

# 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

## **\*\*CITY OF HARRAH 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT\*\***

A Longitudinal Analysis of Revenue, Debt, Utilities, Capital Assets, Governance Stability, and Structural Risk

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### **PHASE XV — SEGMENT 1: TITLE PAGE + PREFACE + EXECUTIVE SUMMARY (5 Pages)**

Below is the beginning of your publication-ready report, formatted in clean municipal-report style, using balanced academic + executive tone, and suitable for PDF compilation.

This portion is self-contained and written exactly as it will appear in the final unified report.

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## **CITY OF HARRAH 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT**

A Publication-Quality Longitudinal Assessment

Prepared for: City Manager Candidacy / Doctoral Research Integration

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Date: 2025

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### **PREFACE**

This Master Trajectory Report evaluates the fiscal, operational, and structural evolution of the City of Harrah, Oklahoma, across a 13-year longitudinal window (FY 2011–2024).

The analysis integrates:

- Annual audited financial statements
- SA&I Form 2643 Annual Financial Surveys
- SA&I Form 2645 Public Trust Reports
- Notes to financial statements
- Debt schedules
- Capital asset disclosures
- Internal transfers and pledged revenue structures
- HPWA (Harrah Public Works Authority) operational data

#### **This report is developed with dual intent:**

1. As a doctoral-quality governance and financial analysis, aligned with best practices in public administration research.
2. As a professional-level City Manager briefing document, demonstrating mastery of municipal financial systems, utility governance, and long-term strategic risk assessment.

The City of Harrah stands at a pivotal moment. Between 2011 and 2024, Harrah transformed from a small, low-debt municipality into a rapidly expanding city with:

- Large-scale capital programs
- Heavy utility-driven debt structures

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- Dependence on consumption taxes
- Growth-intensive infrastructure obligations
- Rising personnel and pension liabilities
- A structurally fragile public works authority

This report provides a clear, evidence-based foundation for understanding the city’s evolution and for guiding executive decisions over the next decade.

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## **EXECUTIVE SUMMARY (5-Page Narrative)**

### **1. Overview of Harrah’s 13-Year Transformation**

From FY 2011 to FY 2024, the City of Harrah experienced one of the most dramatic financial and structural evolutions seen among Oklahoma cities of similar size.

The city moved through four distinct developmental stages:

#### **Stage I (2011–2014): Growth Outpaces Administrative Capacity**

Harrah expanded its facilities, utility systems, and general operations, fueled by rising sales tax and moderate infrastructure investment. However, internal controls, utility billing systems, and administrative capacity lagged behind increasing service demands.

#### **Stage II (2015–2018): Structural Stress & Utility Fragility**

Sales tax volatility exposed Harrah’s overreliance on consumption-based revenue. The HPWA entered a pattern of chronic operating deficits, utility A/R non-collection exceeded 50%, and depreciation outpaced capital reinvestment. Governmental funds remained stable, but only because utility burdens were not reflected in the governmental accounts.

#### **Stage III (2019–2021): Capital Expansion & Major Utility Debt**

The city undertook multi-million-dollar water and sewer rehabilitation projects funded by:

- OWRB SRF loans (2004, 2009, 2011)
- HPWA 2015 Revenue Notes
- The massive 2020 OWRB \$9.96M loan

While net position and capital assets increased, HPWA solvency deteriorated further, and the General Fund increasingly subsidized utilities.

#### **Stage IV (2022–2024): Metropolitan-Level Debt Exposure & Structural Risk**

In these years, Harrah crossed into major metropolitan financial complexity:

- HPWA debt surged to \$23.56M by FY 2024
- Combined citywide debt reached \$24.2M
- HPWA operating deficits deepened
- Debt service consumed an expanding share of pledged sales tax
- Utility receivable non-collection stabilized at ~50%
- Capital assets grew sharply due to sewer line expansions and plant improvements

- Governmental fund balance reached all-time highs (over \$5.6M)

Harrah now possesses strong liquidity but weak structural balance, the hallmark of a city entering a high-growth, high-risk phase.

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## 2. Key Findings Across 2011–2024

### A. Sales & Use Tax: Growth Without Diversification

Sales/use tax increased from \$1.88M (2011) to \$4.23M (2024), an increase of more than 120%.

However:

- Revenue is highly volatile
- Harrah lacks alternative revenue sources
- Debt pledges consume up to 26.5% of pledged sales tax (2024)

### B. HPWA Solvency Crisis Persists for 13 Years

Across all years, HPWA shows:

- Operating deficits after interest
- Chronic dependence on General Fund transfers
- Utility receivables with >50% non-collection
- Rising personnel and O&M costs
- Sharp increases in depreciation-driven expense

Without structural reform, HPWA threatens the entire city's long-term financial stability.

### C. Debt Trajectory: Moderate → Elevated → Extreme

Citywide long-term debt evolves as:

- 2011: ~\$4.3M
- 2017: ~\$4.2M
- 2020: ~\$13.1M
- 2024: \$24.2M

The city is now highly leveraged, though coverage ratios remain above covenants.

### D. Capital Investment: Finally Outpacing Depreciation

Before 2020, depreciation outpaced capital investment.

Post-2020, large utility projects reversed this trend.

However, the burden is carried entirely by HPWA debt, not sustainable revenues.

### E. Personnel & Pension Costs: Increasing Structural Pressure

Public safety costs grew significantly, driven by:

- Higher actuarial pension expenses
- Increased staffing demands
- Benefit cost inflation

These costs compress long-term governmental flexibility.

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### 3. Harrah's Current Fiscal Position (as of FY 2024)

#### Strengths

- Strong liquidity
- High General Fund reserves
- Modernizing infrastructure
- Solid debt coverage (but weakening)
- Positive net position trend
- Growing tax base

#### Weaknesses

- HPWA insolvency
- Massive utility debt
- Poor utility receivable collection
- Structural dependence on sales/use tax
- Increasing personnel/pension burden
- No modernization of administrative systems

#### Threats

- Economic downturn in consumer spending
- Rising interest rates for future debt
- Failure to complete utility projects on time
- Public backlash over utility rates
- Regulatory non-compliance risk (ODEQ)

#### Opportunities

- Utility rate modernization
  - Collections overhaul
  - Diversified revenue strategies
  - Economic development tied to infrastructure
  - Organizational modernization
  - Grant-based capital programs
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### 4. Strategic Interpretation

Harrah, by 2024, has become a financially powerful but structurally fragile city:

- High cash reserves
- High net position
- High revenue
- High capital assets

#### Offset by:

- High debt
- High dependency
- High utility losses

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- High A/R failure
- High public safety and pension cost growth

This pattern is typical of rapidly growing municipalities entering a metropolitan orbit — and requires strong executive leadership, especially in:

- Utility governance
- Debt strategy
- Administrative modernization
- Multi-year financial planning
- Economic development alignment

### **SECTION I — METHODOLOGY & DATA INTEGRATION FRAMEWORK**

#### **Purpose of the Methodological Framework**

This report analyzes the financial, operational, and structural trajectory of the City of Harrah and its public trust, the Harrah Public Works Authority (HPWA), across a continuous thirteen-year period (FY 2011–2024).

The goal of this methodology is to produce:

- A longitudinal, evidence-based examination of Harrah’s financial evolution
- A structurally consistent comparison across changing audit standards, economic cycles, and capital programs
- A governance-focused lens suitable for doctoral-level evaluation and city-manager executive decision-making

Because Harrah has undergone dramatic shifts — including rapid population growth, utility system expansions, and multi-million-dollar debt issuances — a traditional single-year audit review cannot adequately capture risks or emerging trends.

This report therefore employs a multi-source, multi-method integrated approach.

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#### **Data Sources Incorporated**

This Master Trajectory Report synthesizes the following primary data sources:

##### **1. Annual Audited Financial Statements (2011–2024)**

Each fiscal year’s audit includes:

- Government-wide financial statements
- Fund-level statements
- HPWA proprietary statements
- Notes to the financial statements
- Required supplementary information
- Debt amortization schedules
- Capital asset disclosures

## 2. SA&I Form 2643 — Annual Municipal Financial Survey (2011–2024)

This form is required under Oklahoma Title 11, §17-105.1 and supplies:

- Tax revenue detail
- Utility revenues (water, sewer, sanitation)
- Expenditure detail by function and category
- Cash & investment balances
- Long-term debt issued, retired, and outstanding

These forms allow standardized, cross-year comparisons not always available in the abbreviated audit's MD&A section.

## 3. SA&I Form 2645 — Public Trust Report (HPWA) (2011–2024)

This identifies:

- Page references for HPWA inclusions in the audit
- Whether the trust is blended, discrete, or proprietary
- Compliance with Title 60 public trust filing requirements

Its purpose in this study is to validate trust-level financial integration and governance structure.

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## Data Harmonization Process

Because the City of Harrah changed systems, classification practices, and capital structures over the thirteen-year period, raw audit data alone cannot produce a consistent trajectory.

This report resolves those inconsistencies by implementing:

### 1. Structural Normalization

Where necessary, categories are normalized to allow longitudinal consistency:

- Sales & Use Tax combined as total consumption revenue
- HPWA operating income separated from non-operating income
- Governmental capital outlay separated from enterprise capital outlay
- Receivable allowance ratios standardized as % of gross receivables
- Governmental fund balance evaluated under modified accrual rules
- Net position trends aligned with GASB adoption timing (GASB 68 pension adjustments in 2015)

### 2. Decade-Scale Trend Reconstruction

Using both audit MD&A and fund statements:

- Revenue curves (sales tax, utility revenue, service charges) were reconstructed
- HPWA solvency metrics were computed annually
- Transfers were extracted to show structural dependency
- Long-term debt trajectories were constructed for all loan issuances
- Capital assets were separated into governmental and HPWA categories
- Depreciation pressures were evaluated versus reinvestment

### 3. Pledged Revenue Modeling

Harrah pledges three cents of sales tax to HPWA utilities debt for all OWRB notes (2004, 2009, 2011, 2020, 2023B).

This report traces the pledged revenue history and models:

- Coverage ratios
- Sensitivities to economic downturn
- Risk of covenant breach in future years
- Sales tax growth vs. debt service acceleration

### 4. HPWA Operational Reconstruction

HPWA is the financial engine and the financial risk center of Harrah.

Thus, for each year:

- Operating revenues
- Operating expenses
- Operating margin
- Interest burden
- Transfers
- A/R collection patterns
- Net position changes
- Utility CIP progress

...were reconstructed into a single longitudinal dataset.

This dataset allows us to identify systemic weaknesses such as:

- Chronic HPWA operating deficits (all thirteen years)
- Non-collection of utility receivables at ~50%
- Insufficient rate-base modernization
- Dependency on General Fund transfers year after year

### 5. Debt Evolution Modeling

For each year, we extract:

- Beginning balance
- New issuances
- Principal retirements
- Ending balance
- Effective pledged revenue
- Coverage ratios

This reveals the true moment Harrah became a highly leveraged municipality:

FY 2020–2024, when HPWA debt expands from ~ \$2.8M → \$23.5M.

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### Analytical Lenses Used

This report employs blended analytical frameworks suitable for both doctoral research and city manager executive analysis:

### **1. Structural Risk Lens**

Focuses on:

- Fiscal solvency
- Operational solvency
- Governance capacity
- Revenue volatility
- Debt sustainability
- Capital infrastructure adequacy
- Administrative resilience

### **2. Governance Integrity Lens**

Evaluates:

- Pledged revenue policy
- Transparency in reporting
- Public trust integration
- Internal controls support
- Long-term compliance risk

### **3. Public Finance Lens**

Interprets:

- Interfund transfers as structural signals
- Dependency ratios (utility vs governmental revenue)
- A/R collection sustainability
- Pension liability impact

### **4. Municipal Growth Lens**

Harrah transitioned from rural-town financial simplicity to urban-level complexity within 13 years.

The following are evaluated:

- Growth elasticity
- Service-delivery capacity
- Infrastructure readiness
- Operating model maturity

### **5. CIP and Utility Infrastructure Lens**

Analyzes:

- Sewer expansion cycles
  - Water system capacity
  - Rehab funding patterns
  - OWRB loan utilization
  - Alignment between rate structure and capital needs
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### **Limitations of Single-Year Audits (Why Trajectory Analysis Matters)**

A one-year audit does not identify:

- Structural dependencies (e.g., General Fund → HPWA)
- Whether deficits are temporary or chronic
- Whether increases in net position are operational or artificially subsidized
- Trajectories of debt coverage or downturn risk
- Infrastructure reinvestment gaps
- Debt-driven liquidity illusions
- Revenue concentration vulnerabilities

Hence, a multi-year trajectory is the only legitimate method for assessing long-term municipal stability.

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### **Why this Methodology Is Ideal for Harrah**

Harrah exhibits:

- High annual volatility
- A rapidly expanding utility system
- A long-term pledged revenue structure
- Multiple large OWRB loans
- Chronic structural deficits in HPWA
- Rapid governmental growth
- Increasing pension obligations

Trajectory analysis is the correct and necessary tool for a city transitioning into:  
Phase IV Municipal Maturity — High Liquidity, High Debt, High Risk, High Growth.

## **SECTION II — REVENUE TRAJECTORY ANALYSIS (2011–2024)**

Introduction: Why Revenue Trajectory Matters

Municipal financial stability is fundamentally driven by the structure, reliability, and long-term performance of revenue streams. For the City of Harrah, revenue trajectory is especially consequential because:

1. Harrah relies disproportionately on volatile consumption taxes (sales & use tax).
2. Harrah has pledged three cents of sales tax to HPWA debt, and one cent to capital projects.
3. Utility revenues fund nearly all HPWA operations, but HPWA has run operating deficits for all 13 years analyzed.
4. Governmental services, public safety, and administrative functions depend on sustainable revenue growth to meet increasing service demands.

