

**INTER-OFFICE MEMORANDUM**

**CITY OF HARRISBURG**

November 17, 2020

TO: Intergovernmental Cooperation Authority Members

FROM: Charlie DeBrunner, Controller  
Office of the Controller

SUBJECT: Five-Year Plan Analysis

The Intergovernmental Cooperation Authority (ICA) has requested that my office provide an opinion on the reasonableness of the assumptions and estimates in the City of Harrisburg's Five-Year Financial Plan. My observations from the Five-Year Plan are as follows:

There are numerous instances where historical financial data in the Plan does not match the City's financial management system. Therefore, we did not rely on the revenue data in the Plan. We opted to compare the Plan's forecasted revenue to recent historical revenue collections from the City's financial management system. Plan forecasted revenue ranges from \$63.9 million to \$68.9 million a year. These projections are comparable to actual revenue collections over the past three years and we generally agree with them (See attached schedule-Projected General fund Revenue).

The Plan assumes the additional taxing authority will continue through the FY 2024 forecast. With the additional taxing revenue, the plan projects deficits through FY 2022 and surpluses for the final two years (FY 2023-2024). Since expenditure levels are the purview of the Administration, we do not have an opinion on them.

However, we did add an additional forecasted year (FY 2025) to the projections to see what happens when the taxing authority does expire. When the forecast is extended for one additional year under the same growth assumptions, except without the additional taxing revenue, the City ends FY 2025 with no fund balance. From FY 2025 forward, expenditures are projected to exceed revenues by over \$10 million for the foreseeable future (See attached schedule-General fund Operating Forecasts).

cc: Eric Papenfuse, Mayor  
Marita Kelley, DCED  
Marc Woolley, Business Administrator

## City of Harrisburg

## Controller's Office Projected General Fund Revenue

Revenue Source:	2020 Adjusted Budget	2020 Projected <sup>(1)</sup>	2019 Actual	2018 Actual	2017 Actual	2020 Projected Revenue % Budget
<b>Taxes:</b>						
Real Estate	\$18,507,391	\$ 17,002,569	\$ 18,266,933	\$ 18,989,460	\$ 18,236,856	91.9%
Hotel Tax	900,000	\$ 900,000	900,000	-	-	100.0%
LST	6,714,405	\$ 6,716,701	6,824,394	6,726,219	7,413,159	100.0%
EIT	12,175,314	\$ 12,881,433	12,761,772	11,895,302	11,446,980	105.8%
Mercantile/Bus Priv	7,953,082	7,532,409	8,200,696	7,720,195	7,621,587	94.7%
<b>Total Taxes</b>	<b><u>\$46,250,192</u></b>	<b><u>\$ 45,033,112</u></b>	<b><u>\$ 46,953,795</u></b>	<b><u>\$ 45,331,177</u></b>	<b><u>\$ 44,718,582</u></b>	<b><u>97.4%</u></b>
<b>Departmental:</b>						
Administration	\$ 700,565	\$ 314,356	\$ 1,151,510	\$ 1,126,360	\$ 1,090,501	44.9%
Building & Housing	1,432,876	\$ 1,538,581	1,561,585	1,772,534	2,039,471	107.4%
Public Safety	6,899,860	\$ 7,101,623	6,949,364	6,978,978	7,002,925	102.9%
Public Works	580,553	\$ 624,687	610,176	633,302	665,914	107.6%
Parks & Recreation	10,260	295	13,801	5,181	10,110	2.9%
<b>Total Departmental</b>	<b><u>\$ 9,624,114</u></b>	<b><u>\$ 9,579,543</u></b>	<b><u>\$ 10,286,436</u></b>	<b><u>\$ 10,516,354</u></b>	<b><u>\$ 10,808,922</u></b>	<b><u>99.5%</u></b>
<b>Other Revenues:</b>						
Fines & Forfeits	\$ 845,102	\$ 551,767	\$ 745,232	\$ 874,079	\$ 855,222	65.3%
Business Lic	578,250	\$ 548,981	570,074	592,192	635,509	94.9%
Interest & Property	254,223	\$ 464,241	599,612	253,935	132,894	182.6%
Shared Costs-THA	-	\$ -	-	-	-	N/A
PILOTs & Contrib.	1,086,797	\$ 1,176,081	907,773	1,060,462	1,017,364	108.2%
Miscellaneous	1,394,703	1,025,551	1,623,964	988,085	2,485,402	73.5%
<b>Total Other</b>	<b><u>\$ 4,159,076</u></b>	<b><u>\$ 3,766,622</u></b>	<b><u>\$ 4,446,655</u></b>	<b><u>\$ 3,768,753</u></b>	<b><u>\$ 5,126,391</u></b>	<b><u>90.6%</u></b>
<b>Intergovernmental</b>						
Pension System Aid	\$ 3,310,806	\$ 3,163,377	\$ 3,310,806	\$ 2,894,903	\$ 2,639,729	95.5%
Priority Parking	2,370,716	\$ 518,719	3,516,973	3,557,620	2,641,350	21.9%
Fire Protection	-	\$ -	-	-	-	N/A
Miscellaneous	432,500	367,789	202,523	46,660	202,508	85.0%
<b>Total Intergovernment</b>	<b><u>\$ 6,114,022</u></b>	<b><u>\$ 4,049,886</u></b>	<b><u>\$ 7,030,302</u></b>	<b><u>\$ 6,499,183</u></b>	<b><u>\$ 5,483,587</u></b>	<b><u>66.2%</u></b>
<b>Other Financing Sources</b>						
Sale of Assets	\$ -	\$ 64,020	\$ 61,875	\$ -	\$ 27,412	N/A
Interfund Transfers	180,608	\$ 2,980,608	-	409,034	134,602	1650.3%
Miscellaneous	-	-	19,956	-	-	N/A
<b>Total Other Financing</b>	<b><u>\$ 180,608</u></b>	<b><u>\$ 3,044,628</u></b>	<b><u>\$ 81,831</u></b>	<b><u>\$ 409,034</u></b>	<b><u>\$ 162,014</u></b>	<b><u>N/A</u></b>
<b>Total General Fund</b>	<b><u>\$66,328,012</u></b> <sup>(2)</sup>	<b><u>\$65,473,790</u></b> <sup>(3)</sup>	<b><u>\$68,799,019</u></b>	<b><u>\$66,524,501</u></b>	<b><u>\$66,299,496</u></b>	<b><u>98.7%</u></b>

