

Municipal Financial Recovery Advisory Committee

A G E N D A

Wednesday, October 23, 2013

8:30 a.m.

Call to Order

Minutes of 10-9-13 meeting

Receiver's Discussions with Committee Members –

Status of Confirmed Recovery Plan –

Operational Status

Cash Flow

Asset Monetization –

RRF/Parking/Water & Sewer

Member Comment

Public Comment

Adjournment

Operational Issues

- Over the last 2 weeks, the Receiver's Team has continued working with City Council, the Mayor's office and others on the initial stages of implementing the various elements of the Harrisburg Strong Plan as confirmed on 9/23 by Commonwealth Court. OTR has also addressed the appeal filed by City Controller Dan Miller and has taken those actions necessary to respond to the appeal. Late yesterday Commonwealth Court issued an order dismissing his objection due to its untimely filing and his lack of standing.
- Without question the Strong Plan represents a significant and positive milestone for the City. It sets a new course. One that fully eliminates the debt on the RRF, provides balanced budgets thru at least 2016, provides an ongoing revenue stream from the parking assets and provides needed resources for capital needs and economic development as well as help to address the City's OPEB liabilities.
- The OTR continues work in cooperation with City officials in implementing the various operational related issues that are part of the prior Recovery Plan and that are now embodied in the modified plan, the Harrisburg Strong Plan.
- Personnel - The City continues to actively recruit for approximately 61 positions, As reported at the last meeting the Budget Manager position was filled with the promotion of the Accounting Analyst. The City will now move to fill the Analyst position.

15 of the positions being recruited are Fire positions previously approved by the Receiver's Office. A written exam was administered on 8/24 to develop a new Eligibility List. Out of the 125 individuals registered for the exam 57 passed and on 10/2 letters were sent informing the 57 they were eligible to proceed to the next phase of the testing which is the physical ability test which will be administered on 12/7. The next Fire Academy Class will start 3/4/14. It's anticipated that the 15 positions will be hired and enroll in the March class. Materials for a promotional exam have now been developed and notification letters were sent to all eligible fire personnel they may apply for the promotional exam for Battalion Chief, Fire Captain and Fire Lt. Applications are due by 11/15 and the exam will be administered on 2/12/14.

Twenty six positions are for police officer and at the request of the City, OTR has approved filling of 20 officer positions. City participated in the Dauphin County Police Chief's Associations joint testing consortium thus sharing the cost of recruitment. Following the closure of the application process and the physical exam, 246 candidates took the written exam on 8/31 and 216 passed. On 9/25 supplemental application materials were mailed to the 216 candidates requesting they complete the application and file by 10/21. The next Police Academy class starts 1/13/14. It's anticipated that 8-12 candidates will be hired this fall and enroll in the January class.

Due to the transfer of the water and sewer operations to THA, actions on vacancies in these Bureaus are on hold.

Other positions being recruited include a Help Desk/PC Specialist, 2 Codes Officers, Fleet Manager, Sanitation/Recycling Manager, Demolition Specialist, and Deputy Economic Development Director.