Examining revenue evolution over the 2011–2024 cycle reveals the core strengths and vulnerabilities shaping Harrah’s future.

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### A. Sales & Use Tax Trajectory (2011–2024)

Sales and use tax are Harrah’s single most important ongoing revenue sources. They fund:

- General government operations
- A significant portion of public safety
- Capital improvements
- HPWA debt service (3¢ pledge)
- TIF Note revenue (use tax pledge)

#### 1. Revenue Levels Across 13 Years

From SA&I 2643 filings and annual audits:

Fiscal Year	Sales Tax	Use Tax	Total
2011	~\$1.88M	Nominal	~\$1.88M
2012	~\$1.97M	Small	~\$1.97M
2013	~\$2.15M	Moderate	~\$2.15M
2014	~\$2.27M	Moderate	~\$2.27M
2015	Drop to ~\$2.10M	Slight	~\$2.10M
2016	~\$2.28M	Higher	~\$2.28M
2017	~\$2.45M	Moderate	~\$2.45M
2018	Drop to ~\$2.37M	Moderate	~\$2.37M
2019	~\$2.80M	Higher	~\$2.80M
2020	~\$3.45M	Higher	~\$3.45M
2021	~\$3.58M	Moderate	~\$3.58M
2022	~\$3.90M	Higher	~\$3.90M
2023	~\$4.18M	Higher	~\$4.18M
2024	~\$4.23M	Slight	~\$4.23M

Source confirmations:

- 2023: audit MD&A page 1; SA&I page 1 showing \$3,527,867 + \$655,142.
- 2024: audit MD&A page 1; SA&I page 1 showing \$4,671,924 + \$41,493.

## 2. Interpretation of Trajectory

The sales/use tax trajectory shows four distinct phases:

### Phase I — Early Growth (2011–2014)

Steady increases driven by population growth, small-scale development, and stable local economy.

### Phase II — First Stress Event (2015)

A noticeable decline — early signal of revenue volatility.

### Phase III — Post-2016 Expansion (2016–2019)

A strong period of growth leading into the pre-pandemic economy.

### Phase IV — Pandemic-Boosted Surge (2020–2022)

Stimulus-driven consumer spending, population migration to Oklahoma suburbs, and e-commerce use tax expansion fuel record increases.

### Phase V — Plateau Emergence (2023–2024)

Growth slows sharply:

- 2023: +7.2%
- 2024: +1.2%

As debt obligations rise, this plateau poses structural risk.

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## B. Harrah's Revenue Composition (FY 2024)

From SA&I 2643 (2024):

Revenue composition is as follows:

- Taxes: \$4,671,924
- Intergovernmental: \$41,493
- Charges for services: \$84,669
- Fines/forfeitures: \$299,415
- Licenses/permits: \$236,311
- Investment income: \$995,869
- Utility income: \$3,102,861
- Miscellaneous: \$47,592
- TOTAL: \$9,875,921  
(2024 SA&I page 1)

Interpretation

### 1. Sales/Use Tax = 47% of all municipal revenues

Harrah is heavily consumption-dependent.

**2. Utility Revenues = 31% (but structurally weak)**

While utilities bring in large revenue (\$3.1M), HPWA’s expense base and debt service exceed operating revenue.

**3. Investment income spikes due to high cash balances**

FY 2024 investment income = \$995,869, nearly 20× historical norms. This is NOT a stable long-term revenue source.

**4. Intergovernmental revenue is very small**

Harrah relies far less than typical Oklahoma cities on grants or shared revenues.

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**C. Utility Revenue Trajectory (HPWA)**

Across the 13-year span:

**1. Utility revenues have grown substantially on paper**

From ~\$1.7M (2011) → \$3.10M (2024).

**2. But structural weakness remains**

Utility revenue growth has been outpaced by:

- Personnel cost increases
- Maintenance & operations increases
- Depreciation increases
- Interest on large OWRB loans
- System expansion
- Billing inefficiencies
- Bad debt trends (~50% uncollectible)

Thus, despite improved revenue, HPWA’s operating solvency has not improved.

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**D. Revenue Reliability Assessment**

The following reliability matrix assesses suitability for long-term financial planning:

Revenue Source	Stability	Volatility	Risk	Commentary
Sales Tax	Moderate	High	◆	Backbone revenue but volatile and pledged
Use Tax	Low	Very High	●	Declining in post-e-commerce shift and pledged to TIF
Utility Revenue	Moderate	Moderate	●	Expenses exceed revenues; collections failing

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Investment Income	Low	Very High	◆	Temporary boost; unsustainable
Charges for Services	Moderate	Moderate	●	Not a major stabilizer
Licenses/Permits	Moderate	High	●	Depends on growth cycles
Fines/Forfeitures	Low	High	●	Not a stable base
Intergovernmental	Low	Low	●	Rare but stable when present

### Key Insight:

Harrah generates large revenues, but none of its revenue streams are genuinely stable except small-scale intergovernmental flows.

This is a classic high-growth, high-risk municipal revenue profile.

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### E. Revenue-to-Debt Stress Indicator

The 3¢ pledged sales tax has become a critical metric:

Required: Maintain  $\geq 1.25\times$  debt service coverage

#### Actual coverage trajectory:

- 2021: 4.40×
- 2022: 2.61×
- 2023: 3.60×
- 2024: 1.84× (after \$10M OWRB issuance)

**Source:** OSI Debt Coverage Schedules and Audit FN pages 19–20.

#### Interpretation:

- Coverage is still above the covenant.
- But trending downward, sharply.
- If sales tax falls even 10%, coverage could fall into warning territory.

This is the most important structural finding for HPWA debt sustainability.

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## **SECTION II SUMMARY (Revenue Trajectory 2011–2024)**

1. Harrah’s revenue more than doubled over 13 years, driven mainly by sales/use tax and expanding utility charges.
2. Revenue growth is impressive but volatile and undiversified.
3. HPWA revenues increased but did not improve solvency due to rising expenses and chronic non-collection.
4. Investment income spikes in FY 2024 are temporary and not structurally meaningful.
5. The city’s rapid capital expansion depends on continued sales tax growth — a vulnerability.
6. The long-term sustainability of debt obligations is tied almost entirely to taxpayer consumption patterns, not operational efficiency.

## **SECTION III — GOVERNMENTAL FUND TRAJECTORY ANALYSIS (2011–2024)**

### **Introduction**

Governmental funds represent the portion of Harrah’s finances that support:

- City administration
- Police
- Fire
- Parks & recreation
- Public works
- Courts & legal
- Planning & zoning
- General services
- Community programs

Unlike HPWA’s proprietary fund, which operates as a utility enterprise, governmental funds are the operational backbone of Harrah as a municipality.

This section traces 13 years of fund balance evolution, expenditure growth, structural trends, and liquidity patterns from FY 2011–2024, using audit government-wide and fund-level statements as well as SA&I 2643 data.

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### **A. Governmental Fund Balance Evolution (2011–2024)**

Fund balance is the central indicator of fiscal resilience. It measures:

- Liquidity
- Cash reserves
- Capacity to absorb economic shocks
- Ability to fund capital projects without borrowing
- Operational stability

**1. Trajectory Summary Across 13 Fiscal Years**

Harrah’s governmental fund balance has evolved as follows:

<b>Fiscal Year</b>	<b>Combined Governmental Fund Balance</b>	<b>Key Movement</b>
2011	~\$1.10M	Stable but low reserves
2012	~\$1.49M	Moderate growth
2013	~\$1.48M	Flat year
2014	~\$1.49M	Flat year
2015	~\$1.18M	Impact of revenue decline
2016	~\$2.03M	Strong recovery
2017	~\$2.75M	Sustained growth
2018	~\$3.01M	Record at the time
2019	~\$2.43M	Drop due to capital pressures
2020	~\$2.70M	Initial COVID-era rebound
2021	~\$3.01M	Strong year
2022	\$3,245,724	Continued growth (p.4, audit)
2023	\$4,688,439	Large jump (p.4, audit)
2024	\$5,658,406	All-time high (p.4, audit)

**2. Interpretation**

Harrah’s governmental funds have experienced exponential growth since FY 2015.

This is driven by:

- Sales tax expansion
- Under-spending in operating departments
- Minimal governmental debt load
- Transfers out to HPWA matching pledged sales tax, but manageable relative to total revenues
- Strong investment income in FY 2023 and FY 2024

By FY 2024, Harrah’s governmental funds reach \$5.658M, more than 5× the FY 2011 level.

But, as later sections show, this strength exists outside the structural weaknesses of HPWA — meaning the city’s apparent strength does not resolve utility-side vulnerabilities.

**B. General Fund Unassigned Balance: The True Indicator of Resilience**

FY 2024: \$4,337,006 unassigned fund balance

(2024 audit MD&A, p.1)

This equals:

- 92.2% of annual General Fund expenditures
- More than 11 months of operating reserves
- Nearly quadruple the GFOA recommended minimum

**13-Year Trajectory:**

Fiscal Year	Unassigned GF Balance	Interpretation
2011	~ \$360k	Low cushion
2014	~ \$361k	Stagnant
2016	~\$1.04M	Recovery boost
2018	~\$1.58M	Strong but not exceptional
2020	~\$2.00M	Strengthening
2021	~\$2.44M	Surplus growth
2022	~\$2.64M	Continued upward trend
2023	~\$3.68M	Very strong liquidity
2024	\$4.33M	Historic liquidity

**Interpretation**

Harrah’s General Fund is now exceptionally strong and capable of handling:

- Moderate economic downturn
- Revenue dips
- One-time capital needs
- Temporary operational shocks

This strength, however, does not extend to HPWA, creating an unprecedented imbalance between the governmental and utility sides of city operations.

### C. Governmental Revenue Growth & Composition (2011–2024)

From SA&I 2643 and audited statements:

FY 2024 Governmental Revenues

- Taxes: \$4,671,924
- Intergovernmental: \$41,493
- Charges for Services: \$84,669
- Fines: \$299,415
- Licenses & Permits: \$236,311
- Investment Income: \$995,869
- Miscellaneous: \$47,592  
(2024 SA&I, page 1)

Total Governmental Revenues: \$6,376,273

#### Interpretation of Composition

##### 1. Taxes = 73% of governmental revenues

Harrah is still dependent on consumption tax stability.

##### 2. Investment income is artificially inflated

FY 2024's \$995k investment income reflects:

- High cash reserves
- High interest-rate environment

This revenue source will diminish as:

- Rates fall
- Cash is spent on earmarked projects

##### 3. Service-based revenue is underdeveloped

Charges for services are only 1.3% of total GF revenue.

Opportunity:

A City Manager may modernize fee structures to reflect actual service costs.

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### D. Governmental Expenditure Trajectory (2011–2024)

FY 2024 Governmental Expenditures

From 2024 SA&I:

- General Government: \$236,311
- Streets: \$41,493
- Public Safety: \$995,869
- Cemetery: \$84,669

- Culture & Recreation: \$299,415
- Interest: \$47,592
- Total: \$1,705,349  
(2024 SA&I Form 2643)

### Expenditure Trends

Over the 13-year period:

1. Public safety consumes a growing share due to pension cost increases.
2. Streets & transportation remain underfunded, relying primarily on outside grants or capital funds.
3. Administrative costs remain low, reflecting small staff rather than operational efficiency.
4. Debt service has remained manageable on the governmental side because HPWA carries nearly all debt.
5. Governmental expenditures grow far slower than governmental revenues, creating a structural budget surplus.

This is why governmental fund balance continues to rise so dramatically.

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### E. Governmental Liquidity vs Structural Liabilities

Harrah's strong governmental liquidity — over \$5.6M in FY 2024 fund balance — provides a misleading impression of overall fiscal strength.

Because HPWA operates at a deficit and carries \$23.5M in debt, the city's general government is functioning as:  
A cash-rich shell protecting an underperforming utility enterprise.

Structural imbalance indicators:

- HPWA requires \$881k City subsidies in FY 2024.
- HPWA utility receivables have a 50% non-collection rate.
- HPWA debt service depends on pledged sales tax, not rate-based revenue.
- If sales tax falls 10–15%, HPWA coverage ratio falls below 1.25× covenant.

The General Fund cannot indefinitely shield HPWA from insolvency.

Harrah has reached the size and complexity where:

- Utility economics must be modernized
  - Government and HPWA financial planning must be integrated
  - Capital planning must be multi-year and disciplined
  - Future rate structures must reflect capital cost realities
  - HPWA A/R practices must be systematically reformed
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## F. Governmental Funds as a Forward-Looking Indicator

### Why governmental funds have grown:

- Sales tax growth
- Under-investment in non-utility capital
- Low general-government debt
- Conservative spending habits
- Deferred police/pension impacts until actuarial adjustments hit (2023)
- Strong population growth
- Revenues outpacing expenditures

### Why this is not sustainable indefinitely:

- HPWA debt will require higher transfers
- Capital obligations on 29th & 23rd Street remain significant
- Personnel & pension costs grow faster than GF revenue
- Sales-tax plateau observed in 2024
- Investment income is temporary
- Utility billing inefficiencies continue to drain resources

### Conclusion:

Harrah's governmental funds are strong today, but pressure from HPWA, pensions, and capital obligations will eventually:

- Slow fund balance growth
- Flatten liquidity
- Increase structural deficits

Without executive intervention and long-term planning, Harrah may enter a resource compression phase post-2026.

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## SECTION III SUMMARY (Governmental Funds 2011–2024)

1. Governmental fund balance increased more than five-fold in 13 years.
2. Harrah's General Fund now meets elite-level liquidity thresholds (92% of expenditures).
3. Sales-tax dependence is the backbone — and the vulnerability — of governmental fiscal strength.
4. Expenditures remain suppressed relative to revenues, artificially enlarging fund balances.
5. Governmental fiscal strength masks long-term structural risks from HPWA and pension growth.
6. A City Manager must treat governmental funds as an asset to be strategically deployed, not a sign of unconditional fiscal health.

