726,580	5,251,551	5,776,522

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Dept. of Community/Economic Developmt (Environmental)										
Total Revenue	331,924	357,628	350,854	344,725	367,288	354,376	360,844	360,844	360,844	360,844
Personnel	128,402	136,910	131,557	138,871	68,733	138,628	141,401	144,229	144,229	144,229
Services	77,609	58,620	57,949	82,311	69,738	95,350	95,350	95,350	95,350	95,350
Supplies	11,813	21,562	10,117	6,002	7,936	18,750	18,750	18,750	18,750	18,750
Other - Grant Distributions	243,980	158,482	22,832	56,144	40,000	30,000	30,000	30,000	30,000	30,000
Other - Capital	-	-	45,324	24,600	-	-	-	-	-	-
Total Expenditures	461,804	375,574	267,779	307,928	186,407	282,728	285,501	288,329	288,329	288,329
Change in Cash Fund Balance	(129,880)	(17,946)	83,075	36,797	180,881	71,648	75,343	72,515	72,515	72,515
Cash - Beginning of Year	560,201	430,321	412,375	495,450	532,247	713,128	784,776	860,119	932,634	1,005,149
Cash - End of Year	430,321	412,375	495,450	532,247	713,128	784,776	860,119	932,634	1,005,149	1,077,664

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Dept. of Community/Economic Developmt (Bldg and Housing)	91,727	68,825	63,848	52,037	39,923	48,000	48,000	48,000	48,000	48,000
Total Revenue	91,727	68,825	63,848	52,037	39,923	48,000	48,000	48,000	48,000	48,000
Personnel	-	-	7,809	9,654	-	-	-	-	-	-
Services	18,771	50,669	23,094	31,258	21,155	45,704	46,618	46,618	46,618	46,618
Supplies	5,138	1,933	-	1,181	-	19,757	20,152	20,152	20,152	20,152
Other	-	-	-	-	-	-	-	-	-	-
Total Expenditures	23,909	52,602	30,903	42,093	21,155	65,461	66,770	66,770	66,770	66,770
Change in Cash Fund Balance	67,818	16,223	32,945	9,944	18,768	(17,461)	(18,770)	(18,770)	(18,770)	(18,770)
Cash - Beginning of Year	257,536	325,354	341,577	374,522	384,466	403,234	385,773	367,003	348,233	329,463
Cash - End of Year	325,354	341,577	374,522	384,466	403,234	385,773	367,003	348,233	329,463	310,693

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Department of Public Works	64,834	19,428	13,655	74,141	65,207	21,300	21,300	21,300	21,300	21,300
Total Revenue	64,834	19,428	13,655	74,141	65,207	21,300	21,300	21,300	21,300	21,300
Personnel	-	-	-	-	-	-	-	-	-	-
Services	5,250	5,250	-	-	-	1,000	1,000	1,000	1,000	1,000
Supplies	38,420	-	5,250	5,250	-	19,000	19,000	19,000	19,000	19,000
Other	-	-	-	-	-	-	-	-	-	-
Total Expenditures	43,670	5,250	5,250	5,250	-	20,000	20,000	20,000	20,000	20,000
Change in Cash Fund Balance	21,164	14,178	8,405	68,891	65,207	1,300	1,300	1,300	1,300	1,300
Cash - Beginning of Year	102,428	123,592	137,770	146,175	215,066	280,273	281,573	282,873	284,173	285,473
Cash - End of Year	123,592	137,770	146,175	215,066	280,273	281,573	282,873	284,173	285,473	286,773

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Department of Public Safety	124,654	28,055	29,862	16,439	14,152	12,800	12,800	12,800	12,800	12,800
Total Revenue	124,654	28,055	29,862	16,439	14,152	12,800	12,800	12,800	12,800	12,800
Personnel	-	-	-	-	-	-	-	-	-	-
Services	68,787	3,249	4,122	-	-	-	-	-	-	-
Supplies	19,996	-	990	-	-	18,150	17,412	17,412	17,412	17,412
Other	5,100	11,058	-	15,000	-	-	-	-	-	-
Total Expenditures	93,883	14,307	5,112	15,000	-	18,150	17,412	17,412	17,412	17,412
Change in Cash Fund Balance	30,771	13,748	24,750	1,439	14,152	(5,350)	(4,612)	(4,612)	(4,612)	(4,612)
Cash - Beginning of Year	201,856	232,627	246,375	271,125	272,564	286,716	281,366	276,754	272,142	267,530
Cash - End of Year	232,627	246,375	271,125	272,564	286,716	281,366	276,754	272,142	267,530	262,918

