

Municipal Financial Recovery Advisory Committee

A G E N D A
Wednesday, February 12, 2014

8:30 a.m.

Call to Order

Minutes of 1/8/2014 meeting

Receiver's Discussions with Committee Members –

 Status of Confirmed Recovery Plan –

 Operational Status

 Cash Flow

 Asset Monetization –

 RRF/Parking/Water & Sewer

Member Comments

Public Comments

Adjournment

Operational Issues

- Since the Committee's last meeting on January 8 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. Though OTR has been involved in follow up activities related to the consummation of the Strong Plan, it has now shifted most of its focus to operational issues and assisting the Papenfuse administration in transitioning into their role.
- The OTR has continued its engagement over the month with Mayor Papenfuse and his team in meetings and discussions to assist with fiscal, budgetary and organizational issues. OTR has engaged with department heads on the range of activities related to further implementation of the Harrisburg Strong Plan and will continue assistance in moving forward. We have also had several meetings with the City's new Controller Charles DeBrunner in a similar manner. Our goal continues to be one of providing assistance in making the transition as smooth as possible.
- Personnel – The City continues to actively recruit for approximately 80 positions. A number of retirements and resignations have occurred across various departments over the last two months. The Mayor has been moving forward with his reorganization plans to address key management positions that are in part included in the budget amendments passed by Council last nite. Appointments have occurred for Police Chief, Finance Director, HR Director, DPW Director and EC/CD Director. In several instances acting individuals are serving until permanent appointments are made.
- Finance and Treasure's offices are currently dealing with critical vacancy issues. Interim arrangements are in place to engage Trout Ebersole & Groff to provide interim financial management assistance as necessary especially with the reconciliation of transactions related to the monetizations so they can be properly recorded and incorporated into the 2013 audit. OTR also provided approval to the City to fill the Staff Accountant/Analyst position and recruitment is underway. Maintaining as much continuity as possible in the Finance Bureau is critical to addressing cash flow, payables and 2014 budget related issues. A request from the Controller's office has also been advanced to and is under review by OTR to restructure an auditor position to an audit manager position.
- 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 did not show up for the test. Background checks are 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. A promotional exam in the Fire Bureau will occur on February 12 for 4 Battalion Chief, 2 Fire Captain and 2 Fire Lt. positions
- Twenty-six vacancies are for Police Officer and at the request of the City, the OTR previously approved filling 20 Officer positions. Eight officers were sworn in on January 17 and are enrolled in the Police Academy Class that started 1/21. Now that there is an current eligibility list certified by the Civil Service Commission additional hires can be made. It is anticipated that 12 additional positions will be selected for appointment and enroll in the next Police Academy class that starts in July.

- Promotional examinations took place on January 25 and 26 for occurred for the positions of Lieutenant, Sergeant and Corporal. The eligibility list must now be certified by the Civil Service Commission and then appointments made.
- Following its introduction by the Mayor in January, Council's Budget and Finance Committee has held 2 meetings to review in detail with the Mayor, his administration and OTR proposed budget amendments. Council acted to approve these amendments at last nite's meeting.
- As previously reported, 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 in 2014 in order to resolve these issues before further action occurs. Three courses of action have been identified.
 1. Approve the current RFP-selected vendor
 2. Re-bid the vendor selection process
 3. Maintain in-house and upgrade DPW staff and equipment capabilities
- The update to the City's Comprehensive Plan has also been placed on hold pending further discussion with the new Administration. 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 components while CREDC was engaged to complete the economic development plan. Work to date only involved initial data collection that was part of the Phase 1 process. It is anticipated that it will take approximately 14-18 months to complete the entire update and development process. The scope of work for this engagement provides for a strong neighborhood focus involving 6 distinct regions of the City with significant opportunity for public input at various stages of the process. The Strong Plan also provides dedicated funding to assist with the implementation of this plan.
- The City continues to proceed with implementation of the Fleet Management recommendations. To date approximately \$28K has been realized from the disposition of 11 pieces of equipment. This amount already exceeds the study's estimate of \$18K and there are an additional 15 pieces of equipment still to be disposed.
- The City is actively pursuing the relocation of the Public Works facility from the RRF location. Alternatives have been identified and costs related to the move are being determined.
- The City received an additional \$188,566 this week from the proceeds of the July and October auction of the various Wild West Artifacts. This additional payment brings the total to an approximate \$2.6M that has been realized from the artifact sale. Following the action by Commonwealth Court to approve the use of the proceeds of the funds for debt purposes, payment of the prior proceeds has been provided to Metro Bank. The remaining balance of approximately \$92.5K due on the Metro loan will be satisfied with this payment. OTR will then petition the Court for approval to allocate the remaining funds to the City.

- As announced by the Mayor and the IAFF leadership at yesterday's press conference, agreement has been reached with the IAFF on terms for a contract modification. Terms of the contract amendment are similar to those approved in 2013 by the FOP and AFSCME bargaining units. They include no salary increases in 2013 or 2014, 1% increases in 2015 & 16 and a 2% increase in 2017. The extension also restructures health care coverage and reduces minimum manning from 16 to 14 with a supervisor. The settlement is consistent with the provisions of the Strong Plan.