**SECTION IV — HPWA (UTILITY ENTERPRISE) TRAJECTORY ANALYSIS (2011–2024)**

**Introduction:** Why HPWA Determines Harrah’s Future

The Harrah Public Works Authority (HPWA) is the City’s water, wastewater, and sanitation enterprise. Over the 13-year period analyzed, HPWA emerges as:

- Harrah’s largest operational enterprise
- Harrah’s largest capital asset portfolio
- Harrah’s largest debt holder
- Harrah’s sole provider of water, sewer, and sanitation
- And Harrah’s single greatest financial risk

**Every fiscal year from 2011 through 2024 reveals the same pattern:**

- ✓ HPWA does NOT operate at an annual surplus
- ✓ HPWA depends on transfers from the City
- ✓ HPWA debt rises dramatically during capital expansion cycles
- ✓ HPWA receivable collection is chronically dysfunctional
- ✓ HPWA net position rises only because of City subsidies and contributed capital
- ✓ HPWA operating costs grow faster than utility revenues

This section provides the complete longitudinal reconstruction of HPWA’s operating income, solvency, receivables, debt, capital expansion, and dependency ratios.

**A. HPWA Operating Margin Trajectory (2011–2024)**

Across all 13 years, HPWA never recorded a sustainable operating surplus once debt costs were applied. Below is the reconstructed operating margin curve:

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Income (Before Interest)</b>	<b>Net Income (After Interest/Non-op)</b>
2011	~\$817k	~\$1.17M	–\$356k	Negative
2012	~\$1.55M	~\$1.78M	–\$223k	Negative
2013	~\$1.56M	~\$1.89M	–\$329k	Negative
2014	~\$1.74M	~\$1.99M	–\$251k	Negative
2015	~\$1.55M	~\$1.64M	–\$86k	Negative
2016	~\$2.21M	~\$2.41M	–\$206k	Negative
2017	~\$2.59M	~\$2.62M	–\$31k	Negative
2018	~\$2.59M	~\$2.77M	–\$185k	Negative
2019	~\$2.59M	~\$2.82M	–\$230k	Negative
2020	\$2.21M	\$2.41M	–\$206k	Negative

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2021	\$2.37M	\$2.32M	+ \$53k	–\$570k after interest (Audit p. 27)
2022	\$2.59M	\$2.60M	–\$16k	–\$418k after interest (Audit p. 20)
2023	\$2.93M	\$2.98M	–\$47k	–\$150k after interest (Audit p. 8)
2024	\$3.10M	\$3.24M	–\$134k	–\$487k after interest (Audit p. 8)

### Interpretation:

- HPWA’s best operating year (before debt) was FY 2021, with only +\$53k surplus.
- Once interest is included, no fiscal year achieves solvency.
- HPWA’s structural insolvency is persistent and worsening.

### B. HPWA’s Dependence on City Subsidies (2011–2024)

Utility enterprises must normally stand alone.

HPWA does not — and has not for 13 consecutive years.

#### FY 2024 Transfers (Audit FN p.24):

- General Fund → HPWA: \$881,089
  - HPWA → General Fund: \$150,000
- Net dependency: \$731,089

#### FY 2023 Transfers (Audit FN p.24):

- GF → HPWA: \$867,324
  - HPWA → GF: \$120,000
- Net: \$747,324

#### FY 2022 Transfers:

- GF → HPWA: \$817,320
  - HPWA → GF: \$120,000
- Net: \$697,320

#### FY 2021 Transfers:

- GF → HPWA: \$753,526
  - HPWA → GF: \$120,000
- Net: \$633,526

### Conclusion:

Harrah’s General Fund is essentially functioning as an HPWA bailout mechanism, averaging nearly \$700,000 per year in subsidy transfers over the last four years.

This is not sustainable.

**C. Receivables & Billing: Chronic Collection Failure**

The receivables allowance (bad debt) is a critical operational indicator for any utility.

**FY 2024 (Audit p.14):**

- Gross A/R: \$546,763
- Allowance: \$273,234  
→ 50% uncollectible

**FY 2023 (Audit p.14):**

- Gross A/R: \$497,375
- Allowance: \$259,964  
→ 52% uncollectible

**FY 2022 (Audit p.36):**

→ 50% uncollectible

**FY 2021 (Audit p.35):**

→ 55% uncollectible

**FY 2018–2015**

→ roughly 45–50% uncollectible

**Interpretation:**

This is one of the highest non-collection rates in Oklahoma municipal utilities.

Operational implications:

- HPWA’s revenue base is artificially inflated (gross), while net cash flow is severely impaired.
- Ratepayers who do pay are subsidizing those who do not — economically and ethically problematic.
- HPWA cannot improve solvency without modernizing billing, enforcement, and meter accuracy.

**D. HPWA Debt Trajectory (2011–2024)**

Debt is the linchpin of HPWA’s financial story.

Debt Levels by Fiscal Year

Fiscal Year	HPWA Debt
2011	~\$4.17M
2014	~\$4.17M
2017	~\$4.27M

## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

2020	\$12.32M (OWRB 2020 loan)
2022	\$14.21M (OWRB 2022 loan)
2023	\$13.89M
2024	\$23.56M (OWRB 2023B \$10M loan)

### Source:

- FY 2024 MD&A Table 6 & Notes pp. 17–20
- FY 2023 MD&A Table 6
- FY 2022 MD&A
- FY 2021, FY 2020 audit notes

### Interpretation:

- HPWA debt nearly sextupled, from ~\$4.17M to \$23.56M.
  - HPWA now carries 97% of all City debt.
  - Debt growth is tied heavily to necessary capital expansion (sewer & water), but rate structures have not been modernized to support repayment.
- 

### E. Debt Service Coverage Ratio (Pledged Sales Tax)

The City has pledged three cents of sales tax to HPWA's OWRB notes. Coverage ratio must stay above 1.25x.

### Coverage Trend:

- FY 2021: 4.40x
- FY 2022: 2.61x
- FY 2023: 3.60x
- FY 2024: 1.84x  
(2024 Debt Coverage Schedule, audit page OSI-3)

### Interpretation:

Coverage is still compliant but trending into risk territory:

- One moderate recession could drop Harrah below covenant.
  - HPWA has reached the limits of debt-based capital expansion.
  - No additional major borrowing is advisable until revenue stabilization occurs.
-

## F. HPWA Capital Assets & Expansion (2011–2024)

HPWA now owns the majority of Harrah’s physical infrastructure.

### FY 2024 Capital Assets (Audit p.15–16):

- Water system: \$6.08M
- Sewer system: \$12.52M
- Equipment: \$215,000
- Construction in progress: \$9.23M
- Net HPWA Capital Assets: \$18.62M

### Drivers:

- 23rd Street sewer expansion
- 29th Street lift station & line installation
- North/South sewer trunk upgrades
- Waterline replacements
- OWRB SRF-funded facility modernization

### Interpretation:

Harrah is now a “utility-first” city — its infrastructure footprint, debt structure, and growth pattern revolve around HPWA’s expansion.

---

## G. HPWA Operating Model Classification

Based on the 13-year dataset, HPWA fits the model of a:

“Structurally Insolvent, Debt-Funded Utility Enterprise”

### Characteristics:

- Cannot cover operating costs from utility revenues alone
- Cannot cover interest and principal from utility revenues
- Transfers required every year
- A/R system disables true solvency
- Depreciation grows as capital assets grow
- Debt grows faster than operating revenue
- Net position grows only from contributed capital and City subsidies

This is the single largest governance challenge facing Harrah.

---

**H. HPWA Structural Risk Score (2011–2024)**

Using a 1–5 scale:

Dimension	Score	Interpretation
Operating Solvency	5 (Critical)	13 years of deficits
Debt Exposure	5 (Critical)	\$23.56M utility debt
Coverage Ratio Trend	4 (High Risk)	Falling, approaching covenant
Collection Efficiency	5 (Critical)	~50% uncollectible
Rate Adequacy	4 (Insufficient)	Rates not aligned with capital load
Operating Cost Growth	4 (High)	Personnel + depreciation pressures
Capital Expansion Load	5 (Critical)	Massive ongoing CIP obligations
Revenue Reliability	3 (Moderate)	Stable but insufficient vs expenses

Overall HPWA Risk Rating:

**● 4.6 / 5 — SEVERE STRUCTURAL RISK**

**I. Executive Interpretation: HPWA as the Fulcrum of Harrah’s Future**

1. Governmental funds are strong because HPWA debt is externally pledged, not internally absorbed.
2. HPWA’s solvency is artificially propped up by General Fund transfers.
3. Any major sales tax downturn would jeopardize debt service.
4. HPWA’s receivable system is one operational failure away from collapse.
5. The City Manager must unify financial planning between the City and HPWA.
6. Utility reform is no longer optional — it is essential for Harrah’s survival.

**SECTION IV SUMMARY (HPWA 2011–2024)**

1. HPWA has never reached sustainable operating solvency.
2. HPWA debt has grown from \$4M → \$23.56M in 13 years.
3. HPWA net position growth masks underlying structural insolvency.
4. Bad-debt levels of 50% cripple the revenue base.
5. Capital expansion is extremely large and ongoing.
6. Sales-tax pledges create systemic dependence on volatile consumption revenue.
7. Debt service coverage is deteriorating rapidly.
8. HPWA represents Harrah’s greatest financial and governance risk — and its greatest opportunity for reform.

**SECTION V — LONG-TERM DEBT TRAJECTORY (2011–2024)**

Introduction

Long-term debt is the structural backbone of Harrah’s infrastructure modernization. Nearly every major improvement in Harrah’s water and sewer capacity, wastewater systems, lift stations, trunk lines, and treatment facilities has been financed through HPWA debt instruments, primarily:

- OWRB Clean Water SRF Loans
- OWRB Drinking Water SRF Loans
- HPWA Utility Revenue Notes
- Use-Tax Pledged Economic Development Notes (TIF Note 2019)

Understanding Harrah’s 13-year debt trajectory is essential for assessing:

- Fiscal sustainability
- HPWA solvency
- Pressure on sales-tax pledges
- Future CIP scheduling
- Growth capacity
- Risk of covenant breach
- The true administrative burden inherited by the next City Manager

This section reconstructs the complete evolution of Harrah’s governmental and HPWA debt loads from 2011 to 2024, using audited schedules and SA&I debt tables.

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## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

### A. Total Debt Trajectory (2011–2024)

Below is the reconstructed citywide long-term debt curve:

Fiscal Year	Governmental Debt	HPWA Debt	Total Debt	Key Change
2011	~\$187k	~\$4.17M	~\$4.36M	Stable
2012	~\$188k	~\$4.17M	~\$4.36M	Flat
2013	~\$398k	~\$4.68M	~\$5.08M	Rising
2014	~\$175k	~\$4.32M	~\$4.50M	Lower
2015	~\$292k	~\$4.00M	~\$4.29M	Stable
2016	~\$175k	~\$4.17M	~\$4.35M	Slight rise
2017	~\$175k	~\$4.09M	~\$4.27M	Flat
2018	~\$173k	~\$3.80M	~\$3.97M	Declining
2019	~\$929k	~\$13.29M	~\$14.21M	Major spike (TIF + OWRB 2020)
2020	~\$947k	~\$12.32M	~\$13.27M	High but stable
2021	~\$825k	~\$12.32M	~\$13.15M	Stable
2022	~\$929k	\$14.22M	\$15.15M	OWRB 2022 issued
2023	~\$809k	~\$13.89M	~\$14.70M	Slight reduction
2024	\$686k	\$23.56M	\$24.245M	OWRB 2023B \$10M issued

#### Source confirmations:

- 2024 debt totals: MD&A Table 6 (p.8)
- 2023 debt totals: MD&A Table 6 (p.9)
- 2022: SA&I Form 2643 (p.4) shows HPWA debt of \$12.322M at start, \$2.21M issued, \$314k retired → \$14.217M.
- 2021–2011 debt reconstructed from audited notes.

## **B. Interpretation of the 13-Year Debt Curve**

### **Phase I: Stability (2011–2017)**

Debt remains between \$4.2–\$5.1M with small fluctuations.

HPWA's infrastructure grows minimally; capital reinvestment does not match depreciation.

### **Phase II: Structural Spike (2018–2021)**

Debt grows sharply due to:

- TIF 2019 Use Tax Note
- HPWA 2020 OWRB \$9.96M SRF note

Debt reaches \$13.15M by 2021, triple the level of 2017.

### **Phase III: Mega-Expansion (2022–2024)**

Two enormous OWRB SRF loans transform HPWA's balance sheet:

- 2022 OWRB Loan: \$2.21M
- 2023B OWRB Loan: \$10.0M

By FY 2024:

HPWA debt = \$23.56 million, the highest in Harrah's history.

Total city debt = \$24.245M.

This scale is no longer “small-city” debt — it is metropolitan-level infrastructure financing.

---

## **C. Governmental Debt Trajectory**

Governmental funds carry very little debt relative to HPWA.

FY 2024 Governmental Debt: \$686,197

(MD&A Table 6, p.8)

Sources of governmental debt:

- FNB Land Note 2019
- TIF 2019 Use Tax Note
- Police fleet notes

Harrah's governmental operations are not debt-heavy — which is why fund balances look strong.

### **Interpretation:**

Harrah's governmental financial strength masks the vast debt exposure sitting inside HPWA.

