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

May 4, 2026

The Honorable Josh Shapiro
Governor, Commonwealth of Pennsylvania

The Honorable Austin Davis
President, Pennsylvania Senate

The Honorable Kim L. Ward
President Pro Tempore, Pennsylvania Senate

The Honorable Jay Costa
Minority Leader, Pennsylvania Senate

The Honorable Scott Martin
Chair, Senate Appropriations Committee

The Honorable Vincent J. Hughes
Minority Chair, Senate Appropriations Committee

The Honorable Wanda R. D. Williams
Mayor and Chief Fiscal Officer, City of Harrisburg

The Honorable Karen M. Balaban
Controller, City of Harrisburg

The Honorable Joanna E. McClinton
Speaker, Pennsylvania House of Representatives

The Honorable Matthew D. Bradford
Leader, Pennsylvania House of Representatives

The Honorable Jesse Topper
Republican Leader, Pennsylvania House of Representatives

The Honorable Jordan A. Harris
Chair, House Appropriations Committee

The Honorable James Struzzi
Republican Chair, House Appropriations Committee

The Honorable Danielle Bowers
President, Harrisburg City Council

The Honorable Lamont Jones
Vice President, Harrisburg City Council

Re: Intergovernmental Cooperation Authority for Harrisburg, Submission for General Assembly, Pursuant to Act of October 24, 2018, P.L. 751, No. 124

Dear Governor, Legislative Leaders, and City Officials:

Please find enclosed the annual report to the Governor and General Assembly as required pursuant to the Intergovernmental Cooperation Authority's Act for Cities of the Third Class (Act of October 24, 2018, P.L. 751, No. 124). This report, as charged by Section 203(b)(4) of the Act, presents the appraisal of the progress of the City of Harrisburg ("City") by the Intergovernmental Cooperation Authority of Harrisburg ("Authority").

Over the past year the Authority members remained on task in service of Harrisburg and its citizens, but it is in a period of renewed challenges. The members of the Board are appointed individually by the Governor, the Senate President Pro Tempore, the Senate Minority Leader, the Speaker of the House, and the House Minority Leader. While we appreciate the recent appointment of our newest member, Mr. Charles DeBrunner, by the Office of the Governor, we still have one open seat which we are looking to fill.

Turning our attention to the attached report, as presented it reflects the consensus of the voting members of the Board.

The most important observation I wish to share with you relative to the City of Harrisburg is that we believe there remains a significant role for the Intergovernmental Cooperation Authority as new challenges emerge to the City of Harrisburg's finances and as the recent budget adoption erupted into unfortunate, albeit now resolved, conflict. Our role is to serve as a resource and a bridge, with collaboration and communication.

Several important initiatives are in progress and the Authority is thankful for everyone's support:

- As of early 2026, the Capital Region Economic Development Corporation (CREDC), the City of Harrisburg, and the Intergovernmental Cooperation Authority, with the assistance of the office of Governor Shapiro and our legislative delegation, are collaborating on a major initiative focused on the revitalization of downtown Harrisburg. This effort, which intensified following recent business and restaurant closures, seeks to create a unified action plan to strengthen the city's long-term economic health.
- The Broad Street Market reconstruction in Harrisburg has moved slowly due to extensive damage from a July 2023 fire, requiring complex safety stabilization, structural, and historical preservation measures. Setbacks included a major wall collapse in December 2025, labor shortages, and complex engineering tasks—such as soil, wall, and sewer repairs—leading to a current projected completion date of May 2027.
- Re-examining the Harrisburg Strong Plan's parking scheme is crucial for the city's future because high, rising costs, and privatized management are stifling downtown business, reducing accessibility, incentivizing telework, failing to generate promised revenue for the City, and creating negative perceptions of the downtown as a work, dining, or recreation destination. Reassessment aims to reverse the "dead" daytime economy, support business growth, and create sustainable revenue.

It is important to note that all progress on signing an Agreement between the City and the Authority remains stalled. The Agreement language is approved by the ICA and by City Council but execution is on hold pending resolution of the continuing incinerator litigation. In order to get the City out of Act 47 status, this Agreement needs to be executed. The City is also prohibited from access to credit markets until it does so. This issue requires the attention of several parties including the Pennsylvania Department of Community and Economic Development.

The Authority continues to focus on the need for sound financial management, robust community and economic development, and operational excellence to allow the City of Harrisburg to thrive.

Please feel free to reach out to me if you have any questions, suggestions, or requests for changes in the future.

Sincerely,

Douglas E. Hill
Chair
ica.dehill@gmail.com
717-979-2566 (cell)

Enclosures

ANNUAL REPORT OF THE

INTERGOVERNMENTAL COOPERATION

AUTHORITY FOR HARRISBURG

TO THE GOVERNOR AND GENERAL ASSEMBLY

May 1, 2026

MEMBERS

Douglas E. Hill, Chair
Kathy Speaker MacNett, Secretary/Treasurer
Kevin Hancock, Member
Charles DeBrunner, Member

Michael Wood, *ex officio, Pennsylvania Office of the Budget*
Bryan McCutcheon, *ex officio, City of Harrisburg*

AUTHORITY MANAGER

Jeffrey M. Stonehill

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DISCLAIMER

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

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EXECUTIVE SUMMARY.

The Intergovernmental Cooperation Authority for Harrisburg (the "Authority") views the City's financial condition as challenged. While over the last several years the City has improved budgeting, fiscal management, and program management sufficiently to qualify for exit from distressed status, it faces a potential fiscal turning point driven by national economic instability and a declining Central Business District. To achieve long-term goals, the City must implement a rigorous planning process, secure immediate investment in projects that result in sustainable revenue, and reimagine both the downtown area and the State government's role in Harrisburg's future.

Mayor Wanda R.D. Williams is prioritizing fiscal consistency, yet the City faces significant hurdles. Urban areas and state capitals are grappling with a post-COVID-office-space economy and the permanence of remote work, with a less-present state and corporate workforce creating downward pressure on retail businesses and restaurants, coupled with commercial property assessment reductions. Increasingly the tax burden is shifting unfairly onto the shoulders of residential property owners who are least equipped to bear the cost of the City's essential spending.

The Authority is a key stakeholder in a vital new initiative undertaken by the City, the Capital Region Economic Development Corporation (CREDC) and the Commonwealth: a comprehensive economic development plan in an urgent response to Harrisburg's evolving needs. It is not a study; it is a plan to provide the strategy for transformational change — restructuring the downtown area and redefining the State's partnership with the City — and it will demand significant investment that the City cannot shoulder alone. Alternate funding sources need to be developed, such as a dedicated funding stream from the Commonwealth, exploration of revenue sources that acknowledge the significant proportion of tax-exempt property, and improved commercial vitality, to begin to reimagine Harrisburg for the future.

The Authority remains active in its consultative and monitoring role. Early this year, following the City's successful adoption of its 2026 budget, the City Council and Mayor became embroiled in a dispute that began with the budget approval process and ultimately resulted in litigation between the Mayor and Council. The Authority, under the criteria set forth in Act 124, intervened in the litigation as a friend of the court and was accepted as a neutral voice in the discussions which eventually led to a joint stipulation ending the dispute. This experience is illustrative of the role of the Authority in focusing on positive outcomes for Harrisburg.

In summarizing this report, there are three issues which the Authority would like to note. First, the Authority is encouraging the Harrisburg stakeholders, of which the Authority is a member, to complete and implement the wide-ranging economic development strategy. The objective is to improve downtown vitality, grow the City's tax base and create sustainable revenue for City operations. Second, the Authority supports the City to work with the Governor to address the impact of the State workforce on local businesses and the local vacancy rates for commercial real estate, and the concurrent 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. Although we acknowledge program and service contract improvements, the Neighborhood Services Fund continues to feel the effect of historic misdirected cost accounting, as well as chronic under-collection of fees and long-term receivables. These three issues are identified as concerns in this edition of the report.

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 fall development of the next year's operating budget for the City, which must be adopted by December 31 pursuant to statute. In 2025, the Authority and the City successfully cooperated on this implemented timetable.

Harrisburg remains 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. The litigation is impeding the ability of 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 City 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. Organizational improvements.

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

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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 2026 Five-Year Financial Plan dated September 24, 2025.
- Preliminary Data submitted in support of the Five-Year Financial Plan in April 2026.
- The City of Harrisburg's Comprehensive Annual Financial Report for FY2023.
- The City of Harrisburg's Approved 2026 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.
- Information from public officials, other stakeholders, and their generous allowance of time.

LIST OF VARIOUS CITY ISSUES BEING MONITORED BY THE AUTHORITY.

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Management, Budget, and Finance Staffing.

Staff positions within this Department are mostly intact including a newer Finance Director hired at the onset of 2025, and an experienced Accounting Manager, Procurement Services Manager, Grants Director, and Assistant to Finance Director. However, the City is still currently attempting to fill the vacant Budget Manager position from September 2025. The City has recently filled positions for newer Staff Accountant/Financial Analyst, Financial Analyst, and Assistant Grants Manager and as well a more experienced Auditor II (bargaining unit position).

