



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

April 30, 2022

The Honorable Tom Wolf  
Governor, Commonwealth of Pennsylvania

The Honorable Jake Corman  
President Pro Tempore, Pennsylvania Senate

The Honorable Jay Costa  
Minority Leader, Pennsylvania Senate

The Honorable Patrick M. Browne  
Chair, Senate Appropriations Committee

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

The Honorable Danielle Bowers  
President, Harrisburg City Council

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

The Honorable Bryan Cutler  
Speaker, Pennsylvania House of Representatives

The Honorable Joanna E. McClinton  
Minority Leader, Pennsylvania House of Representatives

The Honorable Stan Saylor  
Chair, House Appropriations Committee

The Honorable Matthew D. Bradford  
Minority Chair, House Appropriations Committee

The Honorable Ausha Green  
Vice President, Harrisburg City Council

The Honorable Charles DeBrunner  
Controller, City of Harrisburg

**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, all of which included the continuing impacts of the pandemic as well as a mayoral election culminating in a change of administration, the Authority members remained on task in service of Harrisburg and the community. The Authority Board is at full complement with the new addition of the City's ex officio member, Marita Kelley, the new Director of Finance. Having served as the Act 47 Recovery Coordinator, she thoroughly understands the financial

constraints of the City and more importantly, is familiar with the solutions. This report 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 the intended spirit of cooperation is finally in place. Mayor Wanda Williams took office just four months ago and it was immediately evident that she intends to pursue improvements for the benefit of the citizens of Harrisburg and for the working relationship between the Authority and the City.

Key observations include:

- The immediate appointment of Marita Kelley, former Act 47 Coordinator for the City of Harrisburg, to the position of Director of Finance upon being sworn in;
- Development of a revised FY22 budget that is significantly lower than the prior Administration's place holder budget and which for the first time, in many years, does not rely on a fund balance transfer for the City's General Fund;
- Recruitment of a professional services firm, NW Financial Group, LLC, to facilitate public input for the use of the City's American Rescue Plan dollars and to provide assistance in navigating research and reporting uses of these monies to the federal government; and
- Recruitment of a chief of staff and business administrator, Daniel Hartman, who actively engages across all departments and who emphasizes the implementation of first ever performance metrics.

While I share observations about the new administration, I am also mindful that the purpose of this report is actually to report on the progress of the City in FY21. It is important to note that progress in our efforts with the City all but ceased for most of 2021 after the previous mayor lost his bid for re-election and pulled back from active work with the Authority.

Our efforts continue to concentrate on the execution of an Intergovernmental Cooperation Agreement with the City. The language is approved but execution is on hold pending resolution of continued incinerator litigation. In addition, the Authority focuses on the need for sound financial management, robust community and economic development, and operational excellence to allow the City of Harrisburg to thrive. The City has invited the Authority Manager to begin collaborating with the City's ex officio designee which we acknowledge is a very positive step forward.

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

Sincerely,



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



April 30, 2022

**MEMBERS**

Audry K. Carter, Chair  
H. Ralph Vartan, Vice-Chair  
Kathy Speaker MacNett, Secretary/Treasurer  
Douglas E. Hill  
Karla Hodge

Mark Ryan, *ex officio*, Pennsylvania Office of the Budget  
Marita Kelley, *ex officio*, City of Harrisburg

**AUTHORITY MANAGER**

Jeffrey M. Stonehill

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**DISCLAIMER**

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

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## TABLE OF CONTENTS

Executive Summary.....	5
Sound Financial Management & Reporting .....	5
Community and Economic Development. ....	7
Operational Excellence.....	8
Background.....	11
Appraisal of the City’s Progress.....	13
Intergovernmental Cooperation Agreement. ....	13
Communication and Cooperation. ....	14
City’s Five-Year Financial Plan.....	15
Community and Economic Development. ....	17
Financial Management and Reporting.....	18
Operational Excellence.....	22
Program Management with Federal Funding.....	25
Debt Load and Restoring Access to Credit Markets. ....	25
Personnel and Labor Agreements.....	26
Privatization Initiatives. ....	28
Intergovernmental Cooperation Opportunities.....	29
Other Matters.....	31
Supplemental Information.....	32
Financial Presentations (Five-Year Financial Plan).....	34
Historical loans or other contracts (Ambac Settlement Presentation) .....	34

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## **EXECUTIVE SUMMARY.**

The City of Harrisburg's financial condition is currently stable.

On July 8, 2021, pursuant to Act 124, the Authority approved the City's revised Five-Year Financial Plan. This was the final revision to the Plan by the outgoing administration of Mayor Eric Papenfuse. The Plan lays out several important initiatives which, however, due to a variety of factors, the administration failed to implement fully in 2021.

This annual report for the year ending December 31, 2021 also includes important updates for subsequent events during the beginning of 2022, simply because a new mayor, the Honorable Wanda R.D. Williams, was elected in 2021 and inaugurated in 2022. The Authority is pleased to report that under the leadership of Mayor Williams, the new administration has hit the ground running.

Mayor Williams revised the City budget for 2022, which the Authority reviewed for conformance with the criteria set forth in Act 124, and which City Council approved on February 15, 2022. The revised budget meets or exceeds the Authority's expectations for the proper financial management of the City.

As of the date hereof, the City is in the process of revising the Five-Year Financial Plan. We anticipate the revised Plan to address the retirement of the entire City's general-obligation debt.

The City is on the cusp of exit from Act 47 status. That and the essential planning necessary to navigate the City's finances into the future remain major focuses of the work of the Authority.

The Authority emphasizes three themes to help advance the financial stability of the City:

1. sound financial management and reporting;
2. community and economic development; and
3. operational excellence.

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

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

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

### *Director of Finance Position Filled in 2022.*

From July 2020 to January 2022, the City's Director of Finance position was vacant. Upon assuming office in January 2022, Mayor Williams announced Marita J. Kelley as the new Director of Finance. As the former Act 47 Coordinator for the City, Ms. Kelley lends immediate credibility to the City's financial management and brings a depth of knowledge of City finances to the position. The Authority applauds the appointment of Ms. Kelley. She serves as the City's ex officio, non-voting member on the Authority Board.

*Independent Auditor Identified Numerous Material Weaknesses.*

In the City's 2020 Audit, the City's Independent Auditor again identified a number of material weaknesses and significant deficiencies in internal control over financial reporting and other matters, for which corrective action has not been completed. A "material weakness" is the most serious type of finding. Examples of findings are:

- For the third consecutive year, the Independent Auditor expressed a qualified opinion on major federal programs in the Single Audit Report.
- The City does not have adequate staffing to produce its financial statements in accordance with generally accepted accounting principles applicable to governmental entities (GAAP).
- There were multiple findings for federal awards related to reporting, program income, equipment and real property management, allowability, and environmental review requirements. Failure to submit reports and plans by the required deadlines could jeopardize future funding.
- No physical inventory of capital assets has been taken since 2005.

It is notable the City's 2020 Audit was completed in December 2021 and presented to the Authority in January 2022. The extraordinary length of time was due to staffing constraints in the prior administration's final year, including the vacant Director of Finance position.

*Neighborhood Service Fund.*

Created in 2016, the Neighborhood Services Fund (NSF) is a principal proprietary fund of the City. It accounts for the revenues and expenses associated with refuse collection and disposal. The NSF budget has historically relied on the use of fund balance for its capital needs and operating expenses. The City's 2021 Five-Year Financial Plan demonstrates a move to stabilization of the fund in 2025.

The City achieves low collection rates on accounts receivable in the NSF. Receivables on delinquent sanitation and disposal accounts as of January 2022 totaled over \$12 million according to the City Treasurer. At its public meeting on October 27, 2021, the Authority determined that the City had not adhered to its approved Plan and failed to implement an initiative to improve the collection rates. This determination led to an official notification of variation in accordance with Act 124.

In contrast to the prior administration's indifference, the new administration, under the leadership of Mayor Williams has already commenced an examination of potential changes to sanitation billing and implemented additional accounting controls.

*Defeasance and Pre-payment of Ambac Debt Obligations.*

A strategy to refinance and defease long-term debt obligations of the City was much discussed and partially implemented under the prior administration. In 2021, the City reached an agreement on a debt restructuring with one of its key creditors, Ambac Assurance Corporation ("Ambac"). The agreement provides principal and temporary interest rate reductions, and ultimately will generate

recurring budgetary savings and preserve fund balance. We believe this is a major step towards re-establishing the City's credit rating and re-gaining access to credit markets.

Under the two-step plan, the City defeased approximately \$4.98 million in outstanding debt related to 2005 renovations at the City-owned minor league baseball stadium. The City also made a pre-payment of \$4 million for its "forbearance liability" to Ambac, a debt related to missed bond payments during the City's 2010-2012 fiscal crisis. The combined payments were almost \$9 million. In return, Ambac gave the City an immediate \$3,288,900 discount on the forbearance liability, plus a reduction in the interest rate on the remaining balance from 6.75% to 5% for three years. These matters were accomplished in November 2021.

The forbearance liability was at approximately \$26.2 million before the agreement was settled, and accrues interest.

### **COMMUNITY AND ECONOMIC DEVELOPMENT.**

Key to securing the City's long-term health is expanding its economic base and the growth of its own local tax revenues.

#### *Commitment to Community and Economic Development.*

The City does not currently have a community and economic development plan. The new administration has communicated its intent to develop a comprehensive plan in partnership with community stakeholders. We are hopeful for the opportunity to report progress in the future on a community and economic development plan for Harrisburg.

We note that per the revised 2022 budget, one individual is responsible for the role of director for two departments: the Department of Building and Housing Development (four days per week) and the Department of Community and Economic Development (one day per week). The Authority is monitoring the sufficiency of the resources being allocated to this area.

#### *American Rescue Plan Funding.*

In 2021, the prior administration did not take steps to develop a spending plan for use of the American Rescue Plan (ARP) federal funding. The City received \$23,536,812.50 in rescue plan funds in 2021, with a second allocation of the same anticipated for the spring of 2022. The U.S. Treasury Department awarded the City of Harrisburg a total of \$48.8 million in rescue plan funds in two tranches.

In 2022 under the leadership of Mayor Williams, the City has made up significant ground. The revised 2022 budget appropriates \$8.86 million of the ARP funds for reimbursement of lost local revenue, pursuant to ARP program guidelines. The City also initiated a public engagement process on other uses for the funds. The City is expected to unveil proposed uses by mid-year 2022.

#### *Impact of the COVID-19 Pandemic.*

The City's economic development efforts for much of 2021 were focused on helping the local business community cope with COVID-19 related pressures and hardships.

The protracted remote work environment has had a pronounced negative impact on the downtown business district and parking revenues for the City. However, the City's real estate and mercantile tax receipts have been remarkably resilient. The long-term impact of COVID-19 on the City's progress with community and economic development remains unclear.

*New Comprehensive Plan.*

In 2021, the City finally updated and replaced their outdated comprehensive planning document following a seven-year-long process. The previous comprehensive plan was created in 1974, serving more than double its intended lifespan of 20 years.

**OPERATIONAL EXCELLENCE.**

The City's full financial recovery involves addressing legacy operational issues.

*Communication and Cooperation.*

One of the Authority's top priorities is communication and cooperation with Mayor Williams and her administration. We believe Mayor Williams has assembled a highly qualified management team, and she is committed to developing a strong working relationship with the Authority.

*Compliance with Major Federal Programs.*

The City's Independent Auditor again expressed a qualified opinion on compliance for major federal programs in the Single Audit Report dated December 28, 2021. The Independent Auditor also identified an additional finding for other instances of noncompliance and internal controls over compliance.

Although the qualified opinion is a grave concern for the Authority, we noted that the number of findings of non-compliance were reduced from six (6) in the 2019 Audit, to one (1) in the 2020 Audit.

*Information Technology Infrastructure.*

The City operates legacy Information Technology infrastructure with unsupported hardware and software that has the risk of failing at any point. The City's mainframe infrastructure is more than 30 years old.

The Authority believes the City is making significant strides to address its issues with legacy IT infrastructure and moving in the right direction. The City has entered into an agreement with Tyler Technologies to implement its Munis system, a leading integrated Enterprise Resource Planning (ERP) system.

*Proper Planning Procedures.*

In 2020, under the prior administration, the City announced a new division within the Bureau of Police, named the Community Services Division. The Authority criticized the abrupt rollout and lack of detailed budgets, descriptions, and measurable outcomes that the new spending aims to achieve. Under the leadership of Mayor Williams, the new administration is in the process of developing an appropriate system of performance measurement. The division's initial staffing complement is currently set at seven community service aides.

Performance Measurement.

The City does not practice systematic performance measurement. We believe implementing an effective system of performance measurement will enhance the efficient management and fiscal recovery of the City.

Trash Service to Neighboring Municipalities.

The Bureau of Neighborhood Services has been actively engaged in a number of key projects in the refuse and recycling, maintenance, and infrastructure development areas. In addition to City trash collection, the City has entered into intergovernmental cooperation agreements with the Boroughs of Steelton, Penbrook, and Paxtang allowing the City to provide municipal solid waste and recycling collection and disposal services. This is a major advancement in the use of the City owned resources to provide trash services to neighboring communities.

Under the prior administration, the Authority expressed concern with the accounting, cost allocation, and reporting practices for these intermunicipal services. Under the new administration, the City has already implemented new accounting reporting capabilities and controls.

Optimism for the New Administration.

Overall, the Authority is quite pleased with the progress the new administration has made in such a short period. There is reason for optimism going forward.

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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 2021 Five-Year Financial Plan dated July 8, 2021.
- The City of Harrisburg's Comprehensive Annual Financial Report for FY2020.
- The City of Harrisburg's Approved and Restated 2022 Budget.
- The Act 47 Recovery Coordinator's Quarterly Status Reports.
- The City Controller's Monthly Revenue and Expenditure Reports.
- The Harrisburg Strong Plan, as revised.
- Interviews with public officials, other stakeholders, and their generous allowance of time.

## **APPRAISAL OF THE CITY'S PROGRESS.**

From 2012, when the City was placed in receivership, to date, on the cusp of emerging from the Act 47 program for distressed municipalities, the City has made significant progress: approaching sustainable and balanced operating budgets, building a fund balance reserve, funding capital projects, and increasing service levels. Despite these significant accomplishments, much work remains to be done to meet the objective of achieving financial stability. The Authority members have articulated issues and areas of concern that we have asked the City to address as we move forward toward progress.

The Authority is currently focused on a specific set of issues affecting the City's progress to financial stability.

### **ISSUE #1: INTERGOVERNMENTAL COOPERATION AGREEMENT.**

Act 124 provides that the Authority and the City shall enter into an intergovernmental cooperation agreement. An agreement will formalize key terms of the working relationship between the Authority and the City, as we work together to foster the fiscal integrity of Harrisburg. Once approved by the Authority, the Mayor, ratified by City Council, and authorized by Commonwealth Court, an agreement would allow the distressed status of the City under the Municipalities Financial Recovery Act ("Act 47") to terminate.

In our 2021 report, we reported that a draft of the agreement was negotiated and approved. We also reported the Authority granted a request from the City, that the agreement not be executed until such time as Commonwealth Court had reviewed pending legal matters that could be affected by the City's exit from Act 47.

Therefore, the agreement is in limbo.

In September 2021, Commonwealth Court removed certain parties to the incinerator litigation. In a 95-page opinion by Judge Michael H. Wojcik, the court removed Gov. Tom Wolf, the State of Pennsylvania and the Department of Community and Economic Development as plaintiffs in the suit, leaving the City, its state-appointed Act 47 Coordinator, and Capital Region Water, the successor to the Harrisburg Authority, as the only plaintiff remaining in the litigation.

The Authority is anxious to see the approved agreement become official and for the City to exit Act 47 status. To that end, the Board has pledged to cooperate with the Pennsylvania Department of Community and Economic Development Act 47 Coordinator, the City of Harrisburg Solicitor, and other stakeholders in preparation of the finalization of the approved agreement and the change in the City's status.

A draft of the approved agreement is available on the Authority's website and its approval was adopted by an act of City Council in 2021.

## **ISSUE #2: COMMUNICATION AND COOPERATION.**

The Authority believes Act 124 presents a valuable opportunity to engage the leaders of our Commonwealth and develop an alignment of vision between the Authority and the City. Historically, communications with City management have been strained with challenges of communications and cooperation culminating in the disapproval of the City's Five-Year Financial Plan in December 2020 and a certification of noncompliance to the Secretary of the Budget in January 2021.

There is great optimism and opportunity with the new Mayor and her administration. The Authority has so far experienced a significant increase in communication and cooperation.

The City's *ex officio* member of the Authority board facilitates communications between the Authority and the City. In January 2022, Marita Kelley became the City's *ex officio* member. As the former Act 47 Coordinator and a retiree from the Pennsylvania Department of Community and Economic Development, Marita lends immediate credibility to the City's financial manager. She brings a depth of knowledge of City finances to the position. The Authority applauds her appointment.

## **ISSUE #3: CITY'S FIVE-YEAR FINANCIAL PLAN.**

Under Act 124, the City is required to develop, implement, and periodically revise a financial plan.

### *Initial Five-Year Financial Plan.*

On May 29, 2019, the Authority approved the initial Five-Year Financial Plan submitted by Mayor Eric Papenfuse to the Authority for its review. The plan includes 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 existing 2019 Budget were provided.

### *2020 Five-Year Financial Plan Approved in 2021.*

The Authority approved the 2020 Five-Year Financial Plan on March 10, 2021. The later stages in the path to final approval might be described as tortuous and bear some elaboration.

The filing deadline for the 2020 Five-Year Financial Plan was extended by mutual agreement, multiple times, until December 14, 2020. On October 30, 2020, the Assisted City submitted a draft of its proposed plan. On November 24, 2020, the Authority transmitted a review letter to the Assisted City, and on December 2, 2020, the Authority held a public hearing on the draft plan. We note that the special meeting for December 2 was scheduled at the request of Mayor Papenfuse, but neither he nor any representative of City management attended.

On December 14, 2020, the City submitted and certified its proposed Financial Plan. At its public meeting on December 16, 2020, the Authority reviewed the proposed plan for conformance with the criteria set forth in Act 124, and with consideration for components that will eliminate projected deficits, implement sound budgetary practices, and provide procedures to avoid a fiscal emergency condition in the future. At that same meeting, the Authority took action to disapprove the proposed Financial Plan, set in context of recommended changes and offering a further extension.

Following such disapproval, the City was required to submit a revised plan to the Authority. Instead, the City, through outside legal counsel, objected to the reasons for disapproval, and stated the City would not be forwarding a revised plan.

Accordingly, due to the City's failure to submit a revised plan, the Authority was required under Act 124 to certify the City's noncompliance to the Secretary of the Budget, the President pro tempore of the Senate and the Speaker of the House of Representatives, which was done on January 28, 2021.

Following the certification of non-compliance, Authority members held additional discussions with City Administration on resolving the impasse and finding a path toward removal of the certification. On February 19, 2021, the Authority received a submission of the revised 2020 Five-Year Financial Plan. On February 24, 2021, at its regularly scheduled meeting the Authority Board acted to accept the revised plan retroactively as a good faith effort and certify the City's compliance.

The revised plan was reviewed by the Authority and approved on March 10, 2021.

2021 Financial Plan Approved.

The Authority approved the 2021 Five-Year Financial Plan on July 8, 2021. The submission was dated June 11, 2021, and represents a satisfactory 2021 submission by the City.

While there was much discussion on the refinancing and defeasing strategy laid out in the Plan, at the administration's request, the Plan remained as presented. As described elsewhere in this report, this strategy was partially executed in 2021 with the defeasance of the "stadium bonds", and the prepayment of the "forbearance liability."

The following represent a summary of the Board's other comments on the final submission:

- *Effect of COVID-19.* COVID-19 represents significant service delivery, budgeting, and administrative challenges. In general, the 2020 plan update continues deferral of projected recovery from such challenges into 2022.
- *Summary of Principal Funds.* The Authority acknowledges, and has communicated to the City, the dual needs of working to meet GASB accounting standards and GAAP reporting standards; and further, of addressing accounting and procedural matters contained in the findings of the 2019 audit.
- *Transfers from Other Funds.* The plan document indicates that funds transferred to the General Fund from the Neighborhood Services Fund (NSF) have stopped. It also notes no intent for the Neighborhood Services Fund to compensate the General Fund for back office operations after 2021. Given there are likely other indirect costs borne by the General Fund, such as billings and collection staff, supervisory staff, and general overhead, the Authority urges the City to estimate these costs and make a policy determination to reimburse the General Fund at an appropriate level.

- *Improve Collection Rates in the Neighborhood Services Fund.* The City collects approximately 85% of current billings for sanitation and disposal accounts. The City has indicated that it will build on its efforts to improve on its collections by 3% in 2022 and an additional 5% in 2023. The Authority has encouraged the City to accelerate this timeline.
- *Headcount of employees.* The 2020 Plan increases FTEs by 36.5, an 8% increase from the 2019 plan. Given that the majority of these positions will fall within collective bargaining units, the Authority has encouraged long-range cost calculations.

The Community Services Division was unveiled in the 2021 budget. It lacks an adequate description on strategy and benchmarks of the division.

- *Debt Refinancing Alternatives.* The Authority awaits the final decision from the City as to how to address the debt: prepayment, defeasance, consolidation or a combination of all three.
- *Emphasis on transition to incoming administration.* The final amended and restated plan document placed too much emphasis on the next administration. While some of the plan touched upon matter that will now be policy choices of the new administration, and so it is understandable that those matters of Authority commentary were not fully addressed, the City's outgoing Papenfuse administration had significant work to accomplish throughout 2021 that left unattended.
- *Absence of Economic Development Plan.* The plan revisions and the administration's timeline and process for the development of a promised Economic Development Plan were matters of concern.
- *Other Post-Employment Benefits Trust Fund.* While the project of establishing the OPEB Trust Fund is underway, the Authority hoped it would be fully established before now. In addition, these issues need to be addressed in order to permit the City to exit Act 47.

#### Annual submission of Five-Year Financial Plan.

Pursuant to Act 124 the City is required to prepare and submit its proposed Five-Year Financial Plan to the Authority annually, at least 100 days prior to the beginning of the City's fiscal year or on another date as the Authority may approve.

On November 20, 2019, the Authority granted an extension to the annual submission deadline until April 30 of each year. This extension was granted at the City's request in light of available staffing and competing reporting obligations throughout the year.

On Wednesday, March 23, 2022, the Board of the Authority received a request from Mayor Williams that the annual update to the Mayor's Five-Year Financial Plan, pursuant to Section 210 of Act 124 of 2018, *the Intergovernmental Cooperation Authorities Act for Cities of the Third Class*, be delayed until June 30, 2022. The Authority approved the request and this upcoming submission will represent the first plan submission by the City under the leadership of Mayor Williams.

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

The Authority is interested in a comprehensive approach to community and economic development. It is the City's responsibility to formulate and implement such a plan. The Authority will advise, assist, and be a partner to the City.

##### *Community and Economic Development Planning.*

The City does not currently have a Community and Economic Development Plan. The City has communicated that it will collaborate with community stakeholders to develop an economic development strategic plan.

The City's economic development efforts for much of 2020 were focused on helping the local business community cope with COVID related pressures and hardships.

The City has a Local Economic Revitalization Tax Assistance (LERTA) program. The City reports that in its current form, it has not proven to be an effective tool for encouraging major redevelopment projects in Harrisburg. In order for the City to realize some of the benefits that the LERTA program hoped to encourage, such as elimination of blight and significant redevelopment, the program may require modifications.

Key to securing the City's long-term financial health and quality of life is expanding its economic base and the growth of its own local tax revenues. We are hopeful for the opportunity to report progress in the future on a Community and Economic Development Plan for Harrisburg.

##### *New Comprehensive Plan Completed.*

In 2021, the City finally updated and replaced their outdated comprehensive planning document following a seven-year-long process. The previous comprehensive plan was created in 1974, serving more than double its intended lifespan of 20 years. In 2014, Harrisburg began to discuss creating a new plan, but was faced with years of delay. A dispute between the city and a former consultant hired to draft the plan prolonged the process, as did extensions to the public comment period.

The plan document provides long-range policy direction for land use, transportation, economic development, housing, utilities, public services, and natural and cultural resources. It serves as a guide for elected and public officials by establishing policies and priorities and providing the framework for evaluating development proposals. It expresses the community's vision and priorities and describes where, how, and in some cases when development should occur.

View Harrisburg's 2020 Comprehensive Plan: <https://harrisburgpa.gov/comprehensive-plan>

## **ISSUE #5: FINANCIAL MANAGEMENT AND REPORTING.**

### Director of Finance position filled in 2022.

From July 2020 to January 2022, the City's Director of Finance position was vacant. This vacancy deprived the City of critical financial management and leadership.

Upon assuming office in January 2022, Mayor Williams announced Marita J. Kelley as the new Director of Finance. As the former Act 47 Coordinator for the City, Ms. Kelley lends immediate credibility to the City's financial management and brings a depth of knowledge of City finances to the position. The Authority applauds the appointment of Ms. Kelley. She serves as the City's ex officio, non-voting member on the Authority Board.

### Material Weaknesses and Significant Deficiencies.

The City's Independent Auditor, in its audit findings issued on December 28, 2021, identifies a number of material weaknesses and significant deficiencies in internal control over financial reporting and other matters, for which corrective action has not been completed. A "material weakness" is the most serious type of finding. Select highlights of the findings include:

- For the third consecutive year, the Independent Auditor expressed a qualified opinion on major federal programs in its Single Audit Report.
- The City does not have adequate staffing to produce its financial statements in accordance with generally accepted accounting principles applicable to governmental entities (GAAP). The City should have the ability to produce GAAP financial statements. This is a repeat finding.
- There was one (1) repeat finding—down from four (4) repeat findings in the prior year—for federal awards related to equipment and real property management. During the audit it was noted that the City was not conducting an inventory of equipment and real property purchased with CDBG grants funds. Failure to submit reports and plans by the required deadlines could jeopardize future funding.
- As previously noted in the December 31, 2007, through December 31, 2019 audits, no physical inventory of capital assets has been taken since 2005.

We urged the City to take immediate corrective action for all material weaknesses. The new Administration has stated their commitment to addressing these issues.

The Authority has advised that the ability to maintain accounting and render financial reports in a manner consistent with GAAP standards is a crucial tool for management and others to know the City's financial position on a real-time, day-to-day basis.

The Authority believes this matter could be addressed in the Intergovernmental Cooperation Agreement now pending between the Authority and the City. We note that the City is in the process of upgrading its IT systems, which will better position the City to implement accounting practices and standards in accordance with GAAP. Time may be needed to adequately address this issue.

2022 Updated and Reauthorized City Budget.

In February 2022, the City Council re-approved the 2022 budget, as amended.

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

The Authority received and reviewed the proposed 2022 budget and additional information provided by the City for conformance with the criteria set forth in Act 124. Additionally, we observed the City Council's budget hearings and workshops. Two broad observations follow:

The General Fund budget is functional and flexible despite significant uncertainties and constraints and most importantly, remains balanced without the appropriation of any Fund balance. This disciplined approach results in a decrease from last year's budget while still tackling new initiatives. The promised implementation of performance metrics will allow better evaluation of outcomes for FY22.

Despite an overall decrease in the expenditure budget, it includes increased funds of over \$5 million for several departments. The planned surplus is an outstanding achievement for a new Mayor's introductory budget. Funding is included for an IT system modernization for the City, a project of great importance identified by the Authority. Additional monies also would go towards vehicle management, the police, and fire bureaus, and the parks and recreation departments.

Under the revised budget, all city employees would receive raises. No layoffs are anticipated.

The budget includes paying \$10.7 million in debt service, some of which includes paying down the City's remaining \$19 million general obligation debt to bond insurer Ambac. The City has yet to decide on its plan for paying off the full general obligation debt. Council did make a few final changes to the Mayor's plan, most notably in its \$19.5 million police budget

Finally, a supplementary spending plan for use of the American Rescue Plan (ARP) federal funding remains unarticulated, although a proposal is expected about mid-year. Of great interest to the Authority, the 2022-revised budget called for use of \$8.86 million of the \$48.8 million in rescue plan funds awarded the City of Harrisburg, to refund itself the "lost revenue" element of the ARP funding. The City has completed a public outreach process and the Authority awaits the results of that input and the Mayor's plans for the balance of the funds.

Unfortunately, the Neighborhood Services Fund, long a concern for the Authority, still does rely on a Fund Balance appropriation to balance its budget. There is hope that with added energy for improving the collections rate, this reliance could be reversed.

The following is a general outline of the proposed budget as compared to the City's current Five-Year Financial Plan as amended and restated on June 11, 2021 (the "Five-Year Plan").

### General Fund

- Revenues of \$72,523,000, compared to \$65,358,263 in the Five-Year Plan. The budget includes an ARP allocation of \$8,863,000.
- Expenditures of \$71,294,728, compared to \$71,758,470 in the Five-Year Plan.
- Capital Expenditures of \$2,069,864 compared to \$1,617,000 in the Five-Year Plan.
- Fund Balance appropriation of \$0, compared to \$7,400,208 in the Five-Year Plan.

### Neighborhood Services Fund

- Revenues (excluding cash carryover) of \$18,262,224, compared to \$17,036,321 in the Five-Year Plan.
- Expenditures of \$18,029,799, compared to \$17,927,774 in the Five-Year Plan.
- Capital Expenditures of \$644,203 compared to \$1,948,521 in the Five-Year Plan.
- Appropriation of Fund Balance of \$1,025,949 compared to \$891,453 in the Five-Year Plan.

### Capital Projects Fund

- Capital Expenditures of \$8,981,337 compared to \$1,290,554 in the Five-Year Plan.

The Authority has acknowledged that the City proposed revised and restated 2022 budget meets or exceeds the Authority's expectations for the proper financial management of the City of Harrisburg. As a whole, the Authority applauds the Mayor's assembled Financial Management team whose talents are a refreshing change, and which lend immediate credibility to the City's financial management.