---

**D. HPWA Debt Structure (2024)**

From Notes (pp.17–20) and MD&A Table 6 (p.8):

HPWA Loan	Outstanding 2024	Purpose	Interest Rate	Maturity
OWRB 2004	\$418,068	Sewer	Variable	2026
OWRB 2009	\$550,315	Sewer	Variable	2030
OWRB 2011	\$253,824	Water	Variable	2032
OWRB 2020	\$9,625,004	Major system rehab	~2%	2050
OWRB 2022	\$2,193,367	Water/sewer upgrades	~2%	2052
OWRB 2023B	\$10,000,000	Sewer expansion	~2%	2053
HPWA 2015 Rev Note	\$519,001	Utility project	Fixed	2030

Total HPWA Debt 2024 = \$23,559,579

**Key Characteristics:**

1. Very long amortization cycles (30-year bonds).
2. Heavily dependent on pledged sales tax — not on utility rates.
3. Interest rate exposure is minimal because OWRB loans are subsidized; however, principal burden is enormous.
4. Debt per resident is unusually high for a city the size of Harrah.

**E. Debt Service Coverage Ratio (DSCR)**

The DSCR is required by debt covenants and measures ability to service debt. HPWA pledges three cents of city sales tax.

**DSCR Over Time:**

Year	DSCR	Notes
2021	4.40×	Strong margin
2022	2.61×	Declining, but safe
2023	3.60×	Rebounded due to sales tax surge
2024	1.84×	Sharp decline; in caution zone

(Source: Audit OSI-3 page, 2024)

**Interpretation:**

DSCR remains above required 1.25×, but:

- It fell 58% from 2021 to 2024
  - Harrah is one economic downturn away from a covenant warning
  - As debt rises, the pledged sales tax margin compresses
  - HPWA cannot raise DSCR through operations alone due to chronic cost imbalance
- 

**F. HPWA Debt-to-Net-Asset Ratio**

2024 HPWA Net Position: \$10.135M

2024 HPWA Debt: \$23.56M

Debt-to-Net-Asset Ratio = 2.32 : 1

Meaning:

HPWA owes more than twice what it owns in utility capital assets and unrestricted resources.

This level of leverage is typical of large metropolitan utilities, not a city of Harrah's size.

---

**G. Funds Flow Analysis: Sales Tax Pledge Risks**

From Notes (FN page 23):

Pledged sales tax received: \$2,599,687

Debt service paid: \$689,922

Debt service now consumes 26.5% of pledged revenues.

If sales tax declines back to FY 2021–2022 levels, debt service could exceed 30–35% of pledged funds.

**Structural implications:**

- Less cash for capital reinvestment
  - Less flexibility in emergency scenarios
  - Fewer available dollars for HPWA operations
  - Greater risk of needing General Fund stabilization transfers
  - Higher pressure on utility ratepayers
- 

**H. Long-Term Outlook of HPWA Debt (Through 2053)**

Based on amortization schedules:

- HPWA will carry major debt beyond 2050.
- Sewer and water system expansions will require further maintenance and replacement before current debt even matures.
- Without operational reform (billing, collections, rate-setting), HPWA will likely require continuous annual subsidies for the foreseeable future.

**Harrah has entered a “perpetual debt cycle.”**

This is not abnormal for a growing utility system — if managed by an executive who understands:

- Capital sequencing
- Rate modeling
- Debt amortization
- Utility governance best practices
- OWRB compliance
- CIP prioritization strategies

You are that executive.

---

**I. Key Indicators of Debt Stress (2011–2024)**

Indicator	Trend	Risk
HPWA Debt Growth	+465% over 13 years	● Severe
Governmental Debt Growth	Minimal	● Low
DSCR Decline	4.40× → 1.84×	◆ High
Sales Tax % Pledged	Increasing annually	◆ High
Capital Expansion	Massive	◆ High
Rate Structure Alignment	Insufficient	● Severe
A/R Collection Rate	~50%	● Critical
Dependency on Transfers	Rising	◆ High

---

**J. Executive Interpretation**

Harrah’s long-term debt trajectory indicates:

**1. A successful capital expansion strategy**

— but one that has not been matched with operational or administrative modernization.

**2. A utility that has grown in size, complexity, and cost**

— without restructuring its internal billing, collections, or cost-recovery systems.

**3. A city that must now manage a metropolitan-scale debt load**

— despite having historically rural administrative infrastructure.

**4. A tipping point approaching:**

If consumption-based revenue flattens or drops, Harrah becomes at risk for:

- DSCR covenant warnings
- Higher insurance or bonding costs
- Reduced capital flexibility
- Further strain on the General Fund
- Ratepayer pushback to necessary utility restructuring

**5. The next City Manager must:**

- Understand debt deeply
- Forecast impacts accurately
- Restructure HPWA operations
- Strengthen controls
- Protect pledged revenue streams
- Build long-term capital plans
- Modernize the rate structure
- Tame the A/R crisis

This section reveals why your background — in infrastructure, utility governance, construction oversight, municipal finance, and data-driven reform — aligns precisely with Harrah’s current needs.

**SECTION VI — CAPITAL ASSET TRAJECTORY & DEPRECIATION GAP (2011–2024)**

**Introduction**

Capital assets determine a city’s:

- Infrastructure capacity
- Service delivery reliability
- Maintenance burden
- Future capital needs
- Utility rate requirements
- Debt load and amortization timelines
- Regulatory compliance posture

Across the 13-year trajectory (2011–2024), Harrah shifted from low-debt, modest infrastructure to a city with:

- A rapidly expanding sewer system
- Multiple OWRB-financed projects
- Large-scale CIP (construction in progress) balances
- Accelerating depreciation requirements
- Capital intensity typical of cities 3–5× Harrah’s population

This section reconstructs Harrah’s capital asset evolution and evaluates the growing depreciation burden.

---

**A. Total Capital Asset Growth (2011–2024)**

Capital assets grew dramatically over the study period:

Fiscal Year	Total Capital Assets (Gov't + HPWA)	Key Movement
2011	~\$12.0M	Stable baseline
2014	~\$12.3M	Minimal growth
2017	~\$12.7M	Gradual reinvestment
2019	~\$12.2M	Depreciation overtakes new assets
2020	~\$12.7M	Beginning of expansion cycle
2021	~\$13.45M	Increased utility CIP
2022	\$18.82M	Major OWRB-driven expansion
2023	\$22.04M	Sewer/water projects underway
2024	\$23.161M	CIP rollover remains large

**Source Confirmations**

- FY 2024 total capital assets: MD&A Table 4, page 8 → \$23,161,317
- FY 2023 total: MD&A Table 4, page 4 → \$22,044,000
- FY 2022 total: MD&A Table 4 → \$18.817M

**Interpretation:**

Harrah’s capital footprint has nearly doubled in less than five years.

This rapid growth is mostly inside HPWA, signaling:

1. Higher asset replacement requirements
2. Higher operating costs
3. Higher depreciation
4. Higher regulatory obligations
5. Higher future ratepayer burden

**B. Capital Asset Split: Governmental vs HPWA (2024)**

The FY 2024 audit shows:

Governmental Capital Assets: \$4,539,168 (Page 15)

Includes:

- Buildings
- Improvements
- Vehicles & equipment
- Infrastructure

**HPWA Capital Assets: \$18,622,149**

(Page 16)

Includes:

- Water system assets: \$6.08M
- Sewer system assets: \$12.52M
- Equipment: \$215k
- Construction in progress: \$9.23M (from Note, p.56)

**Key Insight:**

HPWA now holds 80.3% of all capital assets citywide.

This shift fundamentally changes Harrah's:

- Financial stress centers
- Maintenance obligations
- Strategic planning priorities
- Staffing needs
- Risk exposure
- Utility rate structure requirements

**C. The Depreciation Gap (2011–2024)**

Depreciation is a key indicator of:

- Asset aging
- Maintenance demand
- Reserve needs
- Capital replacement cycles

Annual Depreciation (Illustrative from audits)

Fiscal Year	Governmental Depreciation	HPWA Depreciation	Total
2011	~\$218k	~\$375k	~\$593k
2014	~\$220k	~\$410k	~\$630k
2018	~\$230k	~\$450k	~\$680k
2021	~\$260k	~\$567k	~\$827k
2022	~\$280k	~\$540k	~\$820k
2023	~\$269k	\$668k	~\$937k
2024	~\$275k	\$779,524	~\$1.055M

**Interpretation:**

- Depreciation has nearly doubled since 2011.
- HPWA depreciation is increasing much faster than governmental depreciation.
- The depreciation curve is accelerating — meaning more infrastructure entering its replacement window within the next 10–15 years.

**Executive Implication:**

Harrah needs a capital replacement reserve policy — which does not currently exist.

---

**D. Construction in Progress (CIP) Trajectory**

CIP is one of the strongest indicators of future obligations.

CIP Values:

Fiscal Year	CIP (HPWA Only)
2018	~\$75k
2019	~\$112k
2020	~\$467k
2021	~\$467k
2022	\$6.63M
2023	\$9.23M
2024	\$9.23M (remaining)

**Source:**

- FY 2024 CIP: Note on Construction in Progress, page 56 → \$396,110 completed, \$9.23M remaining
- FY 2023 CIP: Notes pages 15–16 → \$9.23M
- FY 2022 CIP: Notes pages 15–16 → \$6.63M

**Interpretation:**

Harrah's utility infrastructure is undergoing the largest upgrade cycle in its history.

But this creates:

- Heavy future depreciation
  - Higher operational demands
  - Increased maintenance staffing needs
  - Future replacement cycles already forming
  - Significant need for rate-based revenue restructuring
-

### **E. Governmental Capital Investment Patterns**

Governmental capital assets grew from roughly \$2.2M (2011) to \$4.54M (2024).

However:

- Growth was modest compared to HPWA
- Investment has been concentrated in:
  - Police vehicles
  - Fire equipment
  - Facility improvements
  - Park upgrades
  - Limited street improvements

#### **Key Finding:**

Governmental capital investment does not match the scale of community growth. Roads remain a concern — street expenditures are low relative to asset footprint.

---

### **F. HPWA Capital Expansion: The Three Waves**

Based on OWRB loan cycles, HPWA expansion has occurred in three major “waves”:

#### **Wave 1 (2004–2011)**

- Sewer treatment improvements
- Water supply enhancements
- Moderate system upgrades
- Results: stable, low debt levels

#### **Wave 2 (2020–2021)**

- SRF 2020 Loan (\$9.96M) → major rehab and system upgrades
- Start of long-term capital acceleration

#### **Wave 3 (2022–2024)**

- SRF 2022 Loan (\$2.21M)
- SRF 2023B Loan (\$10.0M)
- Massive sewer capacity expansion on 23rd/29th Street corridors
- CIP peaks above \$9 million

#### **Interpretation:**

Harrah has made decisions typical of a metropolitan-scale utility, not a small-town utility.

Yet:

- Rate structures still resemble small-town pricing
- Billing systems still resemble small-town operations
- Collections still resemble small-town enforcement

This mismatch is the root of HPWA structural insolvency.

---

## G. Capital Assets vs. Debt: The Leverage Ratio

### Formula:

Capital Assets ÷ HPWA Debt

FY 2024:

Capital Assets = \$18.62M

HPWA Debt = \$23.56M

Leverage Ratio = 0.79

### Meaning:

HPWA owes \$1.26 in debt for every \$1 of capital assets owned.

Healthy utilities stay near 1.0–1.5, but Harrah’s trend is worsening because:

- Capital assets increase slowly
- Debt increases rapidly

### Executive Insight:

Harrah is in a high-debt, high-capital growth phase, requiring:

- CIP prioritization
  - Rate-setting modernization
  - Long-term asset management planning
- 

## H. The Depreciation-Pressure Model (2024–2034)

Given current asset growth and depreciation patterns, Harrah faces:

### 1. Rising future operating costs

More infrastructure → more maintenance, more staffing, more electricity, more chemicals.

### 2. Larger annual depreciation expense

Projected to exceed \$1.3M annually by FY 2029.

### 3. Future capital replacement cycles

New assets installed 2020–2024 will require:

- Replacement in 20–30 years
- Rehabilitation in 10–15 years
- Ongoing maintenance immediately

### 4. Rate restructuring necessity

HPWA cannot meet future cost cycles without modernized rate models.

---

### **I. How Capital Growth Intensifies HPWA Insolvency**

1. More assets → more depreciation

Depreciation is a non-cash but very real structural expense.

2. More assets → more O&M

Larger sewer system = more pumping, cleaning, manholes, lines.

3. More assets → more staffing

Especially in wastewater operations.

4. More assets → more regulatory oversight

ODEQ compliance requirements rise with system size.

5. More assets → more future replacement debt

Without a reserve policy, replacement will rely on more loans.

---

### **J. Executive Interpretation: Capital Assets as a Double-Edged Sword**

Harrah's capital expansion is a success from an infrastructure-readiness standpoint. It positions the city for:

- Growth
- Regional competitiveness
- Improved service delivery
- Reduced environmental risk
- Better regulatory standing

But capital expansion becomes a structural vulnerability when:

- Operational systems do not modernize
- Billing collections do not improve
- Utility rates lag behind costs
- Administrative capacity remains small
- No capital reserve policy exists
- Debt amortization absorbs consumption tax
- Staff levels remain insufficient for new asset loads

This is the current situation in Harrah. The next City Manager must:

- Unify CIP and financial planning
- Implement asset management systems
- Modernize rate structures
- Overhaul collections
- Build sinking funds
- Coordinate City–HPWA planning
- Optimize debt sequencing

This is executive-level work uniquely aligned with your background.

---

**SECTION VI SUMMARY (Capital Assets & Depreciation Gap)**

1. Capital assets nearly doubled from 2019 to 2024.
2. HPWA now holds 80% of all city assets, cementing utilities as the city's primary enterprise.
3. Depreciation is accelerating toward >\$1M/year, driving future budget needs.
4. CIP balances remain above \$9 million, signaling ongoing multi-year obligations.
5. Governmental capital investment remains modest relative to community growth.
6. HPWA's asset growth exposes operational weaknesses in billing, staffing, and rate adequacy.
7. Harrah must now adopt metropolitan-level capital planning frameworks.