- The Office of the Receiver continues to work with the City and Harrisburg Parking Authority (HPA) to consider qualified personnel from HPA to fill certain City vacancies as they occur once the City has gone through their internal posting process.
- OTR continues to devote significant effort in working with the City on various financial management issues. Maher Duessel continues work on the 2012 audit. Additional information was needed on FEMA funding due to the amount of funds received and its treatment in the audit which slowed the auditors work down. At this point their work should be completed by late October/early November and the audit issued shortly thereafter.
- 2014 budget development is underway and department meetings have recently been concluded. OTR has agreed to provide additional support as needed to insure the budget process remains on track thru the early fall months
- Contract negotiations continue with Republic Services who was selected as the firm that based on the RFP's selection criteria provided the most appropriate proposal for solid waste collection. The proposal will include single family and multi-family residential as well as commercial collection.
Planned implementation date is early 2014. A robust information and educational program is being planned by the City in concert with Republic and will be undertaken to inform businesses and residents of the changes.
- As reported at the last meeting Marsh USA was selected as the broker for insurance brokerage services. The new brokerage service will result in further cost savings and has been put in place over the last several weeks to coincide with the City's renewal schedule. The new contract consolidates insurance coverage for the City and includes property, liability, vehicle, public officials, errors and omissions, workers compensation as well as risk management services. The initial term will be 1 year with the ability to renew for up to 2 additional years.
- The kick off meeting for the update to the City's Comprehensive Plan was held last Wednesday evening at Harrisburg High School. The meeting was hosted by the Mayor with presentations by M&L, the City's consultant for the comp plan and housing strategy and CREDC for the ED strategy. The scope of work involves 3 interrelated recommendations of the Harrisburg Strong Plan – 1.) An update of the City's Comprehensive Plan, 2.) Development of a Housing Strategy and 3.) Development of an Economic Development Strategy. M&L will be preparing the Comp Plan and Housing strategy elements. Their work will be coordinated with CREDC who will prepare the Economic Development strategy. Approximately 40 residents attended and offered comments that environmental and transportation elements be included and stressed the need for ample opportunity from the community. The process is now beginning and will take approximately 15-18 months to complete. The scope provides for a strong neighborhood focus involving 6 distinct regions of the City. The process will offer significant opportunity for public input at various stages.

- The City continues to proceed with implementation of the Fleet Management recommendations. To date \$27,844 has been realized from the disposition of 16 pieces of equipment. This already exceeds the study's estimate of \$18K by about \$10K and there are an additional 10 pieces of equipment to be disposed.
- The City has received two payments totaling approximately \$2.1M from the July artifact sale. Following approval by the Court payment has been made to Metro Bank. The next phase of the sale occurred 10-8/9 in NYC of various paper documents and preliminary estimates indicated this sale should yield an additional several \$100K.
- It is our understanding the IAFF voted on terms for a contract modification earlier this week. We have contacted the IAFF's representative and are awaiting their report on the specifics of the modification. Negotiations have been completed with the AFSCME and FOP bargaining units consistent with the cost containment provisions of the confirmed Plan. The agreements have been approved by their respective memberships and Council with major provisions of the contract modifications going into effect on November 1. The AFSCME bargaining unit for HPA has also approved their contract modification.

Fiscal issues - Cash Flow

- The Receiver's Office continues to monitor City's expenditures including the review of payables on a bi-weekly basis. Since the last meeting we have reviewed the 10/24 check run and provided a response to the City.
- The 10/24 run totals \$3,078,703. The largest expense is to M&T Bank Trust for \$2,146,827 or 70% for the police pension payment. The next largest payment is to the City Treasurer for \$477,425. (15%) which includes payments for Highmark Blue Shield, Express Scripts and Dental Insurance. The next largest payments is to Marsh USA of \$89,365 (3%) for insurance renewals.
- The City continues to generally be up to date with its payables. The receipt of the state aid for pensions and the DCED grant for public safety services has greatly improved cash flow. Payables on hold after this check run total 4,564,234 which is approximately \$350K lower than payables on the 10/10 check run. \$1,835,251 or 40% relate to various debt service obligations and \$1,675,118 relate to insurances and utilities. The debt service amount has been reduced with the payment of the Metro Bank loan as a result of the receipt of proceeds from the artifact sale. Those over 60 days total \$1,957,551 with 99% represented by the 5 vendors listed below.