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Public Safety	152,586	122,168	207,989	118,865	101,144	89,000	89,000	89,000	89,000	89,000
Total Revenue	152,586	122,168	207,989	118,865	101,144	89,000	89,000	89,000	89,000	89,000
Personnel	-	-	-	-	-	-	-	-	-	-
Services	47,520	68,385	42,970	71,543	52,027	105,000	105,000	105,000	105,000	105,000
Supplies	-	1,851	-	8,350	3,250	48,900	48,900	48,900	48,900	48,900
Other	117,421	39,559	-	-	-	-	-	-	-	-
Total Expenditures	164,941	109,795	42,970	79,893	55,277	153,900	153,900	153,900	153,900	153,900
Change in Cash Fund Balance	(12,355)	12,373	165,019	38,972	45,867	(64,900)	(64,900)	(64,900)	(64,900)	(64,900)
Cash - Beginning of Year	412,607	400,252	412,625	577,644	616,616	662,483	597,583	532,683	467,783	402,883
Cash - End of Year	400,252	412,625	577,644	616,616	662,483	597,583	532,683	467,783	402,883	337,983

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Department of Administration	4,529	1,511	1,042	29	126	9,500	9,500	9,500	9,500	9,500
Total Revenue	4,529	1,511	1,042	29	126	9,500	9,500	9,500	9,500	9,500
Personnel	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	3,000	3,000	3,000	3,000	3,000
Supplies	-	-	-	-	-	2,000	2,000	2,000	2,000	2,000
Other	-	-	21,010	-	-	-	-	-	-	-
Total Expenditures	-	-	21,010	-	-	5,000	5,000	5,000	5,000	5,000
Change in Cash Fund Balance	4,529	1,511	(19,968)	29	126	4,500	4,500	4,500	4,500	4,500
Cash - Beginning of Year	27,734	32,263	33,774	13,806	13,835	13,961	18,461	22,961	27,461	31,961
Cash - End of Year	32,263	33,774	13,806	13,835	13,961	18,461	22,961	27,461	31,961	36,461

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

	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Dept. of Community/Economic Developmt (Parks/Recreation)	196,177	148,710	83,517	190,053	234,923	321,200	321,200	321,200	321,200	321,200
Total Revenue	196,177	148,710	83,517	190,053	234,923	321,200	321,200	321,200	321,200	321,200
Personnel	2,784	-	-	-	-	-	-	-	-	-
Services	159,114	115,971	62,598	130,768	192,779	321,000	321,000	321,000	321,000	321,000
Supplies	259	20	-	-	25	1,100	1,100	1,100	1,100	1,100
Other	-	-	-	-	-	-	-	-	-	-
Total Expenditures	162,157	115,991	62,598	130,768	192,804	322,100	322,100	322,100	322,100	322,100
Change in Cash Fund Balance	34,020	32,719	20,919	59,285	42,119	(900)	(900)	(900)	(900)	(900)
Cash - Beginning of Year	51,512	85,532	118,251	139,170	198,455	240,574	239,674	238,774	237,874	236,974
Cash - End of Year	85,532	118,251	139,170	198,455	240,574	239,674	238,774	237,874	236,974	236,074

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Dept. of Community/Economic Developmt (Parks/Recreation)	268,168	203,646	95,603	95,917	130,594	202,500	202,500	202,500	202,500	202,500
Total Revenue	268,168	203,646	95,603	95,917	130,594	202,500	202,500	202,500	202,500	202,500
Personnel	46,193	38,272	14,284	4,862	22,401	45,131	45,131	45,131	45,131	45,131
Services	67,410	45,156	15,792	36,079	24,831	92,241	92,241	92,241	92,241	92,241
Supplies	46,700	24,919	4,525	19,499	3,576	40,105	40,105	40,105	40,105	40,105
Other	53,752	20,000	20,000	20,000		26,250	26,250	26,250	26,250	26,250
Total Expenditures	214,055	128,347	54,601	80,440	50,808	203,727	203,727	203,727	203,727	203,727
Change in Cash Fund Balance	54,113	75,299	41,002	15,477	79,786	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)
Cash - Beginning of Year	235,998	290,111	365,410	406,412	421,889	501,675	500,448	499,221	497,994	496,767
Cash - End of Year	290,111	365,410	406,412	421,889	501,675	500,448	499,221	497,994	496,767	495,540