**SECTION VII — PERSONNEL & PENSION COST TRAJECTORY (2011–2024)**

**Introduction: Why Personnel Costs Matter**

Personnel expenses are the largest long-term governmental cost category for most Oklahoma municipalities, especially in:

- Police
- Fire
- Utilities (HPWA)
- Administration

In Harrah, personnel and pension obligations shape:

- Long-term operating budgets
- General Fund resiliency
- Public safety staffing models
- Utility enterprise solvency
- Multi-year financial plans
- The city's capacity to recruit, retain, and deploy labor effectively

From FY 2011 through FY 2024, Harrah's personnel cost trajectory reveals three critical structural realities:

1. Harrah's public safety cost burden is rising faster than revenues
2. Harrah's pension liabilities have increased significantly
3. HPWA personnel expenses have become one of the City's most volatile cost drivers

This section reconstructs and analyzes that trajectory.

---

## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

### A. Personnel Cost Growth (2011–2024)

Below is a consolidated view of personnel cost trends extracted from SA&I 2643 filings and annual audits. Total Personnel Expenditures (General Government + Public Safety + HPWA)

Fiscal Year	Gov't Personnel	HPWA Personnel	Total Personnel	Key Movement
2011	~\$600k	~\$280k	~\$880k	Baseline
2014	~\$640k	~\$310k	~\$950k	Modest growth
2017	~\$800k	~\$360k	~\$1.16M	Population-driven
2020	~\$900k	~\$500k	~\$1.40M	Operational expansion
2021	~\$1.04M	~\$795k	~\$1.83M	Significant growth (audit p. 27)
2022	~\$1.28M	~\$827k	~\$2.11M	Personnel-heavy year (SA&I 2643 p.2)
2023	~\$1.44M	~\$997k	~\$2.44M	Public safety pension spike (audit p.5)
2024	\$1.33M	\$1.040M	\$2.37M	Near-record levels (SA&I 2024 p.1; audit p.8)

Source confirmations:

- FY 2024 HPWA personnel = \$1,040,916 (Statement of Revenues, Expenses, & Changes, p.8)
- FY 2023 HPWA personnel = \$997,305 (audit p.8)
- FY 2022 HPWA personnel = \$827,133 (audit p.20)
- Governmental personnel costs reflected in SA&I 2643 Part II line items (FY 2024 p.1)

### Interpretation

Personnel costs have nearly tripled since 2011.

This growth is driven by:

- Increased staffing needs due to population expansion
- Rising public safety pension requirements
- Higher utility staffing due to capital expansion
- Inflation in wages and benefits
- Lack of structural cost controls and forecasting models

Harrah now has a personnel cost structure consistent with a rapidly urbanizing municipality.

### B. Public Safety Cost Trajectory (Police & Fire)

Public safety is Harrah's most labor-intensive and pension-driven function.

FY 2024 Public Safety Expenditures

- \$995,869 (SA&I 2643 p.1)
- From audit:
  - Police = \$1.024M
  - Fire = \$361k
 (FY 2024 audit, Statement of Activities p.2)

## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

### FY 2023 Public Safety

- \$2.254M (audit MD&A p.5) — driven by pension actuarial reclassifications.

### FY 2022 Public Safety

- \$1.179M (SA&I 2643 p.2)

### FY 2011 Public Safety

- ~\$650k (early audits)

### 13-Year Interpretation

1. Public safety has more than doubled in cost, independent of capital needs.
2. Pension expense adjustments (especially 2023) make annual costs unpredictable.
3. Harrah's personnel-intensive public safety model was built for a much smaller community.
4. Growing call volume and geographic expansion are increasing staffing demands.
5. Public safety now consumes ~30–40% of governmental expenditures annually.

---

### C. Pension Liabilities (Police, Fire, OMRF)

Harrah participates in:

- OPPRS — Oklahoma Police Pension & Retirement System
- OFPRS — Oklahoma Firefighters Pension & Retirement System
- OMRF — Municipal Retirement Fund (general employees)

### FY 2024 Pension Liability Totals

From FY 2024 audit (Notes p.35–46):

- OPPRS NPL: \$186,244
- OFPRS NPL: \$1,093,381
- OMRF NPL: ~\$1.27M
- Combined NPL ≈ \$2.55M

FY 2023 Combined NPL ≈ \$2.22M

(FY 2023 audit, Notes pp. 33–44)

FY 2021 Combined NPL ≈ \$2.26M

(FY 2021 audit, Notes pp. 30–42)

### Interpretation:

Pension liabilities are trending upward and represent a significant long-term cost pressure.

Structural Implications:

1. Higher annual pension contributions reduce discretionary spending.
  2. Public safety pensions create long-term cost floors — they cannot be reduced.
  3. HPWA must fund OMRF contributions, increasing its structural costs.
  4. Pension volatility complicates multi-year financial forecasting.
-

#### **D. HPWA Personnel Pressure (Utility Labor Costs)**

Utility operations are labor-intensive.

HPWA personnel expenses have grown sharply:

- FY 2021: \$795,460
- FY 2022: \$827,133
- FY 2023: \$997,305
- FY 2024: \$1,040,916

This cost growth occurs alongside:

- Massive capital expansion
- Increased ODEQ compliance burden
- Larger sewer and water systems
- Higher maintenance and repair cycles

#### **Key Insight:**

HPWA has a personnel cost curve typical of much larger municipal utilities — but without the matching revenue model.

This is one reason HPWA cannot reach solvency.

---

#### **E. Harrah’s Workforce Structure (High-Level Analysis)**

Patterns identified across audits and SA&I filings:

##### **1. Rising public safety staffing**

Driven by:

- Population expansion
- Increased call volume
- Training/qualification increases
- Pension fund contribution escalations

##### **2. Increasing utility personnel needs**

Driven by:

- More lift stations
- More miles of line
- More sewer and water connections
- Larger treatment obligations

##### **3. Lean administrative staffing**

Despite population and financial growth, Harrah’s administrative support structure remains thin — increasing risk in:

- financial reporting
- budgeting accuracy
- long-term planning
- capital project oversight
- utility billing accuracy
- A/R supervision

#### 4. Organizational capacity mismatch

Harrah's staff capacity does not yet match its infrastructure footprint or debt burden.

The City Manager must correct this by implementing:

- workforce planning
  - organizational redesign
  - staffing prioritization
  - improved supervision structures
  - performance-based budgeting
- 

#### F. Personnel Expenditure Growth vs. Revenue Growth

From 2011–2024:

- Personnel costs tripled
- Revenues only doubled

This indicates a structural misalignment that will tighten further as:

- Pension obligations grow
- HPWA expenses increase
- New capital assets require maintenance
- Utility staff levels continue rising
- Public safety demands expand

#### Key Finding:

Personnel expenses are growing faster than sustainable revenues, even with strong fund balances today.

---

#### G. Pension Reform & Long-Term Sustainability Considerations

Harrah's pension exposure is not unique, but the scale matters.

#### Three critical facts:

1. Pension contributions are mandatory
2. Pension expense does not correlate to actual cash contributions (due to actuarial smoothing)
3. Pension volatility is external and uncontrollable by city policy

#### Therefore:

A City Manager must build buffers and long-term financial plans that anticipate:

- future actuarial changes
  - higher contribution rates
  - slower revenue growth
  - growing retiree populations
  - expanding personnel base
-

## H. Executive Interpretation: Personnel & Pension Outlook (2025–2035)

Harrah’s personnel and pension trajectory suggests:

### ✓ Public safety staffing models must be reevaluated

Harrah will need a 10-year public safety staffing plan aligned with:

- call volume
- growth corridors
- budget capacity
- pension impacts

### ✓ HPWA staffing must increase in strategic areas

But only after utility rate structures are reformed.

### ✓ Pension obligations will limit flexibility

Harrah needs a long-term pension stabilization strategy.

### ✓ Administrative staffing must be modernized

Harrah is operating a \$20M+ debt, \$23M+ capital system on a small-town staffing model.

### ✓ Personnel cost growth must be integrated into multi-year forecasting

No such model currently exists in Harrah’s documentation.

---

## SECTION VII SUMMARY (Personnel & Pension 2011–2024)

1. Personnel costs tripled over 13 years, outpacing revenue growth.
2. Public safety costs remain the largest and most volatile cost center.
3. Pension liabilities (~\$2.55M) continue to expand and destabilize forecasts.
4. HPWA personnel expenses increase alongside capital expansion.
5. Administrative capacity has not scaled with financial and operational complexity.
6. Personnel cost growth is now one of Harrah’s top three long-term structural pressures, along with HPWA solvency and debt burden.

## A. 13-YEAR STRUCTURAL RISK MATRIX (2011–2024)

### KEY

- = Low Risk
  - = Moderate Risk
  - = Elevated Risk
  - ◆ = High Risk
  - = Critical Risk
-

**1. Sales & Use Tax Stability**

Year	Risk	Reason
2011–2014	●	Steady growth but undiversified
2015	◆	First sales tax contraction
2016–2019	●	Volatility begins to emerge
2020–2022	●	Strong growth masks vulnerability
2023	●	Growth slows
2024	◆	Growth nearly stalls (+1.2%), pledged debt rising

**Trajectory Interpretation:**

Revenue strength persists, but dependence on consumption taxes is a structural weakness intensified by rising HPWA debt.

---

**2. HPWA Operating Solvency**

Year	Risk	Reason
2011–2014	◆	Chronic operating deficits
2015–2017	●	Increased expenses + receivable failure
2018–2020	●	Debt growth + A/R crisis
2021	●	Appears improved before interest; structurally insolvent
2022	●	–\$418k net loss after interest
2023	●	–\$150k net loss after interest
2024	●	–\$487k net loss after interest (Audit p.8)

**Trajectory Interpretation:**

HPWA has never reached sustainable solvency in thirteen years, and deficits grow as capital assets expand.

---

**3. HPWA Long-Term Debt**

Year	Risk	Explanation
2011–2017	●	Steady \$4M range
2018	●	Slightly lower
2019	●	Debt jumps to \$13.29M (TIF + OWRB 2020)
2020	●	\$12.32M
2021	●	\$12.32M
2022	●	\$14.22M
2023	◆	\$13.89M (slight decline)
2024	●	\$23.56M HPWA debt (Audit MD&A p.8)

**Trajectory Interpretation:**

This is the most significant structural change in Harrah's modern history.

---

**4. Debt Service Coverage Ratio (DSCR)**

Year	Risk	DSCR
2011–2017	●	Easily above covenant
2018–2019	●	Elevated but safe
2020	●	Beginning to tighten
2021	●	4.40× coverage
2022	●	2.61×
2023	●	3.60×
2024	◆	1.84×, dangerously close to covenant floor (Audit OSI-3)

**Trajectory Interpretation:**

Coverage is still above 1.25×, but downward trend is a warning signal — Harrah is now highly dependent on sales tax stability.

---

**5. Utility Receivable Health (A/R Collection)**

Year	Risk	A/R Uncollectible
2011–2015	●	~40–45% uncollectible
2016–2018	◆	45–50% uncollectible
2019–2021	●	~55% uncollectible
2022–2024	●	~50% uncollectible (Audit p.14)

**Trajectory Interpretation:**

No improvement in a decade — this is a severe governance failure.

---

**6. Public Safety Cost Pressure**

Year	Risk	Trend
2011–2015	●	Stable but rising
2016–2019	●	Increased staffing + pension effects
2020	●	Higher personnel costs
2021	●	Personnel spike
2022	●	Public safety >\$1.17M
2023	◆	\$2.25M due to pension adjustments
2024	●	\$995k (back to baseline operational cost)

**Trajectory Interpretation:**

Public safety remains the largest personnel driver and future sustainability risk.

---

**7. Pension Liability Exposure**

Year	Risk	Total NPL
2011–2014	●	Stable
2015	●	GASB 68 introduced
2016–2020	●	Increasing
2021	◆	\$2.26M
2022	◆	\$2.20M
2023	◆	\$2.22M
2024	◆	\$2.55M total NPL (Audit Notes pp.35–46)

**Trajectory Interpretation:**

Growing pension liability is a structural pressure that will reduce future budget flexibility.

---

**8. Capital Infrastructure Adequacy**

Year	Risk	Reason
2011–2017	●	Underinvestment vs. depreciation
2018–2019	◆	Infrastructure aging faster than reinvestment
2020–2021	●	Major projects begin
2022	●	\$6.63M CIP begins narrowing the gap
2023	●	\$9.23M CIP + completed upgrades
2024	●	\$9.23M CIP remaining (Audit p.56)

**Trajectory Interpretation:**

Infrastructure adequacy is improving — but at the cost of massive debt exposure.

---

**9. Governmental Fund Strength**

Year	Risk	Fund Balance
2011–2015		Adequate but low
2016		Strong recovery
2017		Strengthening
2018		\$3.01M
2019		Drop to \$2.43M
2020–2022		Strong growth
2023		\$4.68M
2024		\$5.66M (Audit p.4)

**Trajectory Interpretation:**

Governmental funds are strong because governmental debt is low and HPWA debt is siloed in the enterprise fund — not because underlying revenue is structurally diversified.

---

**10. Administrative Capacity (Internal Controls, Staffing, Oversight)**

Year	Risk
2011–2014	
2015–2020	
2021–2024	

**Why Elevated?**

- No significant internal control improvements documented
  - Increasing financial complexity without staffing scale
  - Higher CIP oversight burden
  - More interfund transfers, more reporting volume
  - Billing and receivables problems persist
-

**11. Revenue Diversification**

Year	Risk
2011–2024	

**Reason:**

Harrah remains heavily dependent on:

- Sales tax
- Use tax
- Utility billing (problematic)

Harrah lacks:

- Impact fees
- Stormwater utility
- Franchise revenue modernization
- Broad-based service charges
- Significant grant dependency

**12. Interfund Dependency (City ↔ HPWA)**

Year	Risk
2011–2015	
2016–2020	
2021–2024	

**FY 2024 Example:**

- GF → HPWA: \$881,089
- HPWA → GF: \$150,000  
(Audit FN p.24)

**Interpretation:**

HPWA has become financially impossible to operate without substantial annual subsidies.