STATEMENT OF ACTUAL AND BUDGETED REVENUE  
 FOR THE PERIOD ENDED DECEMBER 31, 2021

<u>Revenue</u>	Adjusted Budget	TOTAL Revenue	Variance From Budget	TOTAL Revenue	Variance From Actual
Source:	2021	2021	2021	2020	2021 vs 2020
Total General Fund	\$86,746,922.00	\$ 68,808,510.00	\$(17,938,412.00)	\$65,212,518.00	\$3,595,992.00
<i>Approp. of Fund Bal.</i>	\$21,100,285*				
Total Capital Projects	\$16,644,138.00	\$ 5,854,497.00	\$(10,789,641.00)	\$ 3,538,865.00	\$2,315,632.00
Total Debt Service	\$14,518,638.00	\$ 13,628,869.00	\$ (889,769.00)	\$10,083,351.00	\$3,545,518.00
Total S.L.F.T.	\$4,204,063.00	\$ 1,285,187.00	\$ (2,918,876.00)	\$ 1,422,384.00	\$(137,197.00)
Total Host Muni Fee	\$604,239.00	\$ 344,725.00	\$ (259,514.00)	\$ 350,854.00	\$(6,129.00)
Total Neighborhood	\$19,219,613.00	\$ 16,126,350.00	\$ (3,093,263.00)	\$15,883,785.00	\$242,565.00
Total Senators	\$5,950,000.00	\$ 5,837,346.00	\$ (112,654.00)	\$ 506,780.00	\$5,330,566.00
Total Sanitation (Discontinued)	\$ 0	\$ 69,845.00	\$ 69,845.00	\$ 6,645.00	\$63,200.00
Total Mitigation	\$192,546.00	\$ 52,037.00	\$ (140,509.00)	\$ 63,848.00	\$(11,811.00)
Total Spec Eve/Proj	\$21,300.00	\$ 74,141.00	\$ 52,841.00	\$ 13,655.00	\$ 60,486.00
Total Fire Protection	\$247,833.00	\$ 16,439.00	\$ (231,394.00)	\$ 29,862.00	\$ (13,423.00)
Total Police Protection	\$209,300.00	\$ 118,865.00	\$ (90,435.00)	\$ 207,989.00	\$(89,124.00)
Total Parks & Rec	\$420,314.00	\$ 95,917.00	\$ (324,397.00)	\$ 95,603.00	\$ 314.00
Total WHBG-TV	\$5,000.00	\$ 29.00	\$ (4,971.00)	\$ 1,042.00	\$(1,013.00)
Total Special Events	\$323,000.00	\$ 190,053.00	\$ (132,947.00)	\$ 83,517.00	\$106,536.00
<b>TOTAL</b>	<b>\$149,306,906.00</b>	<b>\$112,502,810.00</b>	<b>\$(36,804,096.00)</b>	<b>\$97,500,698.00</b>	<b>\$15,002,112.00</b>

STATEMENT OF ACTUAL AND BUDGETED EXPENDITURES  
 FOR THE PERIOD ENDED DECEMBER 31, 2021

<u>Expenses</u>	Adjusted Budget	Actual Expenses and Encumbrances	Available Budget
	2021	2021	2021
General Fund	\$86,684,486.00	\$78,375,730.00	\$8,308,756.00
Capital Projects Fund	\$16,644,138.00	\$14,706,747.00	\$1,937,391.00
Debt Service Fund	\$14,518,638.00	\$14,078,638.00	\$440,000.00
State Liquid Fuels Tax Fund	\$4,204,063.00	\$3,943,565.00	\$260,498.00
Host Municipality Fee Fund	\$604,239.00	\$342,943.00	\$261,296.00
Neighborhood Services Fund	\$19,219,614.00	\$17,237,741.00	\$1,981,873.00
Harrisburg Senators Fund	\$5,950,000.00	\$5,631,342.00	\$318,658.00
Neighborhood Mitigation Fund	\$192,546.00	\$54,936.00	\$137,610.00
Special Events & Projects Fund	\$20,000.00	\$5,250.00	\$14,750.00
Fire Protection Fund	\$245,533.00	\$224,533.00	\$21,000.00
Police Protection Fund	\$205,300.00	\$89,893.00	\$115,407.00
Parks & Recreation Fund	\$420,214.00	\$81,643.00	\$338,571.00
WHBG-TV Fund	\$5,000.00	\$-	\$5,000.00
Events Fund	\$322,100.00	\$135,546.00	\$186,554.00
	<b>\$149,235,871.00</b>	<b>\$134,908,507.00</b>	<b>\$ 14,327,364.00</b>

Based on the attached budgetary fund balance report (and what is not clear from the chart above) is that the majority of 'overspend' is due to encumbrances in the General Fund. Of the \$134.91 million of total expenses and encumbrances, \$15.58 million is open purchase orders at year end. If one calculates actual revenue with actual expenditures for the General Fund in 2021, those numbers more accurately would be revenue of \$68.81 million less expenditures of \$73.87 million, which required drawing on the General Fund's fund balance for \$5.06 million.

## **ISSUE #6: OPERATIONAL EXCELLENCE.**

The City's full financial recovery will benefit from additional improvement with operational issues.

### *Compliance for Major Federal Programs.*

The City's Independent Auditor expressed a qualified opinion on compliance for major federal programs in the Single Audit Report dated December 28, 2021. The Independent Auditor also identified additional findings for other instances of noncompliance and internal controls over compliance.

### *Information Technology Infrastructure.*

The City operates legacy Information Technology infrastructure with unsupported hardware and software that has the risk of failing at any point. The City's mainframe infrastructure is more than 30 years old.

The Authority believes the City is making significant strides to address its issues with legacy IT infrastructure and moving in the right direction. The City projects nearly \$1.5 million in IT capital projects over the next four years. These projects will allow the automation of certain time-consuming processes which are currently manual or maintained off system, as well as improve internal controls for the City.

The contract with Tyler Technologies ("Tyler") to migrate to their Munis system was fully executed on March 3, 2022. Munis is an Enterprise Resource Planning (ERP) solution that integrates all of the core operations onto a single platform. The modular design will allow the City to integrate seamlessly other modules to fit future needs.

This migration will involve the conversion of historical data and processes from a variety of legacy systems including the City mainframe, Revenue, and Personnel systems, plus the Central Square eFinance system and the Paychex payroll system. The new system will be hosted by Tyler in their Data Center and will be accessed by City employees through an internet browser. As systems are converted to Munis, the existing systems will be retired and decommissioned. This includes both hardware and software.

Tyler is in the process of assembling its project team, so that project can begin coordinating with the City's project teams. The project should begin during April 2022. The preliminary project timeline received from Tyler indicated that the project would be implemented in six (6) separate phases over a 27-month period.

The City's project teams will be made up of a Steering Committee that includes an Executive Sponsor and Project Manager, Functional Leads, Power Users, End Users, and Technical Leads.

A steering committee will manage the implementation. After migration, the Munis system will allow the City to become more efficient with the overall operations of all Bureaus and Departments and should be more responsive to customers. It will also allow City residents to have easier access to their information through a citizen self-service portal and to receive communications from the City electronically.

Communications Office.

A new Communications Director was hired in March 2022. Matt Maisel comes to the city following seven years as a reporter and anchor at WPMT FOX43 and eight years in print and television journalism in Johnstown. In that time, he covered Harrisburg city news and state government stories.

Public Safety - Police.

Eight probationary Police Officers who were hired on 3/22/21 have successfully completed one-year of service with the Harrisburg Bureau of Police. This group of officers have spent the past year going through the HACC Academy for their ACT 120 certifications, followed by completing a rigorous 6-month field training program which includes in-house instruction and practical training on the street.

The recently formed Community Services Division now includes a team of six civilian Community Service Aides (CSA) under the supervision of newly appointed Director, Chardon Huston, and Police Captain, Milo Hooper. The CSA team has identified ways to strengthen the relationship between the police bureau and the community.

In December of 2021, the City was awarded a \$500,000 PCCD VIP grant to support local intervention measures with the goal of reducing or preventing gun violence in the number of hot spot areas in the City. Under this grant, the City will engage a consultant through the National Network for Safe Communities to guide the implementation of a long-range program to continue a collaborative partnership for violence reduction among the Dauphin County Human Services Department, the City of Harrisburg, and the Harrisburg Bureau of Police. The program is expected to foster and promote communication and prevention activities among school entities, the community, and law enforcement through street outreach and use of credible messengers as part of the Group Violence Intervention (GVI) initiative.

The next phase of this effort focuses on initiating and continuing the execution and evolution of the Group Violence Intervention (GVI) strategy. The City will expand resources for the Community Service Aide Program and increase partnerships with sustainable, community-based, non-profit programs in Harrisburg. The grant funding is expected to cover the cost of a multitude of items, including, but not limited to: consultancy fees, the salary of an independent contractor to provide technical assistance, training costs of evidence-based gun violence intervention strategies for the Community Service Aides to provide outreach, street mediation, and violence interruption, computer software, sponsorship efforts, as well as the cost of supplies to support mentorship programs.

Public Safety – Fire.

As of March 25, 2022, the Fire Bureau is staffed with the Fire Chief, Chief Brian Enterline, Senior Deputy Chief, Deputy Chief, the newly created Deputy Chief of Training (Vacant), one Administrative Assistant, and 86 Sworn Personnel. In addition, the Fire Bureau has five new firefighter trainee that commenced their training on March 7, 2022.

Public Safety - Codes Enforcement.

The Codes Enforcement Bureau is currently working on translating various forms into Spanish. The translated forms will be available at the customer service counter.

Neighborhood Services Department.

The Bureau of Neighborhood Services has been actively engaged in a number of key projects in the refuse and recycling, maintenance, and infrastructure development areas. In addition to City trash collection, the City has a trash collection contract with the Borough of Steelton, the Borough of Penbrook, and the Borough of Paxtang. This is a major advancement in the use of the City owned resources to provide trash services to neighboring communities.

Parks, Recreation and Facilities.

The following projects are currently underway for the Bureau of Parks, Recreation, and Facilities:

- The Chutes and Ladders Playground in Reservoir Park.
- Dredging Italian Lake.
- Cleanup and trail remediation for the Greenbelt linear park.

Performance Measurement.

The City currently does not practice systematic performance measurement. We believe implementing an effective system of performance measurement will enhance the efficient management and fiscal recovery of the City. The City's Business Administrator has pledged his energies to develop such measures as soon as possible.

Traffic and Engineering.

The City's Zero Action Plan is a commitment by the City to reduce and eliminate serious injuries and fatalities within a ten-year period. As was a recommendation in the City's Comprehensive Plan, the City has received strong support from the public and the Pennsylvania Department of Transportation (PENNDOT) for these activities. The 2nd Street Corridor improvements commenced in 2022. It is anticipated that when the project is completed, 2nd Street will support two-way traffic.

Solicitor's Office.

Consistent with Act 47 operational initiatives, the Law Bureau again has engaged labor counsel for two (2) union contract negotiations occurring in 2022.

The Law Bureau is assisting in securing trainings for officials and City staff to avoid compliance gaps in course of the transition to a new Administration, in addition to daily oversight of litigation, right to know requests, legislative drafting, lien processing, labor disputes, drafting and review of contracts and general legal compliance matters for the City.

As of April 1, the Law Bureau will have two (2) of the five (5) budgeted attorney positions filled and actively are seeking to fill the remaining slots.

#### **ISSUE #7: PROGRAM MANAGEMENT WITH FEDERAL FUNDING.**

The City's independent auditors identified a material weakness and significant deficiencies with the City's management of federal funding. As a result, the auditors expressed a qualified opinion in their Single Audit report.

The Authority believes it is a matter of utmost urgency to rectify these audit findings and maintain access to federal funding. The City has prepared an outline of responses and intended corrective actions, which was presented to the Authority.

#### **ISSUE #8: DEBT LOAD AND RESTORING ACCESS TO CREDIT MARKETS.**

Despite significant improvements in managing its debt, the City still does not have an investment grade credit rating because of the previous default. 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 2021 settlement with Ambac Assurance Corporation ("Ambac") resulted in a significant step in that direction.

1. The HRA Series A-2 of 2005 stadium improvement bonds went thru defeasance in November 2021 (defeased \$4,655,000 in outstanding maturities); this coincided with the City's \$4 million prepayment against the bond insurer forbearance liability and related settlement agreement with Ambac.
2. As a result of the above, the City achieved the additional credits of \$1,520,000 and \$1,768,900 from Ambac fully resulting in a total pay down of the bond insurer liability by \$7,288,900.
3. As of March 15, 2022, the Ambac liability stands at \$19,572,091 (including accrued interest) and the final payment to Ambac per the revised amortization schedule now reflects a March 15, 2029, due date.
4. Finally, the City is in the final maturity year for both the GO Series of 1997 "D" Bonds and "F" Notes.
5. "D" Bonds: final maturity scheduled for September 15, 2022, and with estimated accretion thru that date and an outstanding value of \$1,586,232 as of today with \$1,586,232 or 94.70% of the final maturity of \$1,675,000 outstanding.
6. "F" Notes: Also, final maturity scheduled for September 15, 2022, and with estimated accretion thru March 15, 2022 and an outstanding value of \$6,368,602 as of today with similarly the \$6,368,602 or 94.70% of the final maturity of \$6,725,000 outstanding.

#### *What happens after September 15, 2022?*

The next step with debt management is for the City to decide whether or not to re-enter the debt marketplace. While their credit rating is currently non-existent, with the Ambac settlement, the City can undertake a debt rehabilitation project with Moody's Investor Services to re-establish a credit rating.

Furthermore, the discussion on whether to use new debt financing for appropriate projects should commence in 2022. Appropriate projects, pursuant to advice from the Government Finance Officers Association (GFOA) would be the utilization of debt to finance capital improvements with a multi-year or multi-generational benefit for the City.

The appropriate use of debt is to spread the cost of capital improvements, which increase asset value (i.e., build a physical asset for the community) so that the entire cost of such an improvement is not front-loaded on current taxpayers.

The alternative is to make use of the additional cash flow and liquidity from the end of the General Obligation (G.O.) debt for the benefit of the operating budget. If the City chooses, the end of the debt obligation can improve the resources of the City to pay for operations. For example, in 2022 the revised budget calls for the one-time use of nearly \$9 million in American Rescue Plan (ARP) federal funding for operations. It is necessary for the City to determine how to pay for such expenses on an ongoing basis, as the ARP funding was a solution only for the 2022 budget year.

*Act 124 of 2018 Prohibits Issuance of Debt.*

The Intergovernmental Cooperation Authorities Act for Cities of the Third Class (“Act 124”), 53 P.S. § 42101, et seq., not only established the Authority, but it also limits the “Assisted City” from issuing new debt.

Section 208. Limit on city borrowing.

An assisted city and its corporate entities may not borrow or receive funds for any lawful purpose unless the assisted city has entered into an intergovernmental cooperation agreement with the authority and there is an approved financial plan in effect.

The Intergovernmental Cooperation Agreement that was approved by the Authority, City and City Council in 2021 remains unsigned. As a result, the City remains under Act 47 status and still subject to the Distressed City designation. The Authority hopes that the Agreement can be signed promptly, and the City removed from Act 47. The Authority has been advised that the City Solicitor’s office is reviewing the status with the hope of resolving the remaining issues and getting the agreement signed and the City removed from Act 47 in the second quarter of 2022.

Until the Agreement is finalized, the City is prohibited from the issuance of new debt.

**ISSUE #9: PERSONNEL AND LABOR AGREEMENTS.**

The total budgeted police personnel cost for 2022 is \$16,828,879. Of this total, \$12,125,162 or 72% is for salaries, wages, and overtime. The total 2022 budgeted police personnel cost is 23.8% of all General Fund appropriations. In 2020, the City and the Fraternal Order of Police Capital City Lodge No, 12 (“FOP”), ratified a new collective bargaining agreement that runs through 2025 and includes regular salary increases based on a fixed pay scale determined by years of service and job classification. Based on the pay scale and anticipated staffing levels, the City projects average annual salary increases of 2%.

Per its collective bargaining agreement, salaries for the International Association of Firefighters, Local No. 428 (“IAFF”) union members have increased 2% annually through 2022. The contract is currently going through negotiations for 2023, 2024, 2025.

The City and the American Federation of State County and Municipal Employees District Council 90, Local 521 (“AFSCME”) have agreed to 3% salary increase plus \$3,000 lump sum payment for 2022: a 3% salary increase plus \$1,500 lump sum per employee for 2023. The ensuing two years 2024 & 2025, employees will receive a 3% salary increase plus a \$1000 lump sum per employee.

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

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

Tier of Coverage	<b>FOP</b>	<b>AFSCME</b>
	Percent of base salary effective 2020-2025	Percent of base salary effective 2021
Single coverage	2.5%	2.5%
2 person coverage	4.5%	4.5%
3 person coverage	5.5%	5.5%
4 or more person coverage	6.5%	6.5%

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

The City self-insures for health insurance coverage, meaning it does not use a third-party provider for health insurance.

The City also provides post-retirement health benefits for its represented employees. In recent contract negotiations, the bargaining units have agreed to change retirement benefits with respect to active employees and future (yet-to-be-hired) employees. All units agreed that future employees would not be entitled to receive post-retirement health care at the City’s cost. All bargaining units agreed that active employees, upon their retirement, would be provided benefits at the same levels as active employees, and that such retiree coverages may be modified from time to time if similarly modified for active employees.

Headcount of Employees.

For 2022, Harrisburg currently employs 470 full-time employees, including 378 full-time equivalents budgeted to be paid out of the General Fund, 80 to be paid out of the Neighborhood Service Fund, and 2 paid from the Host Fee Fund. In addition, 10 employees are paid out of the Federal Department of Housing and Urban Development (HUD), Community Development Block Grant Fund (CDBG).

The following table shows the number of budgeted 2021 full-time employees by employee group:

<b>Employee Group</b>	<b>Covered Positions</b>	<b>2020 Budgeted Total FTEs</b>	<b>2022 Budgeted Total FTEs</b>	<b>Contract Expiration</b>
Non-represented	Executive, management, confidential	96	91	N/A
FOP	All sworn police officers	149	157	December 31, 2025
AFSCME	All non-executive, non-management, non-confidential employees not otherwise covered in FOP or IAFF	135	127	December 31, 2025
IAFF	All firefighters, lieutenants, captains, battalion chief, and deputy chiefs	82	95	December 31, 2022
<b>Total</b>		<b>462</b>	<b>470</b>	

**ISSUE #10: PRIVATIZATION INITIATIVES.**

The City made a commitment to the Authority to explore possibilities of intergovernmental agreements with surrounding municipalities for police services, regionalized fire protective services, and solid waste and recycling collection and disposal service.

Neighborhood Services Fund.

In 2019 the City entered into an Intermunicipal Solid Waste Agreement with the Borough of Steelton to provide refuse collection and disposal services. In 2020, the City entered into similar service agreements with the neighboring boroughs of Paxtang and Penbrook. The City was unable to provide an analysis of the financial impact on the City’s operating and capital budgets prior to entering into these agreements.

City management is committed to proper reporting on revenues and expenses related to its intermunicipal agreements, and in December 2021, a format of such reports was produced as a part of the 2022 budget process.

As part of the submission of the revised Five-Year Financial Plan in June 2022, a revised report will be prepared. We note that indirect costs and overhead, which are paid for out of the General Fund, have not been allocated for (see previous indirect cost discussions in this report) and so the real benefit to taxpayers and ratepayers for these intermunicipal service agreements remains unknown.

#### **ISSUE #11: INTERGOVERNMENTAL COOPERATION OPPORTUNITIES.**

##### Key Stakeholders.

The City's financial difficulties 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.* Authority members struggled to meet regularly with the former administration, but Mayor Williams has shown much more openness to regular meetings. A standing meeting with the Mayor and Authority Chair Audry Carter and Vice-Chair H. Ralph Vartan is scheduled monthly. These meetings are seen as an opportunity to review the upcoming board meeting agenda, discuss Authority business, and foster cooperation. City Business Administrator Dan Hartman has attended Authority meetings on request and communicated with Authority members and staff. Opportunities exist for further engagement between the Authority and City management.
- *City Council.* Authority members had met periodically with Wanda Williams when she was City Council President and former Vice-President Ben Allatt. Those meetings were an opportunity to share information and opinions, discuss Authority business, and foster cooperation.

The Authority has reached out to develop a similar positive interaction with new Council President Danielle Bowers and Council Vice-President Ausha Green.

- *Act 47 Coordinator.* Act 47 Coordinator Kim Bracey 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.
- *City Controller.* The office of City Controller Charlie DeBrunner assists the Authority with useful information regarding the City's finances, assists in its interpretation and identifies opportunities to foster integrity in financial management and reporting. Mr. DeBrunner is knowledgeable about internal operations and helps to ensure the implementation of and adherence to prudent financial management policies and procedures.
- *City Treasurer.* The office of City Treasurer Dan Miller assists the Authority in a myriad of ways related to the City's finances. Mr. Miller is focused on prudent financial management practices such as policies and solutions to increase the collection of receivables.

- *Dauphin County.* Dauphin County is supportive of the City's financial recovery. Numerous opportunities for cooperation exist to benefit the City's financial recovery. In the past, for example, the County has offered assistance with information technology operations for the City and regionalized solutions to critical public services like public safety and 911 dispatch. The Authority looks forward to exploring and facilitating further partnerships between these two vital bodies.
- *Impact Harrisburg.* Coming out of the Strong Plan, Impact Harrisburg primarily benefits Harrisburg by providing grants for City economic development and infrastructure projects that bolster Harrisburg's tax base provide jobs for City residents and positively improve the operational efficiency of the City. Most recently, at the onset of the pandemic Impact Harrisburg launched and administered the Neighborhood Business Stabilization Program in concert with the City. The fund provides grants to small Harrisburg businesses.
- *Harrisburg Regional Chamber & CREDC.* The Harrisburg Regional Chamber & CREDC is a champion for Harrisburg and a key partner in the City's financial recovery. HRC/CREDC is equipped to engage in more opportunities for cooperation in the area of community and economic development.
- *Capital Region Water.* Capital Region Water was created in 2013 as part of the Strong Plan. It has vastly improved the quality of service being provided to the City's water and sewer customers. In 2015, CRW and the City entered into a partial consent decree to help reduce runoff pollution entering the Paxton Creek and Susquehanna River. CRW launched a program, dubbed "City Beautiful H2O," to restore failing infrastructure, reduce combined sewer discharges, improve the health of our local waterways, and beautify our neighborhoods through community greening. CRW is a vital partner in Harrisburg's financial recovery.
- *Additional stakeholders.* The Authority believes residents and businesses of the City are a vital part of the process of Harrisburg's financial recovery. The Authority has committed to holding 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.

- *Information Technology Infrastructure.* The City operates legacy IT Infrastructure that is being replaced. The Authority has advised the City to explore cooperation opportunities with Dauphin County in this area.
- *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.

**OTHER MATTERS.**

Litigation between the City and Authority.

In February 2020, the City of Harrisburg, former Mayor Eric Papenfuse, and former city employee Bruce Weber filed an action in Commonwealth Court alleging an improper action by the Authority regarding an *ex officio* Board member. On January 7, 2021, Papenfuse and the City were dismissed as parties to the litigation because of the Authority's preliminary objections. On July 13, 2021, Marc Woolley, former Business Manager for the City, was substituted in place of Weber as the plaintiff.

On October 19, 2021, the action was discontinued by praecipe pursuant to an amicable settlement agreement amongst the parties.

There is no current litigation.

## **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's Five-Year Financial Plan dated June 11, 2021, which contains several of the required financial presentations as of 2021.

### **VIOLATIONS OF FEDERAL AND STATE LAW.**

Section 203(b)(4)(iv) of Act 124 provides that this report shall:

Disclose any violations of Federal and State law that the authority may have discovered.

The Authority has not discovered any violations of federal or state law except as may be discussed herein.

### **HISTORICAL LOANS OR OTHER CONTRACTS.**

Section 203(b)(4)(v) of Act 124 provides that this report shall:

Include as appendixes all historical loans or other contracts entered into by the assisted city and its corporate entities.

Enclosed with this report is the City's Ambac Forbearance Liability/Series 2005A Paydown and Refinancing Analysis presented to the Authority on September 22, 2021.

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**APPENDICES**

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**City of Harrisburg**  
**Dauphin County, Pennsylvania**



**2021 Five-Year Financial Plan**

Submitted to:

**Intergovernmental Cooperation Authority of Harrisburg**

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

Originally submitted on April 30, 2021

Amended and Restated on June 11, 2021



## Table of Contents

1	Introduction.....	1
2	American Rescue Plan Act (“ARPA”) .....	4
3	Historical Financial Results .....	5
3.1	Summary of Principal Funds.....	5
3.2	Five-Year Operating History .....	6
4	Revenues.....	7
4.1	Revenue Initiatives.....	11
4.2	Revenue Forecasts .....	15
5	Expenses .....	16
5.1	Expense Initiatives .....	27
5.2	Expense Forecasts .....	31
6	Other Initiatives .....	32
7	Capital Improvement Plan .....	37
8	Financial Forecasts .....	41
8.1	Initiatives Summary .....	42
9	Principal Proprietary Funds .....	44
9.1	Neighborhood Services Fund.....	44
9.2	Harrisburg Senators Fund .....	46
9.3	Other Non-Major Funds.....	47
Appendix A.....		48
Baseline Financial Forecast by Department .....		48
Appendix B .....		54
Financial History and Forecast – Non-Major/Special Revenue Funds.....		54
Appendix C .....		64
Unfunded Priority One Capital Improvement Projects.....		64
Priority Two Capital Improvement Projects .....		66
Appendix D.....		69
Progress Towards Resolving Audit Findings .....		69



## 1 Introduction

The City of Harrisburg (“Harrisburg” or the “City”) delivers this 2021 Five Year Financial Plan which demonstrates the ability to achieve balanced budgets, maintain sufficient fund balances, and increase spending for critical capital needs. The City’s current fiscal condition is a considerable turnaround from several years ago when it first encountered fiscal distress. Harrisburg has taken important steps to initiate a transformation from a city that was managing decline and disarray to one that can operate strategically with a responsible, forward-looking perspective. This five-year plan outlines a roadmap to structural budgetary balance, tax rate stability, and enhanced community investment.

The road back to fiscal stability has involved difficult decisions and managerial discipline. The City has sold assets, cut staff, and increased taxes. The Harrisburg community, city employees, and a variety of stakeholders have been forced to make significant sacrifices.

The tough choices have produced meaningful and measurable results. The City has successfully balanced operating budgets each year since 2014 (including in 2020 during a global pandemic); increased reserves; and reformed services. The City has a manageable debt portfolio and can realistically project surpluses into the future. The City is seeking to reestablish a credit rating and is positioned to reenter the debt markets for the first time in over 10 years.

The City understands it must build on recent successes to avoid regressing back into fiscal distress. The City, Commonwealth, and country are still coping with the COVID-19 health crisis which, despite significant relief packages, poses fiscal risks to local governments. The City is responding to the needs of local businesses impacted most impacted by the crisis and maintaining its operating reserves at sufficient levels in case of further negative COVID impacts.

In addition, the City continues to improve its management infrastructure to ensure that it can identify and appropriately respond to future fiscal challenges. These fiscal management strategies include institutionalizing the multi-year financial planning process, refining and improving the capital improvement planning process, adhering to adopted fiscal policies such as the debt management and fund balance policy, and investing in new financial management software. In recent year, the City has exercised disciplined fiscal management and conservative budgeting practices which has resulted in surpluses and operating reserves. The City understands that its management practices require constant self-examination and improvement, which is part of the overall recovery strategy.

The following are among the key factors and initiatives impacting Harrisburg’s fiscal position in the coming years.

### **Extension of Special Taxing Powers**

In November 2020, the state legislature passed and the Governor signed into law an amendment to the state fiscal code to extend the City’s special taxing powers, which accounted for 19% of General Fund revenue in 2020. Provisions under Act 47 and Act 124 allowed the City to impose higher Earned Income Tax (“EIT”) and Local Services Tax (“LST”) rates than were otherwise allowed by law.



In 2020, the City's special EIT and LST taxing powers generated approximately \$12.4 million (\$8.2 million in EIT and \$4.2 million in LST). The expiration of these taxing powers would have resulted in a fiscal cliff that might have required draconian budget cuts, which will now be avoided without any increases in existing tax rates.

The change to the fiscal code is a breakthrough development that resolves the most serious, immediate budgetary issue facing the City. The benefit cannot be overstated.

### **Debt Reduction**

Harrisburg and one of its key creditors, Ambac Assurance Corporation ("Ambac"), reached an agreement regarding the City's Series 1997D and Series 1997F General Obligation Bond forbearance liability and the Harrisburg Redevelopment Authority Series 2005A-2 Bonds ("Series 2005A-2 Bonds"), which are guaranteed by the City. The agreement requires the City to defease the Series 2005A-2 Bonds in exchange for a substantial reduction in the forbearance liability related to the Series 1997D&F General Obligation debt. The agreement also involves a temporary reduction in the interest rate applied towards the liability and an optional upfront prepayment from the City towards the forbearance liability in exchange for additional credit towards the overall liability. Finally, the agreement lays the groundwork to refinance existing debt, the net result of which will generate recurring budgetary savings and preserve fund balance.

### **Capital Infrastructure Investment**

Years of fiscal distress resulted in significant deferred maintenance and a backlog of unfunded capital projects. While needs still exceed resources, momentum is beginning to shift. The extension of the EIT and LST taxing powers resolves revenue uncertainty that has been hanging over the City for years. Five-year projections in this plan show material annual increases in General Fund support for capital projects beginning in 2022. Moreover, expected American Rescue Plan Act relief (described below) is also another likely funding source to address outstanding capital needs. Finally, if the City is successful in re-entering the debt markets later this year, it will not be necessary to rely solely on pay-as-you-go funding for projects that may have long-term useful lifespans. The improved capital funding capacity is essential to the City's long-term fiscal position and ability to deliver services to the citizenry.

### **Economic Development**

Key to securing the City's long-term health is expanding its economic base and the growth of its own local tax revenues. The City's economic development efforts over the last several months were focused on helping the local business community cope with COVID related pressures and hardships. The City provided technical assistance and created programs to help local small businesses survive during this difficult time.

Though the immediate crisis has required a series of policy responses that are short-term in nature, the City has not lost sight of its commitment to long-term economic development and growth. The City is taking aggressive and necessary steps to achieve its goals. As part of the City's Five-Year Economic Development Plan, the Bureau of Economic Development has created initiatives that will help to grow the



economy, revitalize neighborhoods, and provide opportunities for individuals and families to live, work, and play, in Harrisburg.

### **American Rescue Plan Act**

Harrisburg’s fiscal recovery was well underway prior to the passage of the American Rescue Plan Act (“ARPA”) and the associated allocation of stimulus and relief measures. Allocations from the ARPA will enable the City to build on its recent fiscal achievements and consider strategic investments to secure its long-term stability. The City’s ARPA allocation is \$47 million, representing a unique opportunity to support critical community initiatives. The City is considering how the funds will be used, but will ensure they are applied in a way that does not conflict with its multi-year financial planning goals.

The City has made significant strides to emerge from distressed status and this plan represents another key step towards full fiscal recovery. The City looks forward to collaborating with the Authority, state and local elected leaders, City employees, and other stakeholders to reach this goal.

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## 2 American Rescue Plan Act (“ARPA”)

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

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

The City’s total allocation is \$47 million. The City is still reviewing the Interim Final Rule released by the Department of Treasury and considering potential uses. Guidance from the Department included the following allowable uses:

- Respond to the COVID-19 emergency and address its economic effects, including through aid to households, small businesses, nonprofits, and industries such as tourism and hospitality.
- Provide premium pay to essential employees or grants to their employers. Premium pay cannot exceed \$13 per hour or \$25,000 per worker.
- Provide government services affected by a revenue reduction resulting from COVID-19.
- Make investments in water, sewer, and broadband infrastructure.