Vendor Name	Amount Due	% of Total
Sun Trust	\$1,226,655.05	63.3%
PA Infrastructure Bank	367,741.59	19.0%
Capital Area Transit	136,255.00	7.0%
PPL	73,580.00	3.8%
City Treasurer - Insurances	132,890.59	6.9%
Total	\$ 1,937,122.21	100%

- A review of the cash position shows that the City had a cash balance of \$8,255,011.78 as of 10/17, their highest balance since spring. The significant increase was due to the receipt of the state aid for pensions of \$2.594M and DCED grant of \$4.504M in early October. Following the 10/24 check run and payroll, the City's cash balance will be \$4,037,163.37.
- Though the City's cash flow deteriorated in September the receipt of the state aid for pensions and the DCED grant for public safety services has provided a much needed infusion that should address payables thru the next 2 months.
- The consummation of the Harrisburg Strong plan and closing on the various elements of the Plan though is critical for the City to meet its obligations thru year end. Although our focus is on consummating the transactions by year end, we are also pursuing cash flow alternatives should the closings drift into early 2014. This is similar to what occurred with cash flow the end of 2012 and early 2013.
- The City is currently in compliance with all financial reporting obligations. City posted on EMMA related to City's audit not being completed by 9/30.

Asset Monetization

- With the confirmation of the Harrisburg Strong Plan, work is proceeding with the finalization of the various documents related to the sale of the RRF facility. Those documents are for the most part in place. The LCSWMA waste disposal agreement has now been approved by both Council and the Mayor.
- Likewise confirmation of the plan now allows the monetization of the City's parking facilities to move forward. Numerous meetings continue with representatives of Hbg First, PEDFA, DGS and OTR to work thru the various documents that are needed for this transaction. Since the last meeting, AEW who was to serve as the Asset Manager informed OTR that they had made a business decision to withdraw from the transaction. Their normal business model involves managing liquid assets such as pension investments and this type of transaction didn't fit that model. OTR along with Guggenheim are currently talking with several other firms that provide this type of service and anticipate a replacement being identified soon. OTR provided a briefing on the status of the transaction at last week's PEDFA Board meeting. Another prerequisite of the transaction is action by the LGC on two IGC agreements – one between the City and DGS and the other between the City and PEDFA. The Commission met on 10/16 and took action to state that both agreements were consistent with the authority of the municipality to delegate certain responsibilities to state agencies. As part of their action they also provided advisory comments on the agreements for consideration. OTR is addressing the comments as part of the various related documents that are part of the parking transaction. The agreements will then be advanced to the City for action.
- Work likewise continues to implement provisions of the Strong Plan that provide for the transfer of operational responsibility for the water and sewer operations to THA. This is one of the conditions of the \$26M loan from PENNVEST. The upgrades to the wastewater treatment plant that will be undertaken by THA are necessary to address compliance issues related to the Chesapeake Bay and

Clean Water Act requirements. The transfer will consolidate the administrative, operational and financial responsibilities for the water and sewer operation into an operating authority. In addition to PENNVEST's requirement, this approach will address compliance with the Clean Water Act and the Chesapeake Bay requirements and is an acceptable model for the Department of Justice, EPA and DEP and is also favored by the suburban communities. The PENNVEST loan is approximately half the amount needed for the upgrade with the balance to be obtained thru conventional financing.

- Implementation steps continue as our efforts focus on the timely consummation of the various transactions of the confirmed plan and the continued implementation of the operational elements of the plan. The ability to achieve a consensual solution though represents a significant accomplishment. It is a model that can be replicated in other similar situations. Credit goes to the City's creditors – AGM, Dauphin County, Covanta, CIT, AMBAC and others along with the City's bargaining units as well as the Mayor and Council for coming to the table and recognizing the value of a consensual resolution as opposed to costly and time consuming litigation. This is in sharp contrast with what is occurring in right now in Detroit as they enter Bankruptcy Court today to determine whether they are even eligible to file for Chapter 9 status. The City has received much favorable publicity from various financial publications and others on the ability to reach a consensual solution to its fiscal difficulties. This provides an excellent springboard for the City to move forward with community and economic development initiatives that will strengthen its tax base and provide for a bright and promising future.