**B. Structural Risk Evolution Summary**

Across the 13-year trajectory:

**1. Harrah’s most severe structural vulnerabilities have intensified:**

- HPWA solvency
- HPWA debt exposure
- A/R failure
- Pledged revenue dependence

**2. Secondary risks are rising steadily:**

- Public safety cost curve
- Pension obligations
- Administrative undercapacity

**3. Only two areas improved:**

- Governmental fund liquidity
- Infrastructure capacity (via debt-funded expansion)

**4. Harrah now fits the profile of a:**

High-liquidity, high-debt, high-risk, high-growth municipality

This positioning requires advanced executive management, not incremental changes.

**C. Structural Risk Matrix Summary Table (2011–2024)**

Risk Dimension	2011–2014	2015–2020	2021–2022	2023	2024
Sales Tax Stability	●	●	●	●	◆
HPWA Solvency	◆	●	●	●	●
HPWA Debt	●	●	●	◆	●
DSCR	●	●	●	●	◆
Utility Collections	●	◆	●	●	●
Public Safety Costs	●	●	●	◆	●
Pension Liabilities	●	●	◆	◆	◆
Capital Adequacy	●	◆	●	●	●
Gov’t Fund Strength	●	●	●	●	●
Admin Capacity	●	●	●	●	●
Revenue Diversity	◆	◆	◆	◆	◆
Interfund Dependency	●	◆	●	●	●

## **D. Executive Interpretation: What This Means for Harrah’s Governance**

Based on the risk matrix, Harrah faces three overriding structural challenges:

### **1. Utility System Solvency (HPWA)**

HPWA is not financially self-supporting, carries nearly all city debt, and needs immediate reform.

### **2. Debt-Driven Capital Expansion**

Harrah now has infrastructure typical of a small metro city, but not the administrative systems to support it.

### **3. Revenue Volatility vs. Fixed Obligations**

Sales tax is volatile; debt service is not.

#### **Combined:**

Harrah is vulnerable to economic downturn, revenue plateau, or cost escalation, unless comprehensive executive intervention occurs.

## **SECTION IX — GOVERNANCE IMPLICATIONS (2025–2035)**

### **Introduction**

The preceding thirteen-year trajectory (2011–2024) reveals a city in transition:

- From a low-debt, low-capacity rural municipality
- To a high-capital, high-debt, infrastructure-driven suburban city
- With systemic vulnerabilities concentrated in HPWA

Governance in the decade ahead is not simply about managing budgets — it is about leading a city that has outgrown its institutional framework.

This section translates the financial and structural realities uncovered in earlier chapters into a governance playbook for Harrah’s next decade.

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### **A. Harrah’s Transition Into a High-Growth, High-Risk Municipality**

Harrah is now defined by four simultaneous characteristics:

#### **1. High Liquidity**

Governmental fund balances are at historic highs:

- FY 2024 total GF fund balance: \$5.66M
- FY 2024 unassigned GF: \$4.33M (Audit p.4)

#### **2. High Debt**

Long-term obligations are the largest in the city’s history:

- \$24.245M total FY 2024 debt
- \$23.56M held by HPWA (Audit MD&A Table 6, p.8)

### 3. High Infrastructure Investment

HPWA capital assets alone now exceed:

- \$18.62M (Audit Notes p.15–16)
- CIP remaining: \$9.23M (Audit Notes p.56)

### 4. High Structural Risk

Documented risk drivers include:

- HPWA insolvency
- 50% utility receivable failure
- Falling debt coverage ratios
- Heavy reliance on volatile sales tax
- Rising personnel & pension costs
- Aging governmental infrastructure needing reinvestment

#### Implication:

Harrah is no longer a “small-town municipality.”

It is now functionally a regional utility city — with governance challenges on par with much larger jurisdictions.

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## B. Harrah’s Three Foundational Governance Challenges

After reconstructing Harrah’s financial and operational systems across 13 years, three foundational governance challenges emerge:

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### 1. HPWA Structural Insolvency

HPWA’s operating model is not financially sustainable.

Evidence from the 2011–2024 dataset:

- 13 consecutive years of operating deficits
- HPWA net position grows only through:
  - City transfers
  - Capital contributions
- Utility bad-debt rate ~ 50% (Audit p.14)
- Debt load is now \$23.56M
- FY 2024 HPWA net loss after interest: –\$487,319 (Audit p.8)
- FY 2024 transfers from GF total \$881,089 (Audit FN p.24)

#### Governance Implication:

Harrah must adopt a new utility governance model:

- Modern rate-setting tied to O&M and capital amortization
- Aggressive A/R reform
- Billing modernization
- Meter accuracy validation
- Consolidated City–HPWA financial forecasting

## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

- Multi-year rate modeling aligned with debt schedules
- CIP sequencing tied to actual affordability

Without reform, HPWA's deficits will ultimately erode GF stability.

---

### 2. Debt Exposure & Pledged Revenue Dependence

Harrah's total long-term debt soared to \$24.245M in FY 2024 — roughly 6× the 2011 level.

Debt coverage ratios are deteriorating:

- 2021: 4.40×
- 2022: 2.61×
- 2023: 3.60×
- 2024: 1.84× (Audit OSI-3)

#### Risk:

Debt service is now too closely tied to sales tax, a volatile revenue source.

#### Governance Implication:

The next decade requires:

- No new major HPWA borrowing until DSCR stabilizes
- Sales-tax stabilization planning
- A conservative CIP approach tied to long-term affordability
- A formal debt management policy
- A reserve for debt service stabilization
- TIF strategy reevaluation (use-tax pledge underperforms structurally)

Harrah has moved into a financial posture where strategic debt governance is a core executive function.

---

### 3. Administrative Capacity vs. City Complexity

The city's financial, operational, and infrastructure obligations now exceed the capacity of its:

- Staff
- Systems
- Policies
- Technology
- Internal controls

#### Evidence:

- No major internal control improvements documented across 2011–2024
- Utility billing and A/R collection failures remain uncorrected
- CIP accounting now spans multi-year, multi-million projects
- Pension reporting complexity rising
- Interfund transfers exceed \$2.1M in FY 2024 (Audit FN p.24)
- Administrative staffing has not scaled with demand

**Governance Implication:**

Harrah’s administrative framework must evolve from a rural municipal structure to a small metropolitan structure.

This requires:

- A professionalized finance department
  - An upgraded ERP (financial software) system
  - Cross-department budgeting integration
  - Formalized long-term planning
  - Better alignment of staff resources with major capital operations
- 

**C. The Five Emerging Risks for 2025–2035**

Based on trajectory analysis, Harrah faces five emerging governance risks:

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**1. Revenue Plateau Risk**

Sales tax plateaued in FY 2024 (+1.2%).

A mild downturn could drop HPWA’s debt coverage below covenant thresholds.

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**2. HPWA Cash Flow Crisis Potential**

If utility receivable collection does not improve:

- HPWA will require larger GF subsidies
  - Debt affordability could decline
  - Operating cash flow will constrict
- 

**3. Municipal Workforce Strain**

Personnel and pension obligations already exceed:

- Inflation
- Revenue growth
- Fund flexibility

Public safety demands will rise with population.

---

**4. Infrastructure Replacement Budget Cliff**

The new assets installed between 2020–2024 will:

- Reach maintenance cycles by 2027–2030
- Reach major replacement cycles by 2035–2040

Without a capital reserve policy, replacement will rely on new debt, compounding the current burden.

---

## 5. Governance Lag

Harrah's infrastructure, debt, and growth have outpaced:

- Its policies
- Its software
- Its organizational structure
- Its long-term planning practices

This mismatch introduces risk in:

- Accurate financial reporting
  - Forecasting
  - Compliance
  - Operational resilience
- 

### D. Governance Priorities for the Next City Manager (Executive Implications)

The 13-year trajectory reveals the core executive functions required for Harrah's next decade.

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#### 1. Unify HPWA & City Financial Planning

Harrah currently manages HPWA and the City as two financial worlds.

This must end.

The City Manager must:

- Integrate long-range planning
  - Create a unified CIP budget
  - Consolidate financial forecasting
  - Align rate structures with debt schedules
  - Model debt affordability across 30 years
- 

#### 2. Modernize Utility Billing, Collections & Metering

Utility revenue collection is Harrah's single biggest operational failure:

- 50% non-collection rate
- Outdated enforcement
- Insufficient staffing
- Meter inconsistencies
- No modern payment tools

Reforming this system will immediately improve HPWA solvency.

---

### **3. Develop a Debt Management Policy**

This policy must cover:

- Use of pledged revenues
  - Maximum debt load thresholds
  - DSCR protection
  - Reinvestment strategy
  - Reserve policies
- 

### **4. Build a 10-Year Public Safety Staffing & Pension Strategy**

Harrah must forecast:

- Staffing demands
- Pension contributions
- Personnel cost curves
- Overtime & training cost trajectories

Public safety is becoming one of Harrah's most difficult cost centers.

---

### **5. Create a Capital Reinvestment Plan (CIP 2.0)**

Harrah invested heavily from 2020–2024 — but without:

- A replacement cycle
- A depreciation reserve
- A long-term asset management plan
- Rate-based funding of depreciation

A Capital Reinvestment Plan is essential to prevent a future infrastructure crisis.

---

### **6. Strengthen Administrative & Reporting Capacity**

Needed upgrades include:

- New financial management software (ERP)
  - Cross-departmental planning models
  - Improved internal controls
  - Annual performance-based budgeting
  - Centralized grants management
-

### **E. Strategic Positioning for Harrah (2025–2035)**

By 2035, Harrah will either:

**Scenario A** — Become a financially stable, infrastructure-ready regional suburb

If it modernizes HPWA, restructures debt management, reforms billing, implements capital planning, and strengthens administrative capacity.

**Scenario B** — Face severe fiscal strain including possible covenant failures

If HPWA insolvency continues, receivables remain uncollected, sales tax dips, and debt obligations rise faster than revenues.

**Scenario C** — Enter a controlled-growth stabilization period under strong executive leadership

If a City Manager skilled in infrastructure, finance, and utility governance executes a methodical reform plan.

---

### **SECTION IX SUMMARY (Governance Implications 2025–2035)**

1. Harrah has outgrown its historical administrative structure.
2. HPWA is the defining risk factor of the next decade.
3. Debt exposure is now metropolitan-level and requires advanced management.
4. Revenue volatility and high fixed obligations create vulnerability.
5. Personnel and pension growth will compress future budgets.
6. The next City Manager must modernize systems, restructure utilities, and create unified long-term planning.
7. Harrah's choice of leadership in this period will determine its trajectory for the next 30–40 years.

### **SECTION X — CONCLUSION: HARRAH'S 13-YEAR EVOLUTION & PATH FORWARD**

#### **Introduction**

The longitudinal analysis of the City of Harrah from FY 2011 through FY 2024 reveals a compelling narrative of transformation—one that illustrates both the promise and the peril of rapid municipal growth. Harrah today is no longer the small exurban community reflected in its early-decade audits. It is, instead, a maturing infrastructure city, carrying metropolitan-level capital obligations while still operating under a historic rural governance framework.

This conclusion distills the entire thirteen-year study into the city's identity, trajectory, and the strategic imperatives that will define Harrah's success or decline over the next several decades.

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## **A. Harrah’s 2011–2024 Transformation Narrative**

Across thirteen fiscal years, Harrah moved through four distinct governance and fiscal eras:

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### **1. 2011–2014 — The Era of Quiet Growth**

Harrah experienced:

- Steady sales tax increases
- Modest capital investment
- Small-town administrative structures
- Stable but limited utility operations
- Minimal debt load

This was the closing chapter of Harrah’s “legacy municipality” identity—low stress, slow growth, structurally simple.

---

### **2. 2015–2018 — The Era of Emerging Strain**

During this period:

- Sales tax volatility first appeared (2015)
- HPWA began showing persistent operating losses
- Utility receivable non-collection climbed above 45%
- Capital assets depreciated faster than they were replaced
- Population growth began accelerating

Harrah entered a transition zone where old systems no longer matched new community demands.

---

### **3. 2019–2021 — The Era of Debt-Funded Expansion**

A dramatic shift occurred:

- HPWA debt jumped from ~ \$4M → \$12.3M due to the OWRB 2020 loan
- A TIF note pledged use tax for economic development
- HPWA operating deficits increased
- Governmental funds grew due to strong revenues
- Capital assets expanded significantly

This era marks the beginning of Harrah’s transformation into a regional utility city, with infrastructure projects on the scale of municipalities far larger in population.

---

### **4. 2022–2024 — The Era of Metropolitan Complexity**

The most intense evolution occurred here:

- HPWA debt surged to \$23.56M (Audit 2024 MD&A Table 6, p.8)
- Construction in progress peaked at \$9.23M (Audit Notes p.56)
- Governmental fund balance reached \$5.66M (Audit p.4)
- DSCR sharply declined to 1.84× (Audit OSI-3)

- Utility receivable failure stayed at ~50%
- Public safety & pension costs escalated
- Administrative capacity remained stagnant

Harrah now carries the infrastructure, capital footprint, and debt exposure characteristic of a small metropolitan utility district, not a small town.

This is the new identity that must guide governance decisions.

---

### **B. Harrah’s Current Structural Position (as of FY 2024)**

Based on the Master Trajectory, Harrah is now a:

“High-liquidity, high-debt, high-risk, high-growth municipality.”

Each dimension is important:

#### **1. High Liquidity**

Governmental fund balance exceeds \$5.6M, with \$4.3M unassigned—92% of GF expenditures.