State and local governments could transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state or local governments.

The ARPA has the potential to be transformative for the City. It represents a unique opportunity to invest critical infrastructure needs, and support other community initiatives. The aid does not need to be spent until 2024, which allows the City to develop a strategic and deliberate plan. However, since the City is still considering potential uses, no ARPA expenditures are reflected in this document.

The ARPA funds will potentially impact many aspects of its five-year plan including, but not limited to, unrestricted fund balance levels, available capital program funds, and community and economic development. The City is committed expending its ARPA funds in a manner that does not conflict with its multi-year financial planning goals.



### 3 Historical Financial Results

This section presents a picture of Harrisburg’s financial results since 2016 and provides the basis for revenue and expense growth expectations for the future. Based on historical operating results, trends, and existing contracts, this chapter develops the growth assumptions for revenues and expenses that are the foundation for the five-year financial forecasts.

#### 3.1 Summary of Principal Funds

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

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

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

#### ***Basis of Accounting***

All City funds are audited in accordance with Government Accounting Standards Board (“GASB”) standards. The Bureau of Financial Management makes annual adjustments for proper financial presentation within the audited Comprehensive Annual Financial Report. However, for budgeting and internal financial management purposes, the City accounts for financial activity on a budgetary basis which includes a monthly cash basis reporting of total actual revenue and expenditures to the City Controller’s office and other third-party stakeholders. This monthly reporting also includes open encumbrance balances outstanding as of month-end to reflect the City’s total cash commitment and actual available cash at the end of the period. This approach allows for the transition from cash basis to budgetary basis accounting and an accurate reporting of available fund balance. The budgetary basis of reporting does not include any accruals for receivables or payables, nor any non-cash expenditures. The budget is predominantly viewed internally as a working tool to monitor the City’s ongoing changes in its critical available cash position. The financial schedules in this plan use the same basis of accounting.

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

Several issues must be resolved before this transition can be made. First, the City is in the process of updating its financial management system, which will facilitate GASB compliance. The City has issued a request for proposals from vendors and will begin system implementation and staff training later this year.



The City is also in the process of filling key positions in the finance department, including placing a new Finance Director. The City is searching for a candidate that is familiar with the GASB requirements and can lead the department through this transition. The City has recently filled the vacant Budget Manager position which will relieve some burden on the rest of the staff over the last few months.

For additional information on actions the City is taking to improve its financial management infrastructure, please see Appendix D – Progress Towards Resolving Audit Findings.

### 3.2 Five-Year Operating History

As illustrated in the chart below, the City has achieved operating surpluses in each year from 2016 through 2020. The City has made modest contributions to capital improvements in recent years to help address a backlog of deferred maintenance projects.

**Figure 1**  
**Operating Results**  
**2016-2020**





## 4 Revenues

The table below presents a five-year history of Harrisburg’s revenues by major category. From 2016 to 2019, overall revenues increased 4.7%. The City realized lower revenues in 2020 due to COVID-19 related impacts on the local economy.

Real Estate taxes are the City’s primary revenue source representing 26% of all revenues. The City’s three highest revenue sources, Real Estate, Earned Income, and Local Services taxes, combined comprise 55% of Harrisburg’s operating revenues. The percentage of these sources’ share of total revenues is larger than usual in 2020 due to steep declines in parking related income.

**Table 1**  
**Key Operating Revenues**  
**2016-2020**

	2016	2017	2018	2019	2020	Pct of Rev
Real Estate Taxes	17,323,448	17,594,105	17,659,922	17,240,236	16,879,692	26%
EIT - Act 511 (est)	3,863,927	4,006,443	4,163,356	4,466,620	4,458,689	7%
EIT - Act 124 (est)	7,175,864	7,440,537	7,731,946	8,295,152	8,280,423	13%
LST - Act 511 (est)	1,534,982	2,594,606	2,354,177	2,388,538	2,270,929	3%
LST - Act 124 (est)	2,850,680	4,818,553	4,372,042	4,435,856	4,217,440	6%
Mercantile Business Taxes	3,436,378	3,646,714	3,756,958	3,943,111	3,866,588	6%
Realty Transfer Tax	560,998	642,804	1,026,603	1,026,697	843,880	1%
Hotel Fee	840,000	0	0	900,000	900,000	1%
Parking Taxes	3,783,428	3,967,513	3,961,779	4,255,144	3,523,170	5%
Ground Lease	1,093,623	974,526	1,460,125	1,275,290	287,388	0%
Priority Payment	1,717,788	1,457,735	2,097,494	2,241,682	231,331	0%
Parking Tickets	447,119	423,493	422,889	381,107	259,533	0%
State Public Safety Contribution	5,000,000	5,000,000	5,000,000	5,162,039	5,128,284	8%
Pension Aid	2,545,914	2,639,729	2,894,903	3,310,806	3,163,377	5%
Fees/Permits	1,971,941	2,781,236	2,568,695	2,298,779	2,189,743	3%
TV Franchise License	572,217	607,259	564,392	570,000	522,963	1%
Medical/Employee Contribution	598,009	641,211	765,967	773,195	785,864	1%
Police Extra Duty	660,784	715,040	881,981	769,502	1,064,919	2%
PILOTS	728,031	542,364	809,462	654,938	728,893	1%
Vehicle Maint. Charge Backs	375,030	396,092	363,793	338,222	333,477	1%
Transfers from Other Funds	857,166	811,103	1,088,847	811,063	0	0%
Other	8,260,269	4,598,431	2,579,171	3,261,042	5,275,934	8%
<b>Total</b>	<b>\$66,197,596</b>	<b>\$66,299,496</b>	<b>\$66,524,501</b>	<b>\$68,799,019</b>	<b>\$65,212,518</b>	<b>100%</b>



The following is a description of each major operating revenue source followed by an annual growth assumption for the multi-year financial forecast.

**Real Estate Taxes** – In 2019, the City collected approximately \$17.2 million in Real Estate taxes, including \$15.1 million in current Real Estate taxes and \$2.1 million in delinquent taxes. The City collected \$16.9 million in Real Estate tax revenue in 2020 including \$14.9 million in current and \$1.96 million in delinquent collections.

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

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

**Projection** – Current collections for 2021 are projected to rebound modestly from 2020. Current collections are projected to grow 0.5% annually from 2022 to 2025, reflecting limited increases in assessed values and a constant collection rate. No change in millage rate is assumed. Delinquent collections are projected to remain flat in 2021 and then increase by 1% annually through 2025.

**Earned Income Taxes** – The City imposes an Earned Income Tax on residents and non-residents. Under the Local Tax Enabling Act (Act 511), the EIT is capped at 1.0% and split equally with the School District, effectively limiting the tax to 0.5% for residents. The non-resident EIT is also capped at 1%.

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

The City collected \$12.7 million in 2020, which, despite the COVID pandemic, was in line with 2019 collections.

**Projection** – In preparation for a slow economic recovery, the City budgets a decline in revenue from \$12.9 million in 2020 to \$12.5 million in 2021. The five-year projections assume a stronger recovery in 2022, with lower unemployment rate and expanding labor force by year end. The projections also assume 1% annual wage growth from 2022 through 2025 and steady labor force.

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

Among other amendments to Act 47 that were enacted in late 2014 was the ability of Act 47 communities to increase the LST from \$52 per year to \$156 per year. The City first implemented the increased LST in 2016. Similar to the EIT, this special taxing power was scheduled to expire with the



termination date of the ICA at the end of calendar year 2024. However, the change in the fiscal code extends these full special taxing powers for 10 years and then extends 50% of the special taxing power for another 5 years.

Harrisburg's LST collections were approximately \$6.8 and \$6.5 million in 2019 and 2020, respectively.

*Projection* – LST projections from 2021 through 2025 are based on the same employment level assumptions described in the EIT assumption above.

**Parking Taxes** – The City imposes a 20% tax on all revenues generated from off-street parking lots and garages (not meters). In 2019, the City realized \$4.3 million in Parking Tax revenues; however, 2020 revenues were just \$3.5 million.

*Projection* – This plan projects Parking Tax revenues to rebound in 2021, but not reach 2019 levels until 2022. The projections assume 0.5% annual growth in 2023 and 2025; however, these revenues are at risk with the prospect of increased telecommuting and reduced parking activity in the City.

**Mercantile Business Privilege Tax** – The Mercantile Business Privilege Tax (“BPT”) is a tax on gross receipts on business activity conducted in the City. Revenues from this tax has increased from \$3.2 million in 2015 to \$3.9 million in 2019.

*Projection* – The City collected \$3.9 million in 2020. However, because of the timing of BPT filing and payment of taxes, the negative COVID-related impacts on this revenue source will not be fully realized until 2021. The projections assume 2021 revenue equal to \$2.8 million. The projections also assume a gradual recovery to 2019 levels by 2023 and 0.05% growth in 2024 and 2025.

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

*Projection* – This revenue source has averaged \$800,000 annually over the last five years. Based on year-to-date collections, the City collected \$843,000 for 2020 and projects \$800,000 annually from 2021 through 2025.

**State Public Safety Contribution** – The Commonwealth provides a \$5 million annual payment to the City to defray the costs of fire service. This payment is not guaranteed and may be discontinued at any time. Also in this category are various public safety fees and income, which usually amount to about \$100,000.

*Projection* – The projection assumes the \$5 million payment from the Commonwealth will be constant.

**State Pension Aid** – Harrisburg, like other Pennsylvania municipalities that provide pension benefits to their police officers and firefighters, receives aid from the Commonwealth to support its pension funds. Funding levels are determined by beneficiary headcount, workforce size, pension costs, and how much the state takes in as foreign insurance tax revenue (the primary state funding source for state aid).

*Projection* – The multi-year projection assumes 2% annual increases in pension aid, consistent with recent trends.



**Ground Lease/City Priority Payments** – The monetization of the parking system resulted in two revenue streams to the City, including a ground lease for long-term access to the parking structure and payments to compensate the City for revenues lost when the previous arrangement was eliminated. These payments are determined by an asset transfer agreement but are still conditional on the level of parking activity and revenues generated by the parking system, both of which were decimated by the COVID pandemic.

*Projection* – Per the asset transfer agreement, the City was to receive \$2,370,716 in 2020, but only realized \$518,719. Because of the “waterfall” arrangement of parking revenues and the requirement to replenish depleted reserves, revenue in 2021 and beyond are also at risk. These projections assume \$0 in Ground Lease/City Priority Payments in 2021 and just 50% of the contracted amount in the asset transfer agreement for 2022 before returning to the full contracted amounts in 2023.

**Fees/Permits** – The City collects fees and permits revenue for a variety of functions. Building permits, rental inspections, and street cutting inspections are the three main revenue sources in this category.

*Projection* – These projections assume 2021 revenues about even with 2020 but will not return to 2019 levels until 2022. These revenues are projected to grow 1.5% annually from 2023 to 2025.

**TV Franchise License** – The City receives fees from private cable television companies as compensation for using public property as right-of-way for its cable.

*Projection* – Projected 2021 revenue is modestly higher than 2020 collections. These revenues are projected to be flat from 2022 through 2025.

**Employee Medical Contribution** – These receipts are from regular employee contributions towards insurance premiums.

*Projection* – The projected annual growth rate is consistent with projected salary growth rate.

**Police Extra Duty** – The City receives reimbursement for providing police service at certain special events and facilities.

*Projection* – Projected Extra Duty income is based on past performance and 2% annual increases.

**Transfers from Other Funds** – These are transfers from the Neighborhood Services Fund to reimburse the General Fund for certain equipment expenses.

*Projection* – The City will eliminate transfers from the Neighborhood Services Fund beginning in 2022. The City projects future transfers from the Senators Fund, which is discussed further in Section 3.1, Revenue Initiative 1.

**Other Revenues** – Other Revenues include miscellaneous items such as contributions and donations, demolition collections, and others. One-time \$2.8 million in COVID relief from Dauphin County and a \$150,000 reimbursement from Capital Blue Cross are part of Other Revenues in 2020. In 2021, the City



budgets \$2.5 million for a one-time federal grant to fund a sink hole project that is categorized as Other Revenue in this plan.

#### 4.1 Revenue Initiatives

##### **1) Redirect Park Permit Revenues to General Fund**

In 2004, the City issued a Park Permit for use of the minor league baseball stadium facilities to an affiliate of the Baltimore Orioles to relocate 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 now involves a new minor league baseball team affiliate of the Washington Nationals. Under the existing Park Permit, the minor league baseball affiliate pays annual rent that is now about \$375,000 with annual consumer price index (CPI) inflation, and \$1.00 of all ticket sales in excess of \$450,000, 30% of the stadium naming rights, and 50% of parking revenues net of taxes and operating expenses. The City assigned Park Permit revenues to the Harrisburg Civic Baseball Club (“HCBC”) to make these debt service payments.

Following the successful defeasance of the Series 2005A-2 Bonds, the City should terminate the assignment of the Park Permit revenues to the HCBC for the benefit of the General Fund. The Park Permit has generated approximately \$400,000 in annual revenue in recent years; however, future revenues are largely contingent on minor league baseball resuming at the stadium. The projections reflect an additional \$400,000 in Transfers from Other Funds beginning in 2022 to account for these revenues. No revenue from this source is assumed for 2021.

##### **2) Continue to Pursue Increased Payment in Lieu of Tax (PILOT) Agreements**

Approximately 50% of assessed value in Harrisburg is non-tax revenue generating because it is used for tax-exempt purposes. The City will endeavor to enhance existing PILOT agreements and seek new ones, with the proceeds dedicated to supporting capital improvements.

Prior to the COVID pandemic, the City sent approximately 18 letters to non-profit entities to solicit PILOT contributions and received one voluntary payment as a result. The City successfully renegotiated a large PILOT and Municipal Services agreement increasing the contribution by \$150,000.

Post-COVID, the City will send additional letters and continue to work through existing agreements to renegotiate increased PILOT contributions. The City is initially focusing on those entities that have recently completed new construction projects and expanded their footprint in Harrisburg, as well as potential increases in the assessed value of the property in Dauphin County.

##### **3) Improve Collection Rates in the Neighborhood Services Fund**

The collection rate (combined current and delinquent fees) for the Neighborhood Services Fund is about 85% of current year charges. The City will set the goal of improving the collection rate from 85% to 88% by 2022 and to 93% beginning in 2023. An 88% collection rate will generate approximately \$500,000 in incremental revenue and a 93% rate will generate \$1.3 million compared to current levels. A 93%



collection rate is achieved in other communities and is a reasonable goal. The benefit of this initiative is assumed to be realized over time, rather than instant short-term improvement.

Prior to the COVID pandemic, the City mailed letters to all delinquent residential trash accounts. A sampling of 500 letters were sent out in November 2019, resulting in 37% of those accounts making a payment. In January of 2020, an additional 2,778 letters were mailed out to delinquent residential trash accounts, resulting in 22% of those accounts making a payment. The City's Communications/Marketing team also began to notify the public via various social media platforms, along with sending out inserts in the trash bills. The communications were established over several months and informed the billpayers of the various methods in which payment can be made to the City, which lead to notification that the City will be actively pursuing delinquent accounts. The Public Works team reviewed returned mail to find more accurate billing addresses. The City also began the process of combining the filing of civil complaints for delinquent trash bills and delinquent mercantile taxes and/or landlord licenses. The City recently received judgements on some of these accounts.

The Business Administrator will oversee activities related to improving Neighborhood Services Fund collection rates. The City has identified several tasks that are each assigned a lead that will develop a more detailed action plan and benchmarks. The Business Administrator will meet with task leads on at least a quarterly basis to review progress on implementing each initiative and ensure the team is working collaboratively where appropriate.

The City will monitor NSF budget versus actual and year-over-year fee collection reports on a quarterly basis. The Business Administrator is currently exploring other reporting options to include subsets of the fee collection data including commercial, residential, newly current, newly delinquent, and other categories of customer accounts. Some of these reports are currently beyond the capabilities of the financial software which the City will seek to address when it procures a new financial system later this year.

#### **4) Review Service Delivery Alternatives**

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

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



### *Police Services*

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

### *Fire Services*

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

### *Procurement*

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

### *Information Technology*

The City has worked with a series of Information Technology professionals through teams at Harrisburg University to explore stabilizing, operating, and modernizing essential governmental computer services. The City shares certain technologies relating to policing; utilizes County web-based information for aspects of property and tax data; and routinely accesses the data of other governmental entities to improve efficiencies.

### *Waste Removal*

The City upgraded its solid waste and recycling services to better satisfy public health needs through its Neighborhood Service Fund and thereby tackle significant blight and trash issues. The City has entered into a successful partnership with Steelton Borough whereby Steelton residents pay Harrisburg a flat fee for trash and recycling services. Providing the service to the Borough has resulted in additional annual revenues of about \$640,000 to the Neighborhood Services Fund compared to annual costs of about \$456,120 (not including one-time start-up expenses of about \$186,000). The City has entered into similar agreements with Penbrook Borough and Paxtang Borough.

The City will endeavor to forge new arrangements with other entities with the goal of reaching an agreement similar in budgetary impact as the Steelton partnership by 2022.



### **5) Seek Increased Federal Grant Funding**

The City is refocusing its efforts on identifying and pursuing federal grant funding opportunities. The revised five-year projections conservatively assume \$25,000 in new annual federal grant funding. The City will also refocus efforts to secure grants for the Neighborhood Services Fund to defray fleet maintenance costs. The City plans on taking a more active approach to identifying and pursuing grants. The City's departments will have a central role in working with the administration to decide which projects and priorities to move forward in a given year and then determine appropriate grant programs.

Below is a summary of federal grants that the City is pursuing. The summary does not include Housing and Urban Development ("HUD") or Community Development Block Grant funds. It also does not include sinkhole grants, some of which are federal funds from Federal Emergency Management Agency ("FEMA") and HUD, or COVID-related funds.

- FEMA - The City regularly applies for and is awarded money from FEMA through various Assistance to Firefighters Grant programs. Grants specific to fire generally range \$30,000 to \$50,000. The City will continue to apply for these grants every year, but there is no expectation for large grant awards. Awards are about \$50,000 maximum.
- Department of Justice ("DOJ") – The City has received federal DOJ money in the form of Community Oriented Policing Services ("COPS") grants. The City will consider applying for COPS grants in the future.
- Food and Drug Administration ("FDA")/National Institutes of Health ("NIH") – The City received a \$70,000 grant from the FDA/NIH for a health standards planning grant. The City would like to pursue additional, and even larger, grants for the implementation of some of the measures that the planning study uncovers.
- Better Utilizing Investments to Leverage Development ("BUILD") – The City has applied unsuccessfully for these grants; however, the City will continue to apply. The City will attempt to build a coalition among private sector and local/regional planning agencies in new applications.

In addition to the grants noted above, the City has been putting increased focus on Neighborhood Services Fund and Public Works related vehicle grants. The City has been successful in the past in securing federal 902 Grants, DERA Grants, and Driving PA Forward grants to support fleet management activities and hope to build on these successes to defray the costs of maintaining its vehicles.

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## 4.2 Revenue Forecasts

Below is the multi-year revenue forecast based on historical growth trends, planned initiatives, and other available data. The 2021 Projection refers to the adjusted budget approved by City Council in January 2021. The baseline forecasts do not include the financial impact from the initiatives outlined in Section 7.

**Table 2**  
**Revenue Forecast**  
**2021-2025**

	2021 Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Real Estate Taxes	17,379,267	17,368,628	17,466,231	17,564,430	17,663,229
Earned Income Taxes	12,337,933	13,018,369	13,621,000	13,893,439	14,032,373
Local Services Taxes	6,775,107	6,829,652	6,897,949	6,966,928	7,036,598
Mercantile Business Taxes	2,817,100	3,299,936	3,779,703	3,798,451	3,817,293
Realty Transfer Taxes	800,000	800,000	800,000	800,000	800,000
Hotel Fee	500,000	900,000	900,000	900,000	900,000
Parking Taxes	3,810,000	4,258,883	4,280,178	4,301,579	4,323,087
Ground Lease	0	696,724	1,435,251	1,435,251	1,435,251
Priority Payment	0	543,173	1,101,546	1,101,546	1,101,546
Parking Tickets	425,102	425,102	425,102	425,102	425,102
State Public Safety Contribution	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Pension Aid	3,306,117	3,372,239	3,439,684	3,508,478	3,578,647
Fees/Permits	2,190,112	2,294,395	2,321,894	2,349,812	2,378,156
TV Franchise License	550,000	541,774	541,774	541,774	541,774
Medical/Employee Contribution	801,582	817,613	833,965	850,645	867,658
Police Extra Duty	1,000,000	1,020,000	1,040,400	1,061,208	1,082,432
PILOTS	840,000	865,000	865,000	865,000	865,000
Vehicle Maintenance Charge Backs	283,500	338,222	344,947	351,807	358,805
Transfers from Other Funds	162,000	400,000	400,000	400,000	400,000
Other	5,238,039	2,468,554	2,481,429	2,495,711	2,511,658
<b>Total</b>	<b>\$64,315,859</b>	<b>\$65,358,263</b>	<b>\$68,076,053</b>	<b>\$68,711,161</b>	<b>\$69,218,608</b>



## 5 Expenses

The table below presents a five-year history of the City’s expenses by major category. Personnel and medical expenses are the primary cost drivers, representing 68% of 2020 operating expenses. In 2020, personnel and medical expenses, along with debt service, comprised 85% of total operating expenses, which limits budget flexibility.

**Table 3**  
**Key Operating Expenses**  
**2016-2020**

	2016	2017	2018	2019	2020	Pct of Budget
Personnel	26,301,230	28,605,023	29,517,938	30,447,220	31,457,827	52%
Medical	9,042,604	10,034,106	9,157,579	10,107,539	9,387,608	16%
Services	4,310,520	4,951,820	6,833,348	5,917,302	5,587,092	9%
Supplies	1,777,104	1,789,366	2,347,103	2,138,482	2,061,570	3%
Debt Service <sup>1</sup>	9,217,206	9,962,755	10,098,957	11,175,421	10,541,705	18%
Other Operating	2,028,287	1,683,043	329,665	434,473	1,072,954	2%
Transfers	0	2,951,666	345,868	523,241	0	0%
<b>Total Operating Exp</b>	<b>52,676,951</b>	<b>59,977,779</b>	<b>58,630,458</b>	<b>60,743,680</b>	<b>60,108,755</b>	
Capital Expenses	1,348,821	3,382,146	4,568,910	6,956,322	1,379,816	
<b>Total (incl Capital)</b>	<b>\$54,025,772</b>	<b>\$63,359,925</b>	<b>\$63,199,368</b>	<b>\$67,700,001</b>	<b>\$61,488,571</b>	

<sup>1</sup> Transfers to the Senators Fund for payment on the Series 2005A-2 Bonds are represented as Debt Service for the purposes of these tables and the five-year plan.

### **Workforce**

Like most local governments, personnel costs are the main expense driver in Harrisburg’s operating budget. The substantial majority of Harrisburg employees are represented by one of three unions: the Fraternal Order of Police Capital City Lodge No. 12 (“FOP”), the American Federation of State County and Municipal Employees District Council 90, Local 521 (“AFSCME”), and the International Association of Firefighters, Local No. 428 (“IAFF”). Each of the City’s unions voluntarily entered into mid-term negotiations to amend their collective bargaining agreements in connection with the filing of the initial Strong Plan in August 2013. The amendments to the prior collective bargaining agreements, as well as savings initiatives for the City’s non-union employees, were implemented, and cost reductions from these changes began to be realized.

### Headcount

For 2021, Harrisburg is budgeted to employ 498.5 full-time employees, including 398.15 full-time equivalents budgeted to be paid out of the General Fund, 87.35 to be paid out of the Neighborhood



Service Fund, and 3 paid from the Host Fee Fund. Ten employees are paid out of the Community Development Block Grant Fund.

The following table shows the number of budgeted 2021 full-time employees by employee group:

**Table 4**  
**Employee Summary by Employee Group, 2021**

Employee Group	Covered Positions	2021 Budgeted Total FTEs	Contract Expiration
Non-represented	Executive, management, confidential	112.5	N/A
FOP	All sworn police officers	151	December 31, 2025
AFSCME	All non-executive, non-management, non-confidential employees not otherwise covered in FOP or IAFF	149	December 31, 2021
IAFF	All firefighters, lieutenants, captains, battalion chief, and deputy chiefs	86	December 31, 2022
<b>Total</b>		<b>498.5</b>	

The following table shows the budgeted full-time-equivalents by department since 2016. The City projects staffing levels to remain constant with 2021 budgeted levels through 2025.

**Table 5**  
**Historical Employee Budgeted Headcount by Bureau**  
**2016-2021**

Bureau	2016	2017	2018	2019	2020	2021
City Council	9.00	9.00	9.00	9.00	9.00	9.00
Office of Mayor	3.00	3.00	4.00	4.00	4.00	4.00
Office of Controller	3.00	3.00	3.00	3.00	3.00	3.00
Office of Treasurer	6.75	6.75	6.75	6.75	6.75	6.75
Office of Solicitor	6.00	6.00	6.00	6.00	6.00	8.00
Office of the Business Administrator	2.00	2.50	3.00	2.00	3.00	2.00
Financial Management	7.00	7.00	8.00	7.00	7.00	7.00
Bureau of Licensing, Taxation, and Central Support	5.00	5.00	5.00	6.00	6.00	7.00
Grants Office	0.00	0.00	0.00	1.00	1.00	1.00
Communication	4.00	4.00	5.00	5.00	4.00	5.00
Office of Social Equity/Affirmative Action	1.00	1.50	1.00	1.00	1.00	1.00
Information Technology	7.00	8.00	8.00	8.00	7.00	7.00
Human Resources	4.00	4.00	6.00	6.00	6.00	6.00
Planning	1.60	1.60	3.40	3.40	4.00	4.00



Bureau	2016	2017	2018	2019	2020	2021
Inspections and Code Enforcement	14.00	17.00	16.94	16.94	16.94	17.00
Office of Business Development	1.00	1.95	1.95	1.00	1.00	2.00
Office of Police Chief	165.00	166.00	165.00	165.00	170.00	188.00
Department of Parks and Recreation	5.00	6.00	7.00	14.50	15.75	16.25
Events	0.00	0.05	0.05	0.00	0.00	0.00
Bureau of Vehicle Management	13.00	12.00	12.15	10.15	10.15	10.15
Traffic and Engineering	13.50	15.50	15.65	13.00	13.00	14.00
Host Fee	0.00	2.90	3.80	3.60	3.00	3.00
Fire	85.00	85.00	86.00	86.00	90.00	90.00
Neighborhood Services	66.75	74.25	75.25	78.45	80.85	87.35
Blight Remediation	0.00	0.00	0.00	0.00	1.00	0.00
<b>Total</b>	<b>422.60</b>	<b>442.00</b>	<b>451.94</b>	<b>456.79</b>	<b>469.44</b>	<b>498.50</b>

In 2020, Harrisburg, like other municipalities across the country, evaluated how it keeps its communities safe. The City created a Community Services Division (“CSD”) after its reexamination of public safety services. This division will have a greater emphasis on community policing, which will include an expansion of crisis intervention workers that will assist uniformed officers and will be managed by a Police Captain. In addition, the City will use civilian management employees to assist with crime analysis and reporting. This division will enhance the services that the City provides to the community, with an emphasis on mental health and crisis intervention. The division will be staffed by seven Community Service Aides (“CSAs”) and one new Community Service Manager.

The new CSD allows for the separation of uniform patrol responsibilities and other services. Housing special units together provides greater cohesion and a more unified response to community needs or concerns in a timely manner. The appropriations allow for the addition of civilian staff either through the technical services, such as body-worn cameras, records management, and online reporting, which will free up uniform police officer(s) currently assigned to those positions and provide for a more timely, efficient, and accurate handling of requests for services.

The CSA addition of civilian staff will assist in bringing the community together with the police by being dedicated to quality of life issues that are not always addressed by police in a timely manner. Police officers can focus on the more serious criminal issues, while CSAs can address issues that can be directed to the other services that the City may offer. In time, the Police Department would like to use the CSA pool of personnel to recruit for new police officer positions, which would reduce the time required for the hiring process and select potential hires whom already have the best interest of the City in mind.

New positions in the CSD include the following:

*Director of Community Relations and Engagement* - The Director serves as a liaison between the Bureau of Police, the community, and the officers in the field for both advising the Bureau command staff of citizen/community concerns. The Director also serves as a Police Bureau representative in the field to organize citizens against crime and present a positive message of work being done by police to encourage citizen-police partnership. The Director works to achieve and sustain gains against crime by strengthening



community relationships and trust. The Director serves as a spokesperson on behalf of the Bureau with community leaders, news media, civic organizations, block associations, and concerned citizens to educate them on police policies and practices, and to develop solutions to challenges that arise within the City's many diverse communities.

*Co-Responder (2)* - The Co-Responder will work side by side with law enforcement. Law enforcement and the Co-Responder will identify calls for service where behavioral health (to include both mental health and co-occurring disorders) might be the underlying factor for individuals at risk of arrest. The Co-Responder shall offer assessment and access to crisis intervention services, if necessary, and provide referral information and follow-up to the individual, when necessary.

*Records Management System (RMS) Manager* - The RMS Manager position will be responsible for coordination of the Harrisburg Bureau of Police's Records Management System. The RMS Manager reviews a wide variety of complex and technical issues concerning the application and use of the RMS programs by law enforcement officers. They will assist in identification and development of new programs, new program add-ons, systems procedures, maintenance, or equipment to improve performance of the RMS used by the Police Bureau.

*Body-Worn Camera & In-Car Video (BWC) Manager* – The BWC Manager position is responsible for coordination of the Harrisburg Bureau of Police's BWC and In-Car Video programs. The BWC Manager keeps abreast of all aspects of the BWC and In-Car Video programs, including proposed changes or amendments to the standards, assessing the impact of changes on current policies and procedures of the agency.

*Technical Services Manager* - The Technical Services Manager position is responsible for coordination of the Harrisburg Bureau of Police's Online Reporting and Right-to Know requests. Accountable to and reports directly to the Commanding Officer of the Technical Services Division.

*Community Policing Substation Manager* – The Community Policing Substation Manager position is responsible for the preparation, and correlation of letters, memoranda, reports, and other documents. Engagement with the public via telephone communication or in person for the purpose of handling inquiries about available police and city services and directing persons to their destinations. Thus, ensuring that daily staffing will be at the police substation.

*Community Service Aide (7)* - The CSA is uniformed, unarmed civilian support position with primary responsibilities to the Harrisburg Bureau of Police's Community Policing Division. CSAs will provide customer services and outreach to citizens, enforce certain city codes, and other non-criminal police related duties.

The CSA addition of civilian staff will assist in bringing the community together with the police by being dedicated to quality of life issues that are not always addressed by police in a timely manner. Police officers can focus on the more serious criminal issues, while CSAs can address issues that can be directed to the other services that the City may offer. In time, the Police Department would like to use the CSA pool of personnel to recruit for new police officer positions, which would reduce the time required for the hiring process and select potential hires who already have the best interest of the City in mind.