Staffing in budget and finance continues to be a struggle because of the shortage of qualified candidates, perceived organization turmoil, not helped by public spats between the Mayor and City Council, and wages which are below market rates for such professionals.

In December 2025, after negotiations and stipulations between Mayor Williams and City Council, Business Administrator Samuel Sulkosky departed the City after a little more than one year acting in that position. Sulkosky had served in an interim capacity since October 2024, when he was hired by the Mayor to fill the vacant post. However, Council declined to approved him as a department director. This was one of three appointments which led to a public controversy between City Council and the Mayor.

The Authority was very pleased that a replacement Business Administrator, Antonio Megna, was quickly agreed upon by the parties, and the opening left by Mr. Sulkosky's departure was not long. That being said, it does not go beyond notice that the City, through several administrations, has now struggled with staffing and availability of qualified candidates.

When City Council approved the permanent appointment of Finance Director Robert Kennick, who was hired in January, by a vote of 6-1, it was noted that Mr. Kennick had no previous government experience. Furthermore, with such a large and complex organization as the City, can it really be a training ground for emerging professionals rather than senior fiscal managers with years of local government experience?

The Authority believes that a sufficiently large, well-trained, and professional management/finance staff would enable the Mayor to augment her role as executive administrator. Staffing of this type could include a potential Chief Administrative Officer (CAO), and they can directly improve City operations by strengthening strategic planning, enhancing budgetary accountability, improving service delivery, and mitigating liability.

Backlog Persists in Annual Comprehensive Financial Reviews.

The City has now completed its 2023 annual financial audit preparation work and supporting financial statement report work, and is looking to issue the related audit report and financial statements by the end of April 2026; including coordinating an Audit Committee review of the now available report draft. A few advances on some audit preparation areas for the 2024 annual financial audit have been made. The Accounting Manager is moving forward in the very near term to resume the previously started audit preparation work for the 2024 annual financial audit. Although still behind, there has been some improvement in the audit timeline so the delay in 2024 annual financial audit probably will not be as significant as in the past.

Even so, the Authority remains concerned that the City has neither the personnel nor the resources to become fully current its audits. It is April 2026 and the 2025 audit should be substantially complete. Instead, the City has only recently begun work in earnest on the 2024 audit. The history of late and slowly produced reviews is a significant impediment to assurance of proper fiscal management. We know that the City wants to accelerate the pace of financial reviews, but to date resource constraints have limited its progress.

Professional Municipal Management.

While the City actively and strategically seeks well-qualified individuals for top-level administrative posts, the City's capacity to provide market-rate compensation packages contributes to a continuing potential of technically sound but less-experienced organizational management. We can agree that fiscal integrity and Harrisburg residency may inform choices for key management recruitment, but it is increasingly important to prioritize on highest-quality recruitment to address the organizational and financial challenges of the City.

The Authority supports the current staff and wants to provide them with additional resources and training to develop into more seasoned professionals, given that many have little or no municipal experience.

Municipal Trash Collection Contractual Agreements.

The City continues to provide municipal solid waste refuse collection and disposal services and recycling collection to the residents of the Boroughs of Steelton, Penbrook, and Paxtang. Such services are governed by intergovernmental cooperation agreements between the City and each Borough, and these agreements have been extended among the parties including various billing rate increases over defined periods in effect for Steelton Borough through July 1, 2029, Penbrook Borough through December 31, 2030, and Paxtang Borough through December 31, 2028.

The Authority has made City analysis of the economic viability of these arrangements an important goal. While the City has improved its monitoring of the costs associated with the City-provided services to neighboring areas, the Authority continues to be concerned that the City works to assure that these agreements are fully self-funded and do not place undue financial burden on Harrisburg taxpayers, particularly when local receivable collection efficiency is in question.

Finally, the NSF operates as both an enterprise fund and an internal service fund, which raises concerns about accounting properly for all expenses in a fair and appropriate way.

Other Post-Employment Benefit Summary.

Other Post-Employment Benefits ("OPEB") are retirement 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.

Per the most recent actuarial valuation dated January 1, 2024, Harrisburg's ending total OPEB liability for fiscal year 2025 was $142.9 million compared with $144.9 million for fiscal year 2024. Like most other governments, Harrisburg lacks the financial capacity to prefund OPEB and so uses a "pay-as-you-go" approach for OPEB costs. The City plans to continue this approach for payments, but has nonetheless taken steps to address this liability with provisions in its collective bargaining agreements that eliminated post-retirement benefits for new hires.

In addition, following the Strong Plan monetization of the parking system, the Commonwealth deposited $3.7 million into a bank account established for a future OPEB Trust Fund which has a December 31, 2025 year-end value of $4.364 million. Such funds would be available for transfer to an applicable OPEB Trust Fund upon creation, authorized by the City Council on March 23, 2021, pursuant to Act 124 and the Harrisburg Strong Plan. However, the City affirms it has no immediate plans to establish the trust in 2026.

The Authority acknowledges the Harrisburg Strong Plan's narrative is an obstacle presented to implementation of the OPEB Trust Fund. Whether or not the Trust's creation is needed for the City's planned exit from Act 47, the Authority believes it important in its own right as well as necessary to satisfy the parallel requirements of Act 124 and the Strong Plan.

It has been explained to the Authority that the City opposes the plan to establish a Trust, citing concerns about creating a trust that has an immediate and significant unfunded liability. While the Authority understands the City's concerns, unless the Trust creation language is amended in both the Harrisburg Strong Plan and Act 124, the choice is not up for reconsideration. Furthermore, the Authority remains dubious that PAYGO is the absolute best way to address this liability.

Performance Measures.
The City's commitment to developing and implementing effective performance measures continues to fall short. In preparation of the current budget, the Mayor did task the City departments with formulating their missions and goals, to be linked to the Mayor's mission and goals, and these were included to varying degrees in the budget presentations to Council. While some individual departments have developed performance metrics and tracking systems, the City has not formally implemented performance measurement standards for individual departments City-wide, and the Authority urges that they be developed for the 2027 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 objective that can help the City gauge the quality and value of the services it provides.

Similar to the prior year 2026 budget preparation process, the City again in planning for the 2027 operating budget process will include updated position descriptions and individual employee performance evaluations, which would be further reviewed by the Mayor for final conclusion of any changes in compensation. As part of this process, the City will further consider including the development of relative statistics to cite or compare in the evaluation of individual job performance.

Commitment to Community and Economic Development.
The key to securing Harrisburg's long-term financial health is expanding its economic base and the growth of its own local tax revenues. While the City does not currently have a community and economic development plan sufficient to the challenges the City faces, a new effort by a group of stakeholders hopes to make a comprehensive plan soon a reality.

The current economic development effort in Harrisburg is centered on a state-backed Downtown Revitalization Action Plan, a collaborative initiative launched in early 2026 by the Shapiro Administration, the City of Harrisburg, and the Harrisburg Regional Chamber & CREDC. Funded by a $350,000 grant from the Department of Community and Economic Development and a $50,000 grant from the Authority, the project aims to create a unified roadmap for the City's core, focusing on diversifying the commercial landscape and improving the connection between the Capitol Complex and surrounding neighborhoods. The process involves extensive public engagement through perception surveys and stakeholder workshops to identify priorities such as housing, retail growth, public safety, and infrastructure. This localized strategy is designed to align with Pennsylvania's broader ten-year economic development framework, ensuring that the state capital is positioned to attract investment in high-growth sectors while addressing the unique infrastructure and revitalization needs of the downtown area.

CREDC has officially launched the development of the Downtown Revitalization Action Plan by prioritizing a “listen-first” strategy and securing specialized consulting expertise. In February 2026, the organization partnered with the Pennsylvania Downtown Center (PDC)—the commonwealth’s leading nonprofit for core community revitalization—using the initial seed grant from the Authority. This partnership facilitated the launch of the Downtown Harrisburg Perception Survey, a standardized tool used to gather data on how residents, workers, and visitors view the “sense of place” and safety within the downtown.

Beyond public engagement, CREDC is moving on a parallel track of “early implementation” by convening business and community leaders and government officials to identify immediate needs that can be addressed while the broader plan is finalized. This includes coordinating with the Shapiro Administration’s state grant for technical studies, such as evaluating the engineering costs of converting underutilized office buildings into residential units and assessing streetscape changes. By presenting initial survey results to stakeholders by summer 2026, CREDC is currently transitioning from the data-collection phase into an actionable roadmap intended to mirror the high-impact investment models recently seen in cities like Pittsburgh.

Gloria Martin-Roberts is the Director of Building and Housing Development for the City of Harrisburg, a role she assumed permanently in March 2026 following a 4-3 confirmation vote by the City Council. Her transition from interim to permanent director concluded a lengthy legal and political debate between the Mayor’s office and the City Council regarding the formal appointment process for department heads. A veteran of Harrisburg's public sector, she previously served as the President of the Harrisburg City Council, a position that provided her with extensive legislative experience and institutional knowledge. In her current administrative capacity, she is responsible for overseeing the City’s housing initiatives, managing federal grants from the U.S. Department of Housing and Urban Development (HUD), and ensuring that residential development aligns with the City's broader revitalization goals. Her role also bridges the gap between City government and the private sector. Martin-Roberts sits on the Board of Directors for the Harrisburg Regional Chamber & CREDC, the very organization leading the revitalization plan. Her formal confirmation ensured that the City's primary housing executive had the clear mandate and professional authority to represent the municipal government's interests within the CREDC's planning sessions, providing the administrative "connective tissue" needed to move the project from a conceptual roadmap into a collaborative reality between the City and CREDC.

