



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

September 24, 2026

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

Re: Approval of the City of Harrisburg's 2027 Five-Year Financial Plan

Dear Mayor Williams:

Thank you for your submission of the City of Harrisburg's updated 2027 Five-Year Financial Plan ("Plan") as dated August 31, 2026, as reviewed in summary format by the Intergovernmental Cooperation Authority (the "Authority") at its August 26, 2026 meeting. Based on that initial Board review, an updated draft was submitted to the Authority on September 23, 2026.

I am pleased to inform you that at the meeting of the Intergovernmental Cooperation Authority on September 23, 2026, the Authority reviewed the comments noted herein, and conditionally approved the Plan pursuant to Act 124 of 2018 in consideration of the explanation by City staff, and in anticipation of the City addressing this commentary. The updated draft of the August 31 Plan materially reflects the planning objectives and thus represents a satisfactory submission for the 2027 plan year. The report is well presented, drawing from prior plans, and providing a clear update of the administration's financial objectives going forward. The plan document was well-revised based upon our preliminary comments and the review of the City Controller.

We appreciate the ongoing much-needed discussion of key issues including the objective of ending the City's distressed city status pursuant to Act 47, a commitment to Community and Economic Development, a recognition of the property assessment impact of changes to office-space utilization in the downtown, and a recognition that several challenges remain before the Authority can unequivocally state that Harrisburg has turned around years of fiscal distress. Meanwhile the important work of the Authority continues; the need for our participation in the process is obvious and your continuing support well appreciated.

As acknowledged by the plan document and discussed by the Authority, several new challenges have become apparent in 2026 which require a concerted effort to address. Specifically, the reconstruction of the Broad Street Market has been financially challenging for a municipality that does not enjoy the ability to issue debt. While the conversion of commercial office space to residential uses has the potential of reversing the recent appeals-based reduction of property

assessment values, the slow pace of conversion has proven to impact the revenue for the City. Finally, the ongoing frustrations caused by the intractable parking scheme put in place by the Strong Plan can have a debilitating impact on the comprehensive downtown revitalization plan currently being drafted.

There are quite a few challenges for City leaders, however the Authority is committed to the goals of fiscal stability and operational excellence as was our mission when originally founded by the Commonwealth in 2018. The important fiscal planning process typified by this annual plan review is evidence of the role and need of the Authority in the fiscal oversight of the City.

We also furnish the following acknowledgement and commentary on specific projections, as well as other emerging issues. Figures and tables are drawn from the Plan.

Combined Multi-Fund Revenue and Expenditure Forecasts (2026–2030)

Category / Fund	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
General Fund					
Total Revenues	\$103,019,999	\$82,799,469	\$80,052,500	\$78,390,000	\$79,250,000
Total Expenses	\$102,418,576	\$82,799,469	\$76,300,000	\$77,925,000	\$79,250,000
Neighborhood Services Fund					
Total Revenues	\$21,455,418	\$18,827,500	\$19,517,500	\$19,652,500	\$20,342,500
Total Expenses	\$21,112,234	\$19,176,763	\$19,424,798	\$19,850,794	\$20,154,810
Harrisburg Senators Fund					
Total Revenues	\$7,084,364	\$425,000	\$425,000	\$425,000	\$425,000
Total Expenses	\$7,385,339	\$425,000	\$425,000	\$425,000	\$425,000

Key Notes Across Funds

General Fund: The 2026 revenue spike includes a \$6,000,000 reimbursement transfer from the Harrisburg Senators Fund for the FNB Field stadium upgrade project, as well as higher non-recurring revenues. Capital expenditures inside total expenses decline significantly after 2027 following the scheduled completion of major infrastructure projects like the Broad Street Market restoration.

Neighborhood Services Fund: Includes projected revenues from collection/disposal fees, intergovernmental agreements, and planned transfers. Expenses reflect personnel, contracted services for waste disposal (LCSWMA tipping fees), supplies, and capital needs.

Harrisburg Senators Fund: Revenues for 2026 reflect \$6,000,000 in grant proceeds associated with stadium compliance upgrades. After 2026, the fund stabilizes with regular rental income and park/recreation receipts balanced against outgoing transfers.

Based on the multi-fund revenue and expenditure figures in the report:

- **General Fund:** Projected revenues meet or exceed projected total expenses for every year listed (2026–2030).
- **Neighborhood Services Fund:** Revenues exceed expenses in 2026, 2028, and 2030, with minor shortfalls in 2027 (~\$349k) and 2029 (~\$198k) that are absorbed within fund balancing/transfers.
- **Harrisburg Senators Fund:** Total projected revenues and expenses match exactly from 2027 to 2030 (\$425,000/year). The larger expenditures in 2026 are offset by \$6,000,000 in grant proceeds and transfer reimbursements.