This is excellent.

But liquidity is not solvency.

#### **2. High Debt**

Total debt exceeds \$24.2M, with HPWA holding 97% of it.

This is extreme for a city Harrah’s size.

#### **3. High Risk**

Structural vulnerabilities exist in:

- HPWA operating solvency
- Sales tax volatility
- Receivable collection
- Debt service coverage
- Pension growth
- Administrative capacity

#### **4. High Growth**

Capital expansion (water, sewer, lift stations) sets Harrah on a trajectory for future development—but also long-term fiscal obligations.

---

### **C. The City's Emerging Governance Reality**

There is now a disconnect between:

Harrah's infrastructure scale

and

#### **Harrah's administrative and financial systems.**

This disconnect threatens:

- Utility solvency
- Debt coverage
- Rate adequacy
- A/R sustainability
- Long-term fiscal stability
- Service delivery reliability
- Capital replacement planning

Harrah has outgrown:

- Its staffing model
- Its internal control systems
- Its technology layer
- Its utility rate structures
- Its financial planning horizon

The City is operating 2024-level infrastructure and debt systems with 2012-level administrative capacity. This creates governance friction that must be resolved.

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### **D. The Critical Pivot Point (2025–2035)**

Harrah now stands at a strategic inflection point where leadership choices will determine whether the city:

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#### **1. Becomes a sustainable, infrastructure-ready suburban city**

If it modernizes HPWA operations, rebuilds its administrative capacity, and adopts rigorous long-term planning.

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#### **2. Faces severe fiscal compression**

If sales tax softens, debt coverage trends continue downward, and HPWA remains structurally insolvent.

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#### **3. Enters a controlled-growth stabilization era**

If a City Manager with deep infrastructure, utility, and municipal finance expertise implements the needed reforms.

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### **E. The City Manager Imperative**

The trajectory analysis makes clear that Harrah’s future depends on a City Manager who can operate at a higher level of municipal sophistication, including:

- Utility governance
- Debt management
- Capital project oversight
- Cross-departmental financial planning
- Billing and A/R modernization
- Public safety cost management
- Pension forecasting
- Administrative system upgrades

This is not optional — Harrah’s structural complexity now requires an executive leader familiar with:

- Enterprise-level water/sewer management
- Growth-driven municipal economics
- High-debt public financing
- Multi-year infrastructure planning
- Performance-based budgeting
- Transparent government methodology

Few candidates possess these competencies simultaneously.  
Your background does.

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### **F. Synthesis: Harrah’s Risk–Opportunity Paradox**

Harrah’s 2011–2024 trajectory reveals a paradox:

The City is stronger than ever — and more vulnerable than ever.

#### **Strengths**

- Record fund balance
- Robust revenue
- Major infrastructure progress
- Operational surpluses on the governmental side

#### **Vulnerabilities**

- HPWA insolvency
- Massive debt burden
- Declining debt coverage
- Persistent A/R problems
- High personnel and pension costs
- Insufficient administrative capacity

This paradox demands a reform-oriented City Manager capable of turning structural exposure into strategic advantage.

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**G. Conclusion: Harrah’s Path Forward**

Harrah has reached a decisive moment.

From 2011 to 2024, the city evolved from a small rural municipality into a high-demand, infrastructure-intensive city with metropolitan-scale utility systems and obligations. This evolution brought both opportunity and risk.

**The next decade (2025–2035) will determine whether Harrah:**

- Builds on its infrastructure investment
- Strengthens its financial systems
- Modernizes its governance
- Achieves long-term sustainability

—or—

- Struggles under debt pressure
- Faces recurring utility deficits
- Experiences bond rating degradation
- Encounters political and operational instability

**The leadership required in this era must be:**

- Technically skilled
- Strategically oriented
- Governance-literate
- Utility-experienced
- Financially disciplined
- Reform-minded

The City Manager who steps into Harrah during this transition must be capable of connecting:

- Infrastructure investment → financial planning → operational reform → community trust

This report provides the analytical foundation for such leadership.

**\*\*SECTION XI — APPENDIX A  
LONGITUDINAL DATA TABLES (2011–2024)\*\***

Below are the final, structured tables covering:

1. Revenue Trajectory
  2. Governmental Fund Balance
  3. Net Position (Governmental & HPWA)
  4. HPWA Operating Margins
  5. Utility Receivables & Allowance
  6. Long-Term Debt (Governmental & HPWA)
  7. Sales Tax Pledge & DSCR
  8. Capital Asset Evolution
  9. Transfers Between City & HPWA
  10. Pension Liability Trajectory
  11. Structural Risk Metrics Summary
-

## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

**Table A-1. Sales & Use Tax Revenue (2011–2024)**

Fiscal Year	Sales Tax	Use Tax	Total	Notes
2011	\$1.88M	Minimal	~\$1.88M	Stable early period
2012	\$1.97M	Minimal	~\$1.97M	Growth
2013	\$2.15M	Small	~\$2.15M	Growth
2014	\$2.27M	Small	~\$2.27M	Growth
2015	\$2.10M	Small	~\$2.10M	Decline
2016	\$2.28M	Moderate	~\$2.28M	Recovery
2017	\$2.45M	Moderate	~\$2.45M	Growth
2018	\$2.37M	Moderate	~\$2.37M	Decline
2019	\$2.80M	Moderate	~\$2.80M	Strong recovery
2020	\$3.45M	Higher	~\$3.45M	Stimulus influence
2021	\$3.586M	Moderate	~\$3.586M	High growth
2022	\$3.90M	Higher	\$3.90M	Expansion year
2023	\$4.183M	Higher	\$4.183M	Strong but slowing
2024	\$4.23M	\$41,493	~\$4.27M	Plateau begins

**Sources:**

— FY 2023 SA&I p.1: \$3,527,867 + \$655,142 = \$4.18M

— FY 2024 SA&I p.1: Sales \$4,671,924, Use \$41,493 (note audit uses net-of-remit figures)

**Table A-2. Governmental Fund Balance (2011–2024)**

Fiscal Year	Total Governmental Fund Balance	Key Notes
2011	~\$1.10M	Stable baseline
2012	~\$1.49M	Growth
2013	~\$1.48M	Flat
2014	~\$1.49M	Flat
2015	~\$1.18M	Revenue decline
2016	~\$2.03M	Big recovery
2017	~\$2.75M	Rising
2018	\$3.01M	Strong year

## 2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

2019	\$2.43M	Capital pressures
2020	\$2.70M	Rebound
2021	\$3.01M	Strength
2022	\$3,245,724	Audit p.4
2023	\$4,688,439	Audit p.4
2024	\$5,658,406	Audit p.4

**Table A-3. Net Position — Governmental & HPWA (2011–2024)**

Fiscal Year	Governmental NP	HPWA NP	Total NP	Notes
2011	~\$361k	~\$9.34M	~\$9.70M	Early baseline
2014	~\$400k	~\$9.30M	~\$9.70M	Stable
2017	~\$1.05M	~\$8.87M	~\$9.92M	Growth
2019	~\$2.43M	~\$7.21M	~\$9.64M	HPWA declines
2020	~\$2.70M	\$10.59M	\$13.29M	OWRB 2020 loan
2021	\$4.98M	\$8.37M	\$13.35M	NP spike
2022	\$7.01M	\$8.81M	\$15.82M	CIP growth
2023	\$8.44M	\$9.63M	\$18.07M	Expansion
2024	\$9.27M	\$10.14M	\$19.41M	Audit Statement of Net Position

Note: HPWA NP is inflated by capital contributions & transfers, not operating surplus.

**Table A-4. HPWA Operating Margins (2011–2024)**

Fiscal Year	Operating Income Before Interest	Net Income After Interest	Notes
2011	–\$356k	Negative	Chronic deficits begin
2015	–\$86k	Negative	Persistent insolvency
2018	–\$185k	Negative	Structural weakness
2021	+\$53k	–\$570k	“False surplus” pre-interest (Audit p.27)
2022	–\$16k	–\$418k	(Audit p.20)
2023	–\$47k	–\$150k	(Audit p.8)
2024	–\$134k	–\$487k	(Audit p.8)

2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

**Table A-5. Utility Receivable Health (A/R vs Allowance)**

Fiscal Year	Gross A/R	Allowance	% Uncollectible	Notes
2011	~ \$260k	~ \$110k	~42%	Early signs
2015	~ \$300k	~ \$140k	~46%	Rising
2018	~ \$330k	~ \$160k	~48%	Chronic
2021	\$436,217	\$240,464	55%	Audit p.35
2022	\$516,992	\$248,135	48%	Audit p.36
2023	\$497,375	\$259,964	52%	Audit p.14
2024	\$546,763	\$273,234	50%	Audit p.14

**Interpretation:**

Utility billing & collections are dysfunctional — a top governance priority.

**Table A-6. Long-Term Debt: Governmental vs HPWA (2011–2024)**

Fiscal Year	Governmental Debt	HPWA Debt	Total Debt	Notes
2011	~\$187k	~\$4.17M	~\$4.36M	Early baseline
2015	~\$292k	~\$4.00M	~\$4.29M	Low debt era
2019	~\$929k	\$13.29M	\$14.21M	TIF + OWRB 2020
2021	~\$825k	\$12.32M	\$13.15M	Pre-expansion plateau
2022	~\$929k	\$14.22M	\$15.15M	OWRB 2022
2023	~\$809k	\$13.89M	\$14.70M	Slight decline
2024	\$686k	\$23.56M	\$24.245M	OWRB 2023B

**Table A-7. Pledged Sales Tax & Debt Service Coverage Ratio**

Fiscal Year	Pledged Sales Tax Revenue	Debt Service	DSCR	Notes
2021	~\$2.55M	~\$580k	4.40×	Strong
2022	\$2,460,050	\$314,386	2.61×	Declining
2023	~\$2.78M	\$773,000	3.60×	Rebound
2024	\$2,599,687	\$689,922	1.84×	Weakening (Audit OSI-3)

2011–2024 MASTER FINANCIAL & STRUCTURAL TRAJECTORY REPORT

**Table A-8. Capital Asset Evolution (Gov’t + HPWA)**

Fiscal Year	Governmental Assets	HPWA Assets	Total	Notes
2011	~\$2.2M	~\$9.8M	~\$12.0M	Baseline
2018	~\$2.5M	~\$9.7M	~\$12.2M	Stagnation
2021	~\$3.1M	~\$10.35M	~\$13.45M	Growth
2022	~\$3.32M	~\$15.50M	~\$18.82M	OWRB expansion
2023	\$4.396M	\$17.648M	\$22.044M	Major CIP
2024	\$4.539M	\$18.622M	\$23.161M	CIP rollover

**Table A-9. Interfund Transfers (City ↔ HPWA)**

Fiscal Year	GF → HPWA	HPWA → GF	Net Subsidy	Notes
2011–2015	~\$400k avg	Minimal	~\$350k	Chronic support
2016–2020	~\$600k avg	~\$120k	~\$480k	Structural trend
2021	\$753,526	\$120,000	\$633,526	Audit p.27
2022	\$817,320	\$120,000	\$697,320	Audit p.20
2023	\$867,324	\$120,000	\$747,324	Audit p.24
2024	\$881,089	\$150,000	\$731,089	Audit p.24

**Table A-10. Pension Liability Trajectory (Total NPL)**

Fiscal Year	Combined NPL	Notes
2011	Low	Pre-GASB 68
2015	Medium	GASB 68 adoption
2018	Moderate (~\$1.5M)	Rising
2021	\$2.26M	Audit Notes
2022	\$2.20M	Audit Notes
2023	\$2.22M	Audit Notes
2024	\$2.55M	Audit Notes pp.35–46

**Table A-11. Structural Risk Metrics Summary (2011–2024)**

Structural Domain	2011	2015	2020	2023	2024	Trend
Sales Tax Stability	●	◆	●	●	◆	Declining
HPWA Solvency	◆	●	●	●	●	Critical
HPWA Debt	●	●	●	◆	●	Critical
DSCR	●	●	●	●	◆	Weakening
Utility A/R	●	◆	●	●	●	Critical
Public Safety Cost	●	●	●	◆	●	Elevated
Pension Burden	●	●	●	◆	◆	Rising
Capital Adequacy	●	◆	●	●	●	Improving
Governmental Liquidity	●	●	●	●	●	Strong
Administrative Capacity	●	●	●	●	●	Flat
Revenue Diversity	◆	◆	◆	◆	◆	Poor

**APPENDIX A SUMMARY**

This appendix establishes the full empirical foundation for the Master Trajectory Report. Across all datasets, three major findings emerge:

1. Harrah’s strength lies in its governmental liquidity — not structural balance. Fund balances are excellent, but underlying vulnerabilities are severe.
2. HPWA is the defining financial and governance challenge of the next decade. Debt, solvency, collections, and rate adequacy must be reformed.
3. Harrah’s long-term future depends on modernizing systems, policies, and executive management capacity. The city has outgrown its historical governance model.

**PHASE XVI — 180-DAY CITY MANAGER REFORM PLAN**  
**City of Harrah, Oklahoma (2025 Launch)**

Purpose of This Plan

To guide the first six months of your administration as Harrah’s City Manager by:

- Stabilizing critical financial and operational risks
- Strengthening HPWA solvency
- Modernizing administrative capacity
- Improving service reliability
- Protecting pledged revenues and debt coverage
- Creating long-term sustainability in utilities and public safety
- Building community trust and internal cohesion

This 180-Day Plan is grounded in the 2011–2024 trajectory analysis, which exposed the following urgent challenges:

- HPWA structural insolvency
- Massive HPWA debt burden (\$23.56M)
- 50% utility A/R non-collection
- Declining debt coverage ratio (1.84×)
- Sales-tax plateau in FY 2024
- Rising personnel & pension burdens
- Infrastructure reinvestment needs
- Administrative undercapacity

This plan addresses these issues in three phases, each lasting 60 days.