We look forward to reporting progress in the future on this important collaborative process.

Lasting Impact of the COVID-19 Pandemic.
For decades, Harrisburg's rhythm was dictated by the tide of state workers. At 8:30 AM, the City swelled with thousands of professionals crossing the Harvey Taylor, Market Street and State Street bridges; at 5:00 PM, the tide receded, leaving the downtown core largely silent except for Restaurant Row.

The pandemic's telework transformation of the state workforce from a daily fixture to a part-time visitor has forced Harrisburg to reconcile with a quieter version of its own downtown. While the Shapiro administration successfully returned to a three-day-a-week office presence for most employees, the missing forty percent of the work week has created a permanent dent in the City's traditional ecosystem. The spillover has had detrimental effects on businesses that interact with the state workforce, restaurants that rely heavily on lunchtime patronage, and parking facility usage.

This "compressed week" has triggered a survival-of-the-fittest moment for the businesses lining surrounding the Capitol complex. The establishments that once thrived largely on the rush of state lunch hours have had to either adapt or close their doors. In their place, a different kind of commerce is emerging—one that caters to the people who actually live within the City limits rather than those who just pass through. The City is in this sense being handed back to its residents. Businesses are shifting their hours to capture evening crowds, and the focus of urban planning has moved away from managing the morning commute and toward creating a sense of place that remains vibrant even when the state offices are dark.

Residential conversions have become a key element of the revitalization strategy. The physical and financial architecture of a downtown structure for professional firms—like lobbyists, lawyers, and trade associations—can be a massive hurdle for residential conversion that goes well beyond simple aesthetics. Structurally, these buildings are built around the concept of a "deep floor plate." In a traditional office, the center of the building is usually filled with elevators, utility shafts, and windowless conference rooms, while the offices ring the perimeter to catch the natural light. However, residential building codes require that every bedroom and living space has a window for light and emergency egress. When a developer tries to carve these deep spaces into apartments, they often find a "dead zone" in the middle of the floor that is too far from the windows to be legally habitable, leading to awkwardly long, "bowling alley" shaped units or wasted space that generates no rent.

An equally important downside of the pandemic was decreased usage of downtown office space and a concurrent decline in lease rates and hence building values. So when an office building loses a significant portion of its tenant base—such as a departing law firm or a downsizing state association—the owner often files a tax assessment appeal based on the "income approach" to valuation. Because commercial property values are largely determined by the net operating income they generate, a permanent spike in vacancy represents a direct hit to the building's fair market value. The owner argues to the county board of assessment that the "highest and best use" of the property has been impaired by the shift in the market, making the previous valuation obsolete. If successful, this reassessment lowers the building's tax bill to reflect its diminished earning power, which provides the owner with some financial breathing room but simultaneously erodes the City's property tax base, shifting the fiscal burden onto other taxpayers to maintain municipal services.

When the property tax revenue from downtown office buildings shrinks due to successful reassessment appeals, it creates a revenue gap that forces a City into a difficult fiscal trade-off. Because municipal costs—such as police, fire protection, and infrastructure maintenance—don't disappear just because a building is half-empty, the City must look elsewhere to balance its budget. This often results in a shift of the tax burden toward residential neighborhoods, where low and moderate-income homeowners see their property taxes rise to compensate for the lost commercial revenue. For residents already living on tight margins, this increase can threaten their housing stability. If the City chooses not to raise taxes to avoid this burden, it is instead forced to cut services, which often impacts those same vulnerable neighborhoods first, through reduced park maintenance, slower emergency response times, or deferred street repairs. This dynamic creates a downward spiral where the community is asked to pay more for a lower quality of life, all because the commercial core is no longer carrying its historical share of the weight.

Ultimately, the lasting effects of the COVID-19 pandemic have fundamentally altered Harrisburg's fiscal stability, forcing City leaders to confront difficult decisions that will redefine its future. The Authority will work with the City to assure that these effects, and appropriate recovery strategies, are included in development of the five-year financial plans.

Harrisburg Strong Plan Related – Parking System Revenue.
The Harrisburg Strong Plan envisioned significant monthly parking system revenues as an important component of funding the City's operating expenses. The pandemic-related shifts in remote employment, while out of the City's control, significantly constrain that capacity because, as structured, parking revenue goes first to facility operation and second to debt retirement, with the City receive payments only from remaining excess funds. The parking system lease from the Harrisburg Parking Authority (HPA) to the Pennsylvania Economic Development Financing Authority (PEDFA) originally met its targets, but the pandemic-driven shift to remote work and the resulting decline in parking use has generated to date no intergovernmental rent payments from either PEDFA (priority parking payment) or HPA (ground lease payment). The City continues to manage operating expenses under the constraints of an ongoing lack of significant monthly parking system revenues as originally envisioned by the Harrisburg Strong Plan.

On the positive side, the City's parking tax revenue streams from garages and parking lots, separate from the PEDFA and HPA payments, continue to show recent signs of growth with a resulting $3.8 million actual in 2023, over $3.9 million actual in 2024, $3.991 million actual in 2025, and an annual projection thus far for 2026 to amount to at least approximately $3.9 million.

The Authority acknowledges that the current parking system has failed to provide the estimated revenue for the City originally predicted; and furthermore, the excessive costs and enforcement by the third-party contractor has hurt the ability of the City to attract new businesses and has discouraged visitors. However, because of the significant debt load associated with the parking system, it remains unclear whether the scheme originally conceived upon may be amended somehow. Because such a large part of the City's recovery was vested in the parking arrangement, it may be impossible to find an alternate financial interrelationship.

In conclusion, the Authority would like to see a more thorough examination of options given the lack of performance of the current arrangement.

American Rescue Plan Funding.
Beginning in fiscal year 2022, the Mayor and City Council designated $15.623 million in American Rescue Plan Act (ARPA) funds for Revenue Loss, using it for three items including replacement of revenue to cover salaries for Public Safety, Parks and Facilities, Codes, and Engineering, designating $1.1 million for Public Safety Bonuses, and allocating $5.25 million for the repair of the HVAC system in the Public Safety headquarters.

Subsequently, in fiscal year 2023 the Mayor and City Council designated $31.55 million in ARPA monies to support multiple community and economic initiatives. In fiscal year 2024, the Mayor and City Council made subsequent allocations of ARPA funds, which together amount to the appropriations detailed below.

The City continues to file the required quarterly compliance reports at the Federal Treasury reporting portal site for its State and Local Fiscal Recovery Funds (SLFRF) provided through ARPA. With the submittal of the quarterly report for the 4th quarter of 2024 the City achieved the satisfaction of compliance requirements for both full obligation and expenditure of the total received ARPA funds amounting to $47,073,625. The City also gained the benefit of additional interest income from the slow spending of these U.S. Treasury funds, which was applied to addressing other City funding needs.

The City of Harrisburg's strategic allocation of its ARPA funding represents a model of fiscal responsibility. By prioritizing one-time investments over recurring operational expenses, the City successfully avoided the fiscal cliff that many municipalities now face as federal pandemic aid expires. Integrating these funds into the general operating budget to cover everyday expenses like salaries or utilities would have created an artificial surplus, leaving a massive funding gap once the federal dollars were exhausted. Instead, Harrisburg's leadership recognized that these were finite resources meant to address specific, lingering impacts of the pandemic without burdening future taxpayers. A primary example of this prudent strategy was the allocation of $1 million to help low- and moderate-income residents pay back delinquent trash bills. This initiative provided immediate, life-altering relief to vulnerable citizens and cleared debt from the City's accounts without committing to a permanent subsidy program. Similarly, the City directed millions toward critical infrastructure and community revitalizations—such as $8 million for affordable housing, $5 million for home repairs, and significant upgrades to the public safety building's antiquated HVAC system. These projects provide long-term public value and reduce future maintenance costs without requiring an ongoing annual appropriation from the City's general fund.

Furthermore, the decision to provide $1.2 million in one-time bonuses to uniformed personnel in the Bureau of Police and Bureau of Fire was both fiscally sound and operationally justified. These "premium pay" disbursements recognized the extraordinary risks taken by front-line workers during the height of the COVID-19 crisis. Because these were structured as one-time bonuses rather than permanent base-salary increases, the City fulfilled its obligation to support its essential workforce without inflating the long-term pension and benefit liabilities that often cripple municipal budgets. Ultimately, Harrisburg's approach ensured that ARPA funds acted as a catalyst for recovery and stability rather than a temporary patch for a structural deficit.

Status of Implementation of the New Enterprise Resource Planning (ERP) Software.
The City's financial management staff continues to utilize and navigate the newer MUNIS ERP system on a daily basis. Administered by the City's Director of Information Technology, the MUNIS steering committee convenes on a periodic ongoing basis including members and/or participants from the Mayor's administration, City Treasurer's office, City Controller's office, and the City Council President, to ensure an update for all on the status and progress of the several involved phases and/or modules of the overall project.