*Captain (CSD)* - The Captain of the Community Services Division manages all activities of the CSD. The Captain plans, organizes, directs, and control programs, procedures, policy and personnel within the Community Policing Division. The Captain receives and satisfactorily resolves citizen's complaints against CSD personnel. The position reviews statistics regarding criminal activity, thereafter making recommendations and/or developing responses to crime patterns to ensure efficient and effective deployment of personnel and services.

*Captain – Technical Services Division (TSD)* – The Captain of the Technical Services Division manages all activities of the Technical Services Division. The Captain plans, organizes, reviews, directs and control programs, procedures, policy and personnel within the Technical Services Division. The Captain receives and satisfactorily resolves citizen's complaints against Division personnel. The position reviews internal requests for services and support to the Criminal Investigation and Patrol Divisions, thereafter developing responses and directing support persons working within the Technical Services Division to handle those specific request.

In addition to the positions described above, the City added one Crime Analyst and one Parking Enforcement Officer.

#### Salaries and Wages

Salaries and wages are the largest component of personnel costs, representing 56% of these expenses and 37% of all General Fund expenses. As described above, in 2020, the City and the FOP ratified a new collective bargaining agreement that runs through 2025 and includes regular salary increases based on a fixed pay scale determined by years of service and job classification. Based on the pay scale and anticipated staffing levels, the City projects average annual salary increases of less than 2%.

Per its collective bargaining agreement, salaries for IAFF union members will increase 2% annually through 2022. The projections assume 2% increases in 2023 through 2025.

The City and AFSCME have agreed to a 2% salary increase for 2021. The projections assume 2% annual increases through 2025. Similarly, salary increases for non-represented employees will average 2% for 2021 and are projected to increase 2% annually through 2025.

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

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



**Table 6**  
**Employee Contributions Towards Health Care Premiums, 2021**

FOP	
Tier of Coverage	Percent of base salary 2021-2025
Single coverage	2.5%
2 person coverage	4.5%
3 person coverage	5.5%
4 or more person coverage	6.5%

AFSCME	
Tier of Coverage	Percent of base salary 2021
Single coverage	2.5%
2 person coverage	4.5%
3 person coverage	5.5%
4 or more person coverage	6.5%

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

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

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

The City also provides for certain post-retirement health benefits for its represented employees. In recent contract negotiations, the bargaining units have agreed to change retirement benefits with respect to active employees and future (yet-to-be-hired) employees. All units agreed that future employees would not be entitled to receive post-retirement health care at the City’s cost. All bargaining units agreed that active employees, upon their retirement, would be provided benefits at the same levels as active employees, and that such retiree coverages may be modified from time to time if similarly modified for active employees.



*Projection –*

- The number of City employees remains at the current 2021 budgeted workforce level.
- Current wages are increased as specified in the current collective bargaining agreements, interest arbitration awards, or court orders. At the conclusion of a current collective bargaining agreement with the IAFF in 2022, annual wage increases are projected to increase 2%. Salaries for AFSCME and non-represented City employees are increased 2% annually.
- The City, which self-insures, has budgeted \$9.8 million for medical expenses in 2021. Medical expenses are potentially a volatile expenditure, which the City monitors closely. These expenses are projected to increase 5% annually from 2021 to 2025, which is in line with the City's experience and the actuarial assumptions used in the calculation of the City's Other Post-Employment Benefits liability. The City has worked with its insurance consultant to secure approximately \$1.1 million in annual health insurance/prescription drug savings.

***Services***

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

*Projection* - These costs are projected to increase 2% annually, close to the annual rate of inflation.

***Long-Term Debt***

General Obligation Debt

*Series 1997D&F General Obligation Bonds*

In 1997, the City issued its Series D&F Bonds to advance refund its Series 1997 B-1 Bonds and currently refund its Series 1995 Bonds. The Series 1997 D&F Bonds are capital appreciation bonds and not subject to redemption prior to maturity. Credit enhancement on the bonds was provided by Financial Guaranty Insurance, which is now Ambac Assurance Corporation ("Ambac").

In 2012, facing severe financial distress, the City defaulted on the bonds and the insurer agreed to make scheduled principal and interest payments on the bonds. The City and Ambac entered into an amended settlement agreement in April 2013 under which the City's forbearance liability accrues interest and is scheduled to be repaid over a ten-year period from 2023 to 2032.

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**Table 7**  
**Series 1997D&F General Obligation Bond Summary**

Issue	Amount Outstanding/ Accreted Value <sup>2</sup>	Purpose	Call Date	Maturity	Coupon Rate	Enhancement
Series 1997D (Capital Appreciation Bonds)	\$3,076,324	Advance refunding	Non-callable	2022	Zero Coupon	Ambac
Series 1997F (Capital Appreciation Notes)	\$12,852,163	Current refunding	Non-callable	2022	Zero Coupon	Ambac
Series 1997D&F Forbearance Liability	\$25,454,829	Repay draws on enhancement facility	Any time	2032	6.75%	NA

<sup>2</sup> As of March 15, 2021.

### Guarantees

#### *Harrisburg Redevelopment Authority, Series 1998A (Verizon Bonds)*

The City guaranteed a loan issued by the Harrisburg Redevelopment Authority (“HRA”) and insured by Financial Security Assurance, now Assured Guaranty Municipal Corp (“AGM”), that was used to acquire a site now known as the Verizon Tower. Anticipating the need to rely on the City’s guarantee for debt service payments scheduled to begin in 2016, in 2015, the City, the HRA, and AGM entered into a settlement agreement. The settlement agreement outlined terms for annual debt service payments that provided liquidity to the City, which was under fiscal distress and could not afford to make the full scheduled debt service payments. Under the settlement agreement, the City is required to make minimum contributions between \$500,000 and \$1.5 million annually through 2032. The minimum contributions were in part based on lease payment projections from Verizon Tower tenants that offset the annual debt service requirement. To the extent that the annual lease payments do not materialize as projected, the City’s debt service requirement would increase over the minimum. The City’s obligations would increase if it borrows under the settlement; however, the combination of improving economics on the building and higher anticipated rental income allow the City to avoid draws and save on interest expense.

#### *Harrisburg Redevelopment Authority, Series 2005A-2 (Stadium Project)*

In 2005, the HRA issued taxable bonds, insured by Ambac and guaranteed by the City, to renovate and upgrade the Harrisburg minor league baseball stadium. As of April 30, 2021 there is \$5,050,000 outstanding on the bonds, which are not callable and mature in 2030. In recent years, the City has paid about \$230,000 annually towards debt service costs. The COVID pandemic resulted in the cancellation of the 2020 minor league baseball season and subsequently required the City to make the full principal and interest payments on the 2020 debt service. The projections assume that the City will continue to make full annual debt service payments going forward. Prior to 2020 when there was normal activity at the minor league stadium, the City’s payments under the guarantee to cover debt service shortfalls were between \$240,000 and \$270,000 annually.



**Table 8**  
**HRA Series 2005A-2 (Stadium Project) Summary**

Issue	Amount Outstanding/ Accreted Value <sup>3</sup>	Purpose	Call Date	Maturity	Coupon Rate	Enhancement
HRA Series 1998A (Verizon Bonds)	\$19,473,464	Acquire Strawberry Square site	Non-callable	2033	Zero Coupon (Taxable)	AGM
HRA Series 2005A-2 (Stadium Project)	\$5,050,000	Senators Stadium improvements	Non-callable	2030	5.00-5.29% (Taxable)	Ambac

<sup>3</sup> As of January 1, 2021.

LED – Guaranteed Energy Savings Contract

The City obtained a bank loan with M&T Bank using a guaranteed energy savings contract extended by the Efficiency Network. Under this agreement, the City is guaranteed energy savings that will more than cover the debt service on the bank loan. If savings exceed annual debt service of \$386,140, the benefit accrues to the General Fund. After 10 years, the City owns the equipment and bulbs financed by the original loan.

**Table 9**  
**Annual Debt Service Summary**  
**2021-2025**

	2021	2022	2023	2024	2025
Series 1997D&F	8,655,000	8,650,000	-	-	-
Series 1997D&F Ambac Repayment	87,498	87,498	3,888,906	3,888,906	3,888,906
HRA Series 1998A (Verizon Bonds) <sup>4</sup>	1,390,000	950,000	1,250,000	1,250,000	1,250,000
HRA Series 2005A-2 (Stadium Project) (est) <sup>5,6</sup>	649,895	653,705	651,345	647,945	648,375
Bank Loan - Energy Savings Contract	386,140	386,140	289,605	-	-
<b>Total<sup>7</sup></b>	<b>\$11,168,533</b>	<b>\$10,727,343</b>	<b>\$6,079,856</b>	<b>\$5,786,851</b>	<b>\$5,787,281</b>

<sup>4</sup> Represents minimum annual debt service due from City from 2022 to 2025.

<sup>5</sup> Reflects anticipated annual debt service obligations prior to the proposed Amended Settlement Agreement with Ambac.

<sup>6</sup> Since these guarantee payments are unknown and are estimates, the City does not typically include them as a budgeted debt service fund transfer for budgeting purposes. However, these expected expenditures are accounted for in the General Fund budget. The projections in this plan include these anticipated payments as debt service. Assumes the City will be responsible for 100% of debt service payments under the guarantee from 2021 through 2025.



## Pension

The City has three single-employer, defined benefit pension plans: the Police Pension Fund, the Firefighters Fund, and the Non-Uniformed Pension Plan. These plans cover substantially all full-time employees. Commonwealth law requires all municipalities, including Harrisburg, to make annual contributions to the pension funds based on a calculation of the minimum municipal obligation (“MMO”). The MMO is based on an annual actuarial valuation that takes into consideration annual pension costs, contributions by employees, 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 key statistics for the Police, Firefighters, and Non-Uniform pension funds in recent years. As of December 31, 2019, the police pension fund had a negative net position of \$6.5 million with a funded ratio of 93.3%. The firefighters and non-uniformed pension plans had positive funding ratios of 101.9% and 109.4%, respectively.

**Table 10**  
**Pension Summary**

	Police Summary	Firefighters Summary	Non-Uniformed Summary
Participants	12/31/2019	12/31/2016	12/31/2016
Active Employees	139	83	197
Vested Former	2	1	27
<u>Receiving Benefits</u>	<u>209</u>	<u>130</u>	<u>220</u>
Total Participants	350	214	444

	12/31/2018	12/31/2019	12/31/2018 <sup>7</sup>	12/31/2019 <sup>7</sup>	12/31/2018 <sup>7</sup>	12/31/2019 <sup>7</sup>
Total Pension Liability	\$98,203,560	\$97,808,051	\$71,106,314	\$73,363,119	\$61,196,335	\$66,639,766
Plan Fiduciary Net Position	\$77,054,079	\$91,291,461	\$81,213,997	\$74,774,932	\$79,911,152	\$72,911,381
Net Pension Liability (Asset)	\$21,149,481	\$6,516,590	(\$10,197,683)	(\$1,411,813)	(\$18,514,817)	(\$6,271,615)
Plan Fiduciary Net Position as % of Total Pension Liability	78.5%	93.3%	114.4%	101.9%	130.3%	109.4%

<sup>7</sup> Based on the measurement date of January 1, 2018

*Projection* – MMOs are projected to increase 2% annually, which is generally consistent with wage increases for each City employee group.

## Other-Post Employment Benefits

Other Post-Employment Benefits (“OPEB”) are benefits other than pension that are 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 for disclosure of 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 for funding OPEB costs. Per the most recent actuarial valuation dated January 1, 2018, Harrisburg’s total OPEB liability was \$130.1 million, which is reduced from recent years when it was over \$150 million.

**Table 11**  
**Other Post Employment Benefit Summary**  
**January 1, 2018**

Demographic Information	Police	Firefighters	Non-Uniformed	Total
Active Participants	93	66	124	283
Vested Former Participants	3	1	39	43
Retired Participants	174	107	118	399
<b>Total</b>	<b>270</b>	<b>174</b>	<b>281</b>	<b>725</b>

Financial Information	Police	Firefighters	Non-Uniformed	Total
Total OPEB Liability	\$65,384,379	\$42,202,464	\$23,094,132	\$130,680,975
Plan Fiduciary Net Position	0	0	0	0
Net OPEB Liability	\$65,384,379	\$42,202,464	\$23,094,132	\$130,680,975
Plan Fiduciary Net Position as a % of Total OPEB Liability	0%	0%	0%	0%
Net OPEB Liability as a % of Covered Employee- Payroll	982.81%	100.44%	377.56%	769.26%
OPEB Expense	(\$3,451,203)	(\$1,445,003)	(\$974,239)	(\$5,870,445)

The City has begun to address this liability with provisions in its collective bargaining agreements eliminating post-retirement benefits for new hires. In addition, following the monetization of the parking system, the Commonwealth deposited \$3.3 million in a bank account established for an OPEB fund. The \$3.3 million will be transferred into the City’s OPEB Trust Fund which was authorized on March 23, 2021 by City Council, as required by Act 124.



**Table 12**  
**Expense Growth Assumptions,**  
**2022-2025**

	2022	2023	2024	2025
Salaries and Wages	2%	2%	2%	2%
Overtime/Other Premium	2%	2%	2%	2%
Medical	5%	5%	5%	5%
Other Benefits	2%	2%	2%	2%
Pension	2%	2%	2%	2%
Services	2%	2%	2%	2%
Supplies	2%	2%	2%	2%
Debt	See Expense Initiatives 5.1(2)			

## 5.1 Expense Initiatives

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

The City is exploring ways to reduce health insurance costs, including working with a broker to lower prescription drug costs, instituting a wellness program, and considering changing the structure of its self-insurance model. The City has secured annual medical cost savings of approximately \$1.1 million beginning in 2021.

### **2) Explore Opportunities to Restructure Debt Obligations**

The City has been engaged in negotiations with Ambac regarding opportunities to reduce the forbearance liability associated the Series 1997D&F General Obligation bonds as well as the outstanding Series 2005A-2 Bonds, which are guaranteed by the City. The City's current restructuring plans for these liabilities include the following:

#### Defease the Series 2005A-2 Bonds

The City and Ambac have reached an agreement that includes defeasing the Series 2005A-2 Bonds, which are not callable. The total gross cost of the defeasance (principal and interest) is about \$6.0 million (assuming the defeasance occurs between the May 15, 2021 and November 15, 2021 debt service payment dates). In exchange for defeasing the debt, Ambac will reduce the forbearance liability on the Series 1997 General Obligation debt by 38% of the principal amount of the Series 2005A-2 Bonds. The liability reduction will be \$1,768,900 assuming a defeasance between May 15 and November 15, 2021. The total estimated upfront cost to the City will be approximately \$5.22 million after investment earnings in the defeasance escrow and the release of a debt service reserve fund of about \$658,000 currently held for the benefit of bond holders.

The defeasance will eliminate approximately \$650,000 in annual debt service through 2030 that was guaranteed by the City. In recent years, the City was contributing approximately \$240,000 towards annual debt service on these bonds. In 2020, because the Harrisburg Senators baseball season was cancelled due



to the COVID pandemic, the City made the full annual debt service payment. While the Senators are expected to resume playing at some point, the status of 2021 minor baseball is still unclear.

#### Repay the Series 1997D&F Forbearance Liability

The agreement with Ambac also involves the repayment of a portion of the Series 1997D&F forbearance liability at a discount. Per the agreement, for every \$1 the City pays towards the liability (up to \$4 million) through 2021, Ambac will apply an additional \$0.38. The City budgets a \$2 million payment towards the liability in 2021 meaning the liability will be reduced by \$2.76 million (not including the \$1.8 million reduction related to the Series 2005A-2 defeasance). The City is pursuing a refinancing of the entire forbearance liability which will allow them to maximize the benefit of the Ambac agreement.

#### Consider Options to Finance the Series 2005A-2 Bond Defeasance and Forbearance Liability Repayment

The City will consider financing alternatives for the defeasance of the Series 2005A-2 Bonds and the Series 1997 D&F Forbearance Liability. Refinancing the forbearance liability, which accrues interest at 6.75%, will allow the City and to take advantage of interest rate savings and also capitalize on the prepayment incentives in the Ambac agreement.

Financing the Series 2005A-2 defeasance rather than funding the defeasance with a cash outlay would not result in interest expense savings (interest expense would actually increase). However, financing all or a portion of the defeasance would allow the City to preserve liquidity and create a manageable repayment structure. The City has not committed to a final plan of finance and will evaluate its options with its financial advisor and financing team.

The City will consider several factors in finalizing the plan of finance for the anticipated refinancing. First, the City will look to the parameters outlined by the proposed fund balance targets described in this plan. These targets include maintaining a General Fund balance equal to at least two months of operating expenses, as recommended by the GFOA. For municipalities with a history of fiscal distress, the fund balance recommendation is for comfortably more than two months of operating expenses. If the five-year projections show fund balance dipping below that level, then there must be a clear path to restore fund balance in forthcoming years, but it is the City's intention to avoid that scenario altogether.

In addition, the City will consider the terms and the cost of the financing itself. Current municipal interest rates are low relative to historical averages; however, it is unclear what interest rate the City can expect in a new financing. Though the City has much improved quantitative financial credit metrics, its history of fiscal distress will likely impact investor perception of the City's credit quality. Interest rate levels on the potential financing will be tied to the outcome of the credit rating process, which the City plans to engage in later this year. Once a credit rating outcome is known, the financing team will be able to project interest expense with higher certainty and recommend a final plan of finance.

Another factor impacting this analysis is the \$47.1 million in funding from the American Rescue Plan. As of this writing, the Department of Treasury has not released the regulations and reporting requirements for the ARPA local government aid. While the act does provide some high-level guidance on uses, there are many unanswered questions that must be resolved before a plan to deploy these funds can be formed.



ARPA enhancements to the City’s general operating fund balance position and capital project funding resources, which will be considered in the financing strategy.

For five-year planning purposes, the assumed financing scenario demonstrates the City’s ability to comply with the established fund balance target even with conservative interest rate assumptions. Before the plan of finance is finalized, the City will consider other alternatives including possibly using fund balance to paydown (rather than finance) a portion of the debt, which would reduce the overall size of the borrowing and thus interest expense.

The tables below show the projected annual debt service and liability balance comparison between the existing and pro forma restructured debt. The tables assume the forbearance liability is refinanced in September 2021 with an interest rate of 4.875%, 2032 maturity (matching the existing forbearance liability repayment schedule), and level debt service. The defeasance financing assumes a 4.80% interest rate, 2030 maturity (matching that of the existing debt), and level debt service. These terms are subject to market conditions and the City’s ability to execute a financial plan that maintains structural budgetary balance and a sufficient fund balance, among other credit factors.

A refinancing would not be a realistic consideration if the City’s special EIT and LST taxing powers were not extended by the recent amendment to the state fiscal code.

**Table 13**  
**Annual Debt Service Comparison**  
**(Series 2005A-2 Bonds and Series 1997D&F Forbearance Liability)**

	<u>Existing</u>			<u>Pro Forma</u>			<u>Difference</u>
	<u>Forbearance</u>	<u>Series 2005A-2</u>	<u>Total</u>	<u>Forbearance Refinancing</u>	<u>Series 2005A-2 Defeasance</u>	<u>Total</u>	
2021	87,498	649,895	726,324	11,069	527,583	527,583	198,742
2022	87,498	653,705	741,203	1,133,974	868,080	2,002,054	(1,260,851)
2023	3,888,906	651,345	4,540,251	2,993,974	738,080	3,732,054	808,197
2024	3,888,906	647,945	4,536,851	2,994,299	737,760	3,732,059	804,792
2025	3,888,906	648,375	4,537,281	2,994,188	741,120	3,735,308	801,973
2026	3,888,906	647,276	4,536,182	2,994,445	738,160	3,732,605	803,576
2027	3,888,906	649,503	4,538,409	2,993,828	738,880	3,732,708	805,701
2028	3,888,906	650,144	4,539,050	2,994,140	738,160	3,732,300	806,749
2029	3,888,906	649,197	4,538,103	2,994,090	736,000	3,730,090	808,013
2030	3,888,906	(11,571)	3,877,336	2,994,434	737,280	3,731,714	145,621
2031	3,888,906	-	3,888,906	2,993,879	-	2,993,879	895,027
2032	\$3,888,906	-	\$3,888,906	\$2,994,181	-	\$2,994,181	\$894,724



**Table 14**  
**Debt/Liability Comparison**  
**(Series 2005A-2 Bonds and Series 1997D&F Forbearance Liability)**

	<u>Existing</u>			<u>Pro Forma</u>			<u>Difference</u>
	<u>Forbearance Liability</u>	<u>Series 2005A-2</u>	<u>Total</u>	<u>Forbearance Refinancing</u>	<u>Series 2005A-2 Defeasance</u>	<u>Total</u>	
2021	26,248,829	4,655,000	30,903,829	23,261,000	5,480,000	28,741,000	2,162,829
2022	27,962,652	4,235,000	32,197,652	23,261,000	4,905,000	28,166,000	4,031,652
2023	25,927,451	3,795,000	29,722,451	21,401,000	4,390,000	25,791,000	3,931,451
2024	23,752,556	3,335,000	27,087,556	19,450,000	3,850,000	23,300,000	3,787,556
2025	21,428,379	2,850,000	24,278,379	17,404,000	3,280,000	20,684,000	3,594,379
2026	18,944,671	2,340,000	21,284,671	15,258,000	2,685,000	17,943,000	3,341,671
2027	16,290,485	1,800,000	18,090,485	13,008,000	2,060,000	15,068,000	3,022,485
2028	13,454,118	1,230,000	14,684,118	10,648,000	1,405,000	12,053,000	2,631,118
2029	10,423,065	630,000	11,053,065	8,173,000	720,000	8,893,000	2,160,065
2030	7,183,963	-	7,183,963	5,577,000	-	5,577,000	1,606,963
2031	3,722,533	-	3,722,533	2,855,000	-	2,855,000	867,533
2032	\$-	\$-	\$-	\$-	\$-	\$-	\$-

**Table 15**  
**Pro-Forma, Annual Debt Service Summary**  
**2021-2025**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Series 1997D&F	8,655,000	8,650,000	0	0	0
HRA Series 1998A ("Verizon Bonds") <sup>8</sup>	1,390,000	950,000	1,250,000	1,250,000	1,250,000
Bank Loan - Energy Savings Contract	386,140	386,140	289,605	0	0
HRA Series 2005A-2 Defeasance Financing <sup>9</sup>	527,583	868,080	738,080	737,760	741,120
Forbearance Liability Refinancing (2021) <sup>9</sup>	11,069	1,133,974	2,993,974	2,994,299	2,994,188
<b>Total<sup>10</sup></b>	<b>10,969,792</b>	<b>11,988,194</b>	<b>5,271,659</b>	<b>4,982,059</b>	<b>4,985,308</b>
Existing Annual Debt Service	11,168,533	10,727,343	6,079,856	5,786,851	5,787,281
<b>Difference</b>	<b>\$198,724</b>	<b>(\$1,260,851)</b>	<b>\$808,197</b>	<b>\$804,792</b>	<b>\$801,973</b>

<sup>8</sup> Represents minimum annual debt service due from City from 2022-2025.

<sup>9</sup> A refinancing will depend on market conditions and the City's ability to execute a financial plan that maintains structural budgetary balance and a strong fund balance, among other credit factors. 2021 debt service represents portion of existing debt service paid prior to the planned refinancing.

<sup>10</sup> In 2021 the City budgeted a \$5,750,000 transfer from the General Fund to the Senators Fund to defease the Series 2005A-2 Bonds, but under the pro-forma scenario would finance the defeasance. The City budgets \$895,000 of existing Debt Service Fund balance for a portion of the 2021 debt obligations.



## 5.2 Expense Forecasts

Below is the multi-year expense forecast based on historical growth trends, planned initiatives, and other available data. The 2021 Projection refers to the proposed budget introduced to City Council on November 24, 2020, budget amendments of January 2021, and adjustments based on a refinancing later this year.

**Table 16**  
**Operating Expense Forecast**

	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel (less Medical)	36,569,189	37,367,137	38,136,423	38,775,317	39,429,524
Medical	9,763,864	10,252,057	10,764,660	11,302,893	11,868,038
Services	7,812,923	6,842,089	6,970,431	7,101,339	7,234,866
Supplies	3,766,865	3,053,701	3,111,875	3,171,213	3,231,737
Other Operating	825,518	638,292	646,222	654,311	662,561
Transfers	0	0	0	0	0
<b>Total Expenses (Pre-Debt Service)</b>	<b>58,738,359</b>	<b>58,153,277</b>	<b>59,629,612</b>	<b>61,005,074</b>	<b>62,426,727</b>
Debt Service <sup>12</sup>	10,074,791	11,988,193	5,271,659	4,982,059	4,985,308
<b>Total Operating Expenses</b>	<b>68,813,150</b>	<b>70,141,470</b>	<b>64,901,271</b>	<b>65,987,133</b>	<b>67,412,035</b>
Capital Expenses	6,337,223	1,617,000	1,597,000	1,477,000	1,560,000
<b>Total</b>	<b>\$75,150,373</b>	<b>\$71,758,470</b>	<b>\$66,498,271</b>	<b>\$67,464,133</b>	<b>\$68,972,035</b>

<sup>12</sup> In 2021 the City budgeted a \$5,750,000 transfer from the General Fund to the Senators Fund to defease the Series 2005A-2 Bonds, but under the pro-forma scenario would finance the defeasance. The City budgets \$895,000 of existing Debt Service Fund balance for a portion of the 2021 debt obligations.

The 2021 budget amendment includes adjustments for encumbrances (claim against General Fund balance for an expenditure) carried over from 2020 to 2021. These encumbrances, which totaled \$2,543,186, were “rolled over” into the new year even though they were incurred in 2020. It is important to consider encumbrances when evaluating available fund balance. The City ended 2020 with a General Fund cash balance of \$32.1 million; however, since about \$2.5 million was already encumbered, the available balance was just \$29.6 million.

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## 6 Other Initiatives

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

### **1) Reestablish Access to the Debt Markets and Restore Credit Rating**

Key to the City's long-term viability is access to the debt markets to fund capital projects and other deferred maintenance needs. As described above, the extension of the City's EIT and LST taxing powers likely makes a refinancing for annual debt service savings feasible. The City has engaged an independent financial advisor that is currently advising on its capital structure and potential market receptivity to a refinancing. The City and the financial advisor are currently assembling a financing team and establishing a timeline for a potential financing. The financing schedule is not finalized; however, it is the administration's goal to execute a refinancing by the late summer or early fall. The City will engage the rating agencies and strongly consider establishing a credit rating as part of the process.

### **2) Establish an OPEB Trust**

On March 23, 2021, City Council approved an ordinance authorizing and directing the creation of an irrevocable special trust to be designated as the "OPEB Trust Fund" for the purpose of depositing and segregating funds to be restricted for other post-employment obligations of the City and related administrative costs of the Trust; providing for the appointment of a Board of Trustees to oversee the OPEB Trust Fund in accordance with the approved Act 47 Recovery Plan and any amendment thereto; providing for the Board to contract for services of a Trust professional; authorizing the execution of a Trust Agreement and related documents; authorizing the acceptance and deposit of designated funds provided through certain asset transfers under the Harrisburg Strong Plan; and adopting a Charter and Bylaws of the OPEB Board of Trustees so as to operate in accordance with the recommendations of the Governmental Accounting Standards Board as provided 16 in GASB Statement No. 74 and GASB Statement No. 75.

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

The City's OPEB liability as of December 31, 2019 was \$131 million. Like most other municipalities, Harrisburg does not prefund its OPEB liability. The City paid \$4.8 million in "pay-as-you-go" retirement benefit costs in 2019. The Service Cost (the estimated cost of future participant benefits accrued due to service) in 2019 was \$2.2 million. If the City were to continue to pay the pay-as-you-go obligation and also contribute an annual amount equal to the Service Cost, the City would be funding the plan at a pace to eliminate the unfunded accrued liability in approximately 60 years, assuming no changes in actuarial assumptions. However, contributing an amount equal to the Service Cost in addition to the pay-as-you-go



obligation is not realistic for the City at this time meaning the liability is unlikely to be eliminated in the 60-year timeframe.

The Trust will be funded initially with approximately \$3.2 million in funds generated by asset transfers that were executed as a result of the implementation of the Harrisburg Strong Plan. Once the terms of the Trust are established by the appointed Board of Trustees, the City will consider a funding policy that will begin to address the significant liability and is also manageable within existing General Fund constraints. Because the terms of the Trust are unknown, the City cannot make an annual funding commitment as part of this five-year plan.

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

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

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

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

### ***3) Implement Workforce Stabilization Program***

The primary strategy for stabilizing the workforce was to reach a new agreement with the FOP, the City's largest union. The City and the FOP entered into a new collective bargaining agreement that is fair to both the City and the workforce, addresses attrition concerns in the department, and provides budgeting certainty through 2025. Both the administration and the union are confident that the new agreement will improve employee retention and recruitment concerns that were detrimental to the department in the past. The City will endeavor to address similar issues in the next round of contract negotiations with the IAFF and AFSCME bargaining units.

Of course, the City is also mindful of strategies to recruit and retain qualified non-represented employees, as well. In particular, the City is conducting an extensive search to place a new Finance Director, a



position that has been vacant for several months. The City is advertising for the position in prominent local government association and other media outlets. While there has been interest in the position and the City has vetted and interviewed multiple candidates, a candidate that meets all of the department's needs has not been identified. The City continues to interview candidates for this position and hopes to fill this vacancy as soon as possible. The City recently filled the vacant Budget Manager position, which is another critical role in the Finance Department.

#### **4) Promote Economic Development**

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

The Bureau's economic development efforts over the last several months were focused on helping the local business community cope with COVID related pressures and hardships. The Bureau shifted its focus from business as usual, and strategically transitioned to survival mode. The Bureau provided technical assistance and created programs to help local small businesses to survive during this difficult time. The Bureau plans to continue to provide this much-needed assistance, for as long as the threats to local businesses persist.

The following are examples of actions the City has taken to support businesses during this uniquely difficult time:

- In April 2020, the City partnered with Impact Harrisburg to build a \$1.5 million (Impact Harrisburg provided additional funds) grant fund to help Harrisburg small businesses impacted by the coronavirus shutdown.
- The City designed the Neighborhood Business Stabilization Program (NBSP) to provide emergency cash flow to help small businesses cope with the COVID crisis. A total of 313 businesses were awarded \$5,000 grants (of which 62 were minority-owned businesses) to assist with operating costs, such as rental and mortgage payments, utility payments, outstanding vendor invoices and payroll during this first funding round. A second round of this program began on December 1, 2020. Over 130 pre-applications have been received to date.
- In July 2020, the City provided a one-time credit on future trash bills opportunity for commercial refuse account holders, negatively impacted by the emergency closures and shutdowns due to the COVID pandemic. The City received 214 applications, of which 148 have been approved. The total dollar amount credited for this program to date is approximately \$164,000.
- As a response to the COVID public health crisis and the resulting statewide business closure order, ChooseHBG was initiated to encourage people, businesses, and local government to think, and more importantly, spend locally first.