Appendix C

Funded Priority One Capital Improvement Projects

Department	Project Name	2024	2025	2026	2027	Total
Parks/Facilities	Italian Lake/Riverfront Geese Management	30,000	30,000	30,000		90,000
Parks/Facilities	Additional video surveillance for highly trafficked park areas	250,000				250,000
Parks/Facilities	Italian Lake Dredging	45,000				45,000
Parks/Facilities	Public Safety Building - Windows	71,250	71,250	71,250		213,750
Parks/Facilities	Public Safety Building – Hot water storage tank		20,000			20,000
Parks/Facilities	Public Safety Building – Replace switchgear.			200,000		200,000
Parks/Facilities	PSB - Non-Working Valve in Mechanical Room					
Parks/Facilities	MLK – Repair brick walkway				55,000	55,000
Parks/Facilities	MLK – Complete Remodel		2,700,000	2,700,000	2,700,000	8,100,000
Parks/Facilities	1820 Paxton St – Building Automation System			27,000		27,000
Parks/Facilities	City Island - Deck		100,000			100,000
Parks/Facilities	PSB – Basement garage ceiling	250,000				250,000
Parks/Facilities	PSB – Replace windows					
Parks/Facilities	Civil War Museum – Rotunda Improvement				250,000	250,000
Parks/Facilities	Reservoir Park – Mansion Lighting		160,000			160,000
Parks/Facilities	Reservoir Park – Brownstone Roof replacement			72,000		72,000
Parks/Facilities	Reservoir Park – Electrical Infrastructure renovations		500,000	500,000	500,000	1,500,000
Parks/Facilities	Riverfront Park - Electrical Infrastructure renovations		450,000			450,000
Parks/Facilities	1820 Paxton St – Replacement Generator		165,000			165,000
Parks/Facilities	Public Safety Building – Bathroom Upgrades		56,250	56,250	56,250	168,750
Parks/Facilities	Public Safety Building – New elevator cars				241,500	241,500
Parks/Facilities	Strawberry Alley – Bollards				28,000	28,000
Parks/Facilities	1820 Paxton St – Emergency Crct Expansion		150,000			150,000

Department	Project Name	2024	2025	2026	2027	Total
Parks/Facilities	Stadium Lights		945,000			945,000
Parks/Facilities	Shipoke Playground	150,000				150,000
Parks/Facilities	Pleasant View Park				300,000	300,000
Parks/Facilities	City-wide water fountains			250,000		250,000
Parks/Facilities	Argyle Park			25,000		25,000
Parks/Facilities	Reservoir Park – Phases 4 & 5 of the Master plan			1,700,000		1,700,000
Parks/Facilities	14 th & Shoop (fencing) and Braxton		150,000			150,000
Parks/Facilities	City Island (Skyline field & Press Box area)		5,100,000			5,100,000
Parks/Facilities	Morrison Park renovation project			2,500,000		2,500,000
Parks/Facilities	Penn & Dauphin equipment and fencing		400,000			400,000
Parks/Facilities	4 th and Emerald – Renovations				600,000	600,000
Parks/Facilities	Reservoir Park – Phase 2, 6 & 7				2,500,000	2,500,000
Parks/Facilities	Reservoir Park – Phase 1 & 3				1,685,000	1,685,000
Parks/Facilities	Argyle Street				350,000	350,000
Parks/Facilities	Vernon Street Playground Equipment				800,000	800,000
Parks/Facilities	4 th & Dauphin playground			285,000		285,000
Parks/Facilities	Reservoir Park Brownstone – Replace roof		67,000			67,000
Parks/Facilities	MLK Building – Exterior brick pavers and lighted bollards		66,000			66,000
Parks/Facilities	1820 Paxton St – Replace roof at VMC			500,000		500,000
Parks/Facilities	MLK – Elevator mechanical modernization			160,000		160,000
Parks/Facilities	MLK – Replace switchgear			350,000		350,000
Parks/Facilities	Paxtang Park		75,000			75,000
Parks/Facilities	Lottsville Playground		80,000			80,000
Parks/Facilities	Braxton Playground	120,000				120,000
	Total	916,250	11,285,500	9,426,500	10,065,750	31,694,000