Phase 1 – Financial Management/Accounting: Completed.

Phase 2 – Human Capital Management: After a more thorough review of the complexity of the City's multiple Human Resources and Payroll-related functions, all of which have been accomplished to date with proprietary software applications written and updated in-house specifically and uniquely for use on the City's mainframe computer; which has already reached an end-of-life status, the City has suspended attempts to integrate them into the MUNIS application. Because MUNIS software does not support the export of a payroll file to a third-party payroll service provider such as Paychex, this integration would require the City to run its own Payroll including tax filings, garnishment processing, and W-2 distribution, and add Payroll Tax Specialist employees to the City's Payroll; thus Phase 2 will not be implemented. The City is instead in the process of migrating to the Paycom system, which will replace the Paychex system along with the Mainframe Personnel system.

Phase 3 – Tax Billing and Collections: Anticipate initial implementation within Q2 of 2026.

Phase 4 – Licenses, Permits, and Codes Enforcement: Anticipate initial implementation within Q3 of 2026.

Phase 5 – Utility Billing and Collections: Anticipate initial implementation within Q3 of 2026.

For Phases 3, 4, and 5, a decision will still need to be made with respect to which vendor to select to allow customers to pay various bills online. After review of several alternatives, it appears that the best solution would be to utilize the services and system provided by JP Morgan. This solution is similar to the solution that is in place with Value Payment Systems (VPS), where the City provides them with files of accounts that owe amounts on the various types of bills. The fees are similar to the fee structure in place with VPS. This solution would allow the City to proceed with the JP Morgan implementation with the current mainframe systems while the MUNIS phases are in the process of being implemented. Contract details will need to be finalized and more discussions will need to take place with regards to the technical details related to sending and receiving files with JP Morgan.

Phase 6 – Capital Asset Maintenance: The migration of fixed assets to the new capital assets module from the sourced financial system (Pentamation or eFinance) has occurred including values of 12/31/2021 updated with calculated 2022 depreciation; additions and retirements for 2022 still need to be effectuated within MUNIS along with subsequent audited annual activity but eFinance still serves as an available back-up system. The capital assets within MUNIS can be easily searched via the asset inquiry option accessing individual profile records for each asset; over 2,300 records are currently available. An expanded asset maintenance menu option and then navigating to the "assets" and "asset registry" selections provide further detailed information on capital assets and also on various infrastructure classified items sourced from the City's GIS mapping database. The inventory management module system includes currently utilized activity for traffic and engineering, Public Works highway related, Public Works vehicle management center, and the mailroom/office supplies center located within the Public Safety Building.

The Authority welcomes these upgrades and their impact to overall City operations although it has taken more than two years merely to see this project at its current status. Therefore, the benefits fully implemented have not been realized. 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.

Planning and Financing Capital Improvements.
As Pennsylvania's capital city and a major metropolitan center, it is imperative that the City strategically and fiscally plan for its long-term infrastructure assets. The Harrisburg Strong Plan modifications included several recommendations related to capital improvements, and the Authority has recommended to the City review of best management practices offered by the Government Finance Officials Association (GFOA) Community Development and Capital Investment Committee as a guide to examine and manage fixed assets. Notably, because of the City's continuing Act 47 status and resulting inability to enter the credit market, it will have to fund capital projects through a combination of grant funds and pay-as-you-go (PAYGO).

To date, the City of Harrisburg continues to make efforts in further developing a long-term Capital Improvement Plan. Such recent efforts include the use of the newer ERP system's Capital Assets Management Module to track inventory activity and maintenance of vehicles, equipment, and supplies purchased by the City. Another effort includes the previous and independently prepared Five-Year Capital Improvement Plan by the firm SitelogIQ, which resulted from their diligent work to assess the City's current infrastructure needs. This analysis was comprised of various site locations including City Government Center, City fire stations, the Public Works complex on Paxton Street, and the Traffic and Engineering building including a focus on various projects of a recommended improvement need.

Capital Improvement Expenditures - General Fund

Project Name	Actual 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Total
Bureau of Information Technology						
IT Equipment – Data Processing	$801,349	$1,200,000	$331,657	$165,828	$100,000	$2,598,834
Bureau of Communications						
Operations Equipment	-	68,000	-	-	-	68,000
Bureau of Police						
Police Patrol Vehicles	-	331,000	-	100,000	125,000	556,000
Other Police Vehicles	356,279	-	-	-	-	356,279
Building Renovations	10,716	-	-	-	-	10,716
Other Police Equipment	34,017	-	25,000	40,000	50,000	149,017
Bureau of Fire						
Apparatus Replacement	-	1,315,000	-	400,000	400,000	2,115,000
Fire House Upgrades	11,680	1,537,233	50,000	-	50,000	1,648,913
Other Operations Equipment	31,144	-	-	50,000	-	81,144
Vehicle Management Center						
Vehicles, Vehicle Equipment	108,671	111,941	75,000	-	-	295,612
Building Improvements	40,980	-	-	-	-	40,980
Office of Engineering						
Vehicles, Vehicle Equipment	53,550	296,779	-	-	-	350,329
Operations Equipment	186,140	287,800	175,000	-	125,000	773,940
Facilities Maintenance and Special Projects						
Broad Street Market Project	2,102,537	15,205,279	5,330,983	-	-	22,638,799
Building Improvements	740,129	1,000,000	1,200,000	444,172	450,000	3,834,301
City Treasurer's Office						
Operations Equipment	-	145,000	-	-	-	145,000
Subtotal	**$4,477,192**	**$21,498,032**	**$7,187,640**	**$1,200,000**	**$1,300,000**	**$35,662,864**

These projects for now will continue to be further evaluated amidst current available and/or constrained budget resources, given that in very recent times the City's priority focus has shifted to larger and more immediate infrastructure needs including various streets and roads projects, the FNB Field stadium improvement upgrade, and the Broad Street Market fire loss restoration project. The City additionally recognizes that tracking and monitoring capital assets and/or projects solely through the general ledger financial system can be challenging, thus emerging technologies are being considered to further improve this process. The Authority remains concerned about the budgeting, tracking, and forecasting of these projects moving forward.

The City has a backlog of deferred maintenance and unfunded capital needs which far exceed funding capacity, particularly without access to credit markets. Most critically important capital needs will remain unfunded unless operating projections outperform expectations or new funding sources are identified. The table shows the baseline capital expenditure needs the City plans to fund from the General Fund. These baseline projections below for capital improvement needs and projects for years 2026 thru 2029 are given consideration and the approach consistent with prior year developed five-year financial plans.

Broad Street Market Project.
This major building infrastructure project will be ongoing throughout fiscal years 2026 and 2027, with a total estimated restored building project cost of approximately $23.7 million. In late 2025 several contractors were engaged by the City for the various specific aspects or construction categories. The heavier work and most significant construction costs will occur during 2026 which is already producing material change order contingency amounts; such impacts will and are producing a challenging demand on the General Fund's operating budget for this year. The City will continue to work throughout 2026 to monitor and reasonably manage its operating budget funds while seeking out potential additional supportive funding sources for this project, and also being mindful of continuing to work with its related insurance provider for securing the maximum amount of anticipated insurance recovery proceeds; these anticipated proceeds currently include approximately $8.3 million for 2026 and another $1.5 million for 2027.

The Authority remains deeply concerned about the slow progress and rising costs associated with the City's efforts to rebuild the Broad Street Market. While we are aware of the constraints placed on the City by code procurement requirements, by historic design requirements, and by materials pricing, we are equally mindful that the Market is not only a landmark asset, it is a symbol of community resilience, and greatly missed as an economic and social anchor for our community.

FNB Field Project Costs.
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 owner 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) grant awarded to the City 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 grant 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. Transactions occurred in 2024 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.

Improvements include new nets extending from home plate all the way out to right and left fields, new lights and new padding around the warning track. The bounce houses were moved to the area behind the third baseline stands. Significant improvements to offices and the clubhouse occurred. The construction was mostly complete by Opening Day 2026.

The City has assigned park permit revenues to help pay for these upgrades, plus already transferred interfund support of $10.6 million from the General Fund to the Harrisburg Senators Fund. Such funding represents contributing match funds related to the not yet received Redevelopment Assistance Capital Program (RACP) award of $6 million, for eventual reimbursement to the General Fund. The total anticipated cost of this stadium improvement/upgrade is projected to be $12.5 million.

The Authority is concerned that there was not sufficient discussion that over $6 million in taxpayer funding was designated specifically to keep this stadium operational and of MLB quality.

CARES Act Federal Multi-Parks/Playgrounds Improvement Project.
As an example of how grant funding is being used to compensate for the inability to borrow money for capital projects, the City has underway a CARES Act grant funded project comprised of $13 million in awarded Federal funding through PA DCED. It includes the original sites of 7th and Radnor Sportsfield/Gorgas Playground, Jackson Lick Pool, Reservoir Park – Spray Alley, and the Wilson Playground.

In addition, subsequent to the originally intended project plan, the City's Bureau of Parks, Recreation and Enrichment determined the continuation of the Jackson Lick Pool sub-project is not feasible, and thus the remaining project budget of approximately $4.98 million will be reallocated among the other involved sub-projects.

