



The Intergovernmental Cooperation Authority
for Harrisburg
922 N 3rd Street
Harrisburg, PA 17102

December 18, 2025

The Honorable Wanda R.D. Williams
Mayor, City of Harrisburg
Dr. Martin Luther King, Jr., Government Center
10 N. Second Street
Harrisburg, PA 17101

Dear Mayor Williams:

Pursuant to the Intergovernmental Cooperation Authorities Act for Cities of the Third Class (Act 124 of 2018), the Intergovernmental Cooperation Authority for Harrisburg (the “Authority”) is tasked to review and make recommendations concerning the budgetary and fiscal affairs of the City of Harrisburg.

The Authority received and reviewed the proposed 2026 budget and additional information provided by the City for conformance with the criteria set forth in Act 124, as well as comportment with the adopted Five Year Plan. Additionally, we have observed the City Council’s budget hearings and workshops. As we write this letter, Council has adopted the budget with amendments, and it is before you for consideration. We have several observations that may inform your review and action and that apply to administration of the budget going forward:

- The pending 2026 budget includes no substantial changes beyond those provided in the City’s Five-Year Financial Plan, as approved by the Authority on September 24, 2025. Please note that pursuant to Act 124, after the budget is finally adopted, the City may submit the enacted budget to the Authority as a proposed revision to the Plan.
- The pending 2026 budget makes no draw from the fund balance in either the General Fund or the Neighborhood Services Fund. Additionally, we were pleased with the report of the Accounting Manager that the City is projected to finish FY 2025 with a positive fund balance of more than \$3 million, and should break even on the Neighborhood Services Fund. The General Fund fund balance coming in to 2026 would total approximately \$20.5 million. While the City is to be commended on these outcomes, as we have noted in prior years and in the Five Year Plan, the City must remain vigilant that the cash balances in both funds remain sufficient to fund future obligations, particularly given the revenue projections the City faces.
- Specific concerns impacting future revenue for the City, including diminishing real estate tax revenue from reassessment of properties, the continuing lack of revenue from the parking

scheme implemented by the Strong Plan, scheduled reductions in the Local Services Tax rates, and the precarious nature of the local economy in the City (and particularly the downtown), were acknowledged in the proposed budget and in Council's budget deliberations. We emphasize that recognition of these pressures and a strategy to maintain both service levels and fiscal solvency needs to be part of upcoming Five Year Plan revisions and future budgets.

- Because this letter is being crafted between Council action and your action on what has been presented to you, we are obliged to comment on the full or partial defunding of the positions of Business Manager, Director of Community Economic Development and Building and Housing, and Director of Economic and Business Development / LERTA Administrator. We understand and respect the dynamic created by the City Charter's provisions regarding advice and consent by Council for the hires into the first two positions. At the same time we are informed by the City Solicitor's commentary that defunding the three positions does not simply remove the incumbent individuals from those positions; the lack of funding has the additional consequence of preventing the City from filling those positions. As such the City is failing to fund a statutorily-required position (Business Administrator) and strategically is failing to fund three positions critical to its present and future fiscal stability and economic growth. We do not opine on the matters causing this disagreement between the administrative and legislative branches, but we strongly request that a means be found to productively address the matter, and one which does not reflect badly on the City's commitment to responsible budgeting, sound administration of City government, and its economic development progress. In the interim, funding must be restored for 2026 for these positions, in part to meet statutory requirements and in part to affirm the City's commitment to sound administration, sound financial management, and sound planning for economic revitalization and growth.

As we move forward into 2026:

- The Authority remains alert to the City's maintenance of fund balance in both the General Fund and the Neighborhood Services fund, the former driven in particular by property assessment and parking revenue pressures. We acknowledge that the City supports and maintains a Fund Balance Policy and we urge the City to continue to take steps to maintain a structurally balanced budget across all funds, at all times, and to develop a strategic plan to address these pressures in future five year plans and budgets.
- The Authority appreciates the work to improve collection rates for aged receivables in the Neighborhood Services fund. The goals remain of achieving a rate of collection on current receivables above 95% as soon as possible and a commitment to review and adjust fees as necessary for sufficiency to meet expenses and avoid drawing from reserves. Additionally, we encourage an ongoing analysis of the balance by contract in a way that assures rates for our neighboring communities are sufficient to fund those services in their entirety, both individually and collectively.
- The Authority is encouraged by recent activity toward an economic development strategy, noting in particular our understanding that the Commonwealth is stepping up with funding for consulting assistance in downtown revitalization. While we ultimately need a City-wide plan, the highly visible pressures on the downtown, including business relocations and retail and restaurant closures, make it a focal point and bellwether that demands first priority. We

are pleased with the cooperative work with the Capital Region Economic Development Corporation and the strategy of a broad-based, community-involved consultative approach comparable to the successful efforts in Pittsburgh that point to specific projects and results. Apart from its importance for the vitality and opportunity it affords the downtown and our neighborhoods, it is an integral tool for the City to build long-term economic growth in the face of future trends including concerns about the diminution of property tax revenue.

- Relatedly, we note an additional one-year extension of the LERTA program, and look forward to the final recommendations of the City-convened work group to further refine that redevelopment tool.
- As noted repeatedly, the Authority is interested in the formal adoption of an OPEB Trust Fund. While we acknowledge the realities of the significant unfunded liability attached to the City's OPEB obligations, we think it worthwhile and necessary to create the trust to allocate the available funds toward that liability and to examine the City's strategy for dealing with its obligations going forward – an exercise important in its own right as well as necessary to satisfy the parallel requirements of Act 124 and the Strong Plan, and for the City's planned exit from Act 47.
- We appreciate the work done by the finance staff to bring the City's audits up to date, while acknowledging that their initial calendar to do so was stretched based on staff commitments elsewhere. Continued progress toward currency in completion of audits is necessary for the City to have knowledge of its financial position, to maintain its eligibility for state and federal funding, and to provide assurances to creditors as the City works to reenter the bond market.
- As in prior years, we recommend City development and implementation of uniform and meaningful performance metrics as a means to conduct statistical analysis and optimize service delivery. While some departments and bureaus have made progress in this respect, and some have begun to exploit the management tools available through the Munis software conversion, we think this standard should be promoted and implemented more uniformly and more broadly.

As a whole, the City's pending 2026 budget meets the Authority's expectations for the proper financial management of the City of Harrisburg. We appreciate the level of detail contained in the budget documents, and commend the finance and administrative staff for their responsiveness in their budget presentations to City Council and information furnished to the Authority.

We look forward to working with you as we move forward in collaboration for the benefit of the citizens of Harrisburg.

Sincerely,

Douglas E. Hill
Chair

cc: Authority Members

Honorable Danielle Hill

Honorable Ausha Green

Honorable Charles DeBrunner

Honorable Dan Miller