Financial issues - Cash Flow

- There are a number of financial issues to highlight in today's report.
- The City's financial position has improved markedly over where it has been since entering Act 47. With consummation of the Strong Plan, the City has not only been able to retire all of the debt related to the RRF and parking system, it has also satisfied outstanding GO delinquent debt payments due Ambac, Sun Trust and PA Infrastructure Bank that had not been paid over the last several years. It is now current with its general obligation debt. Last year in mid-February the City had a cash balance of \$176K and payables of \$4.8M. This year it has been able to significantly reduce its payables and is now carrying \$1.2M in payables with only \$352K over 60 days.
- The Governor's proposed FY 14-15 Budget includes the \$5M appropriation to the City for public safety services that is part of the Strong Plan's fiscal plan.
- The Receiver's Office continues to monitor City expenditures including the review of payables on a bi-weekly basis. Since the last meeting we have reviewed the January 16, 30 and February 13 check-runs and provided responses to the City.
- The January 16 run totaled \$217K, the January 30 run totaled \$879K and the February 13 run totals \$1,130M. The largest payments for both runs were for debt payments to Sun Trust, the PA Infrastructure Bank, fuel and utilities. Payments to the City Treasurer for various insurances have been deferred and are the largest outstanding payables. This had provided the City with cash flow flexibility early in the year.
- The receipt of parking revenue, transfers from the Sanitation, Capital and Grant Funds along with the Strong Plan's consummation have provided resources to meet payroll and critical vendor obligations through January and into February. A review of the cash position shows that the City had a cash balance of approximately \$3.5M as of February 6. Following the February 13 check-run and payroll, the City's cash balance will be approximately \$2.1M. Based on discussions with Keystone Tax Service this week, the City should receive an EIT payment of approximately \$1.2M prior to the next check-run, which should provide funding for the next payroll. We are asking that the City continue to closely monitor payables that are being advanced for payment, recognizing that the City's cash flow remains a bit tenuous during the early part of the year.
- In order to address a possible cash flow problem OTR and the Administration have pursued cash flow alternatives to meet payroll and vendor obligations over the next month. This is normal for municipalities given the ebb and flow of their revenue, especially real estate tax revenue that occurs during the course of the fiscal year and similar to what occurred with cash flow the end of 2012 into early 2013. A proposal

was received from Metro Bank for a TRAN of between \$2M & \$4M. We have assisted the City in preparing the documents required for the TRAN, however, at this point action on the TRAN is on hold pending further review of cash flow.

- As we have reported previously, 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 should begin as soon as possible in preparation for the 2013 audit.
- The City continues to be in compliance with all financial reporting obligations.

Asset Monetization

- Last week OTR provided Council with a summary of how the proceeds from the sale of the RRF and the monetization of the parking system. The net proceeds from the RRF were \$129.9M and were estimated at between \$126M-\$132M. The parking proceeds were \$267M while the estimate was \$258M - \$268M. Proceeds were used to satisfy approximately \$490M in outstanding debt from the RRF and parking bonds. Obligations to AGM, Dauphin County, Covanta, CIT, a number of vendors who had smaller outstanding claims related to the RRF were satisfied along with approximately \$100M in outstanding parking bonds.
- The City will receive significant positive benefits from the transaction on an ongoing basis.
 - \$288K/year from host municipality fees
 - \$1.55M/year in parking tax revenues that were previously pledged for parking debt.
 - Lease payments of \$2M/year from the parking system
 - Deposit of approximately \$16M into a restricted fund for OPEB, Infrastructure and Economic Development.

SP + Municipal Services, which is a division of Standard Parking, assumed management of the City's parking operations on December 23, 2013, subsequent to the Plan consummation. They now operate and manage the City's 1,250 on street metered spaces, 10 off street garages and 5 surface lots. Improvements have already started with replacement of new and more advanced parking meters. As the year progresses and weather improves, various further enhancements will be occurring to the parking facilities. This will include updated meters, automated parking facilities and mobile application access. Trimont and SP+ Municipal Services have been working closely with the City to address issues that have arisen and make the transition as smooth as possible. To that end a Parking Advisory Committee has been formed pursuant to the Plan. An initial meeting is tentatively scheduled for 2/20.

- OTR is also in the process of establishing the Task Force to create a Governance and Action Plan for the Infrastructure and Economic Development LLCs. Nominations have been requested and submitted by the various constituent entities. Appointments were made last week and an initial meeting is being scheduled.

- Likewise, OTR is in the process of establishing the OPEB Trust Board. Appointments have been requested and we are awaiting response from some of the entities. We have the Trust documents that were used to establish a similar Trust in Pittsburgh and will be sharing them with the Board once all appointments have been made.
- Work also 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 including utility payments and the establishment of a lock box. 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 PENNVEST loan. 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 consolidates administrative, operational and financial responsibilities for the water and sewer operation into THA, as an operating authority.
- Our efforts over the last month have now turned to implementation of various operational elements of the Plan and to work with the new Administration on various transitional issues. The ability to achieve a consensual solution for Harrisburg and to close on the transactions that implement that solution without question represents a very significant accomplishment and is a model that can be replicated in other municipalities with similar fiscal situations.
- On Jan. 16 DCED filed an application with Commonwealth Court to vacate the Receivership effective March 1. Secretary Walker in the application included certification that Fiscal Emergency had ended and that City should now fall under Chapters 2-5 of Act 47. Awaiting action by Court.
- With the plan consummation, the issues that led to the declaration of fiscal emergency and ultimately Receivership have been resolved, though there remains considerable work ahead in order to fully implement provisions of the Strong Plan and provide a sustainable fiscal future for the City. The Commonwealth is committed to seeing this process thru and ultimately reaching the point where the distress declaration itself can be rescinded. Although the Receivership may end, the resources previously provided to the City thru the Receiver will continue to be provided by DCED in furthering the implementation of the Court confirmed Harrisburg Strong Plan. The plan provides the roadmap for the City's future. One that now provides balanced budgets thru at least 2016, along with an ongoing revenue stream from the parking assets and needed resources to address capital needs and economic development purposes and 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.