Priority Two Capital Improvement Projects

Department	Project Name	2023	2024	2025	2026	2027	Total
Parks/Facilities	Park Maintenance – 6100m Motrim			160,000			160,000
Parks/Facilities	Park Maintenance – Small 8yrd sanitation packer		110,000				110,000
Parks/Facilities	Park Maintenance – 1-ton dump with brine system		105,000	105,000			210,000
Parks/Facilities	Park Maintenance – 72” Z turn mowers		37,000			37,000	74,000
Parks/Facilities	Park Maintenance – Walk-behind mowers		6,000	6,000	6,000	6,000	24,000
Parks/Facilities	Park Maintenance Building – Update restrooms in both shops			6,200			6,200
Parks/Facilities	Park Maintenance – Repair flat roof at the upper shop				7,000		7,000
Parks/Facilities	Park Maintenance – 8ft slit seeder				9,000		9,000
Parks/Facilities	Park Maintenance – 5-ton dump		155,000	155,000			310,000
Parks/Facilities	Park Maintenance – Backhoe			75,000			75,000
Parks/Facilities	Park Maintenance – Tractor				50,838		50,838
Parks/Facilities	Park Maintenance – Trackless Unit			149,886			149,886
Parks/Facilities	Park Maintenance – 2 bucket trucks				150,000	150,000	300,000
Parks/Facilities	Parks Maintenance Building – Rebuild front steps - masonry			115,000			115,000
Parks/Facilities	Public Safety Building - Basement ceiling-garage		30,000				30,000
Parks/Facilities	Jackson Lick Swimming Pool (pool 1) - expansion joint		100,000				100,000
Parks/Facilities	Jackson Lick Swimming Pool (pool 1) - new roof		22,000				22,000
Parks/Facilities	MLK - Non-Working Valves in Mechanical Room (GESa)		13,000				13,000
Parks/Facilities	Civil War Museum - Rotunda improvement				250,000		250,000
Parks/Facilities	Jackson Lick Swimming Pool (pool 1) – Changing Rooms		250,000				250,000
Parks/Facilities	1820 Paxton St – Replacement Generator			165,000			165,000
Parks/Facilities	Public Safety Building – Bathroom Upgrades		56,250	56,250	56,250	56,250	225,000

Department	Project Name	2023	2024	2025	2026	2026	Total
Parks/Facilities	Public Safety Building – New elevator cars		241,450				241,450
Parks/Facilities	Reservoir Park Mansion – New roof			43,000			43,000
Parks/Facilities	Strawberry Alley – Bollards			28,000			28,000
Parks/Facilities	Public Safety Building – Expansion tank			6,500			6,500
Parks/Facilities	Stadium Lights		945,000				945,000
Parks/Facilities	Radnor Basketball Court			470,000			470,000
Parks/Facilities	Shipoke Playground		90,000				90,000
Parks/Facilities	Mansion and Brownstone		100,000				100,000
Parks/Facilities	Radnor Ballfield and Bleachers			350,000			350,000
Parks/Facilities	Hall Manor Pool – Spray park renovations		2,100,000				2,100,000
Parks/Facilities	Pleasant View Park				45,000		45,000
Parks/Facilities	City-wide water fountains			250,000			250,000
Parks/Facilities	Riverfront Park – Electric		350,000				350,000
Parks/Facilities	City Island (Consultant)			100,000			100,000
Parks/Facilities	Morrison Park (Consultant)		65,000				65,000
Parks/Facilities	Argyle Park			25,000			25,000
Parks/Facilities	Reservoir Park – Phases 4 & 5 of the Master plan				1,700,00		1,700,000
Parks/Facilities	City Island Design – Phase 16				500,000		500,000
Parks/Facilities	14 th & Shoop (fencing) and Braxton			150,000			150,000
Parks/Facilities	City Island (Skyline field & Press Box area)				5,100,000		5,100,000
Parks/Facilities	Morrison Park renovation project				800,000		800,000
Parks/Facilities	Penn & Dauphin equipment and fencing				400,000		400,000
Parks/Facilities	4 th and Emerald – Walkways/Fencing					50,000	50,000
Parks/Facilities	Jackson Lick Pool – new location	N/A	N/A	N/A	N/A	N/A	11,000,000
Parks/Facilities	Reservoir Park – Phase 2, 6 & 7					2,500,000	2,500,000
Parks/Facilities	Reservoir Park – Phase 1 & 3					1,685,000	1,685,000
Parks/Facilities	Argyle Street					350,000	350,000
Parks/Facilities	Vernon Street Playground Equipment					180,000	180,000
Parks/Facilities	Stage					120,000	120,000
Parks/Facilities	Decking					90,000	90,000