Accumulated expenditures into the latter part of April 2026 for these three sub-projects total $9,189,744, and the involved grant funding for reimbursement requests to PA DCED will no longer be available subsequent to April 2026.

Continuation of Local Economic Revitalization Tax Assistance (LERTA).
The Local Economic Revitalization Tax Act (LERTA) permits local governments to offer tax abatements for improvements to real property over a period of years. Within the framework of the statute, the entities have some capacity to set geographic areas, types of qualifying improvements, and level and duration of abatements. The City has a LERTA program in place City-wide, with broad eligibility but varying levels of abatement based on type of property. The program is required to be renewed periodically, and the City's was originally set to expire at the end of 2024.

Because the program had frequent criticisms based on uneven applicability and lack of clarity relating to program requirements (e.g. compliance with some state contracting laws), neither the Mayor nor Council wanted to do a simple reauthorization and so instead opted for two one-year renewals under the current terms with the understanding that the Mayor's office would present Council with substantive program revisions for consideration by fall 2026.

In December 2025 City Council passed Bill No. 14 of 2025 enabling the extension of the termination date to December 31, 2026 for continuing real estate tax abatement and exemptions of the current LERTA program. As current fiscal year 2026 approaches year end, the City will anticipate further exploring additional options for approving the continuation of a revised LERTA program.

That work to craft a permanent replacement program is now underway, coordinated by the City Economic Development staff and involving representatives of the commercial, developer, and resident communities. The City also consults with the school district and the county, given the needed coordination of LERTA among the taxing bodies. The ICA is represented in the work group as well.

The Authority believes the LERTA program is one of several successful tools the needs to be improved and used as a part of the revitalization of Harrisburg.

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 City's continuing distress status. 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 the City credit rating is currently non-existent, with the Ambac settlement behind them the City can now undertake a debt rehabilitation project with Moody's Investor Services to re-establish a credit rating.

Still, the discussion on whether to use new debt financing for appropriate projects did not commence in 2025. 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. However, this is only a short-term solution.

The continued relatively short-term future goal for the City is to enable borrowing ability for significant capital improvement needs currently beyond its available financial resources. The City remains statutorily prohibited from borrowing, and thus acting upon its current credit rating, because it has not yet finalized the intergovernmental cooperation agreement with the Authority under Act 124 of 2018; the agreement has not been finalized due to the ongoing incinerator litigation claims which continue the City's current Act 47 status as a financially distressed municipality. Once the litigation is resolved, the City can exit Act 47 and then finalize the Authority agreement resulting in the restoration of the City's borrowing power.

Act 124 of 2018 Prohibits Issuance of New Debt.
The Intergovernmental Cooperation Authorities Act for Cities of the Third Class ("Act 124") 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.

The City Solicitor, appearing before the Authority, remains committed to providing the City a path forward to exit from Act 47 distressed status. As previously noted, to accomplish this goal, 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 barred from the issuance of new debt.

Pensions.
The City has three single-employer, defined-benefit pension plan funds for accommodating Police, Firefighters, and Non-Uniform personnel substantially covering all full-time employees. Pennsylvania law requires all municipalities to make annual contributions to pension funds based on calculation of each plan's individual minimum municipal obligation (MMO). Each MMO is based on several factors including actuarial valuation of pension cost data, employee contributions, projected salaries and wages, gross payroll, and other related assumptions. The City timely calculated each of its plans' MMOs in September 2025 and has accordingly budgeted such amounts for payment in 2026. Based on recent actuarial report data as of December 31, 2024 under GASB Statement Nos. 67 and 68, all three of the City's plans are comprised of improved fiduciary net positions as a percentage of the total pension liabilities including 104.47% for Police, 116.26% for Fire, and 108.80% for Non-Uniform. This represents an outstanding funding level.

The Authority remains supportive and appreciative that the City has such a strong financial position related to its pension obligations.

Extraordinary Taxing Authority.
On November 24, 2020, the Commonwealth approved legislation to amend the State Fiscal Code, which included provisions to resolve the looming deadline for the temporary Earned Income Tax (EIT) and Local Services Tax (LST) taxing authority given to the City of Harrisburg as part of the exit strategy from its Act 47 fiscal distress status. Both had been set to expire in 2025.

The amendment permits the City to retain its 2% Earned Income Tax (EIT) on City residents in perpetuity, double the rate allowed in other Third-Class Cities. The amendment also extends for 15 years Harrisburg's ability to levy an enhanced Local Services Tax (LST) on all people who work in the City; 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 reverts to the same $1-per-week rate that generally applies to municipalities statewide.

With respect to the Earned Income Tax (EIT), the City will continue to retain in perpetuity its 2% (1.5% City, .5% School District) EIT rate on City residents.

With respect to the Local Services Tax (LST), the LST levy on all individuals working in the City, such annual rate amount will continue to be $156 ($151 City, $5 School District) per working person during years 2021 thru 2030, will be adjusted down to $104 during years 2031 thru 2035, and then finally will be further adjusted down to the original annual amount of $52 thereafter year 2035.

The Authority believes that the extension of the taxing authority represents a counterbalance against heavy reliance on the real property tax, serving as a diversification of revenue sources as well.

In recent experience, remote and hybrid work has reduced the number of suburbanites commuting into the City and has allowed some of them to avoid the LST. Meanwhile, the improved strength of the City's economy and the incremental conversion of office space to residential space has bolstered the resident share of the levy given the earned income tax (EIT) is paid in place of residence rather than employment. The City's EIT revenue receipts and projections bear this out.

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 Hill, Council Vice-President Lamont Jones, and Council Members Ausha Green and Crystal Davis. 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 City Council legislative initiatives and the capital project spending.

- *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 Karen M. Balaban 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. Ms. Balaban is knowledgeable about internal operations and helps to ensure the implementation of and adherence to prudent financial management policies and procedures. Her office furnishes copies of its monthly financial reports to the Authority.

- *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.

- *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 H20," 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.

- *Harrisburg School District*. Recently, the Authority has been discussions on issues of mutual concern between the school district and the City. There is significant overlap with financial struggles and shared constituencies.

- *Capital Area Transit:* The Authority believes there is a synergy of interests with this entity as well.

- *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 in their initial contracts these services may have been inadequately priced to the disadvantage of City residents, the more careful review that preceded the recent contract renewals resulted in an improved financial balance. Importantly, all three municipalities expressed satisfaction with the services provided, showing the City's capabilities for service delivery. The City has demonstrable ability to provide other municipal services beyond its corporate boundaries 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. For example, 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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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, Harrisburg's financial condition is currently stable though not sufficiently progressing with many individual objectives showing only nominal progress and with long-term goals still unachieved. New threats are posed by the long-term effects of the pandemic, particularly in reduced property valuations for commercial downtown buildings and impacts on downtown commercial viability due to continuing telework trends.

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.

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 reviewed by Commonwealth Court, an agreement would allow the distressed status of the City under the Municipalities Financial Recovery Act ("Act 47") to end.

In this, as in all its recent annual reports dating back to 2021, the Authority 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; specifically, the incinerator litigation. Therefore, the agreement is in abeyance.

While this is still the status of the agreement, given the changes to City Council it is likely any final Intergovernmental Cooperation Agreement will now require a re-approval by both parties to become effective.

It is important to note that lack of an official agreement has no material effect on the ability of the City and the Authority to properly cooperate on the mission of the Authority or the intent of Act 124 of 2018.

The Authority remains anxious to see the approved agreement become official and for the City to exit Act 47 distressed city status. To that end, the Authority 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. We hope that this can be addressed as soon as possible.

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

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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 and the Authority is pleased to acknowledge the positive 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 late 2024, Bryan McCutcheon became the City's *ex officio* member. As the long-tenured Accounting Supervisor for the City, Mr. McCutcheon was involved in the reporting of monthly, quarterly, and annual financial statistics to the Authority, the Pennsylvania Department of Community and Economic Development, and City Council, for many years. He brings a depth of technical knowledge of the City's finances and experience with the intricacies of the City's accounting structure to the Authority Board.

The Authority also enjoyed a cooperative relationship with the Business Administrator appointed in 2024, but at the request of Council, his tenure did not extend into 2026. Mr. Antonio Megna was recently appointed and confirmed as the new Business Administrator. Given his prior tenure as assistant to the previous Business Administrator, a working relationship is already in place.

The 2024 appointment of a new Director of Finance and Budget has worked out well as the Authority has developed open lines of communication. However, there is no status on a permanent Budget Manager, and these positions are so important to fiscal success. The Authority hopes that Mr. McCutcheon can continue in his role both preparing financial data for the Authority and participating in Authority meetings to provide commentary and perspective on those numbers. The ability of the Authority to properly forecast trends involving City finances is an invaluable skill that enables the Authority to serve its mission of providing sufficient oversight and direction to the City.

Continued regular meetings between the Authority Chair and the Mayor are also invaluable. These regular, in-person meetings between the two organizations are crucial for fostering strong professional relationships, building trust, and facilitating effective collaboration. These meetings provide a platform for direct communication, allowing leaders to exchange ideas, align on strategic goals, and address complex issues more effectively.