Though the immediate crisis has required a series of policy responses that are short-term in nature, the Bureau has not lost sight of its commitment to long-term economic development and growth. Instead, the Bureau is taking aggressive and necessary steps to achieve its goals. The Bureau has created initiatives that will help to grow the economy, revitalize neighborhoods, and provide opportunities for individuals and families to live, work, and play, in Harrisburg. In addition, the Bureau is in the process of preparing an Economic Development Strategic Plan. A strategic plan is integral in achieving measurable, sustainable economic development, growth, and quality of place. This plan, long-term in scope, will serve as a framework for setting clear and attainable economic development objectives, and design policies and programs to achieve them. The plan will ensure goals are aligned and any new funding from the U.S. Department of Housing and Urban Development (“HUD”) or federal COVID relief programs are deployed tactically to achieve the City’s economic development goals. The City has implemented the following initiatives to further Harrisburg’s economic development efforts:

- In partnership with the Harrisburg Housing Authority (“HHA”), the City submitted application to HUD for the Choice Neighborhoods Planning Grant. If awarded, this grant will provide \$450,000 to the City for the development of a comprehensive neighborhood revitalization strategy (the “Transformation Plan”) for the South Harrisburg Neighborhood/Hoverter Homes Development.
- The HHA and the City also plan to submit application to HUD for the Choice Neighborhoods Implementation Grant, which provides up to \$30 million to implement Transformation Plan.
- The City, through the Bureau of Economic Development, created an Affordable Housing Taskforce to help guide and support the development of a new affordable housing policy, designed to make home renting and ownership more cost-effective in Harrisburg. This taskforce also assists in identifying tools, strategies, and incentives necessary to encourage affordable and mixed-use development. The Bureau is coordinating efforts to produce an Affordable Housing Density Bonus Ordinance. This ordinance is a joint effort of the Administration and City Council.
- The Department of Business Development held workshops to provide information, resources, and support to members of Harrisburg’s small and diverse business community. In addition, the sessions create professional networking opportunities where attendees can develop relationships that will help further their business endeavors.

The City is in the process of completing the review and update of its Comprehensive Plan and planning and zoning criteria. A required 45-day review period of the Comprehensive Plan recently ended. City Council will review and adopt the plan in mid-2021.

The City has just begun the process of reviewing and updating its planning and zoning criteria. The City plans to issue a Request for Proposals and select a consultant by the end of 2021.

### **Local Economic Revitalization Tax Assistance Program Review**

In addition to the initiatives described above, the City will revisit its Local Economic Revitalization Tax Assistance (“LERTA”) program in the hopes of improving its effectiveness. LERTA is a tax abatement program that was created in 1977 to incentivize property investment and redevelopment of difficult or undesirable properties- such as brownfields. LERTA creates a graduated increase in tax payments on new construction and property rehabilitation for owners of commercial, industrial, and business properties located within designated zones in the City.



A study of the program concluded that the LERTA program in its current form has not proven to be a largely effective tool for encouraging major redevelopment projects in Harrisburg. While many residential improvement projects have and will continue to benefit from LERTA, the same cannot currently be said for large commercial construction projects.

In order for Harrisburg to realize some of the benefits that the original LERTA Ordinance hoped to encourage such as elimination of blight and significant redevelopment, the LERTA program requires modifications. The City will consider altering or eliminating conditions for eligibility. The City will also consider increasing the level of tax abatement on commercial projects from 50% to 100%.

### ***5) Improve Information Technology Capabilities***

The City is implementing a number of initiatives to improve its information technology capabilities and infrastructure as outlined below:

1. Replace the current disparate systems, including mainframe systems (City, Revenue, and Personnel), finance system (Central Square), and payroll system (Paychex) with an ERP system from one vendor, where all modules are integrated with each other.
2. Obtain Office 365 Licenses to support our Microsoft suite of tools: Outlook (Email), Word, Excel, PowerPoint, etc.
3. Replace of the Data Center core switch, which controls the critical infrastructure for all City-deployed technology.
4. Replace the aging fleet of City-wide printers with new machines.
5. Replace the security camera system at Reservoir Park, which is unreliable and not integrated with our other camera systems.
6. Implement a Laserfiche public portal that would allow for a single point of citizen access to City-related documents.
7. Replace the equipment (servers and Storage Area Network (SAN)) in the Data Center and Co-location site, as they reach the end of their useful life.

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## 7 Capital Improvement Plan

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

The tables below show the **baseline** capital projects the City plans to fund with General Fund transfers and other sources. The baseline projections are consistent with what was presented in the 2020 Five Year Plan (with modifications for 2021 budget adjustments). In addition to these baseline funding amounts, the City is projecting \$1 million in annual **supplemental** funds in 2022-2025 for capital improvement projects, or potentially debt service capacity for a capital projects financing, if fund balances and operating results materialize as expected. These projected supplemental funds are not reflected in the tables below because the City has not yet determined which projects will be funded. The funded projects will most likely be selected from the listing of Priority One Unfunded Projects shown in Appendix C.

**Table 16**  
**Baseline Capital Improvement Projects - General Fund**

Project Name	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Total
<b>Bureau of Information Technology</b>						
DCIT & DREV System Replacement	537,609	250,000	-	-	-	787,609
DPER System Replacement	250,000	-	-	-	-	250,000
Data Center Core Switch Replacement	-	100,000	100,000	-	-	200,000
Date Center Equipment Replacement	-	-	-	300,000	-	300,000
Other IT	158,298	37,000	12,000	-	-	207,298
<b>Bureau of Police</b>						
Police Patrol Vehicles	330,000	260,000	260,000	260,000	260,000	1,370,000
Other Police Vehicles	270,000	-	-	-	-	270,000
Radios	112,000	-	-	-	-	112,000
Surveillance Cameras	100,000	-	-	-	-	100,000
Other	52,000	-	-	-	-	52,000
<b>Bureau of Fire</b>						
Apparatus Replacement	780,000	350,000	700,000	400,000	400,000	2,630,000
Timesheet Management System	100,000	-	-	-	-	100,000
Baydoors	465,334	-	-	-	-	465,334
Other	31,976	-	-	-	-	31,976
<b>Bureau of Public Works</b>						
Vehicle Leasing Program	678,515	620,000	525,000	500,000	500,000	2,823,515
Engine Reader	44,000	-	-	-	-	44,000
<b>Bureau of Engineering</b>						
Lease Purchase	9,830	-	-	-	-	9,830
Other	63,000	-	-	-	400,000	463,000
<b>Bureau of Facilities</b>						
M&T Bank Building Rehab	600,000	-	-	-	-	600,000
PSB Fire Panel Replacement	95,000	-	-	-	-	95,000
GESA	1,000,000	-	-	-	-	1,000,000
Other Facilities	659,661	-	-	17,000	-	676,661
<b>Subtotal</b>	<b>\$6,337,223</b>	<b>\$1,617,000</b>	<b>\$1,597,000</b>	<b>\$1,477,000</b>	<b>\$1,560,000</b>	<b>\$12,588,223</b>



Also not reflected in these tables are potential funding from the ARPA or other new federal funding sources. Depending on the permitted use of these funds and the outcomes of the City’s planning process, the capital project funding sources and uses may change.

Note: projected 2021 amounts differ from the budget due to how expenditures are classified in the budget and changes in project costs and scope.

**Table 17**  
**Capital Improvement Projects - Neighborhood Services Fund<sup>13</sup>**

Project Name	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Total
Vehicle Purchase Program	945,857	1,245,000	740,000	1,062,000	1,350,000	5,342,857
Equipment Leasing	607,111	607,111	341,003	85,251	100,000	1,740,475
Building Improvements	202,190	46,410	47,338	48,285	49,251	393,474
Equipment - Other	139,513	50,000	50,000	50,000	50,000	339,513
<b>Subtotal</b>	<b>\$1,894,671</b>	<b>\$1,948,521</b>	<b>\$1,178,341</b>	<b>\$1,245,536</b>	<b>\$1,549,251</b>	<b>\$7,816,319</b>

<sup>13</sup> In addition to NSF revenues, funding includes grant funds in the amount of \$300,000 per year from 2022 to 2024.

**Table 18**  
**Baseline Capital Improvement Projects - Capital Projects Fund<sup>14</sup>**

Project Name	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Total
Vision Zero (Signal Upgrades)	50,000	100,000	50,000	-	0	200,000
Vision Zero (2nd Street)	5,456,104	223,372	-	-	0	5,679,476
Vision Zero - Capitol Gateway	1,018,020	-	-	-	0	1,018,020
Vision Zero - State Street	653,000	-	-	-	0	653,000
East-West Multimodal	650,000	743,070	-	1,725,000	0	3,118,070
Mulder Square	2,810,000	-	-	-	0	2,810,000
North 7 <sup>th</sup> Street	4,411,752	-	-	-	0	4,411,752
Allison Hill Paving	1,600,000	-	-	400,000	0	2,000,000
Uptown and Midtown Paving	550,000	-	1,000,000	-	0	1,550,000
South Paving Project	224,112	224,112	224,112	224,112	224,112	1,120,560
<b>Subtotal</b>	<b>\$17,422,988</b>	<b>\$1,290,554</b>	<b>\$1,274,112</b>	<b>\$2,349,112</b>	<b>\$224,112</b>	<b>\$22,560,878</b>

<sup>14</sup> Other funding sources, in addition to Capital Projects Fund balance, includes grant funds and Liquid Fuels Funds.

**Table 19**  
**Summary by Fund**

Fund	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Total
General Fund (Baseline)	6,337,223	1,617,000	1,597,000	1,477,000	1,560,000	12,588,223
Neighborhood Services Fund	1,894,671	1,948,521	1,178,341	1,245,536	1,549,251	7,816,319
Capital Projects Fund (Baseline)	17,422,988	1,290,554	1,274,112	2,349,112	224,112	22,560,878
<b>Subtotal</b>	<b>\$25,654,882</b>	<b>\$4,856,075</b>	<b>\$4,049,453</b>	<b>\$5,071,648</b>	<b>\$3,333,363</b>	<b>\$42,965,421</b>



**Table 20**  
**Five-Year Capital Project Summary by Source**

	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Total
General Fund	6,337,223	1,617,000	1,597,000	1,477,000	1,560,000	12,588,223
Capital Projects Fund	3,202,541	323,372	350,000	50,000	0	3,925,914
Liquid Fuels Fund	3,225,231	967,182	924,112	574,112	224,112	5,914,749
Grants	10,585,304	300,000	300,000	817,500	300,000	12,302,804
Debt	0	0	0	0	0	0
Neighborhood Svc.	1,894,671	1,648,521	878,341	945,536	1,249,251	6,616,319
Other/TBD	409,912	0	0	1,207,500	0	1,617,412
<b>Total</b>	<b>\$25,654,882</b>	<b>\$4,856,075</b>	<b>\$4,049,453</b>	<b>\$5,071,648</b>	<b>\$3,333,363</b>	<b>\$42,965,421</b>

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

The City has 41 unfunded Priority One projects with costs up to \$11.6 million through 2025. The City has 81 unfunded Priority Two projects costing with a cumulative estimated cost of \$37.6 million. The table below summarizes the annual costs of the Priority One and Priority Two projects. A project listing is included in the Appendix.

**Table 21**  
**Unfunded Capital Improvement Projects**

Level	Number of Projects	2021	2022	2023	2024	2025	Total
Priority One	41	666,682	1,553,487	3,259,487	3,066,250	3,038,250	11,584,156
Priority Two	81	672,500	3,835,700	5,762,536	10,752,813	16,224,250	37,599,799
<b>Totals</b>	<b>122</b>	<b>\$1,339,182</b>	<b>\$5,741,187</b>	<b>\$9,022,023</b>	<b>\$13,819,063</b>	<b>\$19,262,500</b>	<b>\$49,183,955</b>

The total cost of the unfunded projects identified above is \$49.2 million. Not included in this listing are Priority Three projects, which are even farther beyond the City's current funding capacity. Including Priority Three projects, Harrisburg's total capital needs exceed \$100 million.

### Capital Project Budgeting

The City uses line-item bidding to estimate costs for its projects. The City calculates the proposed quantities for each project and multiplies the quantities by either historical unit price bid information from past City projects (if available) or PennDOT bid history from the PennDOT Engineering and Construction Management System (ECMS). These budgets are done once for small projects and four times during the stages of project design (initial, 30%, 60%, 100% plan submission) for larger projects.



**Table 22**  
**2020 Completed Facilities Capital Projects**

<b>Project</b>	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
Mulder Square Ramps	252,996	264,954	(11,958)
South Harrisburg Paving	2,740,000	2,772,623	(32,623)
Market and Dewberry	325,087	224,772	100,315
State Street Light Upgrades	83,144	80,080	3,064
4th and Maclay	235,000	314,705	(79,705)
<b>Total</b>	<b>\$3,636,227</b>	<b>\$3,657,133</b>	<b>(\$20,906)</b>

The table above shows budget versus actual reports for Bureau of Facilities projects completed in 2020. Projects will deviate from the budget for a variety reasons including, but not limited to, differences in anticipated versus actual grant funding and matching requirements, unforeseeable project/construction challenges, and variances between planned and actual project unit costs. The City’s capital projects are closely monitored not just by City staff, but also in most cases by auditors from other state and federal agencies to ensure that project costs are justified and in compliance with applicable rules and regulations. Because of the nature of capital project budgeting, deviations from the plan are not uncommon, but are minimized and near budget on an overall basis.

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## 8 Financial Forecasts

The City will set a *minimum* General Fund fund balance level target amount equal to two-months of annual operating expenses (approximately 17%). The funding target is consistent with the Government Finance Officer Association's minimum recommendation for all municipalities. The GFOA recommends that municipalities with a history of fiscal distress or budgetary volatility maintain a fund balance level higher than the 17% minimum. This fund balance level would also be viewed favorably by rating agencies that place strong emphasis on operating flexibility and accessible fund balance, especially for municipalities like Harrisburg that are trying to demonstrate its commitment to fiscal recovery and stability. In practice the City has already been managing its fund balance to above this level for several years.

The operating forecasts, which assume the full implementation of the initiatives described above, demonstrate the ability to maintain essential City services and address other priorities. In addition to the initiatives outlined in this plan, the City relies on its significant unreserved General Fund balance to fund capital needs and, under certain circumstances, cover the gap between annual revenues and expenses. The adopted 2021 budget includes a \$15.2 million transfer from General Fund balance, which included \$7.75 million of cash to defease the Series 2005A-2 Bonds and prepay the Ambac forbearance liability. Rather than transferring cash, the City will consider using a financing to execute these transactions, which will preserve liquidity and operating flexibility.

The City anticipates weaker revenues in 2021 as the COVID health crisis recovery continues and, instead of balancing the budget with tax increases, will utilize a portion of its fund balance. The City will not increase the tax burden on its residents at a time when so many face job insecurity and are struggling just to pay their bills. Moreover, raising tax rates is counterproductive to Harrisburg's efforts to attract private investment and expand the tax base, especially during this challenging period for the local economy.

The City understands the fiscal uncertainty associated with the COVID-19 pandemic recovery and has the ability to adjust to unanticipated shortfalls just as it effectively managed such a situation in 2020. One example of a contingency action is to slow the pace of hiring new employees and filling vacancies. The City's budget assumes that all new employees are hired and vacancies will be filled on January 1, 2021. As a practical matter, the new positions will not be filled immediately in the new year, so there is some flexibility already built into the budget. The City has the ability to delay hires and implement a general hiring freeze if City revenues are lower than expected.

The forecasts show a declining fund balance in 2021 and 2022 and then General Fund surpluses in 2023, 2024, and 2025. Key to achieving these surpluses is the City's debt restructuring strategy described in the preceding sections. In addition, annual debt service obligations will fall significantly after the City's General Obligation Bonds mature in 2022, enabling the City to achieve surpluses in subsequent years and rebuild fund balance. If the plan is executed as anticipated, the City can reexamine its strategy to finance capital improvements and other priorities while maintaining sufficient liquidity. The projections assume additional transfers for capital improvements projects in 2022 through 2025, while still maintaining the targeted fund balance level.



Planned budget enhancement initiatives will enable the City to sustain a substantial fund balance through 2025. Moreover, the extension of the special EIT and LST taxing powers will allow the City to avoid a revenue cliff and potential draconian service cuts. The City is committed to providing essential services to the community while securing its long-term fiscal stability. The City will take every responsible action necessary to achieve these objectives.

## 8.1 Initiatives Summary

**Table 23**  
**Five-Year Plan Initiative Summary**

<b>Initiative</b>	<b>Projection 2021</b>	<b>Forecast 2022</b>	<b>Forecast 2023</b>	<b>Forecast 2024</b>	<b>Forecast 2025</b>	<b>Five-Year Impact</b>
<b>Revenue</b>						
Redirect Park Permit Revenues to General Fund	-	400,000	400,000	400,000	400,000	1,600,000
Pursue PILOT Agreements	-	25,000	25,000	25,000	25,000	100,000
Review Service Delivery Alternatives	-	100,000	100,000	100,000	100,000	400,000
Seek Increased Federal Grant Funding	-	25,000	25,000	25,000	25,000	100,000
Improve Neighborhood Service Fund Collection Rates*	-	500,000	1,300,000	1,300,000	1,300,000	4,400,000
<b>Expense</b>						
Implement Steps to Reduce Health Insurance Costs	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057	6,078,194
Explore Opportunities to Restructure Debt Obligations	198,742	(1,260,851)	808,197	804,792	801,973	1,352,853
<b>Other</b>						
Reestablish Access to Debt Markets and Restore Credit Rating	-	-	-	-	-	-
Establish an OPEB Trust	-	-	-	-	-	-
Implement Workforce Stabilization Program	-	-	-	-	-	-
Promote Economic Development	-	-	-	-	-	-
<b>Total – General Fund</b>	<b>\$1,298,742</b>	<b>\$444,149</b>	<b>\$2,570,947</b>	<b>\$2,628,179</b>	<b>\$2,689,030</b>	<b>\$9,631,047</b>
<b>Total – Neighborhood Services Fund</b>	<b>-</b>	<b>\$500,000</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>	<b>\$4,400,000</b>
<b>Total – All Funds</b>	<b>\$1,298,742</b>	<b>\$944,149</b>	<b>\$3,870,947</b>	<b>\$3,928,179</b>	<b>\$3,989,030</b>	<b>\$14,031,047</b>

\* Indicates benefit to the Neighborhood Services Fund, not General Fund



As described above, the City plans to refinance its forbearance liability with Ambac and finance the defeasance of its outstanding Series 2005A-2 Bonds. The projections below assume that the City execute a financing to execute both transactions. The final 2021 plan of finance is not finalized yet. The City may choose to defease all or a portion of the Series 2005A-2 Bonds with cash rather than through a financing.

**Table 24**  
**Operating Forecasts<sup>15</sup>, 2021-2025**

	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Revenues	64,315,859	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	68,813,150	70,141,470	64,901,271	65,987,133	67,412,035
Operating Result	(4,497,291)	(4,783,208)	3,174,783	2,724,029	1,806,573
Baseline Capital Expenses	6,337,223	1,617,000	1,597,000	1,477,000	1,560,000
Baseline Change in Fund Balance	(10,834,514)	(6,400,208)	1,577,783	1,247,029	246,573
<u>Supplemental Fund Balance Contributions</u>					
Priority One Capital Projects	0	1,000,000	1,000,000	1,000,000	1,000,000
Total	0	1,000,000	1,000,000	1,000,000	1,000,000
Beginning Fund Balance	32,118,944	21,284,430	13,884,222	14,462,005	14,709,034
Ending Fund Balance	\$21,284,430	\$13,884,222	\$14,462,005	\$14,709,034	\$13,955,607
Fund Balance Pct of Expenses	31%	20%	22%	22%	21%

<sup>15</sup> Operating forecasts include General Fund revenue and expenditure activity. For the purposes of these projections, transfers to the Debt Service Fund are reflected as operating expenses.

The projections show operating surpluses and the ability to maintain levels that exceed General Fund balance targets throughout the projection period. After each fiscal year, the City will assess its fund balance position relative to target minimum levels and allocate any unspent budget funds to bring the funds into compliance, if necessary. After the fund balance minimums are confirmed, with each budget reallocation in the new year, the administration will report to City Council the cumulative amount of unspent personnel funds and will discuss the possibility of reallocating these funds for COVID relief, small business loan support, blight/demolition, or other priorities.

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## 9 Principal Proprietary Funds

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

### 9.1 Neighborhood Services Fund

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

**Table 25**  
**Neighborhood Services Fund Forecasts**  
**2021-2025**

	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Operations	15,764,310	16,319,116	17,176,662	17,237,086	17,300,530
Miscellaneous	418,702	712,205	712,205	712,205	712,205
Transfers	5,000	5,000	5,000	5,000	5,000
<b>Total Revenues</b>	<b>18,855,117</b>	<b>17,036,321</b>	<b>17,893,867</b>	<b>17,954,291</b>	<b>18,017,736</b>
Personnel	6,141,109	6,188,382	6,335,100	6,486,178	6,641,774
Services	9,443,601	8,882,489	9,059,639	9,240,332	9,424,638
Supplies	1,188,704	908,382	926,550	945,081	963,983
Other	24,900	0	0	0	0
Capital	1,894,671	1,948,521	1,178,341	1,245,536	1,249,251
Transfers	162,133	0	0	0	0
<b>Total Expenditures</b>	<b>18,855,118</b>	<b>17,927,774</b>	<b>17,499,630</b>	<b>17,917,127</b>	<b>18,279,645</b>
<b>Change in Fund Balance<sup>15</sup></b> <b>(Cash Carryover)</b>	<b>(2,667,106)</b>	<b>(891,453)</b>	<b>394,237</b>	<b>37,164</b>	<b>(261,910)</b>
Beginning Fund Balance	6,944,507	4,277,401	3,385,948	3,780,184	3,817,348
<b>Ending Fund Balance</b>	<b>\$4,277,401</b>	<b>\$3,385,948</b>	<b>\$3,780,184</b>	<b>\$3,817,348</b>	<b>\$3,555,439</b>

<sup>15</sup> The 2021 Neighborhood Services Fund budget was balanced by applying existing fund balance as “Cash Carryover” to avoid a deficit in 2021. For presentation purposes in this table, the Cash Carryover is shown in the “Change in Fund Balance” line.

The NSF’s primary revenue sources are garbage collection and disposal fees. The City budgets \$4.3 million in garbage collection fees in 2021 and \$9.9 million in disposal fees. The City does not project any fee increases for Harrisburg residents. The City will build on its efforts to improve collection rates from 85% to 88% in 2022, which would result in at least \$500,000 in additional annual fee revenues.



In addition, the City will set the goal of increasing the collection rate to 93% beginning in 2023, which will generate approximately \$1.3 million annually compared to current levels.

The primary NSF expense is contracted service for garbage disposal of approximately \$6.3 million. The costs will increase 2.0% annually through 2025. The contracted payment to the Lancaster County Solid Waste Authority is also accounted for in this fund. The tipping fee is \$201.70 per ton in 2021 and will be adjusted on January 1 of each calendar year by the Consumer Price Index, which is assumed to be 2.0% in these projections.

The City has entered into contracting agreements with two nearby municipalities – Penbrook Borough, and Paxtang Borough - which will result in a significant net benefit to the NSF. Combined with the Steelton partnership, these arrangements will generate approximately \$320,000 in net income, not including one-time start-up costs of about \$533,000.

Approximately 87 employee salaries are paid out of the NSF, an increase of 7 over the 2020 budgeted level, making personnel costs a key expense driver. Projected personnel cost increases mirror those in the General Fund – 2% annual salary increases and 5% annual medical insurance increases.

The NSF will carryover \$2.7 million in fund balance to cover rollover expenses from 2020, almost \$1 million in one-time expenses associated with new potential Penbrook and Paxtang agreements, and the settlement of liability claims connected with the fund. Without any fee increases to Harrisburg residents, the projections show fund balance equal to at least 19% of expenditures through the 2025.

The City will manage its Neighborhood Services Fund to balance revenues and expenses in the long-term. The City will also target a fund balance equal to one month of annual operating expenses. While the GFOA recommends a fund balance target equal to 45 days of annual operating expenses for Proprietary Funds, the City has set its fund balance target at a level it feels is responsible and fair to fee payers. Maintaining this level of fund balance will ensure that service/operation disruptions will be avoided; the NSF will not be a burden on the General fund; and the fund will not maintain unnecessary balances that can otherwise be deployed to provide services to customers.

The current fund balance projections show levels that significantly exceed the one-month of working capital minimum target. This fund balance serves as temporary, near-term protection in case certain revenue streams do not materialize as projected. The main strategy to maintain budgetary balance in the fund is to improve fee collection rates. However, the City also acknowledges the uncertainty inherent in relying on collection rate improvements to support revenue growth. If fee collections do not improve as anticipated, the City will apply fund balance to fill budget gaps.

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

If the NSF fund balance is depleted below the target levels, the City is committed to increase fees to ensure budgetary balance is restored in the fund and capital needs can be addressed. The City does not anticipate any fee increases through 2025 but is prepared to act if necessary.



## 9.2 Harrisburg Senators Fund

The Harrisburg Senators Fund accounts for the revenues and expenses associated with the payment of debt on the financing of the Harrisburg Senators new stadium. In recent years, the fund has been subsidized by approximately \$240,000 in annual transfers from the City's general operations. When the minor league baseball season was canceled earlier this year due to the COVID pandemic, the City made the entire annual debt service payment of approximately \$650,000 on the Series 2005A-2 Bonds.

If successful in defeasing the Series 2005A-2 Bonds, the City will transfer surpluses from the Senators Fund to the General Fund and consider eliminating the fund all together.

**Table 26**  
**Harrisburg Senators Fund Forecast**  
**2021-2025**

	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Operations	-	400,000	400,000	400,000	400,000
Transfers	5,750,000	-	-	-	-
<b>Revenues</b>	<b>5,767,857</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
Services	-	-	-	-	-
Debt Service	5,750,000	-	-	-	-
Transfers to General Fund	-	400,000	400,000	400,000	400,000
<b>Expenses</b>	<b>5,750,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
<b>Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Beginning Fund Balance	38,925	38,925	38,925	38,925	38,925
<b>Ending Fund Balance</b>	<b>\$38,925</b>	<b>\$38,925</b>	<b>\$38,925</b>	<b>\$38,925</b>	<b>\$38,925</b>

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### 9.3 Other Non-Major Funds

The City maintains several non-major and special funds that account for financial activity for a variety of purposes. The following tables consolidate the recent and projected financial performance of these funds. Details of each individual non-major fund are included in the Appendix.

**Table 27**  
**Other Non-Major Funds, Historical Financial Performance, 2016-2020**

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020
Operating	1,880,637	2,072,103	2,241,083	2,334,008	623,684
Grants/Donations	151,787	150,494	211,447	128,057	95,321
Miscellaneous	14,699	10,346	8,586	2,004,762	17,317
Transfers	2,016,893	1,880,934	4,047,698	6,636,184	5,049,201
Cash Carryover	0	0	0	0	22,095
<b>Revenue</b>	<b>\$4,064,016</b>	<b>\$4,113,877</b>	<b>\$6,508,815</b>	<b>\$11,103,011</b>	<b>\$5,807,618</b>
Personnel	162,536	167,283	177,379	175,183	151,220
Services	810,585	729,786	733,152	612,584	575,420
Supplies	296,956	139,393	332,195	185,454	339,057
Debt	0	0	0	0	226,355
Capital	2,651,537	960,831	2,396,391	8,097,635	2,804,683
Transfers	976,433	404,920	639,878	1,170,000	0
Other Operating	139,062	10,000	243,980	158,482	81,862
<b>Expense</b>	<b>\$5,037,109</b>	<b>\$2,412,213</b>	<b>\$4,522,975</b>	<b>\$10,399,338</b>	<b>\$4,178,597</b>

**Table 28**  
**Other Non-Major Funds Forecast, 2021-2025**

	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Operating	880,369	865,496	871,776	878,244	878,244
Grants/Donations	137,500	137,500	337,500	337,500	137,500
Miscellaneous	12,900	12,900	12,900	12,900	12,900
Transfers	12,919,213	3,083,500	3,063,500	2,943,500	3,026,500
Cash Carryover	9,034,337	681,171	465,729	141,700	141,700
<b>Revenue</b>	<b>\$22,984,319</b>	<b>\$4,780,567</b>	<b>\$4,751,405</b>	<b>\$4,313,844</b>	<b>\$4,196,844</b>
Personnel	181,914	181,041	183,759	186,532	189,360
Services	1,210,400	1,075,596	1,076,492	1,077,406	1,077,406
Supplies	428,400	435,947	435,481	435,138	435,138
Debt	224,112	224,112	224,112	224,112	224,112
Capital	20,564,454	2,709,692	2,673,250	1,953,250	1,586,250
Transfers	60,000	0	0	0	0
Other Operating	285,072	30,000	30,000	30,000	30,000
<b>Expense</b>	<b>\$22,954,352</b>	<b>\$4,656,389</b>	<b>\$4,623,094</b>	<b>\$3,906,438</b>	<b>\$3,542,266</b>



## Appendix A

### Baseline Financial Forecast by Department

The 2021 Projection in the tables below refers to the Amended 2021 Budget and the anticipated Series 2005A-2 defeasance and forbearance financing that is included in this plan.