Department	Project Name	2024	2023	2026	2025	2027	Total
Parks/Facilities	4 th & Dauphin playground	285,000					285,000
Parks/Facilities	Reservoir Park Chutes & Ladders	250,000		800,000			1,050,000
Parks/Facilities	Wilson Park (Consultant)	50,000					50,000
Parks/Facilities	Park Amenities (P&R)	30,000					30,000
Parks/Facilities	Radnor (Consultant)	30,000					30,000
Parks/Facilities	Small Projects	27,500					27,500
Parks/Facilities	Reservoir Park – Phasing		960,000				960,000
Parks/Facilities	Wilson Park Renovations		475,000				475,000
Parks/Facilities	City Island/Riverfront (Consultant)		30,000				30,000
Parks/Facilities	Public Safety Bldg. – Janitor Closets		10,000	10,000			20,000
Parks/Facilities	MLK – Janitor Closets			10,000	10,000		20,000
Parks/Facilities	Reservoir Park Brownstone – Replace roof			67,000			67,000
Parks/Facilities	Reservoir Park Brownstone – Exterior paint			6,700			6,700
Parks/Facilities	MLK Building – Exterior brick pavers and lighted bollards			66,000			66,000
Parks/Facilities	1820 Paxton St – Replace roof at VMC				500,000		500,000
Parks/Facilities	MLK – Elevator mechanical modernization				160,000		160,000
Parks/Facilities	MLK – Replace switchgear				350,000		350,000
Parks/Facilities	Public Safety Building – Hot water storage tank				20,000		20,000
Parks/Facilities	Public Safety Building – Replace switchgear.				200,000		200,000
Parks/Facilities	Reservoir Park Brownstone– Bathroom remodel				5,725		5,725
Parks/Facilities	Broad Street Market – Replace roof				325,000		325,000
Parks/Facilities	1820 Paxton St – Building Automation System				27,000		27,000
Parks/Facilities	Reservoir Park Mansion – Exterior paint				34,000		34,000
	Total	\$672,500	\$4,150,700	\$5,475,336	\$10,705,813	\$16,224,250	\$37,228,849



Appendix D

Progress In 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 nine as reported within the 2019 single audit and was further reduced to four findings as contained in the more recent 2020 single audit report. The City is mindful of continuing to address the four remaining 2020 audit findings as they were, and are still affected, to various degrees, by currently available staff and recent turnovers in key management positions; these four findings are summarized in the table below includes the City's 2021 Single Audit report with related findings.

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	2020-001		2021-001 2021-006	Ongoing Resolution
Segregation of Duties	2020-002		2021-002	* Pending Resolution
Reconciling Bank Accounts	2020-003		2021-003	Ongoing Resolution
Equipment & Real Property Management	2020-004		2021-004	* Pending Resolution
Federal Financial Reporting			2021-005	Pending Resolution

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



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

August 31, 2023

Audrey Carter, Chair
Intergovernmental Cooperation Authority for the City of Harrisburg
Harrisburg, PA
Email: ica.carter@gmail.com

Re: Submission of 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 2023 City of Harrisburg a five-year Financial Plan for the City of Harrisburg. The City had previously provided a complete copy of the City of Harrisburg's 2022 Amended Budget.

In accordance with Section 209 € (3) (ii) of the Act, I confirm that I understand the 2022 Amended Budget documents for the City of Harrisburg include a capital budget and otherwise satisfy 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 complies with the governing law and ordinances of the City or applicable State law regarding balanced budgets.

An initial digital copy of this packet is being transmitted to you and Jeffrey Stonehill, Authority Manager for the ICA. An original executed hard copy will also be delivered.
Please do not hesitate to contact me should the Board require additional information on this matter.

Sincerely,



Wanda R.D. Williams
Mayor

Enclosures

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