

**Municipal Financial Recovery Advisory Committee**

**A G E N D A**

**Wednesday, December 11, 2013**

**8:30 a.m.**

**Call to Order**

**Minutes of 11/13/13 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**

- Since the November 13 meeting 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. Considerable focus and effort has been placed on the various activities related to the consummation of the RRF and parking transactions which I will cover a bit later.
- With the election of Eric Papenfuse as Mayor, OTR has engaged with the Mayor-elect and his Team in a series of transitional meetings to bring the Mayor-elect up to speed with the range of activities the OTR is engaged in and the support that OTR has provided and will continue to provide on the Strong Plan initiatives. Our goal is to assist in making the transition as smooth as possible.
- OTR continues work in cooperation with City officials in implementing the various operational related issues that are included in the Harrisburg Strong Plan.
- Personnel - City continues to actively recruit for approximately 67 positions. There continue to be a number of retirements/resignations across various departments due to the new contract provisions. There have also been a number of key management positions vacated including Finance Director Bob Kroboth, HR Director Deb Felker, the Purchasing Manager, Fire Chief and IT Director.
- OTR has 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. OTR also provided approval to the City to fill the Staff Accountant/Analyst position and recruitment is underway. 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. The physical ability test was administered on 12/7 & 8 to the 57 candidates who passed the written exam. Orientation sessions were held in November to assist candidates in preparing for the physical ability test. The next Fire Academy Class starts 3/4/14. It's anticipated the 15 positions will be hired and enroll in the March class. Materials for a promotional exam have also been developed and notification letters were sent to all eligible fire personnel that they may apply for the promotional exam for Battalion Chief, Fire Captain and Fire Lt. Applications were due 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. Background reviews were completed by 11/22 on the top 35 candidates on the Qualified Eligibility List. Of the 35 candidates, 11 withdrew during this phase and 7 were disqualified as a result of the background review. The remaining 17 are being scheduled for pre-employment interviews which are to be held 12/11, 12 and 16. 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.

- Promotional exam materials have also been made available to all eligible police personnel for the positions of Lieutenant, Sergeant and Corporal. The promotional exam and oral interview will be administered on 1/25/14.
- 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.
- Now that the City's 2012 audit has been released and the City's audits are up to date, a significant impediment to financings by not only the City but also THA has been removed. 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.
- OTR assisted the administration with 2014 budget development and the Mayor's proposed budget was submitted to Council on 11/26. Council is now going through its review of the Budget with final adoption scheduled for 12/17.
- a. 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, Numerous questions were raised that warrant further review and consideration. Although implementation was initially planned for early 2014, OTR would like to further discuss the sanitation services issue with the new administration and Council and resolve issues raised at the 11/7 meeting before proceeding further. On 11/27 COO Bob Philbin provided a summary of the current status of the RFP process and identified 3 courses of action.
  1. **Approve the current RFP-selected vendor**  
Service will be implemented 90 days after contract approval. DPW estimated cost savings to City: \$1.1 million per year.
  2. **Re-bid the vendor selection process**  
Service will be implemented approximately 6 months later.  
Service delayed until summer of 2014, cost savings approximately the same as "a" above.
  3. **Upgrade DPW staff-equipment capability**  
Service will be implemented approximately 1 year later. DPW estimated cost increase to the City: approximately \$3,050,000 per year.

The Mayor-elect has been briefed on this project, and his administration will address the situation shortly upon taking office.

- Work has also continued to implement the City's various insurance coverage 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 month 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 update to the City's Comprehensive Plan has been put on hold at this time. Several questions have arisen with respect to the process and the role of the Planning Commission. The development of a solid economic development and housing strategy are vital to the City's recovery. M&L's work to date has only involved initial data collection 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. This matter will also be one addressed in the early stages of the new Administration.
- 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. Payment has been made to Metro Bank following the Court's approval of the proceeds. The second phase of the sale occurred 10-8/9 in NYC. This involved various paper documents and estimates provided by the auction house indicated the sale yielded an additional approximately \$300K. Receipt of the funds has been delayed due to challenges to some of the sales.
- 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 11/21 and 12/5 check runs and provided a response to the City.