Office of City Council	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	310,356	316,563	322,894	329,352	335,939
Services	114,200	116,484	118,814	121,190	123,614
Supplies	14,400	11,220	11,444	11,673	11,907
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>438,956</b>	<b>444,267</b>	<b>453,152</b>	<b>462,216</b>	<b>471,460</b>

Office of Mayor	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	244,689	249,583	254,574	259,666	264,859
Services	28,080	28,642	29,214	29,799	30,395
Supplies	14,187	14,471	14,760	15,055	15,356
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>286,956</b>	<b>292,695</b>	<b>298,549</b>	<b>304,520</b>	<b>310,610</b>

Office of City Controller	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	162,041	165,282	168,587	171,959	175,398
Services	5,291	5,397	5,505	5,615	5,727
Supplies	9,200	9,384	9,572	9,763	9,958
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>176,532</b>	<b>180,063</b>	<b>183,664</b>	<b>187,337</b>	<b>191,084</b>



Office of City Treasurer	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	376,283	383,809	391,485	399,315	407,301
Services	62,700	63,954	65,233	66,538	67,868
Supplies	84,000	4,080	4,162	4,245	4,330
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>522,983</b>	<b>451,843</b>	<b>460,880</b>	<b>470,097</b>	<b>479,499</b>

Office of City Solicitor	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	582,108	593,750	605,625	617,738	630,092
Services	328,066	237,942	242,701	247,555	252,506
Supplies	45,483	44,436	45,325	46,232	47,156
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>955,657</b>	<b>876,129</b>	<b>893,651</b>	<b>911,524</b>	<b>929,755</b>

Office of Business Administrator	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	193,771	197,646	201,599	205,631	209,744
Services	114,400	116,688	119,022	121,402	123,830
Supplies	5,168	5,271	5,377	5,484	5,594
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>313,339</b>	<b>319,606</b>	<b>325,998</b>	<b>332,518</b>	<b>339,168</b>

Department of Finance	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	473,184	482,648	492,301	502,147	512,190
Services	310,656	282,362	288,009	293,769	299,644
Supplies	12,100	12,342	12,589	12,841	13,097
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>795,940</b>	<b>777,351</b>	<b>792,898</b>	<b>808,756</b>	<b>824,931</b>



Grants Bureau	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	71,372	72,799	74,255	75,741	77,255
Services	4,000	4,080	4,162	4,245	4,330
Supplies	500	510	520	531	541
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>75,872</b>	<b>77,389</b>	<b>78,937</b>	<b>80,516</b>	<b>82,126</b>

Bureau of Communication	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	253,400	258,468	263,637	268,910	274,288
Services	44,915	45,813	46,730	47,664	48,617
Supplies	14,500	14,790	15,086	15,388	15,695
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>312,815</b>	<b>319,071</b>	<b>325,453</b>	<b>331,962</b>	<b>338,601</b>

Office of Social Equity/Affirmative Action	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	64,590	65,882	67,199	68,543	69,914
Services	8,920	9,098	9,280	9,466	9,655
Supplies	1,600	1,632	1,665	1,698	1,732
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>75,110</b>	<b>76,612</b>	<b>78,144</b>	<b>79,707</b>	<b>81,301</b>

Bureau of Information Technology	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	499,033	509,014	519,194	529,578	540,169
Services	607,830	481,649	491,282	501,108	511,130
Supplies	279,810	270,198	275,602	281,114	286,736
Debt	0	0	0	0	0
Capital	945,907	387,000	112,000	300,000	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>2,332,580</b>	<b>1,647,861</b>	<b>1,398,078</b>	<b>1,611,800</b>	<b>1,338,036</b>



Bureau of Human Resources	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	396,322	404,248	412,333	420,580	428,992
Services	113,568	93,866	95,743	97,658	99,611
Supplies	2,000	2,040	2,081	2,122	2,165
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>511,890</b>	<b>500,154</b>	<b>510,157</b>	<b>520,360</b>	<b>530,767</b>

Bureau of Licensing, Taxation and Central Support	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	405,991	414,111	422,393	430,841	439,458
Services	330,395	337,003	343,743	350,618	357,630
Supplies	63,172	64,436	65,725	67,039	68,380
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>799,559</b>	<b>815,550</b>	<b>831,861</b>	<b>848,498</b>	<b>865,468</b>

General Expenses	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	920,491	938,901	957,679	976,833	996,369
Medical	9,763,864	10,252,057	10,764,660	11,302,893	11,868,038
Services	2,151,982	2,150,089	2,185,091	2,220,793	2,257,209
Supplies	40,540	26,010	26,530	27,061	27,602
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	610,518	617,892	625,414	633,087	640,913
<b>Total Expenses</b>	<b>13,487,395</b>	<b>13,984,950</b>	<b>14,559,375</b>	<b>15,160,666</b>	<b>15,790,130</b>

Transfers to Other Funds	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	0	0	0	0	0
Services	0	0	0	0	0
Supplies	0	0	0	0	0
Debt	10,074,791	11,988,193	5,271,659	4,982,059	4,985,308
Capital	400,000	0	0	0	400,000
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>10,474,791</b>	<b>11,988,193</b>	<b>5,271,659</b>	<b>4,982,059</b>	<b>5,385,308</b>



Bureau of Planning	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	250,230	255,235	260,339	265,546	270,857
Services	87,797	88,740	90,515	92,325	94,172
Supplies	5,500	5,610	5,722	5,837	5,953
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>343,527</b>	<b>349,585</b>	<b>356,576</b>	<b>363,708</b>	<b>370,982</b>

Bureau of Codes	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	942,798	961,654	980,887	1,000,505	1,020,515
Services	29,250	29,835	30,432	31,040	31,661
Supplies	19,700	20,094	20,496	20,906	21,324
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>991,748</b>	<b>1,011,583</b>	<b>1,031,815</b>	<b>1,052,451</b>	<b>1,073,500</b>

Bureau of Business & Resource Development	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	159,298	162,484	165,734	169,048	172,429
Services	8,475	8,645	8,817	8,994	9,174
Supplies	1,500	1,530	1,561	1,592	1,624
Debt	0	0	0	0	0
Capital	0	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	200,000	0	0	0	0
<b>Total Expenses</b>	<b>369,273</b>	<b>172,658</b>	<b>176,112</b>	<b>179,634</b>	<b>183,227</b>

Bureau of Police	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	19,185,823	19,636,104	20,050,769	20,327,951	20,613,210
Services	1,141,620	894,131	911,513	929,244	947,328
Supplies	623,871	554,940	565,139	575,542	586,153
Debt	0	0	0	0	0
Capital	864,000	260,000	260,000	260,000	260,000
Transfers	0	0	0	0	0
Other Operating	20,000	20,400	20,808	21,224	21,649
<b>Total Expenses</b>	<b>21,835,314</b>	<b>21,365,575</b>	<b>21,808,230</b>	<b>22,113,960</b>	<b>22,428,340</b>



Bureau of Fire	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	8,575,236	8,746,740	8,921,675	9,100,109	9,282,111
Services	382,042	380,052	387,653	395,406	403,314
Supplies	308,451	277,506	283,056	288,718	294,492
Debt	0	0	0	0	0
Capital	1,377,310	350,000	700,000	400,000	400,000
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>10,643,038</b>	<b>9,754,299</b>	<b>10,292,384</b>	<b>10,184,232</b>	<b>10,379,917</b>

Office of Traffic and Engineering	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	854,732	871,827	889,263	907,048	925,189
Services	776,296	659,756	672,952	686,411	700,139
Supplies	425,793	197,008	200,948	204,967	209,066
Debt	0	0	0	0	0
Capital	72,830	0	0	0	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>2,129,651</b>	<b>1,728,591</b>	<b>1,763,163</b>	<b>1,798,426</b>	<b>1,834,395</b>

Bureau of Vehicle Management	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	504,983	515,083	525,384	535,892	546,610
Services	487,357	400,361	408,368	416,536	424,867
Supplies	1,424,028	1,179,503	1,203,093	1,227,154	1,251,697
Debt	0	0	0	0	0
Capital	708,515	620,000	525,000	500,000	500,000
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>3,124,883</b>	<b>2,714,946</b>	<b>2,661,845</b>	<b>2,679,582</b>	<b>2,723,174</b>

Bureau of Parks, Recreation, & Facilities	Projection 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Personnel	1,142,458	1,165,307	1,188,613	1,212,386	1,236,633
Services	675,084	407,502	415,652	423,965	432,445
Supplies	371,361	336,690	341,424	346,252	351,177
Debt	0	0	0	0	0
Capital	1,968,661	0	0	17,000	0
Transfers	0	0	0	0	0
Other Operating	0	0	0	0	0
<b>Total Expenses</b>	<b>4,157,564</b>	<b>1,909,499</b>	<b>1,945,689</b>	<b>1,999,603</b>	<b>2,020,255</b>



## Appendix B

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

The City maintains several non-major and special funds that account for financial activity for a variety of purposes. The following are projections for those funds. The 2020 actual results reflect bottom-line revenues and expenses. Allocations between revenue and expense categories are likely to change. 2021 Projection reflects the January 2021 budget amendment and roll over expenses.

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating	Actual	Actual	Actual	Actual	Projection	Forecast	Forecast	Forecast	Forecast
Grants/Donations	1,212,427	1,263,669	1,466,200	0	0	0	0	0	0
Miscellaneous	0	2,380,532	0	0	0	0	200,000	200,000	0
Transfers	0	0	2,000,000	0	0	0	0	0	0
Revenue	500,000	200,000	5,194,833	3,538,865	11,590,530	1,617,000	1,597,000	1,477,000	1,560,000
Capital	1,712,427	3,844,201	8,661,033	3,538,865	11,590,530	1,617,000	1,797,000	1,677,000	1,560,000
Transfers	223,543	2,017,866	7,884,745	2,460,649	16,746,061	1,940,372	1,947,000	1,527,000	1,560,000
Expense	250,000	527,784	1,150,000	0	0	0	0	0	0
Change in Fund Balance (Cash Carryover)	473,543	2,545,650	9,034,745	2,460,649	16,746,061	1,940,372	1,947,000	1,527,000	1,560,000
Cash Balance BOY	\$1,238,884	\$1,298,551	(\$373,711)	\$1,078,216	(\$5,155,531)	(\$323,372)	(\$150,000)	\$150,000	\$0
Cash Balance EOY	\$6,880,225	\$5,641,341	\$4,342,790	\$4,716,501	\$5,794,717	\$639,186	\$315,814	\$315,814	\$315,814
	\$5,641,341	\$4,342,790	\$4,716,501	\$5,794,717	\$639,186	\$315,814	\$165,814	\$315,814	\$315,814



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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating	Actual 1,342,534	Actual 1,430,015	Actual 70,656	Actual 30,100	Projection 10,427	Forecast 5,000	Forecast 5,000	Forecast 5,000	Forecast 5,000
Transfers	0	0	1,421,351	1,392,284	1,247,183	1,425,000	1,425,000	1,425,000	1,425,000
<b>Revenue</b>	<b>1,342,534</b>	<b>1,430,015</b>	<b>1,492,007</b>	<b>1,422,384</b>	<b>1,257,610</b>	<b>1,430,000</b>	<b>1,430,000</b>	<b>1,430,000</b>	<b>1,430,000</b>
Personnel	0	0	0	0	0	0	0	0	0
Services	338,398	288,690	265,283	361,100	423,300	413,198	413,198	413,198	413,198
Supplies	63,496	209,869	135,170	317,246	255,000	267,719	267,719	267,719	267,719
Debt	0	0	0	226,355	224,112	224,112	224,112	224,112	224,112
Capital	602,410	314,346	162,273	323,024	3,301,651	743,070	700,000	400,000	0
<b>Expense</b>	<b>1,004,304</b>	<b>812,905</b>	<b>562,726</b>	<b>1,227,724</b>	<b>4,204,063</b>	<b>1,648,099</b>	<b>1,605,029</b>	<b>1,305,029</b>	<b>905,029</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>\$338,229</b>	<b>\$617,110</b>	<b>\$929,281</b>	<b>\$194,660</b>	<b>(\$2,946,453)</b>	<b>(\$218,099)</b>	<b>(\$175,029)</b>	<b>\$124,971</b>	<b>\$524,971</b>
Cash Balance BOY	\$1,269,186	\$1,607,415	\$2,224,525	\$3,156,936	\$3,351,595	\$405,143	\$187,044	\$12,015	\$136,986
Cash Balance EOY	\$1,607,415	\$2,224,525	\$3,156,936	\$3,351,595	\$405,143	\$187,044	\$12,015	\$136,986	\$661,956



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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Actual	Projection	Forecast	Forecast	Forecast	Forecast
Operating	325,603	328,701	354,281	350,854	364,142	344,696	350,976	357,444	357,444
Miscellaneous	2,178	3,223	3,347	0	3,400	3,400	3,400	3,400	3,400
Transfers	0	0	0	0	40,000	0	0	0	0
<b>Revenue</b>	<b>327,781</b>	<b>331,924</b>	<b>357,628</b>	<b>350,854</b>	<b>407,542</b>	<b>348,096</b>	<b>354,376</b>	<b>360,844</b>	<b>360,844</b>
Personnel	101,378	128,402	136,910	131,594	133,245	135,910	138,628	141,401	144,229
Services	29,605	77,609	58,620	52,144	129,000	95,350	95,350	95,350	95,350
Supplies	3,838	11,813	21,562	10,117	10,000	18,750	18,750	18,750	18,750
Capital	112,000	0	0	0	71,209	0	0	0	0
Transfers	0	0	0	0	40,000	0	0	0	0
Other Operating	10,000	243,980	158,482	73,924	211,901	30,000	30,000	30,000	30,000
<b>Expense</b>	<b>256,821</b>	<b>461,804</b>	<b>375,575</b>	<b>267,779</b>	<b>595,355</b>	<b>280,010</b>	<b>282,728</b>	<b>285,501</b>	<b>288,329</b>
<b>Change in Fund Balance</b>	<b>\$70,961</b>	<b>(\$129,880)</b>	<b>(\$17,947)</b>	<b>\$83,075</b>	<b>(\$187,813)</b>	<b>\$68,086</b>	<b>\$71,648</b>	<b>\$75,344</b>	<b>\$72,516</b>
<b>(Cash Carryover)</b>									
<b>Cash Balance BOY</b>	<b>\$489,241</b>	<b>\$560,202</b>	<b>\$430,322</b>	<b>\$412,375</b>	<b>\$495,450</b>	<b>\$307,637</b>	<b>\$375,723</b>	<b>\$447,371</b>	<b>\$522,715</b>
<b>Cash Balance EOY</b>	<b>\$560,202</b>	<b>\$430,322</b>	<b>\$412,375</b>	<b>\$495,450</b>	<b>\$307,637</b>	<b>\$375,723</b>	<b>\$447,371</b>	<b>\$522,715</b>	<b>\$595,230</b>



**Neighborhood Mitigation (Special Revenue Fund)** – Accounts for fee revenues and expenses related to the City as they pertain to enforcement of ordinances regulating blight and local health, housing and safety codes and regulations.

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating	Actual 75,135	Actual 87,727	Actual 68,825	Actual 63,848	Projection 48,000	Forecast 48,000	Forecast 48,000	Forecast 48,000	Forecast 48,000
Miscellaneous	0	0	0	0	0	0	0	0	0
Transfers	0	4,000	0	0	0	0	0	0	0
<b>Revenue</b>	<b>75,135</b>	<b>91,727</b>	<b>68,825</b>	<b>63,848</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>
Personnel				5,583	12,569	0	0	0	0
Services	17,950	18,771	50,669	25,319	118,000	44,807	45,704	46,618	46,618
Supplies	5,820	5,138	1,933	0	38,000	19,369	19,757	20,152	20,152
Other Operating	0	0	0	0	23,977	0	0	0	0
<b>Expense</b>	<b>23,770</b>	<b>23,910</b>	<b>52,602</b>	<b>30,903</b>	<b>192,546</b>	<b>64,177</b>	<b>65,460</b>	<b>66,770</b>	<b>66,770</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>\$51,365</b>	<b>\$67,818</b>	<b>\$16,223</b>	<b>\$32,945</b>	<b>(\$144,546)</b>	<b>(\$16,177)</b>	<b>(\$17,460)</b>	<b>(\$18,770)</b>	<b>(\$18,770)</b>
<b>Cash Balance BOY</b>	<b>\$206,171</b>	<b>\$257,537</b>	<b>\$325,354</b>	<b>\$341,577</b>	<b>\$374,522</b>	<b>\$229,976</b>	<b>\$213,799</b>	<b>\$196,339</b>	<b>\$177,569</b>
<b>Cash Balance EOY</b>	<b>\$257,537</b>	<b>\$325,354</b>	<b>\$341,577</b>	<b>\$374,522</b>	<b>\$229,976</b>	<b>\$213,799</b>	<b>\$196,339</b>	<b>\$177,569</b>	<b>\$158,800</b>



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

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Operating	70,803	64,834	19,428	13,655	21,300	21,300	21,300	21,300	21,300
Grants/Donations	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Cash Carryover	0	0	0	0	0	0	0	0	0
<b>Revenue</b>	<b>70,803</b>	<b>64,834</b>	<b>19,428</b>	<b>13,655</b>	<b>21,300</b>	<b>21,300</b>	<b>21,300</b>	<b>21,300</b>	<b>21,300</b>
Services	0	5,250	5,250	0	1,000	1,000	1,000	1,000	1,000
Supplies	0	38,420	0	5,250	19,000	19,000	19,000	19,000	19,000
<b>Expense</b>	<b>0</b>	<b>43,670</b>	<b>5,250</b>	<b>5,250</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Change in Fund Balance (Cash Carryover)</b>									
	<b>\$70,803</b>	<b>\$21,164</b>	<b>\$14,178</b>	<b>\$8,405</b>	<b>\$1,300</b>	<b>\$1,300</b>	<b>\$1,300</b>	<b>\$1,300</b>	<b>\$1,300</b>
Cash Balance BOY	\$31,625	\$102,428	\$123,592	\$137,770	\$146,175	\$147,475	\$148,775	\$150,075	\$151,375
Cash Balance EOY	<b>\$102,428</b>	<b>\$123,592</b>	<b>\$137,770</b>	<b>\$146,175</b>	<b>\$147,475</b>	<b>\$148,775</b>	<b>\$150,075</b>	<b>\$151,375</b>	<b>\$152,675</b>



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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Actual	Projection	Forecast	Forecast	Forecast	Forecast
Operating	92,385	15,350	21,345	10,470	10,300	10,300	10,300	10,300	10,300
Grants/Donations	17,273	109,304	6,710	3,400	2,500	2,500	2,500	2,500	2,500
Miscellaneous				15,992	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
<b>Revenue</b>	<b>109,658</b>	<b>124,654</b>	<b>28,055</b>	<b>29,862</b>	<b>12,800</b>	<b>12,800</b>	<b>12,800</b>	<b>12,800</b>	<b>12,800</b>
Services	63,560	68,787	3,249	5,122	0	0	0	0	0
Supplies	665	19,996	0	0	21,000	19,004	18,150	17,412	17,412
Capital	0	5,100	11,058	0	224,533	0	0	0	0
<b>Expense</b>	<b>64,225</b>	<b>93,883</b>	<b>14,308</b>	<b>5,122</b>	<b>245,533</b>	<b>19,004</b>	<b>18,150</b>	<b>17,412</b>	<b>17,412</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>\$45,433</b>	<b>\$30,771</b>	<b>\$13,747</b>	<b>\$24,750</b>	<b>(\$232,733)</b>	<b>(\$6,204)</b>	<b>(\$5,350)</b>	<b>(\$4,612)</b>	<b>(\$4,612)</b>
<b>Cash Balance BOY</b>	\$156,423	\$201,857	\$232,628	\$246,375	\$271,124	\$38,391	\$32,188	\$26,838	\$22,227
<b>Cash Balance EOY</b>	<b>\$201,857</b>	<b>\$232,628</b>	<b>\$246,375</b>	<b>\$271,124</b>	<b>\$38,391</b>	<b>\$32,188</b>	<b>\$26,838</b>	<b>\$22,227</b>	<b>\$17,615</b>



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

	2017 Actual	2018 Actual	2019 Actual	2020 Budget	2021 Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Operating	90,327	148,951	115,778	97,525	79,000	89,000	89,000	89,000	89,000
Grants/Donations	1,000	2,420	5,750	1,035	0	0	0	0	0
Miscellaneous	457	1,215	640	1,225	0	0	0	0	0
Transfers	0	0	0	108,204	0	0	0	0	0
<b>Revenue</b>	<b>91,784</b>	<b>152,586</b>	<b>122,168</b>	<b>207,989</b>	<b>79,000</b>	<b>89,000</b>	<b>89,000</b>	<b>89,000</b>	<b>89,000</b>
Personnel	13,267	0	0	0	0	0	0	0	0
Services	70,530	47,520	68,385	42,970	102,400	105,000	105,000	105,000	105,000
Supplies	11,745	0	1,851	0	28,900	48,900	48,900	48,900	48,900
Capital	0	47,827	39,559	0	34,000	0	0	0	0
Transfers	100,283	69,594	0	0	40,000	0	0	0	0
<b>Expense</b>	<b>195,824</b>	<b>164,941</b>	<b>109,795</b>	<b>42,970</b>	<b>205,300</b>	<b>153,900</b>	<b>153,900</b>	<b>153,900</b>	<b>153,900</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>(\$104,040)</b>	<b>(\$12,355)</b>	<b>\$12,373</b>	<b>\$165,019</b>	<b>(\$126,300)</b>	<b>(\$64,900)</b>	<b>(\$64,900)</b>	<b>(\$64,900)</b>	<b>(\$64,900)</b>
Cash Balance BOY	\$516,648	\$412,608	\$400,253	\$412,626	\$577,645	\$451,345	\$386,445	\$321,545	\$256,645
Cash Balance EOY	\$412,608	\$400,253	\$412,626	\$577,645	\$451,345	\$386,445	\$321,545	\$256,645	\$191,745



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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating	Actual 98	Actual 479	Actual 736	Actual 1,042	Projection 0	Forecast 0	Forecast 0	Forecast 0	Forecast 0
Miscellaneous	7,500	4,050	775	0	9,500	9,500	9,500	9,500	9,500
Cash Carryover	0	0	0	0	0	0	0	0	0
<b>Revenue</b>	<b>7,598</b>	<b>4,529</b>	<b>1,511</b>	<b>1,042</b>	<b>9,500</b>	<b>9,500</b>	<b>9,500</b>	<b>9,500</b>	<b>9,500</b>
Services	0	0	0	0	3,000	3,000	3,000	3,000	3,000
Supplies	0	0	0	0	2,000	2,000	2,000	2,000	2,000
Capital	0	0	0	21,010	0	0	0	0	0
<b>Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,010</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>\$7,598</b>	<b>\$4,529</b>	<b>\$1,511</b>	<b>(\$19,968)</b>	<b>\$4,500</b>	<b>\$4,500</b>	<b>\$4,500</b>	<b>\$4,500</b>	<b>\$4,500</b>
<b>Cash Balance BOY</b>	<b>\$20,136</b>	<b>\$27,734</b>	<b>\$32,263</b>	<b>\$33,774</b>	<b>\$13,806</b>	<b>\$18,306</b>	<b>\$22,806</b>	<b>\$27,306</b>	<b>\$31,806</b>
<b>Cash Balance EOY</b>	<b>\$27,734</b>	<b>\$32,263</b>	<b>\$33,774</b>	<b>\$13,806</b>	<b>\$18,306</b>	<b>\$22,806</b>	<b>\$27,306</b>	<b>\$31,806</b>	<b>\$36,306</b>



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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating	61,478	117,679	75,860	13,974	230,200	230,200	230,200	230,200	230,200
Grants/Donations	52,221	28,400	52,850	40,736	71,000	71,000	71,000	71,000	71,000
Miscellaneous	56	98	0	0	0	0	0	0	0
Transfers	54,637	50,000	20,000	6,712	20,000	20,000	20,000	20,000	20,000
<b>Revenue</b>	<b>168,391</b>	<b>196,177</b>	<b>148,710</b>	<b>61,422</b>	<b>321,200</b>	<b>321,200</b>	<b>321,200</b>	<b>321,200</b>	<b>321,200</b>
Personnel	2,996	2,784	0	0	0	0	0	0	0
Services	113,049	159,114	115,971	62,598	321,000	321,000	321,000	321,000	321,000
Supplies	834	259	20	0	1,100	1,100	1,100	1,100	1,100
<b>Expense</b>	<b>116,879</b>	<b>162,157</b>	<b>115,991</b>	<b>62,598</b>	<b>322,100</b>	<b>322,100</b>	<b>322,100</b>	<b>322,100</b>	<b>322,100</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>\$51,512</b>	<b>\$34,020</b>	<b>\$32,720</b>	<b>(\$1,176)</b>	<b>(\$900)</b>	<b>(\$900)</b>	<b>(\$900)</b>	<b>(\$900)</b>	<b>(\$900)</b>
Cash Balance BOY	\$0	\$51,512	\$85,532	\$118,252	\$117,076	\$116,176	\$115,276	\$114,376	\$113,476
Cash Balance EOY	\$51,512	\$85,532	\$118,252	\$117,076	\$116,176	\$115,276	\$114,376	\$113,476	\$112,576



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

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating	Actual	Actual	Actual	Actual	Projection	Forecast	Forecast	Forecast	Forecast
Grants/Donations	127,611	174,344	140,899	42,217	117,000	117,000	117,000	117,000	117,000
Miscellaneous	80,000	71,323	62,747	50,150	64,000	64,000	64,000	64,000	64,000
Transfers	155	0	0	100	0	0	0	0	0
	0	22,500	0	3,136	21,500	21,500	21,500	21,500	21,500
<b>Revenue</b>	<b>207,765</b>	<b>268,168</b>	<b>203,646</b>	<b>95,603</b>	<b>202,500</b>	<b>202,500</b>	<b>202,500</b>	<b>202,500</b>	<b>202,500</b>
Personnel	49,643	46,193	38,272	14,043	36,100	45,131	45,131	45,131	45,131
Services	96,694	67,410	45,156	26,178	112,700	92,241	92,241	92,241	92,241
Supplies	52,996	46,700	24,919	6,444	53,400	40,105	40,105	40,105	40,105
Capital	22,878	11,252	0	0	187,000	26,250	26,250	26,250	26,250
Transfers	54,637	42,500	20,000	0	20,000	0	0	0	0
Other Operating				7,938	9,194				
<b>Expense</b>	<b>276,847</b>	<b>214,055</b>	<b>128,347</b>	<b>54,602</b>	<b>418,394</b>	<b>203,727</b>	<b>203,727</b>	<b>203,727</b>	<b>203,727</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>(\$69,082)</b>	<b>\$54,113</b>	<b>\$75,299</b>	<b>\$41,001</b>	<b>(\$215,894)</b>	<b>(\$1,227)</b>	<b>(\$1,227)</b>	<b>(\$1,227)</b>	<b>(\$1,227)</b>
Cash Balance BOY	\$305,081	\$235,999	\$290,112	\$365,411	\$406,412	\$190,518	\$189,291	\$188,064	\$186,836
Cash Balance EOY	\$235,999	\$290,112	\$365,411	\$406,412	\$190,518	\$189,291	\$188,064	\$186,836	\$185,609



## Appendix C

### Unfunded Priority One Capital Improvement Projects

Department	Project Name	2021	2022	2023	2024	2025	Total
Parks/Facilities	Park Maintenance – Front End Loader	95,000					95,000
Parks/Facilities	Park Maintenance – Ventrac attachments	13,252					13,252
Parks/Facilities	Park Maintenance – Utility Trailer	12,386	15,000	15,000	15,000	15,000	72,386
Parks/Facilities	Park Maintenance – Full concrete floor replacement	10,728					10,728
Parks/Facilities	Parks Maintenance Building - Repair Main Electric Line	7,200					7,200
Parks/Facilities	Reservoir Park Brownstone – HVAC repairs and upgrades	23,000					23,000
Parks/Facilities	Park Maintenance Building – Plastic recycling pit	6,000					6,000
Parks/Facilities	Italian Lake/Riverfront Geese Management	30,000	30,000	30,000	30,000	30,000	150,000
Parks/Facilities	Additional video surveillance for highly trafficked park areas	9,000					9,000
Parks/Facilities	City Shade Tree Program	100,000	100,000	100,000	100,000	100,000	500,000
Parks/Facilities	Italian Lake Dredging	30,000	45,000	45,000	45,000	45,000	210,000
Parks/Facilities	Park Maintenance – Skid Steer driven snow blower	9,000					9,000
Parks/Facilities	Public Safety Building - Fire alarm system and smoke detectors	95,000					95,000
Parks/Facilities	Reservoir Park Mansion - New Windows	15,000					15,000
Parks/Facilities	Public Safety Building - Windows	85,000	71,250	71,250	71,250	71,250	370,000
Parks/Facilities	MLK - Heated Air Curtain	24,000					24,000
Parks/Facilities	Reservoir Park Mansion - Porch masonry, railings and wood		35,000				35,000
Parks/Facilities	Public Safety Building - 1st and 2nd floor flooring		84,000				84,000
Parks/Facilities	Public Safety Building - Ceiling Tiles		29,829				29,829
Parks/Facilities	Public Safety Building - Access Control	10,000	25,000	10,000	10,000	10,000	65,000
Parks/Facilities	Public Safety Building - Non-Working Valve in Mechanical Room		13,000				13,000
Parks/Facilities	MLK – Repair brick walkway	23,000					23,000
Parks/Facilities	Public Safety Building – Window Coverings	10,000	25,000				60,000
Parks/Facilities	1820 Paxton St. - Wet Glazing	7,866					7,866

City of Harrisburg  
2021 Five-Year Financial Plan



Department	Project Name	2021	2022	2023	2024	2025	Total
Parks/Facilities	1820 Paxton St. - Exterior Fencing - VMC	8,000					8,000
Parks/Facilities	1820 Paxton St – Secondary bulk oil distribution system	15,000					15,000
Parks/Facilities	Reservoir Park Brownstone – Replace gutters	15,000					15,000
Parks/Facilities	MLK – Weather Stripping			50,000	50,000	50,000	150,000
Parks/Facilities	Reservoir Park Mansion - Garage Roof			21,000			21,000
Parks/Facilities	MLK – Complete Remodel			2,700,000	2,700,000	2,700,000	8,100,000
Parks/Facilities	MLK – Codes carpet replacement	13,250					13,250
Parks/Facilities	Reservoir Park Mansion - Lighting		160,000				160,000
Parks/Facilities	Reservoir Park Mansion – Cameras		10,000	12000	15000		54,000
Parks/Facilities	Public Safety Building – Carbon Monoxide Ventilation		19,000			17000	54,000
Parks/Facilities	Public Safety Building – 1 <sup>st</sup> Floor Roof overhang		25,000				25,000
Parks/Facilities	Public Safety Building – LED Panel Lighting		15,500	15,500			31,000
Parks/Facilities	MLK – Window Coverings		25,908	25,908			51,816
Parks/Facilities	1820 Paxton St – Bathroom remodel		15,000	10,000	15,000		40,000
Parks/Facilities	1820 Paxton St – Access Control		15,000	15,000	15,000		45,000
Parks/Facilities	MLK – HVAC (GESSA)		720,000				720,000
Parks/Facilities	City Island - Deck		75,000				75,000
<b>Total</b>		<b>666,682</b>	<b>1,553,487</b>	<b>3,259,487</b>	<b>3,066,250</b>	<b>3,038,250</b>	<b>11,584,156</b>