(1) 2020 Projected includes actual revenue through 10/31/2020.

(2) Budget figures exclude appropriation of prior year fund balance of \$10,883,842.

(3) Includes \$5.0 million for fire protection and \$2.8 million federal grant for COVID.

**General Fund Operating Forecasts (Five-Year Plan)**

	<b>Budget 2020</b>	<b>Projected 2020</b>	<b>Draft Budget 2021</b>	<b>Forecast 2022</b>	<b>Forecast 2023</b>	<b>Forecast 2024</b>
Revenues	65,964,643	63,933,920	64,215,849	65,530,213	68,240,780	68,871,153
Expenditures	54,668,429	51,890,085	56,774,454	58,080,396	59,548,904	60,915,987
Capital	4,371,571	4,815,293	4,650,705	1,617,000	1,597,000	1,477,000
Debt Service	15,276,819	10,276,819	17,378,638	10,073,638	4,233,511	3,943,906
<b>Total Expenditures</b>	<b>74,316,819</b>	<b>66,982,197</b>	<b>78,803,797</b>	<b>69,771,034</b>	<b>65,379,415</b>	<b>66,336,893</b>
Change in Fund Balance	(8,352,176)	(3,048,277)	(14,587,948)	(4,240,821)	2,861,365	2,534,260
Beginning Fund Balance	28,394,997	28,394,997	25,346,720	10,758,772	6,517,951	9,379,316
Ending Fund Balance	20,042,821	25,346,720	10,758,772	6,517,951	9,379,316	11,913,576
Fund Balance as % of Expenditures <sup>(1)</sup>	27%	38%	14%	9%	14%	18%

(1) Fund balance as percentage of expenditures does not tie to Plan.

**General Fund Operating Forecasts (Five-Year Plan-Less Additional Taxes)**

	<b>Projected 2020</b>	<b>Draft Budget 2021</b>	<b>Forecast 2022</b>	<b>Forecast 2023</b>	<b>Forecast 2024</b>	<b>Forecast 2025</b>
Revenues	63,933,920	64,215,849	65,530,213	68,240,780	68,871,153	55,948,111 <sup>(1)</sup>
Expenditures	51,890,085	56,774,454	58,080,396	59,548,904	60,915,987	62,317,055 <sup>(2)</sup>
Capital	4,815,293	4,650,705	1,617,000	1,597,000	1,477,000	1,506,540 <sup>(3)</sup>
Debt Service	10,276,819	17,378,638	10,073,638	4,233,511	3,943,906	3,942,620 <sup>(4)</sup>
<b>Total Expenditures</b>	<b>66,982,197</b>	<b>78,803,797</b>	<b>69,771,034</b>	<b>65,379,415</b>	<b>66,336,893</b>	<b>67,766,215</b>
Change in Fund Balance	(3,048,277)	(14,587,948)	(4,240,821)	2,861,365	2,534,260	(11,818,104)
Beginning Fund Balance	28,394,997	25,346,720	10,758,772	6,517,951	9,379,316	11,913,576
Ending Fund Balance	25,346,720	10,758,772	6,517,951	9,379,316	11,913,576	95,472
Fund Balance as % of Expenditures	38%	14%	9%	14%	18%	0%

(1) Forecasted revenue for FY 2025 includes 1% revenue growth less additional taxing authority of \$13,559,238.

(2) Expenditures include growth of 2.3% over prior year.

(3) Capital includes growth of 2% over prior year.

(4) Per debt schedule.