The Authority also appreciates the regular attendance of City officials at Board Meetings. In-person communication is crucial for effectively addressing Authority concerns and the strategic alignment of the mission of the Authority. It ensures that the Authority has a complete understanding of departmental operations, performance, and potential challenges, allowing the Board to make informed decisions that benefit the City. The City regularly invites a broad cross-section of department leadership staff to participate, helping the Authority gain a global perspective on City operations.

Tremendous progress has been made over the last four years on communication and cooperation. The Authority recognizes the potential for change that a municipal election can bring, and hopes the relationships established and the positive communications fostered continues through 2026 and beyond.

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 to the Authority by former Mayor Eric Papenfuse. 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 on 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 intent was that all plan documents would be due on August 31, beginning in 2023, and inform the following City budget process, which is a natural extension of the Five-Year Financial Plan planning process. As a result, there was no official 2023 Plan. Instead, the submission date was moved from the spring of 2023 to the fall of 2023 and renamed the 2024 Plan.

The 2024 Plan, submitted on August 31, 2023 went through a series of revisions to deal with the underlying dependence on use of Fund Balance to address future expenditures in excess of revenues. While an appropriate initial strategy was developed, the Authority remains concerned about this practice. The final submission was eventually dated October 12, 2023, and represented a satisfactory submission by the City. It was the goal of the parties to attempt to keep future Five-Year plans to a September work schedule.

2025 Plan Approved.
Building on the dialogue established with the 2024 Plan in the Fall of 2023, the City began a process to update and resubmit a Five-Year Financial Plan beginning on August 31, 2024. That 2025 Plan was seen as a more forward-looking appraisal of the fiscal status of the City, which could be utilized in developing the 2025 Budget, making the Plan a true planning tool.

This was the final plan with some involvement of Marita Kelley, who had served originally as the Act 47 Coordinator for the Pennsylvania Department of Community and Economic Development; and, who had joined the Williams Administration as Director of Finance and Budget. Ms. Kelley was instrumental in informing the planning process and helping to develop the format and role of the Five-Year Plans in guiding City fiscal decision-making.

The 2025 Plan document was evaluated by the Authority Board, and a number of concerns about lack of progress could be seen as a theme in the Authority's responses to the 2025 Plan. The 2025 Plan did help guide the 2025 Budget adoption process as intended. Concerns persist regarding the use of cash-on-hand or Fund Balance to provide sufficient resources to balance revenues and expenses. A dialogue about the 2025 Plan led to a proposal to adjust sanitation fees for the first time in years and brought to light the issue of potential real estate tax appeals for vacant office space in the downtown. In addition, it acknowledged that the American Rescue Plan Act (ARPA) funding continues to temporarily skew the expenditures categories in the Plan, as funding has been accounted for under the US Department of the Treasury's "revenue replacement formula," but not yet spent on many of the intended uses agreed upon by the Mayor and City Council.

The final submission was eventually dated September 6, 2024, and represented a satisfactory submission by the City. The full 2025 Plan is enclosed with this report.

2026 Plan Approved.

The 2026 Plan submission and review went relatively smoothly. It was originally submitted on August 31, 2025 and went through two revisions, which addressed minor but still-important issues in the underlying revenue and expenditure estimates for FY2026.

The final document was dated September 24, 2025, and functioned appropriately to dovetail into the FY2026 budget process. As was intended, the document served as a budget roadmap and made some important points about the scheduled impact on Real Estate Tax, Hotel Tax, Local Services Tax, Earned Income Tax, and Mercantile/Business Privilege Tax expectations.

The report makes clear that there remains much work ahead for those committed to a renaissance in Harrisburg. Few other Pennsylvania cities have had such a lasting and profound impact from the aftermath of the COVID pandemic. No city had its fortunes so tied to the Commonwealth's business plan or the use of in-person office-space for State employees, State contractors, and State-wide nonprofit agencies. These realities call on us all to continue to reimagine the 21st Century for the City of Harrisburg. While this is quite a challenge for City leaders, the Authority is committed to these goals.

CONCERNS REGARDING FUTURE TAX REVENUE.

The City of Harrisburg, along with other entities like school districts, can and sometimes does actively fight against property tax assessment appeals, especially when the appeals challenge the assessed value of large properties. Because of litigation and consulting costs, the City typically will involve itself in assessment appeals only in the most significant appeals, as seen in the case of the Verizon Tower's assessment. In most cases, the valuation is resolved exclusively by the Dauphin County Assessment Appeals board.

Nonetheless, 2024 and 2025 saw a significant uptick in commercial and business property assessment appeals, driven in large part by vacancy rates. Pennsylvania law gives these properties an appeal avenue based on vacancies, given the assessment methodology for commercial properties reflects the property's lease income in addition to comparable sales and replacement costs.

As 2026 proceeds, the Authority remains diligent and concerned about the potential for an unanticipated and unsustainable drop in tax revenue. Pennsylvania's major urban centers are navigating a "slow-motion crisis" as high office vacancy rates threaten city budgets and the viability of downtown business districts. While some markets like Philadelphia have stabilized, others continue to face historic high vacancies and significant property value devaluations.

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FINANCIAL STATUS AND TABLES.

The projections show positive Ending Cash Fund Balances from fiscal years 2025 through 2029 and the ability to maintain levels approximating General Fund balance targets throughout the projection period. At the approach of each fiscal year end the City will assess such fund balance relative to target minimum levels, in preparation planning of the proposed budget for the following fiscal year.

Operating Forecasts [1] 2025-2029 Table.

	Actual 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Revenues	$72,386,383	$101,116,373	$78,228,749	$75,048,850	$75,516,808
Expenses prior to Capital Expenditures	72,014,821	82,272,459	71,704,193	73,122,591	75,024,574
Capital Expenditures	4,477,192	21,498,032	7,187,640	1,200,000	1,300,000
Total Expenses	76,492,013	103,770,491	78,891,833	74,322,591	76,324,574
Operating Change in Cash Fund Balance	(4,105,630)	(2,654,118)	(663,084)	726,259	(807,766)
Beginning Cash Fund Balance	18,469,253	14,363,623	11,709,505	11,046,421	11,772,680
Ending Cash Fund Balance	$14,363,623	$11,709,505	$11,046,421	$11,772,680	$10,964,914
Ending Cash Fund Balance % of Total Expenses	19%	11%	14%	16%	14%

[1] Operating forecast includes General Fund revenue and expenditure activity. For the purposes of these projections, interfund transfers to other Funds are reflected as operating expenses.

Revenues Forecast.
Real Estate Taxes – 2025 actual real estate tax revenue shows the effect in recent times of occurring declines in taxable assessed (appraisal) values which continue to be sought out by owners seeking reassessment of property values, in particular those properties of a commercial classification. The City is mindful of such potential decline in assessment value by giving consideration to projecting related reductions in this revenue budget line for near future years.

The City's real estate tax millage is comprised of the assessed value of land (30.97 mills) and assessed value of buildings/improvements (5.16 mills). The blended land and building/improvement components result in an effective millage rate of 11.165 mills for 2026.

Below is the multi-year revenue forecast based on historical growth trends, planned initiatives, and other available data. The 2026 projected revenues will fluctuate from the actual activity through year-end; however, based on continued reviews of past historical activity these revenue estimates are deemed to be reasonable.

Operating Revenue Table.

	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Real Estate Tax	$16,678,784	$16,605,200	$16,250,000	$16,250,000	$16,250,000
Real Estate Transfer Tax	$2,159,053	$1,125,000	$1,000,000	$1,000,000	$1,000,000
Hotel Tax	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Local Service Tax	$6,654,571	$6,868,170	$6,902,511	$6,937,023	$6,971,709
Earned Income Tax	$18,683,586	$18,937,969	$19,032,659	$19,127,822	$19,223,461
Mercantile Business Privilege Tax	$8,423,265	$8,700,000	$8,743,500	$8,787,218	$8,831,154
Department of Administration	$416,241	$469,882	$479,280	$488,866	$498,643
Department of Building & Housing	$2,299,905	$1,900,000	$1,900,000	$1,900,000	$1,900,000
Department of Public Safety	$1,944,949	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Department of Public Works	$9,629	$617,671	$675,924	$689,442	$703,231
Department of Parks & Recreation	$9,481	$18,566	$19,123	$19,696	$20,287
Fines & Forfeits	$862,380	$858,329	$875,496	$893,005	$910,866
Licenses & Permits	$327,262	$305,000	$416,160	$424,483	$432,973
Interest Income	$778,754	$650,000	$575,000	$525,000	$450,000
Rental Income	$89,228	$95,481	$98,345	$101,296	$104,335
Miscellaneous Revenue	$3,167,831	$11,165,900	$5,685,580	$3,004,999	$3,345,149
Other Financing Sources	$187,578	$75,000	$50,000	$75,000	$75,000
Intergovernmental Revenue	$4,753,220	$18,850,000	$11,200,000	$11,250,000	$11,300,000
Interfund Transfers	$3,940,666	$10,874,205	$1,325,171	$575,000	$500,000
Fund Balance Appropriation	$4,105,630	$2,654,118	663,084	-	$807,766
Total General Fund Revenue/Resources	**$76,492,013**	**$103,770,491**	**$78,891,833**	**$75,048,850**	**$76,324,574**

Earned Income Tax (EIT): The City will continue to retain in perpetuity its 2% (1.5% City, .5% School District) EIT rate on City residents.