- The 11/21 run totaled \$1,518,954 though this run included the payment of \$338,814 to HPA for the parking tax. OTR recommended this payment be held until the parking monetization closes and contacted HPA's Executive Director who agreed the payment could be held. The largest expenses were to Marsh USA for \$647,863 for insurance policy renewals and to the City Treasurer for \$361,768 for the various health insurances including Highmark Blue Shield.
- The 12/5 run totaled \$891,136 with the largest payment to the City Treasurer for \$552,826 (62%) for various insurances including Highmark Blue Shield, Express Scripts and Dental Insurance. The next largest payment was to PPL for \$195,732 for electricity. In order to conserve cash OTR recommended that only the Aug and Sept invoices totaling \$62,842 be paid at this time.
- 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 thru October into November. The receipt of the 3<sup>rd</sup> Q parking tax of \$651,863 improved November's cash flow. Payables on hold after the 12/5 check run total \$2,700,335 which is approximately \$800KM lower than payables on the 11/7 check run. This is primarily the result of the payment to Metro Bank. \$1,835,251. Of this amount 41,841M or 68% relate to various debt service obligations and \$575,434 (21%) 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 obligations over 60 days total \$2,116,663 with 99% represented by the 5 vendors listed below.

<b>Vendor Name</b>	<b>Amount Due</b>	<b>% of Total</b>
Sun Trust	\$1,397,510.87	66.0%
PA Infrastructure Bank	437,740.77	20.7%
Capital Area Transit	68,127.50	3.2%
PPL	73,580.00	3.5%
City Treasurer - Insurances	139,704.45	6.6%
<b>Total</b>	<b>\$ 2,116,663.59</b>	<b>100%</b>

- A review of the cash position shows that the City had a cash balance of \$4,581,206 as of 11/27. Following the 12/5 check run and payroll, the City's cash balance will be \$2,590,069.
- Although the receipt of the state aid for pensions, the DCED grant for public safety services and the 3<sup>rd</sup> Q parking tax revenue provided a much needed cash infusion over the last 2 months, OTR is very concerned over payments thru the balance of December and has asked the City to closely review invoices advanced for payment in next week's check run 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 are 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 met with various financial institutions to discuss a possible TRAN for 2014 in mid November. Upon receiving a positive response, an RFP was issued with responses due on 12/20. A letter of credit option is also be pursued.
- The City continues to be in compliance with all financial reporting obligations. City posted on EMMA notices related to the non-payment of RRF bonds due 12/1. It also posted notice that the 2012 audit was completed in mid-November.

### **Asset Monetization**

- All documents including the waste disposal agreement with the City were finalized with respect to the sale of the RRF facility so that the issue could go into the market place. LCSWMA had a successful day in the bond market on Monday and Tuesday. Its bonds were well received and a bond purchase agreement is expected to be signed some time on Wednesday. We expect the purchase price for the RRF to be just shy of \$130M which is slightly above the Strong Plan's estimate.
- Likewise significant work has continued with the monetization of the City's parking facilities. Numerous meetings and correspondence occurred with representatives of Hbg First, PEDFA, DGS and OTR to work thru the Asset Transfer agreement, Preliminary Offering Statement and other documents that are needed for this transaction. PEDFA took action at their 12/4 Board meeting to approve financing for the \$287M transaction which paved the way for the issue to move into the marketplace. The Preliminary Offering Statement was issued on 12/5. Presentation to investors is happening today with the bonds to be priced early next week and closing to occur on 12/23. Simultaneous closing on the 2 deals is critical as the outstanding RRF bonds must be satisfied as a condition of the RRF sale.
- 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 although there are many transitional issues that will be occurring over the next several months. A shared services agreement between the City and THA is in place to address the relationship and responsibilities of both the City and THA. The transfer was 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.

- Our efforts have focused 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 represents a significant accomplishment and 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 Detroit as they proceed thru the uncertainty of the Federal Bankruptcy process. Harrisburg 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.
- 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.