Priority Two Capital Improvement Projects

Department	Project Name	2021	2022	2023	2024	2025	Total
Parks/Facilities	Park Maintenance – 6100m Motrim			160,000			160,000
Parks/Facilities	Park Maintenance – Small 8yd sanitation packer		110,000				110,000
Parks/Facilities	Park Maintenance – 1-ton dump with brine system		105,000	105,000			210,000
Parks/Facilities	Park Maintenance – 72” Z turn mowers		37,000			37,000	74,000
Parks/Facilities	Park Maintenance – Walk behind mowers		6,000	6,000	6,000	6,000	24,000
Parks/Facilities	Park Maintenance Building – Update restrooms in both shops			6,200			6,200
Parks/Facilities	Park Maintenance – Repair flat roof at upper shop				7,000		7,000
Parks/Facilities	Park Maintenance – 8ft slit seeder				9,000		9,000
Parks/Facilities	Park Maintenance – 5-ton dump		155,000	155,000			310,000
Parks/Facilities	Park Maintenance – Backhoe			75,000			75,000
Parks/Facilities	Park Maintenance – Tractor				50,838		50,838
Parks/Facilities	Park Maintenance – Trackless Unit			149,886			149,886
Parks/Facilities	Park Maintenance – 2 bucket trucks				150,000		150,000
Parks/Facilities	Parks Maintenance Building – Rebuild front steps - masonry			115,000			115,000
Parks/Facilities	Public Safety Building - Basement ceiling-garage		30,000				30,000
Parks/Facilities	Hall Manor Swimming Pool (pool 2) - Epoxy coating		37,000				37,000
Parks/Facilities	Hall Manor Swimming Pool (pool 1) - Epoxy coating			37,000			37,000
Parks/Facilities	Jackson Lick Swimming Pool (pool 1) - expansion joint		100,000				100,000
Parks/Facilities	Jackson Lick Swimming Pool (pool 1) - new roof		22,000				22,000
Parks/Facilities	MLK - Non-Working Valves in Mechanical Room (GESA)		13,000				13,000
Parks/Facilities	Civil War Museum - Rotunda improvement				250,000		250,000
Parks/Facilities	Jackson Lick Swimming Pool (pool 1) – Changing Rooms		250,000				250,000
Parks/Facilities	1820 Paxton St – Replacement Generator			165,000			165,000
Parks/Facilities	Public Safety Building – Bathroom Upgrades		56,250	56,250	56,250	56,250	225,000

City of Harrisburg  
2021 Five-Year Financial Plan



Department	Project Name	2021	2022	2023	2024	2025	Total
Parks/Facilities	Public Safety Building – New elevator cars		241,450				241,450
Parks/Facilities	Reservoir Park Mansion – New roof			43,000			43,000
Parks/Facilities	Strawberry Alley – Bollards			28,000			28,000
Parks/Facilities	Public Safety Building – Expansion tank			6,500			6,500
Parks/Facilities	Stadium Lights		945,000				945,000
Parks/Facilities	Radnor Basketball Court			470,000			470,000
Parks/Facilities	Shipoke Playground		90,000				90,000
Parks/Facilities	Mansion and Brownstone		100,000				100,000
Parks/Facilities	Radnor Ballfield and Bleachers			350,000			350,000
Parks/Facilities	Hall Manor Pool – Spray park renovations			2,100,000			2,100,000
Parks/Facilities	Pleasantview Park				45,000		45,000
Parks/Facilities	City wide water fountains			250,000			250,000
Parks/Facilities	Riverfront Park – Electric		350,000				350,000
Parks/Facilities	City Island (Consultant)			100,000			100,000
Parks/Facilities	Morrison Park (Consultant)		65,000				65,000
Parks/Facilities	Argyle Park			25,000			25,000
Parks/Facilities	Reservoir Park – Phase 4 & 5 of Master plan			1,700,000			1,700,000
Parks/Facilities	City Island design – Phase 16			500,000			500,000
Parks/Facilities	14 <sup>th</sup> & Shoop (fencing) and Braxton			150,000			150,000
Parks/Facilities	City Island (Skyline field & Press Box area)			5,100,000			5,100,000
Parks/Facilities	Morrison Park renovation project			800,000			800,000
Parks/Facilities	Penn & Dauphin equipment and fencing			400,000			400,000
Parks/Facilities	4 <sup>th</sup> and Emerald – Walkways/Fencing					50,000	50,000
Parks/Facilities	Jackson Lick Pool – new location					11,000,000	11,000,000
Parks/Facilities	Reservoir Park – Phase 2, 6 & 7					2,500,000	2,500,000
Parks/Facilities	Reservoir Park – Phase 1 & 3					1,685,000	1,685,000
Parks/Facilities	Argyle Street					350,000	350,000
Parks/Facilities	Vernon Street Playground Equipment					180,000	180,000
Parks/Facilities	Stage					120,000	120,000
Parks/Facilities	Decking					90,000	90,000

City of Harrisburg  
2021 Five-Year Financial Plan



Department	Project Name	2021	2022	2023	2024	2025	Total
Parks/Facilities	4 <sup>th</sup> & Dauphin playground	285,000					285,000
Parks/Facilities	Reservoir Park Chutes & Ladders	250,000		800,000			1,050,000
Parks/Facilities	Wilson Park (Consultant)	50,000					50,000
Parks/Facilities	Park Amenities (P&R)	30,000					30,000
Parks/Facilities	Radnor (Consultant)	30,000					30,000
Parks/Facilities	Small Projects	27,500					27,500
Parks/Facilities	Reservoir Park – Phasing		960,000				960,000
Parks/Facilities	Wilson Park Renovations		475,000				475,000
Parks/Facilities	City Island/Riverfront (Consultant)		30,000				30,000
Parks/Facilities	Public Safety Bldg. – Janitor Closets		10,000	10,000			20,000
Parks/Facilities	MLK – Janitor Closets			10,000		10,000	20,000
Parks/Facilities	Hall Manor Pool (pool 2) – Update changing rooms/bathrooms			250,000			250,000
Parks/Facilities	Reservoir Park Brownstone – Replace roof			67,000			67,000
Parks/Facilities	Reservoir Park Brownstone – Exterior paint			6,700			6,700
Parks/Facilities	Hall Manor Pool (pool 2) – Lights and Cameras				47,000		47,000
Parks/Facilities	MLK Building – Exterior brick pavers and lighted bollards			66,000			66,000
Parks/Facilities	1820 Paxton St – Replace roof at VMC				500,000		500,000
Parks/Facilities	MLK – Elevator mechanical modernization				160,000		160,000
Parks/Facilities	MLK – Replace switchgear				350,000		350,000
Parks/Facilities	Public Safety Building – Hot water storage tank				20,000		20,000
Parks/Facilities	Public Safety Building – Replace switchgear				200,000		200,000
Parks/Facilities	Reservoir Park Brownstone – Bathroom remodel				5,725		5,725
Parks/Facilities	Broad Street Market – Replace roof				325,000		325,000
Parks/Facilities	1820 Paxton St – Building Automation System				27,000		27,000
Parks/Facilities	Reservoir Park Mansion – Exterior paint				34,000		34,000
<b>Total</b>		<b>\$672,500</b>	<b>\$4,187,700</b>	<b>\$5,762,536</b>	<b>\$10,752,813</b>	<b>\$16,224,250</b>	<b>\$37,599,799</b>



## Appendix D

### Progress Towards Resolving Audit Findings

The City's 2018 Independent Financial Audit identified 13 findings, or areas of weakness, in its financial statements or processes. The City has shown a commitment to addressing these weaknesses and as of this writing, 12 of the 13 findings have been resolved, are pending resolution, or are no longer relevant. The City is working to resolve the remaining finding, which is related to financial reporting and staffing:

**Finding:** The auditor found that various material adjustments were made to the City's records throughout the course of the audit. Additionally, the City did not have adequate staffing in place to produce materially correct GAAP financial statements, including note disclosures, during the audit timeline.

**City Response:** The City has evaluated the costs and benefits of developing the expertise internally to produce materially correct GAAP financial statements, including note disclosures, and determined that it is more beneficial to engage third parties to provide this service. The City concurs with the comment regarding material adjustments and will strive to develop and implement a process for more closely reviewing complex adjustments. The City notes that a majority of the adjustments occurring subsequent to initial trial balance preparation were prepared by the Accounting Manager and done under his direction and understanding.

The progress towards resolving weaknesses should preclude negative implications for the City's credit rating related to the audit findings. The City remains in regular communications with its auditor to ensure the remaining finding is resolved and limit new findings. Below is a summary of the status of the City's findings since 2018.

Description	Finding #	Finding #	Status
Financial Reporting	2018-001	2019-001	
Segregation of Duties	2018-002	2019-002	Pending Resolution
Reconciling Bank Accounts	2018-003	2019-003	Pending Resolution
Schedule of Expenditure of Federal Awards (SEFA)	2018-004	2019-004	Resolved
Subrecipient Monitoring (no process in place to notify subrecipients of Award information)	2018-008	NA	
Program Income (not used first)	2018-007	2019-006	Resolved
Matching (did not meet required 25% match, short by \$152,000)	2018-011	NA	
Allowability (CDBG – Police Vehicle – resolved in 2019)	2018-010	2019-008	Resolved



Reporting (Section 3 Summary)	2018-006	2019-005	Resolved
Requesting Appropriate Reimbursement from Grant Funding Sources	2018-005	NA	
Equipment & Real Property Management	2018-009	2019-007	Resolved
Procurement	2018-012	NA	
Special Terms and Provisions	NA	2019-009	Resolved



# City of Harrisburg



## Neighborhood Services Fund

April 30, 2021

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- Multi-year Projections
- Key Initiatives
- Partnership Financial Analysis
- Capital Needs



# City of Harrisburg

## Multi-Year Projections

	Projected 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Operations	15,764,310	16,319,116	17,176,662	17,237,086	17,300,530
Miscellaneous	418,702	712,205	712,205	712,205	712,205
Transfers	5,000	5,000	5,000	5,000	5,000
<b>Total Revenues</b>	<b>18,855,117</b>	<b>17,036,321</b>	<b>17,893,867</b>	<b>17,954,291</b>	<b>18,017,736</b>
Personnel	6,141,109	6,188,382	6,335,100	6,486,178	6,641,774
Services	9,443,601	8,882,489	9,059,639	9,240,332	9,424,638
Supplies	1,188,704	908,382	926,550	945,081	963,983
Other	24,900	0	0	0	0
Capital	1,894,671	1,948,521	1,178,341	1,245,536	1,249,251
Transfers	162,133	0	0	0	0
<b>Total Expenditures</b>	<b>18,855,118</b>	<b>17,927,774</b>	<b>17,499,630</b>	<b>17,917,127</b>	<b>18,279,645</b>
<b>Change in Fund Balance (Cash Carryover)</b>	<b>(2,667,106)</b>	<b>(891,453)</b>	<b>394,237</b>	<b>37,164</b>	<b>(261,910)</b>
Beginning Fund Balance	6,944,507	4,277,401	3,385,948	3,780,184	3,817,348
<b>Ending Fund Balance</b>	<b>\$4,277,401</b>	<b>\$3,385,948</b>	<b>\$3,780,184</b>	<b>\$3,817,348</b>	<b>\$3,555,439</b>



- The NSF projection shows fund balances above 19% of annual expenditures throughout the projection period. The City understands the sensitivities in the projection and has strategies to secure the fund's fiscal position.
- Improve Collection Rates. The City's primary strategy for strengthening the fund's fiscal position is through the improvement of fee collection rates, which (combined current and delinquent collections) is just 85%. The previous version of the five-year plan assumed a 3% increase in the collection rate beginning in 2022, which would result in approximately \$500,000 of annual incremental revenue. This was intentionally a very conservative assumption.

The revised plan assumes an additional 5% increase in the collection rate beginning in 2023, which would generate approximately \$1.3 million annually compared to current levels. While the 93% collection rate target is clearly more aggressive, this is achieved in other communities and a reasonable projection. Moreover, the benefit of this initiative is assumed to be realized over time, rather than instant short-term improvement. Achieving this goal results in a 2024 year-end fund balance of \$2.7 million (15% of fund expenditures).
- The City will prioritize improving collection rates and ensuring all customers are paying their current fee obligations before rate increases or service reductions are considered. If revenues do not materialize as projected in 2022 and 2023, the City will evaluate other corrective actions.



- Pursue New Partnerships. The City has recently forged partnerships with the Boroughs of Steelton, Paxtang, and Penbrook to deliver refuse/disposal services in exchange for a fee paid by the residents of those communities. As demonstrated in the enclosed analysis, the City projects incremental revenue from these arrangements to help support the NSF. The City will regularly monitor these revenues and expenses associated with these partnerships to confirm the existing terms remain in the City's best interests. The City will also explore similar partnerships that may benefit Harrisburg and the NSF.
- Examine Workforce Levels/Costs. The five-year projections assume that the City hires six additional laborers to accommodate the new responsibilities associated with the Steelton/Paxtang/Penbrook partnerships. The City will monitor the workforce needs and assess if fewer than eight new laborers are required to adequately staff these activities and if there's opportunity for the City to save on personnel expenses.
- The City will prioritize improving collection rates and ensuring all customers are paying their current fee obligations before rate increases or service reductions are considered. If revenues do not materialize as projected in 2022 and 2023, the City will evaluate fee increases or other corrective actions.



Partnership Financial Analysis - Projected 2021 Revenues and Expenses

	Steelton	Paxtang/ Penbrook	Total
<b>Revenue</b>			
Refuse/Disposal Charges	640,000	460,524	1,100,524
<b>Total</b>	<b>640,000</b>	<b>460,524</b>	<b>1,100,524</b>
<b>Expenses</b>			
Salaries	122,191	113,157	235,348
Benefits	48,877	45,263	94,139
Personnel	171,068	158,419	329,487
Fuel	5,350	3,360	8,710
Permitting	120	60	180
Vehicle Maint. (incl supplies)	11,523	4,496	15,849
Depreciation	41,011	15,558	56,569
Disposal Fees	220,068	168,546	388,614
<b>Total Expenses</b>	<b>448,970</b>	<b>350,439</b>	<b>799,409</b>
<b>Net Income</b>	<b>\$191,030</b>	<b>\$110,085</b>	<b>\$301,115</b>
<b>One-time expenses</b>			
Toters	\$281,770	\$251,863	\$533,633



# City of Harrisburg Partnership Financial Analysis - Refuse/Disposal Revenues

## Borough of Steelton

- Refuse/Disposal revenues based on prorated 2020 collections. Actual 2020 collections (\$705,000) included 14 total months of collections due to timing of receipts.

## Boroughs of Paxtang/Penbrook

- City invoices each Borough (not Borough residents) directly, so no delinquency rate

<b>Borough</b>	<b>Accounts</b>	<b>Fee</b>	<b>Total</b>
Paxtang	651	\$252	\$164,052
Penbrook	1,123	\$264	\$296,472
<b>Total</b>			<b>\$460,524</b>



# City of Harrisburg

## Partnership Financial Analysis – Labor Cost Analysis

- Borough of Steelton

Averages	Hourly Rate	Daily Total (8 hours)	Annualized (52 days)
All Sanitation Workers	\$20.64	\$165.14	\$8,587.45
Non-MEO	\$20.43	\$163.42	\$8,498.05
MEO	\$21.72	\$173.74	\$9,034.48

Steelton Salary Cost

Laborers (8)	\$163.42	\$1,307.39	\$67,984.38
MEOs (6)	\$130.31	\$1,042.44	\$54,206.88
Total	\$293.73	\$2,349.83	\$122,191.26

Steelton Benefits Costs\*\* \$117.49 \$939.93 \$48,876.51

**Total Labor Costs \$411.22 \$3,289.76 \$171,067.77**

- Boroughs of Paxtang/Penbrook

Averages	Hourly Rate	Daily Total (8 hours)	Annualized (52 days)
All Sanitation Workers	\$20.64	\$165.14	\$8,587.45
Non-MEO	\$20.43	\$163.42	\$8,498.05
MEO	\$21.72	\$173.74	\$9,034.48

P/P Salary Cost

Laborers (8)	\$163.42	\$1,307.39	\$67,984.38
MEOs (5)	\$108.59	\$868.70	\$45,172.40
Total	\$272.01	\$2,176.09	\$113,156.78

P/P Benefits Costs\*\* \$108.80 \$870.44 \$45,262.71

**Total Labor Costs \$380.82 \$3,046.53 \$158,419.50**

- Serving Steelton Borough requires 14 total sanitation workers (6 motor equipment operators and 8 laborers) one day per week for 52 weeks per year
- Salary costs based on average hourly rates of existing NSF employees
- Benefits costs based on the historical relationship between salary costs and benefits costs. Benefits costs estimated to be 40% of salary costs.
- Serving Paxtang and Penbrook Boroughs requires 13 total sanitation workers (8 motor equipment operators and 5 laborers) one day per week for 52 weeks per year



# City of Harrisburg Partnership Financial Analysis – Depreciation Analysis

- Borough of Steelton

Seven existing trucks are used to service Steelton one day per week (20%). 20% of the annual depreciation on those vehicles attributed to Steelton. Depreciation calculated based on seven-year straight line method.

Asset ID	Vehicle Type	Acq Date	Cost	Annual Depr	Steelton	
					Steelton %	Portion
17619	Mack Refuse Truck	6/29/2017	239,228.29	34,175.47	20%	6,835.09
17620	Mack Refuse Truck	7/5/2017	239,229.29	34,175.61	20%	6,835.12
17621	Mack Refuse Truck	7/5/2017	239,230.29	34,175.76	20%	6,835.15
17622	Mack Refuse Truck	8/1/2017	239,231.29	34,175.90	20%	6,835.18
17623	Mack Refuse Truck	8/11/2017	239,232.29	34,176.04	20%	6,835.21
17624	Mack Refuse Truck	8/24/2017	239,233.29	34,176.18	20%	6,835.24
17625	Mack Refuse Truck	10/14/2017	239,234.29	34,176.33	20%	6,835.27
			<b>1,674,619.03</b>	<b>239,231.29</b>		<b>47,846.26</b>

- Boroughs of Paxtang/Penbrook

Three trucks are used to service Paxtang and Penbrook Boroughs. One truck is used once per week for the Boroughs and six days per week overall (17% for the Boroughs). Two trucks are used once per week for the Boroughs (20%).

Asset ID	Vehicle Type	Acq Date	Cost	Annual Depr	P/P %	P/P Portion
A-3		2020	171,481.24	24,497.32	20%	4,899.46
	Chassis & Packer	2020	171,481.24	24,497.32	20%	4,899.46
	Chassis & Packer	2020	201,567.73	28,795.39	20%	5,759.08
			<b>544,530.21</b>	<b>77,790.03</b>		<b>15,558.01</b>

\* Depreciation calculated based on seven-year straight line method.



# City of Harrisburg Partnership Financial Analysis - Vehicle Cost Analysis

- The City calculated the annual maintenance, repairs, fuel, and supplies costs associated with each vehicle in its fleet. The analysis below allocates those costs based on usage to serve Steelton, Paxtang, and Penbrook Boroughs.

## Borough of Steelton

	Annual City-wide (260 days/yr)	Per Day	Steelton Portion
Fuel	\$26,750.32	\$102.89	\$5,350.06
Permitting	\$600.00	\$2.31	\$120.00
Maintenance (incl supplies)	\$56,764.51	\$218.33	\$11,352.90
	<b>\$84,114.83</b>	<b>\$323.52</b>	<b>\$16,822.97</b>

## Boroughs of Paxtang/Penbrook

	Annual City-wide	Per Day	P/P Portion
Fuel	\$16,798.44	\$59.51	\$3,094.69
Permitting	\$300.00	\$1.09	\$56.77
Maintenance (incl supplies)	\$22,480.85	\$78.68	\$4,091.30
	<b>\$39,579.29</b>	<b>\$152.23</b>	<b>\$7,915.86</b>

### A-3 Truck Cost (260 days/year operating)

	Annual City-wide	Per Day	P/P Portion
Fuel	\$8,215.00	\$26.50	\$1,378.00
Permitting	\$100.00	\$0.32	\$16.77
Maintenance (incl supplies)	\$12,550.85	\$40.49	\$2,105.30
	\$20,865.85	\$80.25	\$4,173.17

### A-10 and A-11 Truck Cost (260 days/year in operation)

	Annual City-wide	Per Day	P/P Portion
Fuel	\$8,583.44	\$33.01	\$1,716.69
Permitting	\$200.00	\$0.77	\$40.00
Maintenance (incl supplies)	\$9,930.00	\$38.19	\$1,986.00
	\$18,713.44	\$71.97	\$3,742.69

\* Steelton, Paxtang, and Penbrook portions based on 52 days of usage annually



- Borough of Steelton

Disposal fees based on actual experience

- Boroughs of Paxtang/Penbrook

Projected disposal fees based on a pro-rated amount compared to Steelton Borough, adjusted for population. The combined Paxtang/Penbrook populations are about 77% of that of Steelton's, thus the projected disposal fees are 77% of Steelton's



## VEHICLE PURCHASE PROGRAM

**NARRATIVE:** The City engages in a vehicle purchasing program to support its fleet management activities. Public Works vehicles support both General Fund and Neighborhood Service Fund activities. The vehicles are currently on a ten-year rotation cycle. Projected NSF vehicle purchase expenditures are shown below.

	2021	2022	2023	2024	2025	Total
General Fund	-	-	-	-	-	-
Capital Project Fund	-	-	-	-	-	-
Liquid Fuels Fund	-	-	-	-	-	-
Grants	-	300,000	300,000	300,000	-	900,000
Debt	-	-	-	-	-	-
Neighborhood Svc Fd	705,000	945,000	440,000	762,000	1,050,000	4,142,857
<b>Total</b>	<b>\$705,000</b>	<b>\$1,245,000</b>	<b>\$740,000</b>	<b>\$1,062,000</b>	<b>\$1,050,000</b>	<b>\$5,042,857</b>

**DETAILED EXPLANATION OF COST:** The Fleet Manager in the Bureau of Vehicle Management utilizes multiple funding sources to address the City’s ongoing vehicle needs. In the past, the primary funding sources have been General Fund transfers, Capital Project Fund transfers, State Liquid Fuels Funds, and grants. Going forward, the City will also rely on Neighborhood Service Fund transfers to support these needs. Aggressive grant seeking, such as 902 Grant, DERA Grant, Driving PA Forward Grant, and other sources is essential for managing these costs. The estimates do not take into account trade-in values or residual value returned from sales, so the bottom-line fiscal impact will be less than shown in the table.



## EQUIPMENT LEASING

**NARRATIVE:** Leases include six dump trucks, seven refuse trucks, two front-end loaders, and one backho. The budget is based on estimates provided by the leasing vendor. The specifics of 2025 capital expenditures are not yet determined, but the City has budgeted \$100,000 as a reasonable estimate based on expected need.

	2021	2022	2023	2024	2025	Total
General Fund	-	-	-	-	-	-
Capital Project Fund	-	-	-	-	-	-
Liquid Fuels Fund	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Debt	-	-	-	-	-	-
Neighborhood Svc Fd	607,111	607,111	341,003	85,251	100,000	1,740,475
<b>Total</b>	<b>\$607,111</b>	<b>\$607,111</b>	<b>\$341,003</b>	<b>\$85,251</b>	<b>\$100,000</b>	<b>\$1,740,475</b>



## BUILDING IMPROVEMENTS

**NARRATIVE:** Improvements to Neighborhood Services facilities include Reservoir Brownstone HVAC Repairs and upgrades in be in compliance with DA; video surveillance system for highly trafficked park areas; long-range prox card reader for Parks Maintenance; and miscellaneous repairs. Specific expenditures for years 2022 through 2025 are not based on specific identified projects. The City has estimated these expenditures based on expected need and historical experience.

	2021	2022	2023	2024	2025	Total
General Fund	-	-	-	-	-	-
Capital Project Fund	-	-	-	-	-	-
Liquid Fuels Fund	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Debt	-	-	-	-	-	-
Neighborhood Svc Fd	202,190	46,410	47,338	48,285	49,251	393,474
<b>Total</b>	<b>\$202,190</b>	<b>\$46,410</b>	<b>\$47,338</b>	<b>\$48,285</b>	<b>\$49,251</b>	<b>\$393,474</b>

**DETAILED EXPLANATION OF COST:** More detailed costs for these capital expenditures are as follows:

HVAC Repairs and upgrades - \$23,000; video surveillance system for highly trafficked park areas - \$9,500; long-range prox card reader - \$6,000; and miscellaneous repairs - \$7,000.



**EQUIPMENT – OTHER**

**NARRATIVE:** This capital expenditure includes a front-end loader; additional attachments for existing equipment to expand staff’s scope of work; utility trailer used to move Parks and Maintenance equipment; replace equipment that cannot be repaired; and a skid steer driven snow blower. Specific expenditures for years 2022 through 2025 are not based on specific identified projects. The City has estimated these expenditures based on expected need and historical experience.

	2021	2022	2023	2024	2024	Total
General Fund	-	-	-	-	-	-
Capital Project Fund	-	-	-	-	-	-
Liquid Fuels Fund	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Debt	-	-	-	-	-	-
Neighborhood Svc Fd	139,513	50,000	50,000	50,000	50,000	339,513
<b>Total</b>	<b>\$139,513</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$339,513</b>

**DETAILED EXPLANATION OF COST:** Itemized costs for 2021 capital expenditures are as follows: front-end loader - \$95,000; additional attachments for existing equipment - \$13,252; utility trailer - \$12,386; replace equipment - \$9,875; a skid steer driven snow blower - \$9,000.



## City of Harrisburg Neighborhood Services Fund - Capital Needs Funding Summary

### SUMMARY

The following table summarizes the Neighborhood Services Fund planned capital projects and funding sources from 2021 through 2025.

Project Name	2021	2022	2023	2024	2025	Total
Vehicle Purchase Program	945,857	1,245,000	740,000	1,062,000	1,050,000	5,042,857
Equipment Leasing	607,111	607,111	341,003	85,251	100,000	1,740,475
Building Improvements	202,190	46,410	47,338	48,285	49,251	393,474
Equipment – Other	139,513	50,000	50,000	50,000	50,000	339,513
<b>Total</b>	<b>\$1,894,671</b>	<b>\$1,948,521</b>	<b>\$1,178,341</b>	<b>\$1,245,536</b>	<b>\$1,249,251</b>	<b>\$7,516,319</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
General Fund	0	0	0	0	0	0
Capital Project Fund	0	0	0	0	0	0
Liquid Fuels Fund	0	0	0	0	0	0
Grants	0	300,000	300,000	300,000	0	900,000
Debt	0	0	0	0	0	0
Neighborhood Svc Fd	1,894,671	1,648,521	878,341	945,536	1,249,251	6,616,319
<b>Total</b>	<b>\$1,894,671</b>	<b>\$1,948,521</b>	<b>\$1,178,341</b>	<b>\$1,245,536</b>	<b>\$1,249,251</b>	<b>\$7,516,319</b>



**Office of the Business Administrator  
The City of Harrisburg**

MLK Government Center  
10 N. Second St.  
Harrisburg, PA 17101

June 11, 2021

Mr. Marc Woolley  
Business Administrator, City of Harrisburg  
Martin Luther King, Jr. Government Center  
10 N. Second Street  
Harrisburg, PA 17101

Ms. Audry Carter  
Chair, Intergovernmental Cooperation Authority for Harrisburg  
922 North 3<sup>rd</sup> Street  
Harrisburg, PA 17102

Dear Ms. Carter,

Below, please find responses to the issues and concerns identified in the ICA's correspondence dated May 20, 2021. Comments and questions from that correspondence not addressed in this letter and the Amended and Restated 2021 Five-Year Plan are matters that will be left for the incoming administration next year.

**Ref #7 Promote Economic Development / Revise or explain what is the "City's Five-Year Economic Development Plan." According to previous submissions, a plan does not yet exist and is to be developed.**

Revised. The director of the Economic Development Bureau recently resigned and the City will need input from the incoming administration regarding a plan going forward.

**Ref #10 Neighborhood Services Fund (cont'd) / In paragraph 6, and as noted in Ref. 24 and Ref. 25, the issue of NSF fund balance bears further analysis. What is the justification for "fund balance equal to one month of annual operating expenses," given notations elsewhere that the typical fund balance benchmark is two months?**

The GFOA recommendation for minimum fund balance for the General Fund is two months of expenses, but the recommendation for proprietary funds, like the Neighborhood Services fund, is 45 days. The administration made the decision to establish a target at a level that is below the GFOA recommendation, but still, in its view, adequate to meet operating needs and fair to fee payers. The next administration may choose to revisit this target.

**Ref #11 American Rescue Plan Act / The "estimated" allocation can be updated now that the actual amount is known. Can you provide more details on possible use of proceeds?**

Actual amount inserted. There are no new details to report on possible uses.

**Ref #12 Basis of Accounting / The first paragraph is convoluted and should be revised so that it is useful and informative for readers.**

Made some clarifying edits to this paragraph.

**Ref #15 Salaries and Wages – Projection / Please provide a breakout of overtime amounts in the different divisions. The 2% annual increase is included in the projections but the breakout is not detailed. Further, in the Expenses Initiative summary, Medical Expenses are to account for \$1 million savings annually. However, in the Expense projections, medical expenses go up every year by approximately \$500K. Please clarify.**

The City has worked with its broker to secure medical insurance savings, however, these expenses are still expected to increase annually. The savings are compared to the baseline had the City not been able achieve the reduced rates.

The City will provide a breakout of the overtime expenses in a separate future side letter.

**Ref #17 Expense Forecasts / Please breakout “Debt Service” into mandatory and optional components. What contributes to the drops in Services, Supplies, and Other Operating Costs between 2021 and 2022, on their own and in comparison to the Expense Growth Assumptions chart on page 26?**

Comments were inserted in the 1998 Verizon Bonds and Stadium Bond sections summarizing the conditions where debt service could deviate from the minimum amounts in the tables.

The 2021 expenses include the budget reallocations adopted by council in January 2021. These budgets reallocations are mainly to account for expenses that are carried forward from 2020 into the new year. The carry forward makes the 2021 expenses appear artificially high because they reflect all anticipated 2021 expenses and a portion of 2020 expenses.

**Ref #20 2020 Completed Facilities Capital Projects / Please provide budget vs. actual for all budgeted capital projects, not just facilities. Completed Facilities Capital Projects: what does that paragraph mean? Why do projects go over budget?**

The City will provide budget vs. actual reports for other capital projects in a separate future side letter.

Projects will deviate from the budget for a variety reasons including, but not limited to, differences in anticipated versus actual grant funding and matching requirements, unforeseeable project/construction challenges, and variances between planned and actual project unit costs. The City’s capital projects are closely monitored not just by City staff, but also in most cases by auditors from other state and federal agencies to ensure that project costs are justified and in compliance with applicable rules and regulations. Because of the nature of capital project budgeting, deviations from the plan are not uncommon, but are minimized and near budget on an overall basis.

**Ref #21 Operating Forecasts, 2021-2025 / Please move to clerical and encourage General Fund added to table heading.**

Addressed in a new footnote.

**Ref #24 Extension of Special Taxing Powers / Confirm “20%” statistic. It is 19% according to the table on page 7.**

Addressed.

**Ref #25 Extension of Special Taxing Powers (cont’d) / Undo bold style.**

Addressed.

**Ref #26 Operating Results / Please add numbering for all figures, tables, etc. (e.g., Figure 1).**

Addressed.

**Ref #27 Ground Lease/City Priority Payments / Check this statement: “Per the asset transfer agreement, the City was [estimated?] to receive \$2.3 million [...]”**

Added specific rather than rounded totals.

**Ref #28 Headcount / Confirm the figure of 498.5 FTEs. The individual figures provided add up to 508.5.**

Addressed.

**Ref #29 Expense Growth Assumptions, 2021-2024 / “See Expense Initiatives 4.1(2) 5.1(2)”**

Addressed.