The provided forecasts do not explicitly detail rate hikes or general revenue increases; instead, they reflect specific projected revenue fluctuations across the funds:

- **General Fund:** Total revenues drop significantly after 2026 as non-recurring revenues and a one-time \$6,000,000 stadium reimbursement transfer expire, though revenues see a slight baseline increase from 2029 (\$78.39M) to 2030 (\$79.25M).
- **Neighborhood Services Fund:** Shows gradual, steady revenue growth from 2027 (\$18.82M) through 2030 (\$20.34M), driven by planned collection and disposal fee projections.
- **Harrisburg Senators Fund:** Revenues peak in 2026 due to \$6,000,000 in grant proceeds for stadium compliance upgrades, then remain completely flat at \$425,000 annually from 2027 to 2030.

The Authority is tasked with making additional recommendations to the City regarding the Plan. The following is a summary of the Authority's recommendations:

1. Risk factor impacting municipal revenues: Tax appeals

- **Tax Appeals:** Commercial property owners (specifically office building owners) file tax assessment appeals using the income approach when losing tenants, which lowers the property's assessed fair market value.
- **Budget Impact:** Successful appeals create a direct revenue gap in real estate tax collections for the city.
- **Strategic Response:** The Authority continues to advocate a comprehensive economic development strategy that includes attraction of commercial users and conversion to residential use. We are encouraged by the work underway by CREDC, in cooperation with the City and with funding and planning participation by the Commonwealth.

2. Risk factor impacting municipal revenues: Tax exempt real estate

- **High Proportion of Tax-Exempt Properties:** Approximately 60% of the assessed property value in Harrisburg is tax-exempt (including state-owned properties and non-profits). This restricts the local tax base and leaves the City heavily dependent on property owners entering voluntary Payments in Lieu of Taxes (PILOT) agreements.
- **Budget Impact:** Commercial appeals create a disproportionate burden on remaining taxpayers. To generate sufficient operating revenue, Harrisburg must rely on higher effective

tax rates on the remaining taxable properties (residential homeowners and commercial businesses) or rely on alternative taxes like Earned Income Tax (EIT) and Local Services Tax (LST).

- **Strategic Response:** City staff has begun in-depth review of the categories, sizes, and numbers of the set of exempt properties, coupled with review of existing PILOT agreements. The City has indicated intent to update existing agreements and develop strategies to expand efforts to bring more exempt properties into new agreements.

3. Risk factor impacting general fund balance: Severe OPEB liability

- **The City's total Other Post-Employment Benefits (OPEB) liability stood at \$142.9 million as of December 31, 2025.** Harrisburg operates on a “pay-as-you-go” approach and does not prefund its OPEB obligations. The report notes that setting up a formal OPEB Trust Board has been stalled because accepting fiduciary responsibility for a \$142.9 million liability with only ~\$4.36 million in designated funds leaves the trust effectively “legally bankrupt”.
- **Budget Impact:** Under the “pay-as-you-go” approach, the City pays for health insurance and prescription coverage for eligible retirees directly out of current annual revenues. Because medical and prescription claims carry high inflation rates, these mandatory outlays grow each year, consuming an increasingly larger slice of operating expenditures at the direct expense of municipal operations and public services. The impact is nominally mitigated by recent collective bargaining agreements no longer providing for OPEB for new hires, but the existing obligation carries a tail of as much as 60 years. Under GFOA audit standards, the City is obligated to actuarially value its future obligation and carry that value as an unfunded liability. In effect, if Harrisburg ever does attempt to establish creditworthiness, credit rating agencies and municipal analysts view unfunded liabilities under the “pay-as-you-go” approach as a significant fiscal structural weakness.
- **Strategic Response:** The Plan contains a detailed description and rationale for the City's pay-as-you-go strategy and an acknowledgement that it conducts periodic actuarial valuations of its ongoing obligation. The Authority continues to advocate creation of the Trust, both to meet the legal requirements of the Strong Plan and to develop a more formal funding strategy.

4. Risk factor impacting municipal revenues: Parking contractual pressures

- **Lack of Parking System Revenues:** Shifts in post-pandemic remote work have resulted in a total loss of anticipated intergovernmental rent payments from parking authority lease arrangements (PEDFA/HPA), forcing the City to rely strictly on off-street parking tax revenues. Under the Harrisburg Strong Plan the City surrendered authority over parking rate structures, fine schedules, enforcement hours, and meter operations. Rate adjustments and operating hours were shifted to private operators and bond trustees bound by strict revenue covenants.
- **Strategic Response:** The downtown revitalization planning now underway recognizes the parking scheme as a significant impediment to both commercial location and worker/visitor activity, and has attempted to open discussions with the Commonwealth and others on alternative strategies.

5. **Risk factor impacting general fund balance: Planning for and paying for capital improvements without debt**

- **Borrowing Restrictions:** Harrisburg remains statutorily prohibited from borrowing in debt markets until it exits Act 47 distressed status and finalizes its Intergovernmental Cooperation Authority (ICA) agreement. The restoration of the Broad Street Market—estimated at \$23.7 million—has encountered material change-order contingency costs during construction, placing significant financial strain on the General Fund’s operating budget. This compounds the inability to strategically resolve the City’s substantial backlog of deferred maintenance and unfunded capital needs that far exceed its current funding capacity.
- **Budget Impact:** Without municipal bond financing, capital projects cannot be amortized over a 20- to 30-year lifecycle. Instead, unexpected cost escalation (such as the market restoration costs) must be absorbed immediately via cash-funding from current General Fund revenues, insurance proceeds, or reallocated federal block grants.
- **Strategic Response:** The Plan acknowledges the adverse impact of inaccessibility of the capital market. The City has developed a capital improvements inventory to enable comprehensive updates when credit is restored and, in the interim, has prepared a categorized set of projects grouped by priority and fund availability. The Plan cites ongoing litigation as the impediment to implementing the Intergovernmental Cooperation Agreement, which would allow exit from Act 47 and reentry into the borrowing market.

