

INTER-OFFICE MEMORANDUM

CITY OF HARRISBURG

May 29, 2014

TO: Eric Papenfuse, Mayor
Office of the Mayor

FROM: Charlie DeBrunner, Controller
Office of the Controller

SUBJECT: Non-Recurring Revenue

As I understand it you will begin to relax the hiring freeze beginning June 1. I am generally supportive of this. I would however like to recommend some caution as to how to implement the relaxation of the freeze.

The Controller's office is now supporting a 2014 revenue estimate of approximately \$59 million for 2014. This has been updated to reflect increased revenue from the Earned Income Tax, Shared Service Revenue due from Capital Regional Water and Parking revenue. Shared Services revenue is not yet at budgeted levels but we are assuming the projection we got from the budget in the shared services agreement will prove to be correct.

Our \$59 million revenue estimate includes approximately \$1 million dollars in unspent prior year revenue from Hotel Tax as well as Street Cut revenue. This revenue will not recur in 2015. In addition the water revenue is non-recurring. This means that if we spend up to 2014 revenue we may be developing a structural deficit that will roll forward into FY15. (This also means that you should have about \$2 million to spend on non-recurring projects if the city receives the expected revenue from the water company).

We are recommending that personnel expenditures be allowed to increase by \$1 million on an annualized basis.

In addition, the Controller's Office has developed a model that estimates the annual cost of an additional hire based on vacancies budgeted for 2014. This includes fringes. You can use this model to mix and match people and positions to try to get an optimum compliment within budget limits. Please let us know if you would like us to work with you or your staff as you plan for additional hiring.

Thank you.

cc: Kirk Petroski, for City Council
John Campbell, Treasurer
Bruce Weber, Finance Director
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