**Ref #30 Consider Options to Finance the Series 2005A-2 Bond Defeasance [...] / “[...] but it is the City’s intention to avoid that scenario all together altogether.”**

Addressed.

**Ref #31 (cont’d) / Update “\$38.8 million.”**

Addressed.

**Ref #32 Annual Debt Service Comparison / Check format consistency for the last row.**

Addressed.

**Ref #33 Debt/Liability Balance Comparison / Check format consistency for the last row.**

Addressed.

**Ref #34 Implement Workforce Stabilization Program / “[...] a candidate that meets all of the department’s needs as has not been identified.”**

Addressed.

Regards,

A handwritten signature in black ink, appearing to read "Marc Woolley", with a long horizontal flourish extending to the right.

Mr. Marc Woolley  
Business Administrator, City of Harrisburg





**MEMORANDUM**

5/20/2021

To: Dan Connelly, City of Harrisburg Member ex-officio, ICA Board  
 From: Jeffrey Stonehill, Authority Manager, ICA of Harrisburg  
 RE: 2021 Five-Year Financial Plan dated Apr. 30, 2021

The ICA Board gave approval to the 2020 Plan on March 5, 2021, with the Authority and the City understanding that there were a number of issues and recommendations with that Plan that would be addressed in the 2021 submittal. The City commentary in the Marc Woolley letter that accompanies the 2021 proposed Plan responds point-by-point to each of the issues the Authority raised in that earlier transmittal, and as such is well organized and well presented for the purpose, showing evidence of City commitment to engage fully in the review. Further, it provides a helpful summary and explanation of updates and changes made in the 2021 Plan that represent issues and initiatives other than those raised in the earlier ICA commentary.

Finally, while many elements of this Plan describe transactional and administrative changes, we note there are plan elements that are dependent on statistical analysis to both set and measure benchmarks and goals, a practice that greatly aids both the City and the Authority in gauging progress and adjusting to circumstantial changes. These are noted in our analysis.

The following represents the consolidated commentary of the draft five-year financial plan.

REF #	PAGE	HEADING / REMARKS
Issues		
1	10	<i>Transfers from Other Funds</i> / Presuming transfers now undertaken are only for direct recovery of incidental costs not otherwise reflected in the NSF program structure, affirmatively state this policy.
2	11	<i>Improve Collection Rates in the Neighborhood Services Fund</i> / The City should examine and comment on the potential to achieve a 93% collection rate in year 1, rather than year 2.
3	11	<i>Improve Collection Rates in the Neighborhood Services Fund (Cont'd)</i> / The collection of past due accounts (recently ±\$12 million according to treasury) is not accounted for in this document. Please provide a summary of useful statistics on past due accounts, explain how these receivables are accounted for (or not) in City books, and provide financial forecasts related to collections.
4	13	<i>Waste Removal</i> / Please provide cost vs. benefit analysis for in-house waste removal versus outsourcing to a third-party private hauler as is commonplace for regional municipalities.

REF #	PAGE	HEADING / REMARKS
5	12-13	<i>Headcount</i> / Please consider innovative alternatives such as: contract with third-party public or private service providers, partnerships with other governments (e.g. Dauphin County) to eliminate personnel needs, innovative technologies; etc.
6	18	<i>Community Services Division</i> / The new Community Services Division represents an increasingly common strategy to policing in recognition of the inherent complexity of incident response. Please add narrative to indicate development and implementation of an appropriate performance measurement. Is training scheduled for these staff, particularly CSAs, on specialized skills for initial intervention/contact?
7	33	<i>Promote Economic Development</i> / Revise or explain what is the "City's Five-Year Economic Development Plan." According to previous submissions, a plan does not yet exist and is to be developed.
8	38	<i>Capital Project Budgeting</i> / This appears to describe the Capital Projects Fund only. Please provide a description of methods of estimating capital projects budgets for all funds.
9	43	<i>Neighborhood Services Fund</i> / While acknowledging that indirect cost recovery at the municipal level is not generally done with the same level of detail as it might be in a private contracting, please consider a more appropriate transfer from the NSF to General Fund. Incorporate in this review whether there are any other readily identifiable indirect costs, including for example, billing costs in the Treasurer's office or facility costs for equipment maintenance and storage.
10	44	<i>Neighborhood Services Fund (cont'd)</i> / In paragraph 6, and as noted in Ref. 24 and Ref. 25, the issue of NSF fund balance bears further analysis. What is the justification for "fund balance equal to one month of annual operating expenses," given notations elsewhere that the typical fund balance benchmark is two months?
11	3	<i>American Rescue Plan Act</i> / The "estimated" allocation can be updated now that the actual amount is known. Can you provide more details on possible use of proceeds?
12	5	<i>Basis of Accounting</i> / The first paragraph is convoluted and should be revised so that it is useful and informative for readers.
13	8	<i>Real Estate Taxes</i> / Total combined land and value components are almost 50% tax-exempt, with state property representing approximately 60% of that total." Initiate discussions with the school district and county regarding tax-exempt properties and the potential for a mutual strategy on review of qualification of existing properties, evaluation and possible intervention in new exemption requests, and a common strategy on PILOTs.
14	11	<i>Revenue Initiatives: PILOTs</i> / Seeing both the narrative and the variability in receipts in the chart on p. 7 are PILOT contributions contractually based and if so what is the typical term? Is the primary focus on larger exempts (hospitals and health systems), and what portion of the exemption base is represented by larger exempts versus smaller qualified non-profits? Consider a wider program beyond merely sending out annual letters.
15	21	<i>Salaries and Wages – Projection</i> / Please provide a breakout of overtime amounts in the different divisions. The 2% annual increase is included in the projections but the breakout is not detailed. Further, in the Expenses Initiative summary, Medical Expenses are to account for \$1 million savings annually. However, in the Expense projections, medical expenses go up every year by approximately \$500K. Please clarify.

REF #	PAGE	HEADING / REMARKS
16	25	<i>Other-Post Employment Benefits</i> / January 1, 2018 is the date of the most recent valuation. When will the City perform a “new valuation”? Some of the details and suggestions noted earlier in this commentary would be helpful for inclusion here. In addition, acknowledging the mixed reviews on prefunding OPEB liability, has the City ever given it consideration?
17	30	<i>Expense Forecasts</i> / Please breakout “Debt Service” into mandatory and optional components. What contributes to the drops in Services, Supplies, and Other Operating Costs between 2021 and 2022, on their own and in comparison to the Expense Growth Assumptions chart on page 26?
18	33	<i>Implement Workforce Stabilization Program</i> / Are there any other key vacancies and/or turnover?
19	34	<i>LERTA</i> / Indicate a timeline and objectives for this review, and the criteria for the City’s determination whether to move to a 100% abatement level.
20	39	<i>2020 Completed Facilities Capital Projects</i> / Please provide budget vs. actual for all budgeted capital projects, not just facilities. Completed Facilities Capital Projects: what does that paragraph mean? Why do projects go over budget?
21	42	<i>Operating Forecasts, 2021-2025</i> / Please move to clerical and encourage General Fund added to table heading.
22	43	<i>Principal Proprietary Funds - Neighborhood Services Fund</i> / Given the direction the fund takes in 2025, more discussion is needed for its long-term projections and whether the narrative’s level of confidence that it is balanced over time is warranted. The spend-down scenario seemed to match the projections when we were only looking as far as 2024, but the number for 2025 is an unwelcome addition and seems unsupportable. It raises concerns for 2026 and beyond; while the result is a 2025 fund balance still above one month of operating cost, its trend line reinvigorates our long term concern about full fund balance depletion. Even nominally, following the stated balancing strategy, the 2025 differential would amount to (rough math) a 1.5% rate increase to balance that year alone. In addition, separately, like the expense forecasts noted above, there is an unexplained drop between 2021 and 2022 in the service and supplies line items before a return to marginal growth of 2% year over year (also not wholly squaring with the narrative’s assertion of contractual fee increases between 2.5% and 8%). Even the reserve target needs additional explanation, with the assertion elsewhere that the GFOA target is two months’ expenses.
23	44	<i>Principal Proprietary Funds - Neighborhood Services Fund (cont’d)</i> / The cost analysis provides greater insight from the first report of the Steelton project received last year. However, there remain operational questions: Cost for staff allocated partially for Steelton, Paxtang and Penbrook; a \$50K escrow fund from Paxtang and impact on NSF fund balance; why no similar requirement of the other two agreements; NSF Personnel costs went up \$872K from FY20 actuals to FY21 projections (assume 6 positions tally about \$360K. What would explain the additional increase?); and regarding collections, how is City responding to the suggestion that the Treasurer has been promoting for the last three years?

REF #	PAGE	HEADING / REMARKS
Clerical/Grammatical		
24	1	<i>Extension of Special Taxing Powers</i> / Confirm “20%” statistic. It is 19% according to the table on page 7.
25	2	<i>Extension of Special Taxing Powers</i> (cont’d) / Undo bold style.
26	6	<i>Operating Results</i> / Please add numbering for all figures, tables, etc. (e.g., Figure 1).
27	8	<i>Ground Lease/City Priority Payments</i> / Check this statement: “Per the asset transfer agreement, the City was [estimated?] to receive \$2.3 million [...]”
28	16	<i>Headcount</i> / Confirm the figure of 498.5 FTEs. The individual figures provided add up to 508.5.
29	26	<i>Expense Growth Assumptions, 2021-2024</i> / “See Expense Initiatives <del>4.1(2)</del> <b>5.1(2)</b> ”
30	27	<i>Consider Options to Finance the Series 2005A-2 Bond Defeasance [...]</i> / “[...] but it is the City’s intention to avoid that scenario <del>all together</del> <u>altogether</u> .”
31	27	(cont’d) / Update “\$38.8 million.”
32	28	<i>Annual Debt Service Comparison</i> / Check format consistency for the last row.
33	29	<i>Debt/Liability Balance Comparison</i> / Check format consistency for the last row.
34	33	<i>Implement Workforce Stabilization Program</i> / “[...] a candidate that meets all of the department’s needs <del>as has</del> not been identified.”
Comments on City Responses to ICA Five Year Commentary (Marc Woolley Letter)		
35	6-7	<i>Audit Findings and Accounting</i> / In general, this acknowledges the ICA concerns and indicates City willingness to work with ICA on resolution of accounting practices, GASB and GAAP compliance, along with resolution of audit findings. It refers to specific sections of the Plan dealing with each of these matters, and we note this is also a stipulation of the Intergovernmental Cooperation Agreement. The question of how a city the size of Harrisburg meets GASB and GAAP requirements remains unresolved: is it one where there is compliance in the first instance upfront by keeping books in modified accrual form and the system and staff are capable of generating compliant reports, or is it one where cash-basis accounting and post-activity, third-party generation of compliant reports are acceptable. It may revolve on a difference between operational optimization and statute; the latter is compliant with statute while the former gives managers and the public a more accurate and actionable picture of finances on a real-time basis. That said, the letter’s recap of information presented previously to the ICA Board and the offer to meet with the auditors on these matters can help further illuminate these differences and find a defensible goal and strategy going forward.
36	8, 10, 11, 23	<i>Neighborhood Services Fund Overhead</i> / The additional detail is responsive and helpful (including the Steelton/Paxtang notes at the end of the letter), acknowledging the history, structure and the actual numbers for determination and allocation of overhead. The philosophical note on general policy regarding charge-back of program-specific overhead to the general fund is acknowledged and is appropriate. The corrections regarding (11) are acknowledged.

REF #	PAGE	HEADING / REMARKS
37	24	<i>Neighborhood Services Fund balance draw-down</i> / This appears to be a candid review and assessment of current and future conditions, and appropriately recognizes strategies for capital and service costs as well as potential for both fund balance and rate-payers if grant funding options do not materialize or collection rates do not improve to the anticipated levels or on the anticipated timeline. An explanation would be helpful on the change in the reserve target (one month versus the prior stated percentage) and the difference between this and the two-month reserve goal for the general fund.

In summary, thank you very much for the opportunity to present these questions and comments to the City of Harrisburg in response to your draft Mayor's Five-Year Plan, as presented April 30, 2021.





Office of Mayor Eric Papenfuse  
MLK Government Center  
10 N. Second St.  
Harrisburg, PA 17101

***Via Electronic Mail & Hand Delivery***

June 11, 2021

Audry Carter, Chair  
Intergovernmental Cooperation Authority for the City of Harrisburg  
Harrisburg, PA  
Email: [ica.cartera@gmail.com](mailto:ica.cartera@gmail.com)

Re: *Updated Five-Year Financial Plan of the City of Harrisburg*

Dear Chair Carter:

In accordance with Section 209 (e) of the *Intergovernmental Cooperation Authorities Act for Cities of the Third Class*, 53 P.S. § 42101, et seq. (Act 124 - 2018), I hereby submit on behalf of the City of Harrisburg the Updated Five-Year Financial Plan for the City of Harrisburg. The City had previously provided a complete copy of Harrisburg's 2021 Budget.

In accordance with Section 209 (e) (3) (ii) of the Act, I confirm that I understand the 2021 Budget documents for the City of Harrisburg includes a capital budget and otherwise satisfies the requirements of Act 124. In my official capacity of Mayor and acting as the chief fiscal officer for the City, I hereby do now state as follows:

- (a) The 2021 Approved Budget is consistent with the revised proposed financial plans of the City;
- (b) The 2021 Approved Budget includes funding that would be adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies;
- (c) The 2021 Approved Budget is based upon prudent, reasonable and appropriate assumptions and methods of estimation; and
- (d) The 2021 Approved Budget is compliant with the governing law and ordinances of the City or applicable State law regarding balanced budgets.

Audry Carter, Chair  
ICA for HBG  
June 11, 2021  
Page two

An initial digital copy of this packet is being transmitted to yourself and the Jeffrey Stonehill, Authority Manager for the ICA. An original executed hard copy will be delivered next week.

Please do not hesitate to contact me should the Board require additional information on the matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Papenfuse". The signature is stylized with a large, sweeping initial "E" and a long horizontal stroke at the end.

Eric Papenfuse  
Mayor

Encs.

CC: Jeffrey Stonehill, Authority Manager  
Wanda R. D. Williams, Council President  
Benjamin Allatt, Council Vice-President & Chair, B&F Committee  
Charles DeBrunner, City Controller  
Daniel Miller, City Treasurer  
Marc Woolley, Business Administrator  
Dan Connolly, Board Designee  
Neil A. Grover, City Solicitor  
Kirk Petroski, City Clerk

# City of Harrisburg



## Ambac Forbearance Liability/Series 2005A-2 Paydown and Refinancing Analysis

September 22, 2021

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## Key Debt Components

### G.O. Debt and Forbearance Liability

- In 1997, the City issued non-callable General Obligation debt to refund other outstanding bonds
- Bonds insured by Ambac Assurance Corp, mature in 2022
- In 2012, the City defaulted on the Bonds and Ambac agreed to make scheduled principal and interest payments on the Bonds
- The City incurred a forbearance debt that is now about \$26.2 million and accrues interest at 6.75%

### G.O. Guarantee – Harrisburg Redevelopment Authority, Series 2005 A-2 Bonds

- The City provides a guarantee on non-callable taxable bonds issued by the HRA in 2005 to renovate the minor league baseball stadium
- Bonds insured by Ambac, mature in 2030
- \$5,844,152 of principal and interest payment will remain on the bonds after the November 15, 2021, debt service payment



## Ambac Agreement Summary

- The City and Ambac reached an agreement that provides principal and temporary interest rate reductions in its outstanding forbearance liability in exchange for the defeasance of the outstanding Harrisburg Redevelopment Authority Series 2005A-2 Bonds (Stadium Bonds) by December 31, 2021
- The agreement also provides for additional discounts on the forbearance liability for prepayments up to \$4 million by December 31, 2021
- Maximizing the benefit of the agreement would result in an immediate \$3,288,900 discount on the liability, plus interest savings from a rate reduction from 6.75% to 5%
- After these prepayments, the City would have the option (but not obligation) to refinance the remaining forbearance liability and/or paydown with available cash



## Alternative Strategy

- There is an alternative strategy that suggests that the City leave the Stadium Bonds outstanding, forgo the benefits of the Ambac agreement, and instead repay the forbearance liability with fund balance proceeds over the course of one to three years (or maybe more)
- Projections of several modeled scenarios show that this strategy would deplete the City’s existing fund balance well below the target level outlined in the Five-Year Plan<sup>1</sup> and fail to maintain reserves sufficient to meet other potentially critical capital needs of the City over the next five years
- Projections show a negative fund balance, which is inconsistent with the goals of the Five-Year Plan and, short of new funding sources or reduced expenses, is infeasible
- The alternative strategy is more expensive on a present value basis, even under conservative assumptions

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<sup>1</sup>Five-Year Plan target fund balance equal to two months of operating expenses, or about \$11.9 million



# Scenario Analysis Summary

	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
		No Ambac Agreement Benefits			Maximize Ambac Agreement Benefits		
		Repay w/Cash One Year	Repay w/Cash Three Years	Repay w/Cash Five Years	Repay w/Cash Five Years	Hybrid 4.80% Refi	Hybrid 3.36% Refi
Gross Outflows <sup>1</sup>	44,086,549	31,882,667	33,223,458	34,710,907	30,756,439	34,995,480	32,794,020
PV Outflows (3.36%) <sup>1</sup>	36,005,721	31,177,810	31,458,215	32,248,114	28,844,583	30,142,724	28,327,234
Projected Fund Balance <sup>2</sup>							
YE 2021		(1,704,740)	19,680,438	16,000,438	16,000,438	16,000,438	16,000,438
YE 2022		(7,756,599)	1,128,579	7,448,579	8,102,284	10,115,444	10,322,078
YE 2023		(4,098,107)	(5,438,898)	4,218,165	5,523,215	11,865,601	12,268,064
YE 2024		(766,965)	(2,107,756)	2,660,401	4,613,396	13,284,928	13,882,207
YE 2025		1,566,541	225,749	(1,261,701)	96,648	13,705,928	14,502,561
Fund Balance Target <sup>3</sup>		\$11,900,000	\$11,900,000	\$11,900,000	\$11,900,000	\$11,900,000	\$11,900,000

<sup>1</sup> Includes cash outflows of the Ambac forbearance liability and Series 2005A-2 Stadium Bonds

<sup>2</sup> Projected fund balance based on revenue and expense assumptions in the 2021 Adopted Five-Year Plan, adjusted for the following: 1) annual debt service expenses based on the assumptions in each scenario; 2) mid-year 2021 results and revised 2021 projections; 3) beginning 2021 fund balance is net of encumbrances of approximately \$2.6 million, which are assumed to carryover on a rolling basis

<sup>3</sup> Equal to approximately two months of operating expenses



## Conclusion

- Proceeding with the refinancing approach outlined in the Five-Year Plan is the best way for the City to achieve its fiscal goals
  - Maximize benefits of the Ambac Agreement before December 31, 2021 deadline
  - Take necessary steps to put City in position to execute a refinancing
  - Determine optimal mix a refinancing proceeds and fund balance to address remaining Ambac forbearance liability
  - Develop a plan of finance which will depend on factors such as the City's ability to maintain target fund balance levels, the outcome of the credit rating agency process, and market conditions



# Appendix



# Summary

This analysis includes six modeled scenarios:

	<u>Scenario 1</u> Repay Ambac 1 Year	<u>Scenario 2</u> Repay Ambac 3 Years	<u>Scenario 3</u> Repay Ambac 5 Years	<u>Scenario 4</u> Repay Ambac 5 Years	<u>Scenario 5</u> Hybrid (Higher Int Rate)	<u>Scenario 6</u> Hybrid (Lower Int rate)
Ambac Agreement	No	No	No	Yes	Yes	Yes
Forbearance Repayment						
12/15/21	\$26,685,178	\$5,300,000	\$9,980,000	\$4,000,000	\$4,000,000	\$4,000,000
2022	-	\$12,500,000	\$2,500,000	\$2,500,000	-	-
2023	-	\$10,225,969	\$6,888,906	\$6,888,906	-	-
2024	-	-	\$4,888,906	\$4,888,906	-	-
2025	-	-	\$6,255,607	\$7,498,628	-	-
Cash Defease Stadium Bonds	NA	NA	NA	Approx. \$4,980,000	Approx. \$4,980,000	Approx. \$4,980,000
Refinance Rate	NA	NA	NA	NA	4.80% <sup>1</sup>	3.36% <sup>2</sup>
PV Disc. Rate <sup>3</sup>	3.36%	3.36%	3.36%	3.36%	3.36%	3.36%

<sup>1</sup> Conservative rate based on feedback from multiple underwriting firms; rate used for multi-year planning purposes; City likely to achieve much lower interest rate

<sup>2</sup> Based on taxable A3 scale as of September 2, 2021 + 100 basis points

<sup>3</sup> PV Discount Rate equal to All-in Cost of Lower Rate scenario

Other financing assumptions: \$350,000 cost of issuance; Dated date – March 15, 2022; 2032 maturity to match existing debt



## Projection Assumptions

Projected fund balance based on revenue and expense assumptions in the 2021 Adopted Five-Year Plan, adjusted for the following:

- 1) annual debt service expenses based on the assumptions in each scenario;
- 2) mid-year 2021 results and revised 2021 projections;
- 3) beginning 2021 fund balance is net of encumbrances of approximately \$2.6 million, which are assumed to carryover on a rolling basis.



# Scenario 1 – Paydown Ambac Liability in One Year (no Ambac discounts)

Year	Forbearance	Series 2005 A-2	Aggregate	PV
2021	26,685,178	-	26,685,178	26,685,178
2022	-	653,705	653,705	632,455
2023	-	651,345	651,345	609,686
2024	-	647,945	647,945	586,787
2025	-	648,375	648,375	568,089
2026	-	647,276	647,276	548,690
2027	-	649,503	649,503	532,680
2028	-	650,144	650,144	515,872
2029	-	649,197	649,197	498,375
2030 <sup>1</sup>	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
	26,685,178	5,197,489	31,882,667	31,177,810

	Proj 2021	Proj 2022	Proj 2023	Proj 2024	Proj 2025
Revenues	66,476,063	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	71,026,945	71,410,122	64,417,562	65,380,019	66,885,102
Cash Surplus/Deficit	(4,550,882)	(6,051,859)	3,658,492	3,331,142	2,333,506
Ambac Repay	26,685,178				
Series 2005A2 Defease					
Subtotal	26,685,178				
Beg Fund Balance	29,531,320	(1,704,740)	(7,756,599)	(4,098,107)	(766,965)
End Fund Balance	(1,704,740)	(7,756,599)	(4,098,107)	(766,965)	1,566,541

<sup>1</sup> Assumes Stadium Bond Debt Service Reserve Fund is released resulting in no Net Debt Service in 2030



## Scenario 2 – Paydown Ambac Liability in Three Years (no Ambac discounts)

Year	Forbearance	Series 2005 A-2	Aggregate	PV
2021	5,300,000	-	5,300,000	5,300,000
2022	12,500,000	653,705	13,153,705	12,726,108
2023	10,225,969	651,345	10,877,314	10,181,615
2024	-	647,945	647,945	586,787
2025	-	648,375	648,375	568,089
2026	-	647,276	647,276	548,690
2027	-	649,503	649,503	532,680
2028	-	650,144	650,144	515,872
2029	-	649,197	649,197	498,375
2030 <sup>1</sup>	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
<b>Total</b>	<b>28,025,969</b>	<b>5,197,489</b>	<b>33,223,458</b>	<b>31,458,215</b>

	Proj 2021	Proj 2022	Proj 2023	Proj 2024	Proj 2025
Revenues	66,476,063	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	71,026,945	71,410,122	64,417,562	65,380,019	66,885,102
Cash Surplus/Deficit	(4,550,882)	(6,051,859)	3,658,492	3,331,142	2,333,506
Ambac Repay	5,300,000	12,500,000	10,225,969		
Series 2005A2 Defease					
Subtotal	5,300,000	12,500,000	10,225,969	-	-
Beg Fund Balance	29,531,320	19,680,438	1,128,579	(5,438,898)	(2,107,756)
End Fund Balance	19,680,438	1,128,579	(5,438,898)	(2,107,756)	225,749

<sup>1</sup> Assumes Stadium Bond Debt Service Reserve Fund is released resulting in no Net Debt Service in 2030



## Scenario 3 – Paydown Ambac Liability in Five Years (no Ambac discounts)

Year	Series		Aggregate	PV
	Forbearance	2005 A-2		
2021	8,980,000	-	8,980,000	8,980,000
2022	2,500,000	653,705	3,153,705	3,051,185
2023	6,888,906	651,345	7,540,251	7,057,986
2024	4,888,906	647,945	5,536,851	5,014,242
2025	6,255,607	648,375	6,903,982	6,049,084
2026		647,276	647,276	548,690
2027		649,503	649,503	532,680
2028		650,144	650,144	515,872
2029		649,197	649,197	498,375
2030 <sup>1</sup>		-	-	-
2031		-	-	-
2032		-	-	-
<b>Total</b>	<b>29,513,418</b>	<b>5,197,489</b>	<b>34,710,907</b>	<b>32,248,114</b>

	Proj 2021	Proj 2022	Proj 2023	Proj 2024	Proj 2025
Revenues	66,476,063	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	71,026,945	71,410,122	64,417,562	65,380,019	66,885,102
Cash Surplus/Deficit	(4,550,882)	(6,051,859)	3,658,492	3,331,142	2,333,506
Ambac Repay	8,980,000	2,500,000	6,888,906	4,888,906	6,255,607
Series 2005A2 Defease					
Subtotal	8,980,000	2,500,000	6,888,906	4,888,906	6,255,607
Beg Fund Balance	29,531,320	16,000,438	7,448,579	4,218,165	2,660,401
End Fund Balance	16,000,438	7,448,579	4,218,165	2,660,401	(1,261,701)

<sup>1</sup> Assumes Stadium Bond Debt Service Reserve Fund is released resulting in no Net Debt Service in 2030



## Scenario 4 – Paydown Ambac Liability in Five Years (Ambac discounts)

Year	Forbearance	Series 2005 A-2	Aggregate	PV
2021	4,000,000	4,980,000	8,980,000	8,980,000
2022	2,500,000	-	2,500,000	2,418,731
2023	6,888,906	-	6,888,906	6,448,300
2024	4,888,906	-	4,888,906	4,427,455
2025	7,498,628	-	7,498,628	6,570,097
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030 <sup>1</sup>	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
<b>Total</b>	<b>25,776,439</b>	<b>4,980,000</b>	<b>30,756,439</b>	<b>28,844,583</b>

	Proj 2021	Proj 2022	Proj 2023	Proj 2024	Proj 2025
Revenues	66,476,063	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	71,026,945	70,756,417	63,766,217	64,732,074	66,236,727
Cash Surplus/Deficit	(4,550,882)	(5,398,154)	4,309,837	3,979,087	2,981,881
Ambac Repay	4,000,000	2,500,000	6,888,906	4,888,906	7,498,628
Series 2005A2 Defease	4,980,000				
Subtotal	8,980,000	2,500,000	6,888,906	4,888,906	7,498,628
Beg Fund Balance	29,531,320	16,000,438	8,102,284	5,523,215	4,613,396
End Fund Balance	16,000,438	8,102,284	5,523,215	4,613,396	96,648

<sup>1</sup> Assumes Stadium Bond Debt Service Reserve Fund is released resulting in no Net Debt Service in 2030



## Scenario 5 - Hybrid, "Higher Rate" (4.80%) Conservative (Ambac discounts)

Year	Series			PV
	Forbearance	2005 A-2	Aggregate	
2021	4,000,000	4,980,000	8,980,000	8,980,000
2022	486,840	-	486,840	471,014
2023	2,559,680	-	2,559,680	2,395,966
2024	2,559,760	-	2,559,760	2,318,151
2025	2,560,880	-	2,560,880	2,243,775
2026	2,557,920	-	2,557,920	2,168,325
2027	2,555,760	-	2,555,760	2,096,067
2028	2,554,160	-	2,554,160	2,026,659
2029	2,548,000	-	2,548,000	1,956,048
2030 <sup>1</sup>	2,547,040	-	2,547,040	1,891,748
2031	2,545,920	-	2,545,920	1,829,447
2032	2,539,520	-	2,539,520	1,765,526
<b>Total</b>	<b>30,015,480</b>	<b>4,980,000</b>	<b>34,995,480</b>	<b>30,142,724</b>

	Proj 2021	Proj 2022	Proj 2023	Proj 2024	Proj 2025
Revenues	66,476,063	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	71,026,945	71,243,257	66,325,897	67,291,834	68,797,607
Cash Surplus/Deficit	(4,550,882)	(5,884,994)	1,750,157	1,419,327	421,001
Ambac Repay	4,000,000	-	-	-	-
Series 2005A2 Defease <sup>1</sup>	4,980,000	-	-	-	-
Subtotal	8,980,000	-	-	-	-
Beg Fund Balance	29,531,320	16,000,438	10,115,444	11,865,601	13,284,928
End Fund Balance	16,000,438	10,115,444	11,865,601	13,284,928	13,705,928

<sup>1</sup> Assumes Stadium Bond Debt Service Reserve Fund is released resulting in no Net Debt Service in 2030



## Scenario 6 – Hybrid, “Lower Rate” (3.36%) (Ambac discounts)

Year	Series			
	Forbearance	2005 A-2	Aggregate	PV
2021	4,000,000	4,980,000	8,980,000	8,980,000
2022	280,206	-	280,206	271,097
2023	2,363,851	-	2,363,851	2,212,662
2024	2,364,944	-	2,364,944	2,141,724
2025	2,361,527	-	2,361,527	2,069,106
2026	2,356,232	-	2,356,232	1,997,356
2027	2,355,676	-	2,355,676	1,931,971
2028	2,349,298	-	2,349,298	1,864,106
2029	2,346,755	-	2,346,755	1,801,556
2030 <sup>1</sup>	2,349,155	-	2,349,155	1,744,774
2031	2,346,703	-	2,346,703	1,686,293
2032	2,339,675	-	2,339,675	1,626,590
<b>Total</b>	<b>27,814,020</b>	<b>4,980,000</b>	<b>32,794,020</b>	<b>28,327,234</b>

	Proj 2021	Proj 2022	Proj 2023	Proj 2024	Proj 2025
Revenues	66,476,063	65,358,263	68,076,053	68,711,161	69,218,608
Expenses	71,026,945	71,036,623	66,130,067	67,097,018	68,598,254
Cash Surplus/Deficit	(4,550,882)	(5,678,360)	1,945,986	1,614,143	620,354
Ambac Repay	4,000,000	-	-	-	-
Series 2005A2 Defease	4,980,000	-	-	-	-
Subtotal	8,980,000	-	-	-	-
Beg Fund Balance	29,531,320	16,000,438	10,322,078	12,268,064	13,882,207
End Fund Balance	16,000,438	10,322,078	12,268,064	13,882,207	14,502,561

<sup>1</sup> Assumes Stadium Bond Debt Service Reserve Fund is released resulting in no Net Debt Service in 2030