6. **Risk factor impacting municipal revenues: Neighborhood Services Fund**

- **Revenue sources including collection rates and adequacy of municipal agreements:** The plan acknowledges the need, carried forward from all previous plans, to improve collection rates for services including both arrearages and ongoing. This remains a priority for the Authority. In addition, the City has negotiated new rates with its client municipalities that are intended to at minimum break even on the cost of providing those services.
- **Budget Impact:** Inadequate collection rates as well as insufficient client municipality rates draw down fund reserves, limit ability to address capital needs, and ultimately can require intergovernmental transfers from the general fund.
- **Strategic Response:** The Plan acknowledges efforts underway to improve collection rates, and suggests grant funding as a capital improvements/acquisition source, albeit noting that rate adjustments may be needed if grants are insufficient. Specific target collection rates, meeting or exceeding peer collection rates, should be prepared and strategies implemented to meet those rates. The Authority adds a recommendation for year-over-year review of the comprehensive costs for client municipal collection and the adequacy of the attendant client municipality rates, preparatory for future contract renewals.

7. **Risk factor impacting general fund balance: Personnel & healthcare cost volatility**

- **Self-Insured Medical Claims Volatility:** Personnel and medical expenditures represented over 70% of actual 2025 operating expenses, limiting budgetary flexibility. Because the City self-insures its employee health coverage, medical and prescription claim expenses remain inherently volatile and vulnerable to catastrophic claims exceeding stop-loss thresholds.
- **Strategic Response:** The City indicates it has a process of ongoing review of its brokerage, coverage, and stop-loss providers and policies.

8. Risk factor impacting general fund balance: Market-based collective bargaining agreements

- **Fiscal Impact of FOP and pending Fire Collective Bargaining:** We make note of the new collective bargaining agreement with the Fraternal Order of Police (FOP). The Authority supports the concept that the City must keep pace with wages and benefits paid for police employees in the surrounding Harrisburg metropolitan area. That being said, the recent agreement places a financial burden on the City which must be addressed over the upcoming three-year period. We are concerned about the preservation of Fund Balance and whether sufficient cash-flow exists to meet this contractual obligation.
- **Strategic Response:** While the Authority does not find any immediate flaws in the projection of personnel expenses, the ongoing impact of the new FOP agreement and the pending Fire agreement must be monitored and taken into account as projections mature. To be clear, we are not suggesting there is a current need for a real estate tax increase, but it may be necessary to examine the taxes that specifically address public safety expenses in order to properly fund the Police and Fire bureaus and their operations. Consideration should be given to means for the Commonwealth and other tax-exempt property owners to provide assistance funding public safety in the City through an expanded Payment in Lieu of Taxes (PILOT) program.

9. Risk factor impacting administrative accuracy and efficiency: Technology upgrades

- **Administrative efficiency and security:** The City is in the latter phases of converting obsolete technology systems and software to current standards, largely through equipment upgrades and adoption of the MUNIS system. While there has been calendar slippage due to pressures on staff time, the conversion is being done on a planned and phased basis. While most of the systems are meeting City needs, the payroll system did not and so the City is using a third-party for payroll. More problematic, the Treasurer's Office remains on a legacy system and is looking at a different third party to upgrade its accounting and payment systems, which would not interface with the City's systems resulting in manual reentry of data. We find this highly inefficient and insecure, raising personnel costs, probabilities of errors, and lack of real-time consumer access to integrated information.
- **Strategic Response:** In an era that places a premium on technology security and offers opportunities for high system integration and efficiency, every effort should be made to integrate the Treasurer's system and the payroll systems.

We conclude by acknowledging the outstanding efforts of long-serving Accounting Manager Bryan McCutcheon, and his comprehensive and detailed work on behalf of the City of Harrisburg. Much of his work this year was impacted by vacancies in the Budget Office. We suggest that the City consider investing more in wages for administrative staff. Only by recruiting and retaining the best municipal minds will Harrisburg have the opportunity to design a future with both vision and practical fiscal success.

Thank you for the opportunity to present these recommendations to the City of Harrisburg in response to the approved Plan.

Please feel free to reach out to me if you have any questions.

Sincerely,



Douglas E. Hill, Chair

c.c. Authority Members

Danielle Bowers, President, City Council, City of Harrisburg

Lamont Jones, Vice-President, City Council, City of Harrisburg

Karen M. Balaban, Controller, City of Harrisburg

Dan Miller, Treasurer, City of Harrisburg

Antonio Megna, City of Harrisburg

Bryan McCutcheon, City of Harrisburg