

Municipal Financial Recovery Advisory Committee

A G E N D A

**Wednesday, January 8, 2014
8:30 a.m.**

Call to Order

Minutes of 12-11-14 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 December 11 meeting the Receiver's Team has continued to work 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 September 23 by Commonwealth Court. Considerable focus and effort was placed on the various activities related to the consummation of both the Resource Recovery Facility and the parking monetization, which will be covered a bit later in this report.
- The OTR has engaged with the Mayor Papenfuse and his team over the last month in a series of transitional meetings to bring the Mayor and his team up to speed with the range of activities the OTR is engaged in and to review the support that the OTR has and will continue to provide on the further implementation of the Strong Plan initiatives. Our goal continues to be one of providing assistance 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 have been a number of retirements and resignations across various departments that have occurred over the last month. There are a number of key management positions that were vacated including Finance Director, HR Director, Purchasing Manager, Fire Chief and IT Director. In several instances temp help has been hired to fill key vacancies for the short term.
- The OTR has worked with the City to address critical vacancies in the Finance Bureau. Interim arrangements have been made to engage Trout Ebersole & Groff to provide interim financial management assistance especially with the reconciliation of transactions related to the monetizations as part of the audit preparation work for the 2013 audit. The 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.
- Fifteen 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 December 7 and 8 to the 57 candidates who passed the written exam. Out of the 57 candidates, 35 passed, 9 failed, 1 withdrew, 1 was disqualified and 11 were no shows. Background checks are now underway for the 35 that passed. The next Fire Academy Class starts March 4, 2014. 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 November 15 and the exam will be administered on February 12, 2014.
- Twenty-six vacancies are for Police Officer and at the request of the City, the OTR has approved filling of 20 Officer Positions. The Police Civil Service Commission certified the list of eligible candidates for appoint at their 12/16 meeting. Offers of conditional employment were extended to 10 candidates. One has declined the offer. The remaining 9 have moved forward to the medical and psychological examination. The next Police Academy class starts January 21, 2014. It's anticipated that the 9 candidates offered conditional employment will 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 for these positions January 25 and 26, 2014.

- Positions currently being recruited include a Help Desk/PC Specialist, 2 Codes Officers, Fleet Manager, Sanitation/Recycling Manager, Demolition Specialist, and Deputy Economic Development Director.
- As 2013 closes, it should be noted that the City made tremendous progress over the last 15 months with the completion of the 2009, 2010, 2011 and 2012 audits. Bringing their audits up to date was a significant accomplishment and removed an impediment to financings by not only the City but also THA. In moving forward, it is vital that the City remain current with their audits and audit prep work begun ASAP for the 2013 audit.
- Council adopted the 2014 budget at their December 17 meeting. The OTR has assisted the new Administration with 2014 budget related issues including a model to consider budget adjustments, which can occur following an election.
- As reported at the last meeting, the RFP for sanitation services has been placed on hold due to a number of issues that were raised at a November meeting with Council and Republic Services. Numerous questions raised at that meeting warrant further review and consideration. This issue will be revisited with the new administration and Council early in 2014 in order to resolve these issues prior to proceeding further. Three courses of action have been identified.
 1. Approve the current RFP-selected vendor
 2. Re-bid the vendor selection process
 3. Upgrade DPW staff and equipment capabilities
- The City's new insurance policies thru Marsh USA, the selected broker, have been implemented. 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 to include property, liability, vehicle, public officials, errors and omissions, workers compensation insurances as well as risk management services.
- The update to the City's Comprehensive Plan has been placed on hold pending discussion with the new administration. 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 and OTR would like to see this process move forward in the near term. Mullin & Lonergan Associates was engaged to initiate the comp plan and housing strategy and CREDC to complete the ED plan. Work to date has only involved initial data collection that is part of the Phase 1 process. It is anticipated that the entire process will take approximately 15-18 months to complete. The scope provides for a strong neighborhood focus involving 6 distinct regions of the City and significant opportunity for public input at various stages of the process. The Strong Plan has also provided dedicated funding to assist with the implementation of this plan.
- 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 provided in the study with an additional 15 pieces of equipment still to be disposed.
- The City has received payments totaling approximately \$2.4M from the July and October auctions of various Wild West artifacts. An additional \$302K was received in December and along with the earlier payment from the auction house conveyed to Metro Bank for debt service pursuant to the Court's approval for the use of the proceeds. There is a balance of \$90K due on the Metro loan and there is still a small amount to be received as the auction house follows up with collection efforts.
- We have continued communication with the IAFF on terms for a contract modification. Ongoing discussions have occurred. There is a remaining issue that we are trying to resolve relative to