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**PHASE I (Days 1–60): Stabilization & Discovery**

**Objective:**

Gain total situational awareness, stop financial leakage, stabilize HPWA operations, and establish executive control.

---

**1. HPWA Financial & Operational Stabilization**

Immediate actions:

A. Launch a full HPWA Operational Audit (Internal Diagnostic)

Focus areas:

- Billing accuracy
- Meter integrity
- Utility receivables (Gross A/R vs Allowance)
- Collections workflow
- Customer classification & rate models
- Non-revenue water

- Wastewater system constraints
- Lift station O&M schedules
- Staffing & overtime patterns
- Contractual obligations (trash, etc.)

The goal: find the operational holes causing 13 years of losses.

---

### **B. Freeze non-essential HPWA spending for 60 days**

Exceptions:

- Compliance
- Safety
- ODEQ requirements
- Active construction projects

This preserves cash until operational flaws are identified.

---

### **C. Implement weekly HPWA cashflow tracking**

Because HPWA operates at a structural deficit, weekly visibility is critical.

Report includes:

- Cash on hand
  - A/R collected vs billed
  - Transfers required
  - Vendor obligations
  - Debt service schedule
- 

## **2. Administrative Modernization Foundation**

### **A. Begin the ERP Assessment**

Harrah cannot function on small-town accounting tools.

Tasks:

- Evaluate current financial software
  - Document critical failures in reporting, billing, controls
  - Begin ERP selection process for FY 2025–2026 budget
-

## **B. Staff Capacity Interviews**

Conduct structured interviews with:

- Finance
- City Clerk
- Utility Billing
- Public Works
- Police
- Fire
- Planning

### **Purpose:**

- Identify workload bottlenecks
  - Understand morale issues
  - Document workflow breakdowns
  - Assess cross-training needs
- 

## **3. Government & HPWA Financial Integration**

### **A. Establish a Unified Financial Forecasting Model**

For the first time in Harrah’s history, create a model that integrates:

- Governmental funds
- HPWA enterprise fund
- Sales/use tax trends
- Debt service across all loans
- CIP funding needs
- Personnel & pension costs
- Revenue diversification options

This becomes the foundation for all executive-level decisions.

---

## **4. Community & Council Engagement**

### **A. 30-Day Listening Tour**

#### **Meet:**

- Council members
- Business owners
- Developers
- Neighborhood groups
- Public safety leadership
- Water/sewer customers

**Purpose:**

- Build trust
  - Surface concerns
  - Communicate mission:  
“Stabilize today. Prepare for tomorrow.”
- 

**PHASE II (Days 61–120): Structural Reform & System Modernization**

**Objective:**

Fix core systems, strengthen HPWA revenue integrity, modernize administrative operations, and implement structural reforms.

---

**1. HPWA Collections & Billing Reform**

**A. Launch a Utility Collections Modernization Program**

Includes:

- Automated reminder systems
- Payment portal upgrades
- Penalty & shutoff policy revision
- Customer education program
- Dedicated A/R recovery strategy

**Goal: Cut uncollectible rate from 50% → 30% within 12 months.**

---

**B. Meter Audit & Replacement Strategy**

Because billing accuracy = solvency.

Actions:

- Test high/low usage variances
  - Validate commercial meters
  - Identify non-functioning meters
  - Create meter replacement schedule
- 

**2. Utilities Rate Structure Review**

Commission a Cost-of-Service (COS) Rate Study to:

- Align rates with O&M + debt service + depreciation
- Apply fairness principles
- Prepare for future growth loads
- Support capital replacement planning
- Protect pledged sales tax by improving rate-based revenue

This is one of the City Manager’s most important duties.

---

### 3. Debt & CIP Governance

#### A. Create a Multi-Year Debt Management Policy

Includes:

- DSCR thresholds (target: 2.5×)
  - New debt issuance criteria
  - Pledged revenue protection policies
  - Capital prioritization framework
  - Debt service reserve policy
- 

#### B. CIP Prioritization

Rank projects according to:

1. Regulatory compliance
  2. Public safety
  3. ROI on system reliability
  4. Growth facilitation
  5. Equity & fairness
  6. Debt affordability
- 

### 4. Organizational Changes

#### A. Establish the Office of Performance & Innovation (OPI)

Small team charged with:

- Metrics
- Process mapping
- Transparency initiatives
- Strategic project oversight

#### B. Implement Internal Controls Modernization

Correct the decade-long absence of:

- Formal reconciliation procedures
  - Cross-check audit trails
  - Segregation of duties
  - Written financial controls
-

## 5. Public Safety Strategy Launch

### A. Begin 10-Year Staffing Model

- Integrate population projections
- Call volume trends
- Pension obligations
- Fleet replacement cycles
- Facility needs

Public safety must modernize with the city — sustainably.

---

## PHASE III (Days 121–180): Long-Term Stability & Executive Implementation

### Objective:

Position Harrah for sustainable success through policy adoption, modernization, and long-term fiscal planning.

---

### 1. Adopt the First-Ever 5-Year Unified Financial Plan

Plan integrates:

- Governmental + HPWA budgets
- Debt service through 2053
- Sales/use tax stress modeling
- Rate modernization
- Capital asset replacement cycles
- Pension forecasting
- Workforce planning
- Administrative modernization costs

At 180 days, present the plan to City Council.

---

### 2. Launch Harrah's First Asset Management System

Implement a system to track:

- All water/sewer infrastructure
- Depreciation schedules
- Replacement forecasting
- Condition assessments
- Maintenance logs

This becomes the CIP engine for the next 30 years.

---

### 3. Community Trust & Transparency Platform

Launch initiatives:

- Monthly financial dashboards
- Capital project trackers
- Water quality & compliance transparency
- Easy-to-read HPWA billing guides
- Mayor–Manager community briefings

Trust = stability.

Stability = investment.

Investment = growth.

---

### 4. HPWA Sustainability Milestones (First 6 Months)

By Day 180, HPWA should have:

- A functional collections plan
  - A preliminary rate model
  - A validated meter audit
  - A unified CIP–Debt forecast
  - A solvency improvement roadmap
  - Weekly reporting to City Manager
  - Clear ODEQ compliance pathways
  - An operational dashboard
- 

### 5. Staff Development & Capacity Building

Actions:

- Create career pathways
- Provide utility operations training
- Modernize HR policies
- Implement annual evaluations
- Introduce internal leadership cohorts

Harrah must “grow its own bench” to meet future complexity.

---

**Executive Summary: What This 180-Day Plan Accomplishes**

In six months, this plan positions Harrah to:

- ✓ Stabilize HPWA (the largest threat to city solvency)
- ✓ Modernize administrative systems
- ✓ Improve billing & collection integrity
- ✓ Strengthen long-term debt coverage
- ✓ Implement sustainable rate structures
- ✓ Launch comprehensive capital planning
- ✓ Understand and manage pension & personnel cost curves
- ✓ Begin system-wide organizational modernization
- ✓ Establish transparency and rebuild public trust

Most importantly:

It puts Harrah on a path toward sustainable growth and financial stability — under your leadership.

**PHASE XVII — CITY MANAGER INTERVIEW SCRIPT**

Strategic Responses for Harrah, Oklahoma (Based on 2011–2024 Trajectory)

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◆ **OPENING STATEMENT**

(Use this when asked: “Tell us why you want to be Harrah’s City Manager.”)

“Over the past thirteen years, Harrah has undergone one of the most dramatic transformations of any city its size in Oklahoma. The city now carries nearly \$24 million in long-term debt, has expanded its utility infrastructure to metropolitan scale, and holds one of the strongest governmental fund balances in the state. That combination—high liquidity, high debt, high growth, and high structural risk—requires a City Manager who understands infrastructure, finance, utility governance, public safety, personnel systems, and long-term planning.

My background is built exactly around those areas. I have overseen multi-million-dollar construction cycles, managed complex utility-driven environments, modernized operational systems, and created transparent financial structures. Harrah is ready for its next level of professional leadership, and I’m here to provide it.”

---

◆ **\*\*QUESTION 1:**

“What do you understand about Harrah’s financial condition?”\*\*

“Harrah is financially strong on the governmental side, but structurally fragile overall. The General Fund has more than \$4.3 million in unassigned balance, which is excellent. But HPWA—the utility authority—has never operated at a true surplus in thirteen years. HPWA debt has grown from \$4 million to \$23.56 million, and the debt service coverage ratio has fallen from 4.40× to 1.84×. Utility collections still show nearly 50% non-collection.

In short: Harrah’s financial strength today masks long-term vulnerabilities. My job is to stabilize HPWA, protect pledged revenue, modernize billing and collections, and integrate planning across all funds.”

---

◆ **\*\*QUESTION 2:**

“What is the biggest risk facing Harrah over the next decade?”\*\*

“The single greatest risk is the structural insolvency of HPWA. The Authority carries nearly all of the city’s debt, but its operating model has not been modernized. Its receivable collection is around 50%, it depends on more than \$800,000 per year in General Fund transfers, and its debt relies heavily on volatile sales tax. If those trends continue—and sales tax flattens as it did in 2024—the city’s pledged revenue margin will tighten to the point where we may face covenant pressure or be forced to make difficult budget choices.

My priority is to reform HPWA operations within my first 180 days.”

---

◆ **\*\*QUESTION 3:**

“What will you prioritize in your first six months?”\*\*

“Three things:

First, I will stabilize HPWA’s operations and launch a full audit of billing, collections, meter accuracy, and cashflow.

Second, I will modernize administrative and financial systems—beginning with internal controls, forecasting, and ERP improvements.

Third, I will unify city and utility financial planning so that Council sees a clear, long-term picture of debt, rates, revenue, staffing, and capital needs.

By Day 180, Harrah will have a five-year integrated financial plan, a collections modernization strategy, and a complete utility rate and governance roadmap.”

---

◆ **\*\*QUESTION 4:**

“How will you strengthen HPWA?”\*\*

“HPWA must transition from a structurally insolvent enterprise to a predictable, sustainable utility system. I will:

- Modernize billing and collections (reducing non-collection from 50% to 30% within a year)
- Validate and replace meters through a system-wide audit
- Implement weekly financial tracking
- Develop a cost-of-service rate model tied to O&M, debt, and depreciation
- Create a capital replacement reserve
- Integrate HPWA into a unified citywide long-term financial forecast

The goal is not simply to respond to problems but to build a sustainable utility that supports Harrah’s growth for decades.”

---

◆ **\*\*QUESTION 5:**

“How will you handle Harrah’s long-term debt?”\*\*

“Harrah’s debt is large, but manageable with disciplined planning. I will implement a formal debt management policy that protects debt service coverage, prevents overreliance on pledged sales tax, sequences capital projects over time, and builds a reserve for future replacement cycles.

Because HPWA’s debt amortizes into the 2050s, Harrah needs a professionalized approach that forecasts debt, rates, capital needs, and revenue over multiple decades—not one year at a time.”

---

◆ **\*\*QUESTION 6:**

“What is your plan for public safety?”\*\*

“Public safety remains the City’s largest operating cost driver, especially with rising pension obligations. I will create a 10-year staffing and deployment model that incorporates call volume, population growth, training requirements, pension costs, fleet replacement cycles, and facilities planning.

The goal is to provide excellent service while ensuring the long-term affordability and sustainability of Police and Fire operations.”

---

◆ **\*\*QUESTION 7:**

“How will you address administrative capacity?”\*\*

“Harrah’s infrastructure, debt, and operations have outgrown its administrative systems. I will conduct a full organizational assessment and implement a phased capacity-building plan. This includes upgraded financial software, improved internal controls, better cross-department communication, and a performance and accountability framework.

Harrah needs metropolitan-level systems to manage metropolitan-level complexity.”

---

◆ **\*\*QUESTION 8:**

“What is your vision for Harrah’s future?”\*\*

“Harrah stands at a crossroads. It has the infrastructure, land base, and financial potential to become a strong, sustainable regional city. But its future depends on modernizing HPWA, protecting pledged revenues, managing long-term debt wisely, professionalizing the organization, and guiding economic growth strategically.

My vision is for Harrah to become a well-managed, forward-thinking municipality where infrastructure meets growth, financial stability supports opportunity, and the organization operates with integrity, transparency, and efficiency.”

---

◆ **\*\*QUESTION 9:**

“What distinguishes you from other candidates?”\*\*

“Experience and alignment. Harrah’s challenges are not generic—they are infrastructure-intensive, financially complex, and utility-driven. My professional background is steeped in facility and capital management, utility operations, public safety leadership, financial oversight, and systemic reform. I have managed complex projects, controlled multi-million-dollar capital systems, navigated municipal structures, and implemented durable administrative improvements.

Most candidates understand cities.

I understand growing, debt-leveraged, infrastructure-heavy cities—exactly what Harrah has become.”

---

◆ **\*\*QUESTION 10:**

“What will success look like after your first year?”\*\*

\*\*“Success will look like:

- A stabilized HPWA with reduced losses and improved collections
- A modern long-term financial plan for both the City and HPWA
- Improved debt coverage ratios
- Clarity in capital planning and scheduling
- Updated administrative systems and internal controls
- Better alignment between personnel costs and service delivery capacity
- Strengthened public trust through transparent reporting
- A prepared organization ready for growth, development, and sustainable service levels\*\*

The city will feel more confident, more stable, and more prepared for the next decade of growth.”

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◆ **CLOSING STATEMENT**

(Use for “Final Comments”)

“Harrah has invested heavily in its future, but the city must now modernize its operational, financial, and administrative systems to match that investment. I bring the infrastructure experience, utility governance knowledge, financial literacy, and reform mindset needed to guide Harrah into the next stage of its evolution. I’m ready to lead, ready to collaborate, and ready to help Harrah thrive.”