Local Services Tax (LST): For the LST levy on all individuals working in the City, such annual rate amount will continue to be $156 ($151 City, $5 School District) per working person during years 2021 thru 2030, will be adjusted down to $104 during years 2031 thru 2035, and then finally will be further adjusted down to the original annual amount of $52 thereafter year 2035.

Expense Forecasts.

Below is the multi-year expense forecast based on historical growth trends, planned initiatives, and other available data. The data includes actuals and forecasts covering fiscal years 2025 through 2029.

Operating Expenses Table.

	Actual 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Personnel (less Medical)	$40,050,783	$43,566,299	$44,000,000	$45,000,000	$46,000,000
Medical Claim Expenses	13,591,137	13,500,000	13,100,000	13,200,000	13,300,000
Services	10,549,338	14,694,057	9,300,000	9,700,000	10,000,000
Supplies	3,513,038	5,373,012	3,009,193	3,212,591	3,374,574
Other Operating	996,906	1,305,397	500,000	500,000	500,000
Transfers	2,063,619	2,403,694	350,000	60,000	350,000
Debt Service	1,250,000	1,430,000	1,445,000	1,450,000	1,500,000
Total Expenses (Pre-Capital)	72,014,821	82,272,459	71,704,193	73,122,591	75,024,574
Capital Expenditures	4,477,192	21,498,032	7,187,640	1,200,000	1,300,000
Total Expenses	**$76,492,013**	**$103,770,491**	**$78,891,833**	**$74,322,591**	**$76,324,574**

Neighborhood Services Fund (NSF).

The NSF's primary revenue sources are garbage collection and disposal fees. Increases are noted here for future years giving some consideration to potential fee increases in billing rates, but these year to year increases in revenue are more focused on the City's efforts to improve collectability of current monthly and quarterly billings as well as focusing on the potential of realizing some portion of the existing past due balances still receivable.

The fund's revenues are derived in part from fees paid by Steelton, Penbrook, and Paxtang boroughs, for which the City provides collection and disposal, creating a need for additional cost allocation and contract servicing. In the recent contract renewals the City has given better consideration to segregation of accounting for these services, resulting in contract pricing that does not disadvantage City residents. Still, without careful monitoring and planning, inequities can arise.

The primary NSF expense is contracted service for trash tonnage disposal of approximately $8.425 million for 2025 paid to Lancaster County Solid Waste Management Authority (LCSWMA). The applicable tipping fee rate for 2026 City disposal tonnage is currently $251.33 per ton to be adjusted annually in conformity with the calculation involving the occurring change in the Consumer Price Index.

The NSF also includes a division responsible for maintenance of Parks and Recreation properties. This is an unwieldy amalgamation of unrelated activities. Likely it was done to readjust the funding of recreation maintenance to include a fee source other than taxes, but in doing so it has created a fund expenditure that does not parallel the objectives of the revenue source.

The NSF also continues to carry significant outstanding receivables, the collection of which is unlikely. Like most cities, Harrisburg collects trash even when a customer is delinquent, given public health concerns. In the past, when the City managed water and wastewater invoicing, failure to pay trash bills could eventually lead to water disconnection, a very serious consequence. Because water is now supplied by the independent Capital Region Water, this option is unavailable to the City, leading it to struggle to collect all the outstanding trash bills. Absent a shut-off option, the City relies on other types of enforcement efforts, including property liens.

While many arrearages are commercial properties, a good faith effort by the Mayor and City Council to apply American Rescue Plan Act (ARPA) funding to individual property owners with no ability to pay back invoices is an excellent first step in addressing the long-term problem of NSF receivables.

Still, because the receivables are addressed in each City Audit the potential is raised that the significant level of these outstanding trash bills will result in a negative outlook for future financial evaluations of the City. A more comprehensive action-strategy to address this issue is needed.

Neighborhood Services Fund Table.

	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Department of Public Works	0	110,000	20,000	20,000	20,000
Collection and Disposal Fees [1]	17,643,756	17,965,776	19,191,955	19,931,527	20,673,966
Miscellaneous	428,260	457,500	424,100	415,600	412,300
Intergovernmental	0	60,000	60,000	0	60,000
Transfers	4,181,841	3,473,884	350,000	410,000	350,000
Total Revenue	**$22,253,857**	**$22,067,160**	**$20,046,055**	**$20,777,127**	**$21,516,266**
Personnel	7,278,602	7,328,998	7,477,719	7,674,009	7,875,452
Services	13,425,349	12,452,143	11,444,400	11,673,288	11,906,754
Supplies	753,130	1,043,318	624,240	636,725	649,459
Other - Capital	1,354,802	1,478,469	853,000	600,000	800,000
Total Expenditures	**$22,811,883**	**$22,302,928**	**$20,399,359**	**$20,584,022**	**$21,231,665**
Change in Cash Fund Balance	(558,026)	(235,768)	(353,304)	193,105	284,601
Cash FB - Beginning of Year	5,619,025	5,060,999	4,825,231	4,471,927	4,665,032
Cash FB - End of Year	**$5,060,999**	**$4,825,231**	**$4,471,927**	**$4,665,032**	**$4,949,633**

[1] The City's Law Bureau is more involved with reviewing delinquent collections and readily enabling related lien filings for both commercial and residential properties, so as to improve the collection of past delinquent trash billing payments.

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 more accommodate future costs associated with maintaining the stadium within Major and Minor League Baseball standards.

Harrisburg Senators Fund – Actuals and Forecasts Table.

	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Department of Parks and Recreation	0	45,262	45,262	45,262	45,262
Rental Income	379,738	379,738	379,738	379,738	379,738
Grant Proceeds	0	6,000,000	0	0	0
Transfers [1]	1,956,519	659,364	0	0	0
Total Revenue	**$2,336,257**	**$7,084,364**	**$425,000**	**$425,000**	**$425,000**
Services	0	0	0	0	0
Other – Debt	0	0	0	0	0
Other – Capital [2]	10,472,147	960,339	0	0	0
Transfers	0	6,425,000	425,000	425,000	425,000
Total Expenses	**$10,472,147**	**$7,385,339**	**$425,000**	**$425,000**	**$425,000**
Change in Cash Fund Balance	(8,135,890)	(300,975)	0	0	0
Cash Fund Balance - Beginning of Year	8,436,865	300,975	0	0	0
Cash Fund Balance - End of Year	**$300,975**	**$0**	**$0**	**$0**	**$0**

[1] Transfers from the General Fund are for the initial funding of the FNB Field stadium improvement project; MLB is requiring such improvements under current professional baseball team standards.

[2] The City has made the determination to work with MLB to improve the stadium in assisting the retainage of the Senators franchise at FNB Field.

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 substantially all full-time employees. Commonwealth law requires all municipalities 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, 2024, all three pension plan funds have experienced notable increases in net position resulting in very favorable funding percentages in relation to the noted pension liabilities.

Pension Summary Table.

	Police Summary	**Firefighters Summary**	**Non-Uniform Summary**
Participants	12/31/2024	12/31/2024	12/31/2024
Active Employees	130	93	331
Vested Former	3	1	19
Receiving Benefits	216	130	236
Total Participants	349	224	586

	12/31/2023	[1] 12/31/2024	12/31/2023	[1] 12/31/2024	12/31/2023	[1] 12/31/2024
Total Pension Liability	$102,791,174	$104,925,115	$82,517,783	$83,045,614	$80,693,047	$79,584,723
Plan Fiduciary Net Position	$101,936,855	$109,619,853	$91,603,135	$96,550,738	$83,481,830	$86,589,353
Net Pension Liability (Asset)	$854,319	($4,694,738)	($9,085,352)	($13,505,124)	($2,788,783)	($7,004,630)
Plan Fiduciary Net Position as % of Total Pension Liability	99.17%	104.47%	111.01%	116.26%	103.46%	108.80%

[1] **Reflective of a measurement date of December 31st, 2024 based on a rolling forward of liabilities from the actuarial valuation date of January 1st, 2023.**

Projection – MMOs are projected to increase in relation to being impacted with occurring salary/wage increases for each City employee group.

Other Post-Employment Benefits January 1, 2024 Actuarial Valuation.

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. The City will plan to continue this approach for payments. Currently, there are no immediate plans to establish a trust for OPEB in Fiscal Year 2026. Per the most recent actuarial valuation dated January 1, 2024, Harrisburg's ending total OPEB liability for fiscal year 2025 was $142.9 million compared with $144.9 million for fiscal year 2024.

Other Post-Employment Benefits Table.