the pension proposal. We have been in discussion with PMRS (Pennsylvania Municipal Retirement System) that administrators the fire pension program for the City to try to resolve this issue prior to a vote on the 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 both the December 19 and January 2 check-runs and provided a response to the City.
- The December 19 run totaled \$776K and the January 2 run totaled \$1.151M. The largest payments for both runs were to the City Treasurer for various insurances which amounted to approximately 60% of each run. The City also paid HPA the reciprocal parking tax for the 3rd Q of \$339K following the consummation of the RRF and parking transactions as previously agreed. The City also satisfied the remaining pension MMO payment and obligations to AMBAC as part of the plan's consummation. A payment on the outstanding obligation of \$1.4M to Sun Trust has been made pursuant to the plan's consummation.
- As the year closed the City was generally up to date with its payables. The receipt of parking revenue, transfers from the Sanitation, Capital and Grant Funds along with the Strong Plan's consummation provided the resources to meet payroll and critical vendor obligations thru early January. Payables on hold after the January 2 check-run and the payment to Sun Trust total \$1.340M, which is approximately \$1.4M lower than payables on the December 5 check-run. Of this amount the PA Infrastructure Ban represents the largest obligation of \$437K. Other payables relate to insurances and utilities. The debt service amount has been reduced significantly with the payment to Metro Bank as a result of the artifact sale and Sun Trust. Obligations over 60 days total \$800KM with 99% represented by payments to PA Infrastructure Bank, Capital Area Transit, PPL and the City Treasurer for various insurances.
- A review of the cash position shows that the City had a cash balance of \$2.697M as of December 24. Following the January 2 check-run and payroll, the City's cash balance was \$1.67M. The City anticipates an EIT payment prior to the next check run which should provide adequate funding for the next check-run and payroll. We are asking that the City continue to closely monitor payables being advanced for payment.
- Although our recent focus was on consummating the transactions by year-end, we have also pursued cash flow alternatives that will be necessary to meet payroll and vendor obligations during the early part of 2014. This is normal for municipalities given the ebb and flow of their revenue and similar to what occurred with cash flow the end of 2012 into early 2013. A proposal was received from Metro Bank on 12/20 as a result of the RFP for proposals issued in late November. OTR is meeting with Metro Bank officials on Friday to further discuss elements of their proposal. We are also preparing a request to the Court to again undertake an inter-fund borrowing similar to that which occurred last year to also provide revenue for the next few months until the real estate taxes are received.
- The City continues to be in compliance with all financial reporting obligations. Five City officials including those in the Finance Office and Solicitor's office completed required SEC training in December.

Asset Monetization

- December 23 represented a significant milestone for the City with the sale of the RRF to LCSWMA (Lancaster County Solid Waste Management Authority) and the monetization of the City's parking facilities with Harrisburg First a consortium of Guggenheim, Trimont and Standard Parking. Both transactions yielded funds within the parameters of the Strong Plan. Agreements with the major creditors were also executed as part of the transaction. This included AGM, Dauphin County, Covanta, CIT, a number of vendors who had smaller outstanding claims related

to the RRF. Further agreements were executed with AMBAC on the general obligation bonds and with Sun Trust on their lease/purchase agreement with the City.

- SP + Municipal Services which is a division of Standard Parking assumed management of the City's parking operations on 12/23. They will now operate and manage the City's 1,250 on street metered spaces, 10 off street garages and 5 surface lots. As the year progresses various improvements will be occurring to the parking facilities. Including updated meters, automated parking facilities and mobile app access.
- 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. The official transfer occurred on November 4 although there are still a number of transitional issues that are being worked through. This effort will continue over the coming 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 received from PENNVEST. The upgrades to the wastewater treatment plant that will be undertaken by THA are necessary to address compliance issues related to both the Chesapeake Bay and Clean Water Act requirements. The transfer that has occurred will consolidate the administrative, operational and financial responsibilities for the water and sewer operation into THA, as an operating authority.
- Our efforts over the last month have focused extensively on the timely consummation of the various transactions that are part of the confirmed Plan. We have also worked simultaneously to continue implementation of various operational elements of the Plan and to work with the incoming Administration on various transitional issues. This work will continue in the coming weeks. The ability to achieve a consensual solution for Harrisburg and to close on the transactions that implement that solution without question represents a significant accomplishment. It is a model that can be replicated in other municipalities with similar fiscal situations. Credit goes to the City's creditors – AGM, Dauphin County, Covanta, CIT, AMBAC as well as to City employees, the Mayor and City Council for coming to the table and recognizing the value of a consensual resolution as opposed to time consuming and costly litigation. This is in sharp contrast with what is occurring in Detroit as they proceed through the uncertainty of the Federal Bankruptcy process and with other municipalities in California and Alabama. Harrisburg has received much favorable publicity from various financial publications and others on the ability to reach a consensual solution to its fiscal difficulties.
- Without question, the Strong Plan represents a significant and positive milestone for the City. It sets a new course. One that has fully eliminated the debt on the RRF, and now provides balanced budgets thru at least 2016, along with 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.
- Although there is more work that remains, especially in furthering operational improvements and efficiencies, OTR sees that the City is now in an excellent position to move forward with community and economic development initiatives that will strengthen its tax base and provide for a bright and promising future for the City.