Municipal Financial Recovery Advisory Committee

A G E N DA

Wednesday, November 13, 2013 8:30 a.m.

Call to Order

Minutes of 10/23/13 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 3 weeks, the Receiver's Team has continued working with City Council, the Mayor's office and others on the further implementation of the various elements of the Harrisburg Strong Plan as confirmed on 9/23 by Commonwealth Court. With the election of Eric Papenfuse as Mayor, OTR is now planning a series of transitional meetings to assist the Mayor-elect in getting up to speed on Strong Plan initiatives.
- 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.
- OTR continues work in cooperation with City officials in implementing the various operational related issues that are included in the Harrisburg Strong Plan.
- Personnel The City continues to actively recruit for approximately 65 positions, There have been a number of recent retirements/resignations due to the new contract provisions including several key management positions including Finance Director Bob Kroboth, the Purchasing Manager, Fire Chief and IT Director. Based on the City's recent request approval has been given to fill the Staff Accountant/Analyst position.
- OTR has also worked with the City to address critical vacancies in the Finance Bureau. Interim arrangements have been made to engage Trout Ebersole and Groff to provide interim financial management assistance thru the end of 2013 with the possibility extending it into early 2014. Maintaining continuity in the Finance Bureau is critical to addressing cash flow, payables and 2014 budget issues.
- 15 of the positions being recruited are Fire positions previously approved by the Receiver's Office. A new Eligibility List is being developed. On Oct 2 letters were sent to the 57 candidates who passed the written exam informing them they were eligible to proceed to the next phase of testing the physical ability test which will be administered on 12/7 & 8. Orientation sessions are being held in November to assist candidates in preparing for the physical ability test. 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 vacancies are for police officer and at the request of the City, OTR has approved filling of 20 officer positions. Supplemental application materials were mailed to the 216 candidates requesting they complete the application and file by 10/21. HR is conducting background checks on the

top 35 applicants as part of the development of a new eligibility list. The background reviews are to be completed by 11/22. The next Police Academy class starts 1/13/14. It's anticipated that 8 - 12 candidates will be hired late this year and enroll in the January class.

Due to the transfer of the water and sewer operations to THA on 11/4, actions on vacancies in these Bureaus ceased.

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 is pleased to report that the 2012 audit has been completed by Maher Duessel and publicly issued on 11/8. There was only a minimal delay in its completion due to waiting on responses to certain representation letters. It should be noted that the City has made tremendous progress in bringing its audits up to date with the completion of the 2009, 2010, 2011 and 2012 audits all within the last 15 months. This is a significant accomplishment and represents a major improvement in the City's financial management operation.
- The Third quarter fiscal report is in the process of being prepared and will be issued by the end of the week.
- The 2014 budget development continues and is on schedule with its completion by the administration and its submission to Council by 11/26.
 OTR is providing additional support as needed to insure the budget process remains on track.

Based on a 11/7 meeting of Council to discuss the RFP for sanitation services and to meet with Republic Services, the finalist selected based on the RFP's selection criteria, OTR is suggesting that action on this issue be deferred in the short term. Numerous questions and issues were raised that warrant further review.

• Work also continues to implement the City's various insurance coverages thru Marsh USA the selected broker for insurance 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. Health Stop Loss coverage was renewed effective 11/1 and experienced only a 2.1% increase. 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 update to the City's Comprehensive Plan is underway following the 10/16 kickoff meeting. M&L, the City's consultant for the comp plan and housing strategy is now in a data collection and research mode that is Phase 1 of the process. 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. The process will take approximately 15-18 months to complete. The scope provides for a strong neighborhood focus involving 6 distinct regions of the City with significant opportunity for public input at various stages.
- The City continues to proceed with implementation of the Fleet Management recommendations. To date \$28,229 has been realized from the disposition of 11 pieces of equipment. This already exceeds the study's estimate of \$18K by about \$10K with an additional 15 pieces of equipment still 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. We are waiting for a final tabulation from the sale.
- We have received communication from the IAFF on terms for a contract modification that they voted on the week of 10/21. The terms of their contract vary from the City's proposal and additional negotiations with the IAFF are anticipated. 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 went 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 11/7 run totals \$804,576.41. The largest expense is to the City Treasurer for \$421,801 or 52% for the various health insurances including Highmark Blue Shield, Express Scripts and Dental Insurance. The next largest payment is to Rogele for \$109,067 (14%) for paving work. The next largest payments is to Capital Area Transit for \$68,127. (8.5%) the 2nd quarter payment.
- 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 greatly improved cash flow in October. Payables on hold after this check run total \$3,534,092 which is approximately \$1M lower than payables on the 10/23 check run. This is primarily the result of the payment to Metro Bank.

\$1,835,251 or 52% relate to various debt service obligations and \$1,558,066 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 \$1,958,958 with 99% represented by the 5 vendors listed below.

| | | % of |
|-----------------------------|----------------|-------|
| Vendor Name | Amount Due | Total |
| Sun Trust | \$1,226,655.05 | 63.2% |
| PA Infrastructure Bank | 437,740.77 | 22.5% |
| Capital Area Transit | 68,127.50 | 3.5% |
| PPL | 73,580.00 | 3.8% |
| City Treasurer - Insurances | 136,404.80 | 7.0% |
| | | |
| | \$ | |
| Total | 1,942,508.12 | 100% |

- A review of the cash position shows that the City had a cash balance of \$5,937,057 as of 11/1. Following the 11/7 check run and payroll, the City's cash balance will be \$4,009,541.
- The receipt of the state aid for pensions and the DCED grant for public safety services in October provided a much needed infusion that should address the most critical payables thru the next 6 weeks. Very close attention needs to be paid to vendor obligations between now and year end to insure adequate resources are available to meet critical needs until the closing on the RRF and parking transactions.
- The consummation of the Harrisburg Strong plan and closing on the RRF and Parking transactions though is critical for the City to fully 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. OTR has reached out to various financial institutions to discuss a
 possible TRAN for 2014. In contrast to the last several years, a number of
 banks have expressed interest in discussing a TRAN and a meeting with them
 is scheduled for later this week.
- 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 continues with the finalization of the various documents related to the sale of the RRF facility. Those documents are for the most part in place. Last week the Redevelopment Capital Assistance Grant contract for \$8M was fully executed. The LCSWMA waste disposal agreement has now been approved by both Council and the Mayor.

- Likewise, significant work has continued with the monetization of the City's parking facilities. Numerous meetings and correspondence has occurred with representatives of Hbg First, PEDFA, DGS and OTR to work thru the Asset Transfer agreement and other documents that are needed for this transaction. Since the last meeting Trimont Real Estate Advisors was selected to replace AEW as asset manager. Trimont officials made presentation to PEDFA at their 10/28 meeting on their background and capacity to serve as asset manager. The Local Government Commission approved the two IGC agreements one between the City and DGS and the other between the City and PEDFA at their 10/16 meeting. The agreements have now been 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. November 4 was the transfer date. A shared services agreement between the City and THA will address how the two will coordinate their activities. The transfer 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. 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 achieve a consensual solution though represents a accomplishment. It is a model that can be replicated in other similar 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. The consensual resolution of Harrisburg's fiscal difficulties provides an excellent opportunity 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.