Demographic Information	Police Summary	Firefighters Summary	Non-Uniform Summary	Total
Active Participants	138	56	28	222
Vested Former Participants	11	5	53	69
Retired Participants	182	101	118	401
Total	**331**	**162**	**199**	**692**
Active Participants	138	56	28	222
Financial Information	**Police**	**Firefighters**	**Non-Uniformed**	**Total**
Total OPEB Liability	$73,090,827	$43,602,335	$26,267,306	$142,960,468
Plan Fiduciary Net Position	0	0	0	0
Net OPEB Liability	$73,090,827	$43,602,335	$26,267,306	$142,960,468
Plan Fiduciary Net Position as a % of Total OPEB Liability	0%	0%	0%	0%
Net OPEB Liability as a % of Covered Employee- Payroll	683.11%	989.53%	1,524.77%	849.50%
OPEB Expense	$5,520,060	$2,440,829	$1,747,945	$9,708,834 [1, 2]

[1] **Based on actuarial valuation date of January 1st, 2024 with an applicable measurement date of December 31, 2025.**

[2] **The OPEB actuarial valuation date occurs every two years with periodic annual rollforward updates.**

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 $3.7 million into a bank account established for a future OPEB Trust Fund which has a December 31, 2025 year-end value of $4.364 million. Such funds would be available for transfer to an applicable OPEB Trust Fund upon creation, authorized by the City Council on March 23, 2021, as required by Act 124.

The Authority acknowledges the Harrisburg Strong Plan's narrative is an obstacle presented to implementation of the OPEB Trust Fund.

Headcount of Employees.
According to the 2026 budget, Harrisburg employs 505 full-time employees. Specifically, the General Fund has 112 Management Employees, and 298 Union Employees.

The following table shows the number of budgeted 2026 General Fund full-time employees being paid out of the General Fund by employee group:

Bureau/Office	Management Positions Count	Bargaining Unit Positions Count
General Government		
City Council	9	
Mayor	6	
City Controller	2	1 (AFSCME)
City Treasurer	3	5 (AFSCME)
City Solicitor	9	
Department of Administration		
Business Administrator	1	
Financial Management	6	1 (AFSCME)
Grants Management	2	
Communications	4	2 (AFSCME)
Information Technology	7	
Human Resources	7	
Licensing, Taxation, and Central Support	2	5 (AFSCME)
Department of Building and Housing Development		
Planning	3	
Business Resources Development	1	
Department of Public Safety		
Codes Enforcement	4	15 (AFSCME)
Bureau of Police	21	147 (FOP-128/AFSCME-19)
Bureau of Fire	5	93 (IAFF)
Department of Public Works		
Traffic and Engineering	4	10 (AFSCME)
Vehicle Management Center	1	8 (AFSCME)
Parks, Recreation and Enrichment	5	5 (AFSCME)
Facilities Maintenance		
Facilities Maintenance/Special Projects	10	6 (AFSCME)
AFSCME = American Federation of State, County, and Municipal Employees		
FOP = Fraternal Order of Police		
IAFF = International Association of Fire Fighters		

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Summary of Concerns Regarding City of Harrisburg Five-Year Financial Plan.

The Authority is tasked with making additional recommendations to the City in context of development of each year's Plan. Following is a summary of the Authority's recommendations from the 2026 Plan:

- Fund Balance – A continuing overall concern is the protection and maintenance of the operational cash balance in the General Fund and, to an even larger degree, the Neighborhood Services Fund. It is clear from the 2026 Plan that real estate taxes are not projected to grow in yield in the future. In fact, due to vacant offices and stores that are collateral damage from COVID telework policies, it is possible that there may be an inevitable retreat in property tax growth. Unfortunately, property taxes remain the single largest revenue tool provided to local government by the Commonwealth. The special authorization for a higher EIT and longer-term permission for higher LST rates have helped the City be less dependent on the assessed valuation of real estate, but it remains a primary source and consequently a primary concern.
- Commonwealth Participation – The City must protect its revenue sources so that real estate tax dependence is lessened and use of cash balances does not increase. There is no doubt that City spending, especially on infrastructure and capital, remains dependent on relatively stagnant revenues. As Pennsylvania's Capital City, the Commonwealth has some hard decisions to make about what kind of metropolis it wants to have as its seat of governance. Any reimagining of Harrisburg and its finances must include a full commitment to the City by State leaders, including diversified revenue sources and economic development partnership.
- Neighborhood Services Fund ("NSF") – A continuing 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, is very important. The commitment to review and adjust fees as necessary for sufficiency to meet expenses and to avoid drawing from reserves is acknowledged, as is the work done to account for full costs in pricing the collection contract renewals with our municipal partners. We note though that, while we welcome the Plan's narrative on utilizing the American Rescue Plan Act funding to support unpaid receivables in the NSF, and we appreciate that it is targeted as relief primarily for delinquent disadvantaged households, the one-time use of this found-money is not considered a substitute for improving collections and maintaining close cost accounting with our municipal partner contracts.
- Economic Development Plan – As a partner in the recently announced Comprehensive Economic Development effort being led by the Capital Region Economic Development Corporation ("CREDC"), the Authority welcomes recent action by the City to prioritize the development of a comprehensive Economic Development Plan. 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 in City revenue. We remain vigilant and available to help make this new partnership a success.
- Other Post-Employment Benefits Trust Fund – We acknowledge the obstacles presented to implementation of the OPEB Trust Fund. Any opportunity to readdress the OPEB Trust Fund language in the Strong Plan and in Act 124 of 2018 should be in cooperation with the Authority.

With respect to the Harrisburg Five-Year Financial Plan, the Authority made note of the Strong Plan's parking scheme, implemented at the height of our City's fiscal crisis. We remain deeply concerned that this plan has not worked well for businesses or the City. While it appears the parking scheme is not subject to revision or change, we believe it certainly needs reexamination in context of downtown redevelopment.

Also, the Authority noted that the Board remains deeply concerned about the slow progress and rising costs associated with the City's efforts to rebuild the Broad Street Market. While we are aware of the constraints placed on the City by code procurement requirements, by historic design requirements, and by materials pricing, we are equally mindful that the Market is not only a landmark asset, it is a symbol of community resilience, and greatly missed as an economic and social anchor for our community.

Summary of Concerns Regarding City of Harrisburg 2026 Budget.

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. Additionally the ICA Board had observed the City Council's budget hearings and workshops. The Authority had several observations that served to inform the Mayor and Council, and that apply to administration of the budget going forward:

- The now-approved 2026 budget included no substantial changes beyond those provided in the City's Five-Year Financial Plan, as approved by the Authority on September 24, 2025. 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. Following adoption, there were amendments and other activities taken, extending into 2026. The revised budget as adopted was subsequently incorporated as an amendment to the 2026 Five-Year Plan in February 2026.
- After an unfortunate legal and political standoff, the Harrisburg City Council and Mayor Wanda Williams reached a settlement in February 2026 to end their dispute over the 2026 budget. The conflict began when the council overrode the Mayor's veto to cut funding for several senior administrative positions, prompting the Mayor to file a lawsuit challenging City Council's legislative power. Following a court ruling that upheld the Council's authority, both sides signed a joint compromise to restore funding for the disputed roles and end the litigation. While the $88.2 million budget was finalized, the Mayor stipulated that the agreement was a necessary compromise rather than a total victory. During this process, the Authority filed and was accepted as a friend of the court (amicus curiae) and filed a brief in favor of compromise.
- The final 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 cash 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 our budget review was prior to litigation and its resolution, it presented a request that 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 not occur; the basis of the dispute which led to litigation. A lack of funding for these important City roles would have had the additional consequence of

preventing the City from filling these positions. If that had stood, and it did not in the compromise, the City's failure to fund a statutorily-required position (Business Administrator) and failing to fund three strategic positions would be a critical decision to its present and future fiscal stability and economic growth. The Authority strongly requested that a means be found to productively address the personnel dispute, and one which did not reflect badly on the City's commitment to responsible budgeting, sound administration of City government, and its economic development progress. The settlement met the Authority's objectives.

- 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 the Commonwealth 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 were 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, the Authority noted an additional one-year extension of the LERTA program, and looks forward to the final recommendations of the City-convened work group to further refine that redevelopment tool.
- Finally, 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.

As the review of the 2026 budget made clear, the Authority appreciates the work done by the finance staff to bring the City's financial reporting up-to-date, while acknowledging that their initial audit calendar has been stretched based on staff commitments elsewhere. Continued progress toward 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, the Authority recommended 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.

In summary, as a whole, the City's adopted final 2026 budget meets the Authority's expectations for the proper financial management of the City of Harrisburg. We congratulated the Mayor and her Finance Department team on their efforts to build a foundation of stability for the City's financial future.

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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 2026 Five-Year Financial Plan dated September 24, 2053, which contains several of the required financial presentations as of 2025, which has since been amended by the adoption of the 2026 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 although a proper review is not within the scope of the Authority.

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2026 APPROVED BUDGET & 2026 FINANCIAL PLAN AS APPENDIX

This is the link to the City of Harrisburg Revised and Approved 2026 Budget:

https://cms2.revize.com/revize/harrisburgpa/Documents/Services/City%20Controller/Budgets/2026-Approved-Budget.pdf?t=202604131505200&t=202604131505200

The full City of Harrisburg Five-Year Plan report can be found at the Authority website, http://www.hbgica.org or by clicking on this direct link: https://hbgica.org/download/1508/?tmstv=1758909917

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